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Mardi 5 mars 2002

Standing committee on finance and economic affairs

Comité permanent des finances et des affaires économiques

Pre-budget consultations

Consultations prébudgétaires

Chair: Marcel Beaubien
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Tuesday 5 March 2002

Mardi 5 mars 2002

The committee met at 1001 in room 151.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Marcel Beaubien): Good morning, everyone. It is 10 o'clock and I'd like to bring the standing committee on finance and economic affairs to order.

RETAIL COUNCIL OF CANADA

The Chair: Our first presentation this morning is from the Retail Council of Canada. I see you're nice and comfortable in your chair. If you could identify yourself for the record, on behalf of the committee, welcome. You have 20 minutes for your presentation this morning.

Mr Peter Woolford: My name is Peter Woolford. I'm with the Retail Council of Canada. It's a pleasure to be here this morning. I will take perhaps about 10 minutes for my presentation and then I'll be glad to answer any questions from the committee.

What I will do this morning is introduce our organization, spend a fair amount of time talking about the current economic circumstances as we see them—I think that would be particularly helpful for the committee—and then give you our policy advice.

Very quickly, Retail Council of Canada is the voice of retailing in the country. We represent general merchandise retailers. Over 3,500 Ontario retailers are members of Retail Council of Canada. They come from all channels of distribution—that is, traditional stores, e-retailers, catalogue sellers and so on—all formats—big box, street front, mall, what have you—and all merchandise categories from drug through specialty retailers, departments stores, the full range. We represent, we estimate, roughly two thirds of all general merchandise retail sales in the province.

Let me talk very quickly about the experience our members had in 2001. As members know, the economy was soft and we saw that in our sales through the first three quarters of last year. Overall for the year in Ontario, retail sales rose by just under 3%. Despite that weak economy, the terrorist attacks and the uncertainty that followed, we still saw 2.6% retail sales growth in the fourth quarter. The sales over the holiday season were in fact substantially stronger than our members had feared. That talks well to the continuing confidence of consumers, and that's a theme I'll return to.

One of the very good pieces of news coming out of our members' experience over the last year was that, coming out of 2001, inventories in retail stores, and in fact in the supply chain, were quite lean. That means that if we've been through a period of slow growth and anticipate some growth going forward, the demand will translate back into activity in the supply chain quite quickly. That lean inventory position coming out of the holiday season did come at the expense of margins.

Let me talk a little bit now about conditions in 2002, essentially the first two months of this year. We've been talking to our members on an ongoing basis with some real focus in the last two weeks to get a sense of where things are at in preparation for this appearance. So far, again, the story is quite positive. Our members are reporting that their sales in the first two months of this year are stronger than expected and stronger than they were this time last year. This pattern is broadly consistent across all categories of merchandise and across all price points. Where we do see some retailers reporting softer performance, we believe that's coming from difficulties that particular format or that particular category of merchandise faces. Perhaps the easiest example would be music, where we're seeing customers moving from the retail store format to buying their music on-line.

We do see, in terms of regional patterns, very mixed reports for Ontario. Our members have not given us a clear picture as to where Ontario sits within the national average. Some say Ontario is stronger and others say Ontario is a little softer than the national average and yet others say it's bang on, so I don't have a clear crystallization of what is actually happening in Ontario relative to other provinces.

The patterns of behaviour by consumers are rock-steady. Average store counts—that is, the number of customers coming into the store—are unchanged over last year or up very slightly; the average ticket is unchanged or up very slightly; and the conversion rate—that is, the number of consumers who actually buy something as opposed to those who just come into the store—has stayed steady.

Inventories remain very lean among our members. Part of that is the investment that retailers have made in recent years to move to a just-in-time inventory system, and they're seeing that pay off now in situations of some turbulence. But it is, again, good news for the economy in terms of being able to translate demand back into activity up the supply chain quite quickly.

One thing I would flag to the committee is the impact of the decline in the value of the Canadian dollar over the last year. That certainly has made merchandise more expensive for retailers, and they have asked us to express that concern. We believe that at the federal level all the government can do is maintain its current course, but our members have signalled that as a potential for some cost increases down the road, if we don't see some turnaround in that.

Looking toward the outlook for 2002, our original forecast coming into this year was essentially for flat sales in the first half of 2002, some recovery in the third quarter and then stronger sales in the fourth quarter. Our members now are rather more optimistic about the first half and expect that in fact there will be some sales growth in the first half of this year. There is still some uncertainty in the industry as to what that means for the second half. Whether the second half will stay relatively soft in the third quarter and then strengthen in the fourth quarter, or whether the better performance in the first half will mean stronger performance yet again in the second half, we simply can't predict at this point.

Let me talk a little bit about why we're seeing this rather more buoyant experience to date than forecast. The first key piece is that consumer confidence has stayed up. Despite the variety of very negative influences, consumers have retained their confidence in their current economic situation. Why is that?

First of all, job creation has continued. It certainly is softer than many would like, but it has continue to grow.

We have seen that the recession is limited to manufacturing, and in fact to a few sectors within that part of the economy. So again, the impact of the slowdown has not spread the way it has in previous downturns.

We now see the US recovering faster and sooner than expected.

A key role has been played by interest rates. First of all, we've seen that housing has stayed very strong, and that has played into retail sales for anything to do with the home. Second, borrowing costs have been substantially lower for consumers in the last year. I saw some research done by the federal government recently which suggested that for the average Canadian holding a $100,000 mortgage, they have saved in mortgage costs over the last year, if they were able to refinance, close to $2,000; in fact, over $2,000 for the full year. That's a tremendous addition to the family's bottom line and certainly will have helped to sustain their spending patterns.

Finally, the tax cuts at the federal level more recently have put additional dollars back in the pockets of consumers.

Our policy advice for the government for this year is actually quite simple and straightforward. In light of the still somewhat uncertain but promising circumstances, our advice is that the government should stay the course it has set. We would argue there should be no tax increases, that government should make maximum efforts to control its spending and ensure that in 2002-03 there is no deficit.

Let me talk then a little bit about the longer-term policy our members would advocate. They continue to be concerned about the disposable income available to Ontarians. Looking at it from that perspective, our members still see a need to reduce taxes. Our message at the federal level is focused especially on payroll taxes, particularly the employment insurance program. At the provincial level, our members would still like to see some further action, when fiscal circumstances permit it, on the provincial sales tax and on personal income taxes.

There is one technical issue I would like to signal to the committee. Herbal and natural remedies have become a large and rapidly growing market. Consumers have moved into the practice of buying these products and using them to treat a variety of challenges they face in terms of their health. The tax status of these many products is unclear. I had meant to bring a variety of products this morning, particularly echinacea, and I could have divided them into three categories here this morning. Some of the products, by virtue of their claims, are taxable; for some, by virtue of what's said on them, their tax status is unsure; and some, because they make no claim, are not taxable. That's clearly an untenable situation. The clerk in the store doesn't know what the situation is and it's absolutely impossible to explain to the consumer why this bottle of this product is taxable and this bottle is not. This is a significant and growing problem and we call upon the government to resolve it as a matter of some urgency. We don't have any predisposed notion as to what that solution should be, but we do need a clear, administrable solution to this matter.

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Finally, some words on red tape: we believe the work of the commission on red tape in Ontario has helped to lower the costs of doing business for our members. We do see that there is now a leadership role that Ontario could play interprovincially and particularly in terms of helping and encouraging other provinces to harmonize their requirements in the area of regulation and other activities. That would allow companies with activities in more than one province not only to have a lower burden of compliance with government requirements but to satisfy different governments with a single set of forms. The best example of that would be the work Ontario has been doing with the federal government on the single business number. We would encourage similar initiatives to be pursued in other parts of activity.

Mr Chairman, those are the comments that I would make on opening. I'd be glad to answer any questions from the committee.

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

Mr John O'Toole (Durham): Thank you very much, Peter; good to see you again. I also commend your retail council for your involvement in the small business advisory council that Mr Spina and I are involved in. Of course, it does come down to trying to make doing business easier for not just small business but all business in Ontario. We've been hearing that throughout the course of discussion.

Yesterday we had a number of presentations. Probably the best was from Don Drummond, an economist with the TD Bank. He laid out a pretty grim picture in some respects for the going-forward numbers. The going-forward numbers in his case are somewhat less optimistic than the government's numbers, as far as I understand them. I guess it comes down to choices. You've laid out in some of your charts here policy advice to the government: no tax increase, control spending and no deficit. That sort of sounds like it's from our own hymn book.

As Mr Drummond points out, there's a possibility of something in the order of a $4-billion deficit, and that number has been around for some time, talking about a shortfall for next year for a lot of reasons. Now, economists are just that, forecasters; they're not actually committed to their numbers, I don't think.

Given the choice between your bottom line here of no deficit and the daunting task facing us in health care and education—pretty well every group that appears before us really wants more money. Ultimately, when you cut to the chase, that is what they all want. The other side is going to say—they're not going to say it clearly but they're going to increase taxes. Of all these choices, increasing taxes or holding the line, what advice would you give to the government, specifically as it affects the consumer? Because raising taxes—they won't be buying echinacea, they won't be buying anything, including cars. So if you raise taxes, what choices, other than the three bullets you've listed here, and advice do you have for the government as we prepare the budget?

Mr Woolford: The advice that our members have asked us to pass on quite clearly is that if the government does face some straightened circumstances this year, they should look first to their expenditure line and should be looking to reduce, constrain, cut back whatever expenditures they have to to get to a deficit. Our members feel that at the present time it would not be appropriate to raise taxes.

Mr Monte Kwinter (York Centre): Thanks, Peter; it's nice to see you again. I want to follow up on Mr O'Toole's question. Don Drummond, when he was here, put out a chart that showed the various projections in a status quo kind of situation: deficits as far as he could see. Afterwards he was interviewed by the media and reported in the press today, and he said the deficit this year in Ontario is going to be $4 billion-plus, and he would like to see anybody tell him how it's not going to be. He's done his numbers. There's no way it can be anything less than that.

There's no question—and I think everybody has talked about it; the Chairman of Management Board has talked about it, some of the contenders for the leadership have talked about it—there is a deficit that is looming on the horizon. Where would you cut? What is the recommendation from your association as to, when we cut expenses, where you would look for those savings?

Mr Woolford: There's no question that the government faces a very, very difficult set of choices. I know our members, and certainly the retail council, recognize we could be accused of ducking the answer when I say I don't know. But at the end of the day our members are simply retailers; they're not managing the fisc. They're not in a position to know where it would be best to take those dollars out.

What they see is from the perspective of the consumer who walks in through their door. That's a consumer who over the last 10 or 12 years has seen their income stay essentially flat, with the exception of the last couple of years. They see patterns of behaviour that are still somewhat cautious. In those circumstances they are concerned that their consumers' economic well-being be maintained, so they get very concerned at thoughts or proposals that the government dip more deeply into the consumer's pocket. I wish I had a better answer for you than that. But at this point anyway our members still feel it would be better for the government to live with the resources it has and adjust its affairs internally to try to deal with that. Having said that, we do recognize that this year, in light of the outlook, is a very, very serious challenge. I'm afraid that's all I can offer.

The Chair: Mr Christopherson.

Mr David Christopherson (Hamilton West): Peter, how are you?

Mr Woolford: Very well, Mr Christopherson. Good to see you again.

Mr Christopherson: Good. Of course, as usual, we pretty much fundamentally disagree on the major issues.

Mr Woolford: I enjoy these debates.

Mr Christopherson: I do too. I'm not sure it gets us anywhere, but it's interesting every year. Let's jump right into it.

Yesterday we had the president and chief executive officer of the Toronto Board of Trade say in her presentation: "From crumbling infrastructure to urban sprawl and increasing homelessness, it is clear that our city, our region, is in decline. If it continues to decline, the prospects for future prosperity for our province decline with it." My point on that comment is, first of all, that I'm thrilled to hear that being said by the business community. That's good. But there is an inherent message in here that the decline in infrastructure, the crumbling infrastructure, urban sprawl and increasing homelessness don't happen in one business quarter or two, three or four; they take years. In my mind, that's a clear condemnation of the government's lack of investment in those key things. I realize there are some people who have done very, very well during the boom. But even the board of trade is clearly acknowledging that infrastructure and homelessness are key issues that are future determinants of economic activity and they're in major decline.

You, as another person representing another segment of the business community, are saying, "No matter what, bring in a balanced budget." I realize you don't have the answers but I pose it to you because, if we go with what you want, these things don't get addressed. How do we square that? In other words, you've got business saying two things at the same time: invest in infrastructure in Toronto and do something about homelessness but don't do anything about the balanced budget. Make sure that's there. How do we do both?

Mr Woolford: You're right. It's a very difficult choice. I think our members hope—and it may not be much more than that—that Canada can find the means to start improving the productivity and competitiveness of our economy. I think there's a recognition that we need to invest in innovation, we need to invest in the activities that will make our private sector stronger so they can generate additional streams of income. As long as it's an argument about a limited pot of money, it will be a zero or perhaps negative-sum gain. I think our members would argue that the way to square that circle over the longer term, which is where you make those investments, would be to look for policies that lead to productive investment, to innovation, to more jobs and to more income.

Within our sector we are certainly doing what we can in terms of investing in the education of our staffs, putting money of retailers on the line to try to improve the efficiency and competitiveness of our trade. So we're trying, in our little piece, to make some progress in that area, and I think all we can suggest is that governments should be looking to the private sector to make similar kinds of steps before we encourage—

Mr Christopherson: You realize, Peter, that kind of thinking is what got us where we are today and we've already had the good times. We don't have the good times to rely on any more.

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

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PEOPLE FOR EDUCATION

The Chair: Our next presentation is from People for Education. I ask the presenters to please come forward and state your names for the record. On behalf of the committee, welcome.

Ms Annie Kidder: My name is Annie Kidder, and I'm a member of People for Education. This is Kathryn Blackett, also a member of People for Education.

I know that over the last few weeks your committee and the government have heard from all the directors of education of Ontario, the Ontario Public School Boards' Association, the Catholic trustees of southern Ontario, teachers' federations and many others involved in the education system. We are here as representatives of a parents' group and we're here with very deep concerns.

Over the last six years, the children of Ontario have been the subject of a grand and not entirely successful experiment. I think you would be very hard-pressed to find any parents in Ontario who would say this experiment was a success or that their children are better off now than they were six years ago. If you ask parents in northern Ontario or in rural areas or in cities, you would find they do not feel that things were better for their children: parents in the Lambton-Kent board, for instance, whose children's schools have closed; parents in the north whose children now spend hours on buses going to other towns in order to receive special education programs; parents in cities whose children are also losing many of the programs.

We haven't come here just to complain, although we are very worried. We've come here, again, with a solution. We at People for Education have been tracking the effects of funding and policy changes on our schools. We're now in our fifth year on elementary schools and in our second year on secondary schools. Tomorrow we will be releasing the 2002 secondary school tracking report, which has many worrying numbers in it.

What we've done is we've gone through the areas that affect parents and children most in their schools, looked at the funding formula and made some suggestions as to how some of the problems could be solved. I've given you the paper on this.

One of the most worrying areas is still special education. The government has spent the last five years trying to work out a formula for special education. We still don't have one. In both, all our tracking reports that schools have complained about how much money and time is wasted on red tape without having time for the children. There are now approximately 46,000 students on waiting lists for special education services in Ontario schools. We have estimated how much it would cost to take those children off the waiting lists. That would be about $65.6 million.

We've looked at the area of small schools, another area of great concern in Ontario. There are many boards that are suffering because they have a large proportion of small schools. We know that over half the elementary schools in Ontario are under the number it takes to generate funding for a full-time principal.

The funding formula for small schools needs to be completely revamped. We've looked at it in two ways. First of all, we looked at the area of principals and secretaries, because you cannot have a school without a principal and a secretary. Right now there are times in some small Ontario schools where children go to the office and there's nobody there at all.

Fourteen per cent of elementary schools don't have full-time principals, which is an increase of 8% in four years. So in four years we've had that much change in schools with full-time principals. Ensuring they all have full-time principals would cost $24.7 million. Four per cent of secondary schools don't have full-time principals, and to ensure they have full-time principals would cost $1.6 million.

Secretaries: principals may not like this, but if you're a parent, the secretary probably seems like the most important person in the school, because they take care of your kids when they're sick. In many ways, they run the school. They are the core, the heart of the school. We have to ensure that all our small schools have secretaries. All we did was adjust the formula down by about 50 students, which would ensure that all the small elementary schools would have secretaries. That would cost $36.7 million.

For the last few years another area of concern has been librarians. We're losing librarians out of our elementary schools at a rapid rate. Ten per cent of school boards now don't have librarians in elementary schools at all. We know that there has been a lot of research done showing the importance of having access to books, amazingly enough, for literacy. We need librarians in those libraries. We need to ensure that the libraries are open full-time, which they are not in a third of the elementary schools now. To have enough librarians in elementary schools and secondary schools would cost $72 million.

Another area in elementary schools where we have seen a huge decline is in specialist teachers, in physical education teachers and music teachers. Music is a core part of the curriculum now, with very rigorous stipulations in it as to what children have to learn. We know how important phys ed is for our children. We've had many reports lately on the lack of fitness in our young people. There's been a 20% drop in the number of schools with phys-ed teachers in the last four years, and there's been a 20% drop in the number of schools with music teachers. To change the formula so that schools between 121 and 500 students have a half-time phys-ed teacher, and schools over 500 students have a full-time phys-ed teacher, would cost $61 million. To do the same thing for music teachers would cost $65 million.

In many parts of Ontario, there are many students who come to school unable to speak English. Sometimes they are born in Canada and are unable to speak English. Sometimes they've been here for a while but they're still unable to speak English. We've seen a drop in ESL programs in elementary schools of 22%. To ensure that they have ESL programs would cost $34 million.

Back to small schools again: if you're in a board and you have a lot of small schools—we went through the funding formula. We checked with a lot of money people on how the funding formula works. We made ourselves a fictitious school of 100 kids, kindergarten to grade 6, and we realized what that would get us was $7,000 in extra funding. I talked to somebody in the Avon Maitland board, which has nearly all small schools. For their top-up for their small schools they get $75,000, which is not enough for them to keep the schools open, to staff them with principals and secretaries. What we've estimated is that for every school with fewer than 200 students—there is a small-school grant, but we need to up the small-school grant to 200 students in elementary schools. To ensure that there's enough funding so that those schools have programs, have enough teachers and have the maintenance they need would cost about $43 million. In secondary schools, to ensure that schools with fewer than 667 students, which is the cut-off for a vice-principal, would have enough staff programs and maintenance would cost nearly $30 million.

We all know that there aren't enough textbooks in Ontario schools. We know that the government cut the grant for textbooks for the new secondary school curriculum by half last year. We need $83 million to provide textbooks for Ontario schools.

Transportation is a huge problem. I think you probably heard from the bus people. It's an ongoing problem. Boards have been promised a funding formula for transportation since 1997. There still isn't one. They're still operating on amounts that they spent in 1997. Kids are riding on buses for longer and longer. Every school that closes means boards have to spend more on busing. There are boards that now say, "We can only afford to bus our kids four days a week." The Ottawa board is thinking of eliminating busing completely. There is not enough money in the transportation budget, and I think everybody knows that. It needs $63 million more.

One of the things we're going to release tomorrow in our tracking report is the amount of user fees charged in Ontario secondary schools. The Minister of Education said last week that it's illegal to charge user fees for credit courses in secondary schools. Some 82% of the schools in our survey charge user fees for labs and classroom materials. In most of the subjects, that amount has gone up since last year. If the minister thinks that this is illegal and should not be happening, then we need at least another $19 million in the budget to cover all these costs. These are fees for workbooks, for photocopying. These are fees for essentials in classes.

The learning opportunities grant is a grant for students at risk. It mostly goes to urban boards and to some northern boards. They're at risk for socio-economic reasons. In 1997, the government's own expert panel estimated that the budget for learning opportunities should be $400 million. The government allotted only $180 million. In January 2000, the government's Education Improvement Commission recommended that the government re-examine the learning opportunities grant. It's remained as low as it is now. We recommend that another $180 million be put in there in order to solve the problems in urban boards and rural boards.

There has been an increase in student enrolment and there has been inflation over the same period of time. To make up for that would cost another $1.2 billion.

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That brings us to a grand total of $2.024 billion necessary to be put back in the system to make our education system something of which we can be proud and that works for students and for the parents who are sending those kids to schools. That's only a cost of $950 per student, and it's less than the amount that the government is right now going to spend on tax cuts for corporations.

We feel our children are much more important than the tax cuts. This is a desperate situation now. We're not wavering on the edge. Boards have really, really hit the wall this year. They have nowhere else to take money from in order to make their programs survive. Boards are looking at massive cuts across the province and at closing another 133 schools just this year.

So what I've come to say to you today is that this is a very urgent situation. Something has to be done right away. The funding formula has to be looked at this year, not next year. It has to be looked at in open, public hearings, and we have to fix the parts of the formula that we know don't work. Thank you.

The Chair: Thank you very much. We have two minutes per caucus, and I'll start with the official opposition.

Mr Gerry Phillips (Scarborough-Agincourt): Thank you, Ms Kidder. You've been a tireless—

Ms Kidder: I'm very tired now, actually. I was up giving children chicken soup at 3 o'clock in the morning, but anyway.

Mr Phillips: You don't show it. You've been tireless for many years, fighting for public education.

My instincts are that the public has heard the concerns but somehow is not listening now. I think you make a very compelling case.

I represent an area in Toronto that's desperately in need. It's had real dramatic cuts in expenditures. But the lure of the tax cut seems to override almost anything, and the government is now committed to corporate taxes 25% below the US. We're not about to match them; we're going to beat them by 25%. Everything I've seen says that our number one asset is a well-educated workforce, but we've decided we're going to compete on the basis of 25% lower corporate taxes. That means, as you point out here, a dramatic problem on funding. In fact, the minister himself said just a few days ago we have a $3-billion to $5-billion problem and it's going to come from cutting expenditures. They're going to solve it by cutting more of the support for education and for community safety and policing.

The Chair: Question, please.

Mr Phillips: My question is, how do we do a better job of communicating this to the public?

Ms Kidder: I think the government needs to look at what's actually happening in schools. I have heard more times than I care to remember, "We're spending more than ever on education." But when you talk to parents and students in the schools and you look at what's actually happening in schools, you know that is not true, that there is not more money in the actual schools. So I think what we have to do is go to the schools, look at the schools and say, "Do you have more or less now than you did six years ago?" And we have to ensure that that's the story that gets told, the story of the students in schools. It has, for too long, stayed up there in this fight between either teachers' federations or school board associations and the government. We have to go back now and look at what's happening to the students.

Mr Christopherson: Thank you again for your presentation. I also want to thank you for all that you do. I don't know if you realize the impact you have, but the work that your organization has done is quoted all across the province as people respond to the need for more funding in our school system. So thank you for that.

You've touched on all the key things.

What I'd like to do maybe is just give you an opportunity to use the fact that you've got TV cameras here and at least some of the government members listening to give them your point of view on what it means to our society to continue to say that tax cuts matter more than giving us education assistants for children who have special needs. Let's start talking to people about what that trade-off has been. Bearing in mind that we just went through the good times and this is what happened to our education system, what does the future hold when we're heading into some tougher times?

Ms Kidder: I think the thing that we've forgotten in our rush to make things more efficient, to make the system work better, to cut the fat from the system—and I'm not denying that there have been areas of waste and still remain some areas of waste, but very few are left—is that we forget, because education costs so much money, that it is the most important investment we can make. There is no other one, not even health care, in terms of the health of the whole society.

Right now there are kids in secondary schools, because there was no curriculum developed for them, who are looking at not being able to graduate. The cost to society of those children for years and years to come will be enormous. Kathryn Blackett was one of the writers of the report on the double cohort. There are as many as 20,000 students who aren't going to be able to get into university in the year 2003-04 because of bad planning on the government's part and because of a lack of investment in post-secondary institutions.

What we need the government and the people of Ontario to do is to remember again why we have a public education system, why it's the most important investment we can make and why it's important that we look at our schools and say, "Do we care about this? Do we think students should have phys-ed teachers? Do we think it's all right that there are more than 40,000 kids waiting for special education assistants?" Those children, too, who don't get the special-ed help that they need now will be burdens on our society later. We need to address those things now, while those kids are in school, while we can give them the help, so that we have a healthy, strong society in which we can all grow old.

Mr O'Toole: Thank you very much. I recognize the work you do in this area.

Just a couple of points, and you could respond when I'm finished. The first thing is the budget. I suspect that we've heard numbers from all of the advocates ranging from $1 billion to $2.5 billion. Yours is a little bit lower than that, but they are big numbers.

When I look at it from the student's perspective in the classroom and the school's perspective, it's approximately, according to the numbers we have, $6,998 on average per student. That's about $7,000. You take a typical school of 500 students: that's $3.5 million going into that school. The problem is, it's going into the wrong place. It's going in up here, and there's not enough chalk in the classroom. So I think we need to drill down and maybe look at school-based funding.

The other thing I want to question you on is that in the numbers I have, and these are published numbers, from 1980 to 1984, 317 schools were closed. That's an average of 64 a year. From 1990 to 1994, there were 131 schools closed; that's 26 in an average year. From 1995 to the present are 206 schools, an average of 34 per year. So there have always been school closures and I think it's important to recognize that.

There is a report you should have a look at which was issued by our researcher. The chart in there shows, including population growth, that the funding since 1995 has changed from $12.8 billion in 1995 to $13.8 billion in 2001-02. It's not written by some government person; it's written by one of the researchers with us today.

That also addresses the increases in the number of students, with something in the order of two million students in Ontario. In summary, it said that education funding per pupil has exceeded 1995 levels throughout the first four years of the student-focused funding model.

The Chair: Question, please.

Mr O'Toole: Some of the information you put out is incorrect. How would you respond to being able to validate the numbers, that you said next year 20,000 students will be unable to find a place in secondary school? Can we hold you to those numbers, or do you keep moving?

Ms Kidder: They're not looking for places in secondary school. They're looking for places in universities.

Mr O'Toole: Post-secondary. You weren't listening.

Ms Kidder: I want to go back to your first point, please. There are laws about administration now, and the money that boards now spend on administration is limited by the funding formula.

In terms of the school closing numbers, we know because—and somebody from the government phoned and said, "How did you get these numbers on school closings?" We said, "Because we phoned every single school board." Sixty schools were closed last year—

Mr O'Toole: Who's funding you?

The Chair: Order, please.

Ms Kidder: —and 60 schools closed the year before.

We are funded by three foundations and by the parents of Ontario who send us $10 and $25 cheques, and school councils. That's who we're funded by.

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The numbers we quote in terms of the study on the double cohort are based also on surveying every single university in Ontario and asking them specifically exactly how many students they are prepared to take and comparing that to the Ontario Universities' Application Centre forecast as to the number of students who in a normal year would be able to get into university. There is a 20,000-student shortfall. That's not for next year; it's for the year after.

Mr O'Toole: Actually—

The Chair: Thank you very much.

Mr O'Toole: Mr Chair, for the record—

The Chair: Order, please.

Mr O'Toole: —in the paper yesterday there were were 10,000 students—

The Chair: Order, please.

On behalf of the committee, thank you very much for your presentation this morning.

CANADIAN UNION OF PUBLIC EMPLOYEES

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

Mr Sid Ryan: Good morning and thank you for the opportunity to make this presentation on behalf of CUPE's almost 200,000 members in this province. We represent membership in all the major sectors in the public sector, from education to health care, municipalities, Hydro, child care, social services, universities. We've got membership in all of them, and of course a lot of the policies of your government directly impact upon all of our members.

Before I get into the presentation, let me introduce the folks who came here with me today. Judy Wilkings and Doug Allan are both researchers with our CUPE national organization. Shelley Gordon also helped to prepare this brief and is a researcher in CUPE. As you can probably see, the brief covers all of the major sectors I talked about, but obviously the time today does not permit me to go through all of those areas, so I'll focus in on some of the ones we find this year to be particularly troublesome.

I would like to start off by talking about the hospital sector, and in particular I want to talk about PFIs. These are these public-private financed initiatives that this government has embarked upon. We think this is a disastrous direction for our province and for health care. You've announced two of them so far, one on the Brampton campus of the William Osler Health Centre and one at the new Royal Ottawa Hospital. I just want to explore how these are not a good deal for the taxpayers in Ontario.

They're not a cost-effective way to deliver health care; experience elsewhere contradicts that claim. The privatization of hospitals leads to increased costs, reduced public accountability, more two-tier health care, fewer hospital beds, and basically an attack on workers' rights. We've got lots of examples we'd like to share with you, and the brief we've presented is chockablock full of examples of where this has been a disaster, particularly in the UK.

There are lots of reasons why it's a disaster. Government can borrow money at a better interest rate than corporations. Corporate shareholders expect a return of 15% to 25% profit. A third factor is the cost of all the lawyers and consultants involved in all of these negotiations. You may think that's a small sum of money, but let me just give you an example. The first 18 PFI initiatives in the UK spent £53 million—that's over $110 million—on consultants.

Am I boring you, John?

Mr O'Toole: No, no. I'm referring to something.

Mr Ryan: The lawyers alone got £24 million—that's $48 million—from the contract for Coventry's Walsgrave Hospital; 17,000 pages of reports, and the consultants actually asked the government to help pay for the reading of these particular reports.

Long lease agreements, 25 years: the government may avoid the appearance of capital spending by paying over 25-year lease periods instead of borrowing upfront, but the taxpayers are always on the hook.

We discovered that in the UK there are fewer beds for patients and fewer jobs in privately built hospitals than for the same amount of investment in publicly built hospitals.

Private investors also save money in hospital construction through shoddy building practices and inappropriate facility design. In Durham, UK, for example, the PFI hospital staff complain of the terrible heat that leaves patients on respiratory wards gasping for breath. Building design requires staff to drag soiled linen and waste through the wards. The pharmacy has been designed without a waiting area and is squeezed right up beside the mortuary, so patients have to contemplate dead bodies going by while waiting for medication. Ambulance bays are so small that a bottleneck is created if four ambulances arrive at the same time.

There is no accountability. There's secrecy of the contracts. Contracts are from 25 to 35 years and can't be reversed, and of course any mistakes that are made cannot be reversed. In particular, we've got some serious concerns around NAFTA and GATS, where we believe that once we privatize these facilities, we'll never be able to bring them back into the public sector. That's a viewpoint that's been circulating for quite some now in the public sector.

We also have evidence here in Canada. Auditors general in most provinces have severely criticized these PPPs and said they're not in the interests of taxpayers. In particular, in Nova Scotia there were some schools being built using this PPP model where the government actually had to scrap the whole notion because they said they could have built an additional five schools for the costs incurred by building 15 schools using PPPs.

So we think this is a really bad deal and one we would seriously hope your government will take a look at, particularly in light of the Ontario Hospital Association's presentation yesterday where they say they're $1 billion short in the system. We think that money would be much better put into front-line services rather than into the pockets of consultants, lawyers and corporations trying to get their share of taxpayers' health care dollars.

A second area we'd like to take a look at is chronic care. We believe that government is cutting back on these vulnerable patients through a backdoor route, redesignating chronic care beds, which receive a certain level of funding, nursing and services, to long-term-care beds, which receive much less funding and thus can't provide as much nursing care or programs to patients.

Three chronic care facilities—St Joseph's in Guelph; the Perley and Rideau Veterans' Health Centre in Ottawa; and the Malden Park Continuing Care Centre in the Windsor Regional Hospital—are all currently affected by this process. Studies conducted by PricewaterhouseCoopers show that Ontario's long-term-care facilities have fewer hours of nursing care than most jurisdictions in Canada and many in the US. It is clear that the redefinition of chronic care beds from complex continuing care to long-term care will create a crisis in care for very vulnerable residents of Ontario. We don't believe this is one of your great "Bright Ideas," as this budget has referred to. We think this is dragging health care back into the Dark Ages.

We'd also like you to take a look at community care access centres. Clearly this is an area where the government's policy has been an absolute disaster. CCACs are rationing health care to vulnerable citizens in their communities at a time when people are being kicked out of hospitals much more quickly through a revolving-door syndrome.

CUPE has done an analysis of what's actually happening. Let me focus just on one community if I could, Windsor, where prior to the Tories coming in and setting up their CCAC model and privatizing home care services, most of the services in that community were operated and run by VON and the Red Cross. Today, in place of those, we've got eight private sector companies, all with their own CEOs, all with their own finance directors, all with their own human resources directors, all with their own front-line managers, all sucking money out of the health care system. We've estimated that approximately $240 million, almost 25% of the budget, is being absolutely consumed by bureaucracies you've put in place, whereas before we had non-profit agencies and non-profit organizations sharing information among themselves.

The nature of the system you've put in place with community care access centres lends itself to secrecy, no openness with respect to the tendering of contracts, these companies not sharing information between themselves, no common database, and, as I said, a massive bureaucracy which is being supported by $240 million that is actually coming out of the pockets and coming out of the health care provision to vulnerable citizens in our communities—a quarter of a billion dollars being wasted on your bureaucratic CCAC system.

Just to demonstrate and highlight how bad it is, just before Christmas you passed a special piece of legislation waltzing into these CCACs, taking control, kicking off the democratically elected boards of directors and appointing some Tory hacks sitting in on these agencies supposedly to run the CCACs, because it's a complete disaster and you know it's a disaster. If you really want to save some money in this budget, take that quarter of a million dollars, reinvest it back into the public sector and non-profit agencies where the citizens of that province can get some decent home care provided.

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I'd like to talk about the education sector for a few moments, if I could. Last year's budget included the tax credit of subsidized private school tuition. Estimates on how much the tax credit will cost when fully implemented may vary from $300 million to a billion dollars, depending on how much people access this new privatized system. It diverts money away from the public school system. The Minister of Education repeatedly claims that we're spending more on education than ever before. The claim is untrue because it fails to take increased enrolment and inflation into account. Funding on a real per capita basis has actually been reduced by nearly $2.3 billion, according to the CCPA, the Canadian Centre for Policy Alternatives. The Ontario Public School Boards' Association estimates that there's an annual shortfall of $1.1 billion. Even the directors of education from every school board in the province, 72 school boards, have written to Minister Ecker outlining their concerns about the inadequacy of the funding formula.

Just to give you a small synopsis of what these folks are saying when they write in to the minister: the Bluewater District School Board is looking at a $3-million deficit for next year and is contemplating closing up the 15 schools. The Thames Valley District School Board is facing a $5.2-million deficit, and that's after dealing with a $6.6-million shortfall last year. The Thames Valley school board was recently in the news when it was learned that it was charging user fees for core subjects such as math and English at some of its schools. The Windsor Catholic school board will have to deal with a $2.5-million deficit after making $3.8 million in cuts last year. The Ottawa-Carleton District School Board is at a $35-million deficit, a gap so large that staff recently recommended cutting busing for all inner-city residents, including kindergarten students. The Toronto District School Board deficit could be as high as $150 million next year, which may cause all the city schools' pools to close, among other cuts. This board has already cut $268 million from its budget. So clearly you can see that education in this province is in a crisis situation and desperately needs some dollars. They don't need public sector money going into a private sector concern.

The last issue I want to talk about briefly is electricity. The provincial government's electricity deregulation and privatization program will be an economic disaster for Ontarians. It's ironic that the symbol for the ministers' budget consultation, Bright Ideas, is a light bulb. If you go ahead with your plans to privatize and deregulate electricity, it may become the symbol of your worst idea and not a very bright idea at all. With deregulation, Ontario residents, businesses and public institutions will see their electricity rates double and the cost of almost everything Ontario produces increase in price. Electricity isn't confined to a single sector of the economy; it affects everything from hospitals, schools, cars and coffee to hockey rinks.

Just to give you a sense of the two major reasons we believe electricity rates will double under deregulation: they are the sale of our electricity system and competition against Americans for Ontario electricity. Clearly, electricity in every jurisdiction in the US is higher than what it is here in Ontario, and we're competing against those interests, particularly the states that border on to Ontario. We will be forced, through this so-called market economy, into raising our electricity rates on the spot market to the level that's being charged in the United States. The system is open and ripe for manipulation in California. I was there not so long ago taking a look at what they've got, the disaster they have on their hands. Clearly you'll have suppliers who are shutting down their generating stations and their generating plants at a time of high peak and high demand, allegedly because of maintenance outages, only so they can drive up the price even higher.

The Ontario government is also selling electricity systems to foreign transnational corporations after transferring most of the systems' debt to the province. The government plans to have electricity consumers pay the transferred debt. The Provincial Auditor has said that the taxpayers are at risk for paying this debt if the government's deregulation plan doesn't work. I can't hear one single expert on any side of this debate saying that this is going to work.

One way or the other, as electricity consumers or taxpayers, Ontarians will be forced to continue paying off this debt long after the profit-making parts of the electricity system has been sold off and the new owners walk away with their profits, rather than paying off the debt and financing government services as their public system earnings currently do. In addition to retaining most of the debt, the government is also keeping most of the risks associated with these electricity sell-offs. For example, the government has retained the responsibility for decommissioning the eight nuclear reactors at the Bruce station that it leased to British Energy. Also, the price paid by the new owner in this forced lease was outrageously low. American nuclear power plants, even those that are older and smaller than Bruce, are going for 10 times the price per unit of capacity that British Energy paid to Ontario for the largest nuclear power plant in the world. Seniors and others on no fixed incomes would be among the hardest hit by these rate hikes. The main groups that stand to benefit are financial services like the banks and very scary energy traders modelled on the Enron model.

Clearly, we think this is not a bright idea. This is not something that we believe we can afford in this province. We indeed sincerely believe that. We're not necessarily calling for a system that's exactly like the old Ontario Hydro, but we would like to see an investment in green power, not in greed, and we would like to see a publicly run system where the consumers of this province are protected. Many of them today are criticizing your privatization plans where industry will be able to have power at cost.

That's something we've had in this province for 92 years. I've not heard a great clamouring from the business community or from consumers, saying that we should trash the system we have in place today. I guess Ontario is regarded as the economic engine of Canada and we have indeed been producing power at cost. I think I know a little bit about this. I've worked for Ontario Hydro for 17 years. I've been on the payroll for many years at Ontario Hydro and I don't see or hear the clamouring from the public that you're suggesting is out there. Yes, there were some problems with Ontario Hydro, but the solution you're coming forward with is not in the interests of taxpayers, is not in the interests of consumers and is certainly not in the interests of the business community. That will become all too clear once this deregulation is in full swing.

Those are most of the comments that we've got to make for now. I'll be happy to entertain any questions.

The Chair: We have one minute per caucus.

Mr Christopherson: Welcome, Sid. Another excellent presentation. I'm going to go to the CCACs; I could pick any issue you've done here. I want to give you an opportunity to talk about the impact of underfunding and therefore lower wages for the home care workers and what that means for consumers, in terms of the people who work for the agencies, not having a decent income, not having decent benefits, and the working conditions they're under. What does that mean at the end of the day for the average consumer, the other average citizen who is receiving these services?

Mr Ryan: I'll pick as an example any one of the cities that border the US. I'll pick Windsor because it's one we're familiar with.

In Windsor, when the VON and the Red Cross were delivering home care services, they were being paid a wage—the nurses in the system, for instance—that was comparable to nurses in the hospital system. When they moved to this model of privatization, of course the companies they use—one company from the US, by the way, that had been charged with defrauding the health care system in the US waltzes into Windsor and wins the bid for most of the contracts. They decided to cut wages by five bucks an hour. All the nurses and health care workers said that they would refuse, because these are professionals and post-secondary educated. They refused to work for $5 an hour less and they left the system. They went into the US, into the Detroit hospitals. In other words, Canadian taxpayers' dollars, Ontario taxpayers' dollars were used to train nurses and health care professionals for the system in the US. The Detroit hospitals came in and had on an organizing drive and took many of these workers away.

The remaining nurses and health care professionals moved into the hospital system, to the point that the CCAC made a presentation to the Ontario government on, guess what? To raise wages by five bucks an hour, to say that they cannot attract any health care workers into the home care profession any longer.

So now there is a great drive across the province to try and raise wages so they can attract the workers back into the system, much like the Tory government's fiasco with nurses when they equated them to Hula Hoop workers and said they were no longer required in the health care system, "So let's get rid of 10,000 nurses." We paid them massive severance packages and then we had to initiate organizing drives in the US and elsewhere to try and attract people back into the nursing industry. That's exactly what has happened to the CCACs and home care. It's a complete disaster.

The Chair: Thank you very much.

Mr Ryan: We wonder why dollars are being just ripped off by private sector concerns.

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

Mr Joseph Spina (Brampton Centre): Mr Ryan, good morning. Thank you for coming, as usual, with your perspective.

Going through your presentation, there is one statement you made here that, you may be surprised—hold on to your chair—I agree with, and it's that private hospitals are a bad idea. But your fundamental error is in assuming that William Osler will become a privately owned and privately operated hospital. That is fundamentally wrong because it's against the Canada Health Act.

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You've heard of "build to suit" in the construction industry. That's all that is. The building would be built to suit the operations of the hospital. Do you understand that William Osler will continue to be a publicly run, publicly funded and independent unit, just as it is now? The difference is that the hospital building—and the land is owned by Osler, by the way; those are the facts—will be built by the private sector but the operation is continuing to be publicly run, publicly funded. So there will be no risk to the organized unions within the operation of the hospital. Wouldn't you agree that there is nothing wrong with that?

Mr Ryan: This is news. This is new Tory policy being made on the fly.

Mr Spina: No. This is not Tory policy on the fly. Those are the facts. Check them out.

The Chair: One conversation, please.

Mr Ryan: Excuse me, Chair, could I answer the question? I think he's rambled on long enough.

The Chair: One person has the floor.

Mr Ryan: Given that we've now got new Tory policy we'll hold you to this, Joe, because you're on record. In Ottawa we've been told, and the public announcement was, that indeed the hospital will be built by the private sector and the services also will be provided by the private sector.

In fact, just last week I was at a demonstration down at the Chedoke hospital in Hamilton. You may sneer at this all you like, but down in Hamilton they've actually tried their damnedest to bring in the private sector to deliver all the public services in the hospital that we currently have today, certainly food services, maintenance services and so on.

So what you're saying is not true, that it will be publicly run and publicly operated. Indeed, even if that were true, it has been proven by the auditors general in every single province that the taxpayers are on the hook for the actual building of these facilities where you've had these PPP initiatives. It's not rocket science, Joe. You go out and try to build a facility and lease it back to the public over a 25-year period, and after 25 years the public is being ripped off by this.

It enables you to get the debt off your books. It doesn't show as capital cost. You might be able to come in and balance your books, but you're trying to balance your books on the backs of the taxpayers of the province through surreptitious means.

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

Mr Phillips: Thank you, Mr Ryan. I always laugh, and it's interesting that when they don't like what they're hearing, they kind of shout at you.

We can only get one question in. Mine is on the substantial funding—I think it's $500 million—for private schools at a time when everyone understands that our public schools are under enormous stress. This came right out of the blue. We had pre-budget hearings last year and not a single person mentioned this, and then suddenly in the budget there's $500 million for funding private schools. What are your members' feelings or yours on why the government at this time would be proceeding to fragment our public schools and put substantial monies into private schools?

Mr Ryan: Frankly, they're in a state of shock about this one because we've got roughly 45,000 support staff. That's everything from educational assistants, for example, who provide services to children with special needs—and we're seeing where before we would have had at least one EA per two or three children with disabilities in need of desperate front-line services, that's now been slashed. EAs are being laid off. In other words, there's no money in the system. To hear the government come out and say, "We've found $500 million to $1 billion" to just hand over to the private sector, thereby starving the rest of the public system—and I've gone through many examples of some of the school boards where they're facing deficits in all of the schools—they're beside themselves that this could actually be happening.

You've got parents' groups coming forward, talking about the state of filth in the schools, and vermin—rats, mice—and black mould, you name it. Pent-up demands for maintenance costs in all of the schools are not being addressed, and then they turn around and say, "We've got $500 million to $1 billion" to give off to the private sector. It's just outrageous. It's criminal, actually. It's bordering on criminal activity, I believe, to do that and to allow the public system to fall into such a state of disrepair and decay.

We see it. Our members live it every single day of the week. They work in those schools. They see the filth; they see the dirt; they see the uncleanliness; they see the health and safety problems. Thank God there are some citizens' groups coming forward not just from, as the Tories would like to believe, the usual suspects; you've actually got people coming in from Rosedale who are saying, "We too are experiencing that in our school system."

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

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Chair: Our next presentation is from the Canadian Federation of Independent Business. I would ask the presenter or presenters to come forward, and if you could state your name for the record, please. On behalf of the committee, welcome. You have 20 minutes for your presentation.

Ms Catherine Swift: Good morning. Thanks once again for inviting me to appear. My name is Catherine Swift. I'm president of the Canadian Federation of Independent Business. My colleague Judith Andrew is playing the techno-geek at the moment, attempting to set up our PowerPoint presentation.

As that's happening, I just want to mention some of the items we've included in the kit that are germane to what I'd like to speak to today, which is the overall economic situation in Ontario as we see it from the small business standpoint. Your kit includes, on the right-hand side of the folder, the Ontario Small Business Primer. There are a lot of interesting basic statistics in there relating to the small business sector in Ontario. On the left-hand side are some research pieces we have done. The first one, Help Wanted, is on labour shortage issues; we have our national study; and then, under that, there are Ontario-specific data on a number of aspects of it. Following that, we have our 2002 business outlook and, after that, the Ontario-specific version of that particular document. Also, we've included a black and white copy of the charts we're going to present to you in smaller version, with some ability to make the copious notes I'm sure you'll want to be taking on this presentation.

I might just make a couple of comments about the CFIB. We've been here before, and my capacity today is as a so-called expert witness. My colleague Judith, interestingly enough, will be back this afternoon for a more conventional appearance. I'm going to try to stick to the overall economic situation and highlight a few issues, but she will be getting into a number of policy issues in more detail later this afternoon. We're hoping not to overlap, to the extent possible.

As I suspect you all know too, virtually all of the data behind the work we do are based on surveying our small business members across Canada. It is very much an amalgamation of the point of view of that sector. We currently have just over 102,000 members across Canada, 41,000 of whom are here in Ontario. Sectorally, we very much represent the economy in that our members can be found in all sectors, all regions, rural and urban, so we end up getting a pretty interesting perspective on what's happening with the sector.

In terms of the main items I'd like to touch on, the first one is the role of small- and medium-sized enterprises, SMEs, in the economy. I'd like to speak to the outlook that our members see for the economy. I'd like to just briefly touch on some policy priorities for this year and some more medium- to longer-term concerns that we thought it was worth raising as well.

In terms of the role of small businesses, it's kind of interesting. As an organization, we're actually in our 31st year. About 25 years ago, the small business sector represented about a quarter of Canadian employment and gross domestic product economic activity; now it's about half. So there has been a huge increase in the role of the small- and medium-sized business community over that period of time. This has been driven by many, many different phenomena: technology, of course, has permitted smaller firms to thrive; the downsizing of large corporations; in some respects, the public sector has downsized at certain times and outsourced certain things to the private sector; we saw a huge influx of women into the labour market in the 1960s and then in the 1970s and 1980s we saw them starting up businesses as a logical progression; and the service sector grew a lot.

There were an awful lot of trends that drove this growth of the small- and medium-sized business sector. A number of interesting results arise from that. We've started referring to our members as the non-stock-market economy. As we all know, the stock market has been gyrating wildly over the last year or so, after a number of years of pretty stellar gains. Of course, when you look at a large firm that is dependent on its stock value listed on the stock market and suddenly—often for reasons driven maybe not by long-term thinking, shall we say, but by some short-term concerns—lays off sometimes tens of thousands of employees because their stock price is cut in half, that business may well be forced to make a decision that really isn't in the long-term interest of that particular business.

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I speak to a lot of our members on an ongoing basis, and one of the criteria of membership in CFIB is that it is not a publicly held company; it's a privately held firm. Of course, they end up having a lot more control over their business. Post-September 11, for example, when we saw a lot of layoffs and worrisome headlines in the business press, I spoke to a lot of our members and said, "Are you planning layoffs?" and they said, "Well, things have slowed down a bit for me but, no, I'm not, because I know I'm going to need those people in six months or a year or whatever it is, when things start ramping up again."

We are increasingly seeing the role of the small- and medium-sized business community in Ontario and Canada as a stabilizer to the wilder gyrations that we see in the large corporate sector because of some of these trends being driven by their stock market value, which often forces them into some decision-making that really isn't necessarily all that positive. We believe it's an interesting phenomenon to comment on, because of course a number of policy implications fall out of the increasing role of small firms and the fact that they very much offset and stabilize a lot of the wilder gyrations. We should end up with a business cycle with fewer extremes in them, for example, as one outcome.

Something we have emphasized very much, and not as a surprise to anyone, is the key importance of business and consumer confidence. Governments of course can have a huge role in either destroying or bolstering that confidence level. Certainly the post-September 11 environment was a good example where everyone felt shaky, for good reason. We believe a number of governments sent out some encouraging messages and that helped to build up confidence. Consumer spending being 60% of our economy, as we know, when consumer confidence drops off, it has an amazingly quick negative impact and, of course, the downward spiral that ensues from that.

All of these observations on the role of small business clearly have major policy implications. Here are some of the data just for Ontario, for example. This is only over an eight-year period, but even in that not-too-extensive period, overall we see the small- and medium-sized business sector increasing their share of the pie, and as I mentioned earlier, relative to 25 to 30 years ago, it has roughly doubled.

In terms of job creation, the other thing that's worth reiterating—I know we've said it before but we'll say it again—is we still see the lion's share of jobs created by small- and medium-sized firms. About half of those usually accrue to new businesses in the economy and the other half to growth in existing businesses. So part of it is enterprise creation and part of it is growth of existing enterprises.

In this particular chart, the number is two thirds of jobs in the year 1998; 1998 was quite a good year for job creation, as you may recall. What we find more dramatic is, when you look over time, on average over a 10- to 20-year period, we see smaller firms actually creating about 80% of the net, because in a downturn, there is a hugely disproportionate amount of job losses that come from the large corporate sector. So that's good news as well. If the role of the small business community is growing and they're creating the vast majority of new jobs, then presumably over time we should be seeing some improvement in the employment market generally.

The other interesting thing that the fellow who spoke before me might not agree with—this is data from a public opinion poll; it's not our data. These kinds of polls have actually been conducted repeatedly by the various polling companies and so on. In terms of workplace satisfaction, overall, "self-employed" is number one by a good bit and "small businesses" is number two. When we've done these polls, we've probed into why this was, why people were happier, and it tended to deal with a lot of the intangibles: more flexibility in their workplace, the sense that they contributed more because they didn't feel like a cog in a wheel; they liked the fact that they often worked side by side with the owner of the business, so they felt they had much more say in terms of what happened in that business. It was a lot of intangibles. Typically it was true that their salary or compensation wasn't as high, but nevertheless they still felt more satisfied overall in the smaller-firm setting. That's good news as well.

Mr Phillips: Are the politicians down there in the public sector?

Ms Swift: It was so small that we didn't even include it on the chart, Gerry. They'd be in the public sector lump, wouldn't you think, Judith? In any case, public sector is not high, but we also know that highly unionized environments tend to have higher dissatisfaction rates, because of course the whole raison d'être of unions is to make people dissatisfied. That's how they grow their membership.

Mr Steve Gilchrist (Scarborough East): Hear, hear.

Ms Swift: I know. The truth hurts.

The 2002 outlook is interesting. CFIB does regular surveying on the economic outlook of our members in any event. But we really cranked it up in terms of frequency post-September 11, because there was so much uncertainty. We actually surveyed our members weekly for two months after September 11. We surveyed them via e-mail so we could get incredibly rapid feedback of the data. We found much more optimism among that sector than you would have thought if you were only reading the business press, which was all doom and gloom, as it sometimes is. Interestingly enough, what we've seen happen in the economy, as we've got the official stats from Statistics Canada and the US agencies and so on, is that our members were darned right, which was good, because they were more positive than anybody else. Of course we didn't have the recession everybody was muttering about last year, as we saw with the GDP data that came out last week, because we economists define it as two quarters of negative economic performance.

Mr Gilchrist: Gerry Phillips tried, but no one believed him.

Ms Swift: Seemingly everybody loves to trot out the negatives. We were doing our best not to be a Pollyanna about it, but we were getting that feedback from our members consistently and regularly, and it wasn't changing, and so we were reporting those data. Indeed, I have here our most recent data on the economic outlook, as seen by small and medium-sized firms, and it remains quite optimistic. They're not expecting a banner year, but they are expecting a decent year in the Ontario economy and nationally as well. As you can see, a good chunk, basically the vast majority, believe we're going to see either similar or stronger growth this year as compared to last year, and they believe it's already happening. Some of the data we've seen are already backing up that type of outlook.

In terms of where Ontario sits relative to other provinces, it's kind of in the middle of the pack. In terms of the stronger side, it's up toward the top, but then there is a larger chunk that believes we'll see a little more weakness—certainly a decent showing in Ontario relative to the rest of the country. So our members are not despairing of the economy generally.

When we look at the sectoral outlook, the financial industry has the strongest expectations, business services and so on, and even the manufacturing sector. Parts of the manufacturing sector have been hurt; there's no denying that. A number of the primary industries, agriculture being a notable example, have been hit pretty hard by climate conditions and a number of other international trade issues and so on, and primary products as well. Commodity prices are still pretty depressed in a lot of areas. Nevertheless, overall we see the expectation of a reasonably decent year. Given that this is half the economy, the likelihood that this is accurate is pretty strong.

We also have the growth rate by province here. Ontario is kind of in the middle of the pack. This is always a bit of back-of-the-envelope, but we did estimate that if we see overall national job growth of 3.6%, which is what these data suggest, that will translate into about 250,000 new jobs nationally. Given that Ontario is not the most optimistic but pretty much bang on the average, we wouldn't be surprised to see 75,000 to 100,000 jobs created in Ontario this year. And these are, after all, the job creators we're talking to.

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We also asked them about what they expected to do with their wage inflation and price inflation. In terms of wages, as you can see, over half expected they would be paying increases to their employees equal to or above inflation—so reasonable increases there—and just under a third didn't foresee any change. So at least there's some stability and also some increase on the wage front, which is positive from the consumer side, and they weren't naturally expecting too much in terms of inflation on the price side, in most areas anyway.

We were intrigued, because we haven't asked before, about the effect of the value of the Canadian dollar, and it was very much a mixed bag of responses, which was interesting. Certainly a lot of our exporters would benefit from our low dollar in a short-term sense, which is reflected by a certain proportion here. Just under a quarter liked the low dollar, but another slightly larger chunk felt they wanted to see an appreciation of the dollar. The majority felt they weren't directly affected, but of course we're all affected, albeit sometimes indirectly. I guess what disturbs a lot of our members right now about our seemingly consistently declining dollar, when we look over the last 25 years or so, is that it simply means a lower standard of living for all of us in the long term, although it may well have short-term-gain effects for people whose businesses are exclusively export.

Those are just some of the highlights of some of our recent economic statistics that suggest our members are expecting a not-too-bad-at-all year in 2002, and they're acting accordingly with respect to wage increases and investments and so on.

Looking at some of the sort of overarching priorities on the fiscal side, naturally a number of provinces are coming under a squeeze right now for a number of different reasons, most of which seem to be linked to increasing cost pressures, health care being number one, but also other areas. There's no doubt that the federal government didn't do any provinces any favours with what they did with the transfer payments on health care over the last number of years. It helped their finances a lot, mind you, but it didn't help the finances of any other level of government, not surprisingly, as the problems just got pushed down.

That being said, we believe the notion of balanced budgets has been a huge confidence builder for Ontarians, for Canadians generally and certainly for businesses. Businesses are acutely aware and concerned about fiscal indicators such as balanced budgets. We believe everything should be done to avoid going back into deficit. We still believe there's a lot of spending on non-essential areas, and, as we know, there are many, many different possibilities to deal with there. For example, we've always advocated totally eliminating subsidies to business. There are still subsidies to business built into all kinds of regional agencies and entities and so on, and although it might sound counter-intuitive, our members have never believed that was a good way of spending taxpayers' dollars.

Of course, we see practices seemingly expanding in some areas. For a long time, we have opposed governments having union-only procurement practices. When the amalgamation of the school boards and everything took place a few years ago, a number of our members who had done a perfectly good job, say, installing windows in schools or whatever suddenly couldn't do that work any more. Of course, that drives costs up. I hear about costs in education, and yet they persist with practices like that. Well, clean up your own house before you start complaining about the lack of funds. It's not only incredibly unfair that these businesses are subsidizing their competitors via their tax dollars, but it is unconscionable that taxpayers should be paying more for these kinds of things, and at the same time we have all the complaining about how there aren't enough funds in these areas. And this, of course, goes for governments at all levels that have these policies built into different areas. They're inequitable in the extreme and just plain stupid from a financial standpoint.

As you can see from the next chart, debt repayment remains the number one to people. There's no question tax reductions were welcomed by our members, but when we asked them to rate what are the most important fiscal priorities for them, debt repayment comes out number one every single time. Debt is simply future taxes, as we all know, and the inability to provide services as we continue to spend—I think in Ontario it's about $9 billion a year in debt financing charges. I'm sure we could all think of lots better ways to use that kind of money.

In terms of when we do look at spending increases, not surprisingly—and this is where our members tend to come out, I would suspect, in the same place as the vast majority of other Ontarians—health spending obviously is a priority area. Everybody perceives that. Following that, we start getting into education and the whole infrastructure stream. But looking back at the previous chart, of the three areas—debt repayment, program spending and tax cuts—program spending is the lesser of the three areas for priority. So clearly there are selected areas where our members do feel spending increases are justified.

In the general area of tax issues—and I know Judith is going to be getting into some more detail in a number of these things this afternoon—the property taxes are number one in Ontario for our members. It's not the case across the country but, as we've said before, it's a very complex area. We don't underestimate the complexity of that whole mess, which has been allowed to become a mess for decades and decades. Successive governments have basically wimped out about doing anything about it. The current government has to be commended for doing something, but of course it's one of those issues where you're probably going to make half the people mad at you no matter what you do about it, and I think that has probably come to pass. But it sure needed reform badly.

Our key issue has always been that we need to start to at least narrow the gap between the small business sector generally and the whole residential area. I don't want to digress on that at the moment, because there are a lot of possibilities there as to how to do that. We're certainly not advocating—cranking up the residential taxes obviously isn't very politically realistic, but we do believe over time to start to bring that gap down is feasible, and of course continuing to crank taxes up on the business sector isn't a winner in the long term. It might seem OK politically in the short term, but ultimately you're punishing your wealth and job creators in the economy, which doesn't seem to be a good long-term strategy.

We still do remain uncompetitive in a lot of areas, a lot of tax areas. We are active at all levels of government, as you know, but there's no question the tax cuts that are planned in the US economy are going to put the pressure yet again on Canada, to look at those and attempt to become more competitive in the tax area. We've had some improvements, though, which is moving in the right direction. But when we talk about a number of the overall macroeconomic issues and productivity, taxes can't be left out of the equation.

Payroll taxes are more of an issue for smaller firms, as we've said before, and they continue to be problematic. We've seen some slight reductions in some of them. Of course here in Ontario the EHT exemption for smaller firms was very, very welcome. We've seen some EI reductions federally, but then of course CPP increases have been very stiff the last number of years and have overcome reductions in some other tax areas.

A last issue that, again, we've mentioned before is the whole area of tax administration. We've done a lot of work over the past few years, extensive briefs on the subject, and so on, and there has been progress. So, again, not to say there hasn't been progress, because there has, but the retail sales tax remains such a confusing mess. There is seemingly a resistance to sharing information or giving opinions to people that they can count on and things are never given in writing. So a lot of it is just a lack of accurate information on so many of these issues. Of course, somebody makes a mistake, not knowing what the right way to do something is, and gets whacked with penalties and interest and back payments or whatever. So there's a long way to go.

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We deal across the country, and Ontario has one of the worst tax administrations in this country. Like I say, we have detailed the problems extensively in a number of briefs. But the main thing is, as with any change in the bureaucracy, there needs to be political will to improve the situation. So we have seen some progress. We would simply encourage: please keep on the case or there will be problems with slipping back and not making the progress that we need to make.

It's frankly unfair. We've seen this in Ontario. It's not the only one where we've seen it, but there's such a bias toward the auditing side as opposed to at least trying to push things out on the—there has to be auditing, and nobody's questioning that, but there is a terrible bias toward that as opposed to properly informing people as to what the rules are in the first place. Presumably, if you did that, you wouldn't need the same focus on the auditing side.

A continued problem issue is the whole WSIB. This is an ongoing challenge. The elements of it may change, but it certainly seems to be a bureaucracy that often is too far away from the accountability of government.

A number of the current issues I'll just touch on briefly. This review that the board is undertaking of coverage, sectors that currently are not covered under WSIB, sets off a lot of alarm bells. First of all, given that they are a monopoly, Ontario businesses aren't permitted to get insurance coverage under any other—

Mr Gilchrist: It scares us too. Don't worry.

Ms Swift: Yes, but the government is ultimately responsible for it, despite the fact it's an arm's-length agency. These coverage issues, we don't believe there has been proper work done to demonstrate that there would be any benefit from it. It would certainly improve their monopoly, from their standpoint, so I can see their perspective here. But if you do start taking in industries like financial services, you're not going to pay off your unfunded liability any more quickly because those firms—they shouldn't be asked to pay for unfunded liability that has been built up by other sectors. You're going to have new claims coming in from those sectors, so from a financial standpoint there is no logical argument to say you should be extending that coverage. Premiums are of course still a problem. There are always issues about different kinds of injuries or illnesses, environmental injuries and so on—"environmental illnesses" I guess is more accurate—that have a dubious attachment to the workplace, constantly being looked at, put under the rubric of WSIB. Their bureaucracy continues to be one of the worst for our members to deal with. We get huge complaints all the time about just getting information, the usual types of issues.

Another current concern is the whole area of the definition of "independent operators." This is always a bugbear of one kind or another. But the not surprising tendency, or not surprising clear preference, of the WSIB is basically to describe everybody as an employee: there, you've taken care of it, and everybody therefore is covered under WSIB. But obviously there are many, many legitimate independent operators out there. They're virtually your entrepreneurial sector, which I don't think anyone would really want to quash. What we really need to have is a fair test that is based on sensible criteria. The other thing is, it should be somewhat consistent with other definitions of "independent operators" that take place in other areas of government and legislation. So that's another alarm bell that we see in that area right now.

A lot of our issues, too, seem to arise from problems with coordination between the federal and provincial governments. Of course, Ontario is not the only province that has these challenges, but right now we see a lack of co-operation that is pretty profound in a number of areas. Some examples—and there are many, many examples: why is Ontario the only province that currently lacks a training agreement? It seems to be a spitting contest, from everything we can see. We're not blaming—in fact, we are blaming. We're blaming both parties because we're active at both levels and we feel there just seems to be a desire not to play ball on that one. That's constraining an awful lot of the community colleges and the various educational institutions and so on—to be able to move forward with a number of programs. So we don't see that as a winner.

Our ongoing problems with internal trade in this country are such a self-inflicted stupidity. There, I believe, political will is lacking on many fronts, but I think in the past Ontario has actually pushed on that file and that has been very welcome. I would encourage you to continue doing that. It's kind of a sleeper issue. It's never going to be on your hit list or your top 10 or whatever, but it's a very important issue for small firms and it's an absurdity that many businesses can trade more readily with the US than they can with their bordering province.

The whole privacy legislation is another interesting case in point of an area where the notion of going alone and doing your own thing and therefore having a number of different types of legislation that a business has to contend with. Why can't there be collaboration so that there can be consistency between different pieces of legislation of different governments, because the federal government has privacy legislation as well and so on. There, the lack of consistency is the issue.

Those are just some examples. Goodness knows there are many more.

Another key problem we see looming, which doesn't get anywhere near enough attention, to our thinking anyway, is the whole labour shortage area. Naturally, finding people with the skills a business wants and so on is always a challenge, but it's been worsening over the last 15 to 20 years for a lot of different reasons: demographics, technological change, phasing out of certain skill sets, bringing in of other skill sets and so on. But we are currently faced with major structural unemployment problems. We might think it's limited to any one sector but we've done some pretty comprehensive research, and that's this Help Wanted piece that's included in your package. We've found it's problematic right across the country. In areas of the country that have high unemployment rates there are still major labour shortages. So it's by no means simply a function of the business cycle.

This is just a graph comparing—the heavy line is the inability to find people, basically a shortage of qualified labour, and the thinner line is the unemployment rate. So there's no question that in a very strong economy you have a harder time and in a very slow economy, such as we had in the early 1990s, you have a better time. Nevertheless, you still see persistently high levels of labour shortage problems.

We looked into such things as what levels of experience were hardest to find, and I'm just going to zing through them because these are all in your package. We did break it out by industry. We looked at the level of education that was hardest to find. Again, it's across the board. There are problems at every level of education.

This was an interesting one: we asked what they felt were the most important skills or qualities in their employees. A lot of people seeking employment, and young people as well, would benefit from this, because a lot of these are sort of the intangibles. They are certainly things like computer knowledge, writing skills and so on, but an awful lot of them are these intangibles that are more work-ethic related, really: willingness to learn, to stay at the business and so on. So that was kind of interesting as well.

Not surprisingly—and we've had consistent data on this over the years—the informal approach to training is the most widely used. A firm of five people isn't going to have an in-house training department like a big company may. They are less likely to send somebody on a week-long course or something, although they do that; a third do a formal approach. But the majority still have on-site training in the business, often by a colleague or whatever. There are a lot of policy implications.

We have a training tax in Quebec, as you're probably aware, and after a few years of operation now they have realized that the smaller firms, even though they're training, don't qualify because of the way they've defined it under their rather rigid approach. As a result, the large firms and institutions, interestingly enough, get the lion's share of the tax rebates and effectively the smaller firms have to pay the tax but either don't complete the complicated paperwork required to get the rebate or don't fit their rigid definition. So approaches like that are very unhelpful; in fact, they're harmful to the small business sector.

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What was also interesting was, we asked if the business had been harmed by the shortage of qualified labour. Did it actually create damage for the business? The majority—Ontario is on top there—said yes, they had experienced harm as a result. So these are real factors that have a negative impact.

Just briefly, some of our recommendations: naturally, there are major federal and provincial implications here in terms of aligning the programs and services that are available; the whole chunk of EI monies that are devoted to training, many of which we know—this isn't so much the provincial side—are spent for more political reasons than they are for any kind of sensible training and/or economic reasons; barriers to labour market movement, and part of that deals with interprovincial trade as well, are very problematic; the whole idea of education incorporating more in the way of co-op programs, apprenticeship and so on, we've had very positive feedback from members on those types of programs; the whole immigration area is another; and finally, reduced payroll taxes, because they're just job killers, and freeing up more funds through reductions in payroll taxes, and other areas as well, but to free them up for training purposes would be a positive step.

In the input costs generally, there are a number of areas of concern. Overall, inflation remains pretty good. A lot of commodity prices are pretty low, as we know, and interest rates generally are very low and look like they're going to stay that way for quite a while. Those are positive things, but the whole electricity pricing area is a big question mark. Many of our members are very concerned about it. It's very unfortunate because it has the potential to give deregulation a bad name, when we know deregulation can take place very effectively. But just like anything, things can go wrong in the process and people end up blaming deregulation when really it's a whole bunch of other factors that are at fault. We are very hopeful, but there's a lot of concern among our constituency out there that they will find drastically increased costs for hydroelectricity over the next little while. We don't know as yet, but there's a lot of concern.

Gas and diesel fuel pricing was a big issue. Maybe flip to the next one, Judith, to the chart of our members that over time identified these taxes as harmful to their businesses. Prices spiked pretty badly over the past year or so, so that would be one thing driving this, and there are factors over which we have less control in this area. But certainly we do have control over the tax area, and this is a growing issue for all sectors, but naturally for some particularly pointed ones such as transportation.

I also want to just briefly note the whole productivity area. The latest iteration of the productivity debate, which has been going on for a very long time, has been the release of these so-called innovation papers, one out of Industry Canada and one out of the HRDC, human resources, recently. Unfortunately, there's really very little of any substance in them; they are very neutral papers. But the subject matter is hugely important. We believe that there's really no mystery as to what we have to do in this country to improve our productivity, but there sure is a huge lack of political will. We want to address some of the tax areas, regulatory burden, downsizing of government. We are still burdened with an immensely high cumulative tax rate in this country, despite the fact we have seen some decreases over the last few years. Financing rigidities, generally because of our very, very concentrated banking and financing system, and of course the labour market rigidities I noted earlier—again, I believe that although the federal government might have taken the current lead, it is in everyone's jurisdiction to be concerned about our productivity, competitiveness, whatever you want to call it. The co-ordination between the federal and provincial governments on this one hasn't been too happy either.

When we ask our members what their productivity priorities are, they are payroll taxes, income taxes, federal debt and regulations, and then a number of lesser priorities.

That is the end of my presentation, and I welcome any questions you have.

The Chair: We have five minutes per caucus. However, I have to correct the record. I think I said 20 minutes, but you did have an hour for your presentation this morning. I'll start with the government side.

Mr O'Toole: I'll probably share my time this morning.

Thank you very much for a very developed presentation. I just want to put on the record the work you do on behalf of small business. Judith, I know that members of the CFIB are members of the small business advisory committee looking at tax administration issues. Certainly on the issues of better communications, notices of audits and those kinds of things, we hear what you're saying, and I think I should thank you on the record for the work you're doing.

Don Drummond and other economists have reported to the committee that there are some serious challenges ahead of us in the next fiscal year; $3 billion to $4 billion is the number they're using. We have demands in health care running at about 5% to 8% annually; just before you, we heard education wanting about $2 billion; long-term care—there are enormous demands. It's just unbelievable. What's your advice in terms of addressing these important social programs and the government's options looking at the deficit and other forms of deferred taxation? As you said in your presentation, all that really is deferred taxation, buying something you can't afford.

Ms Swift: Yes. We all know the deep soup it got us into in the end of the 1980s, and we did manage to dig ourselves somewhat out of the hole through the 1990s when we had a strong economy.

From the small business standpoint, as I mentioned earlier, avoiding going into deficit at all costs—maybe that's a little excessive—but certainly as much as possible, is highly desirable from a number of standpoints. I think it's so discouraging to people, because they believe we all did pay very high taxes and so on to get to the point where we actually could eliminate deficits, and I guess that felt worthwhile to people. Even though nobody loves paying high taxes, at least there was some result that was tangible at the end of it. So I tend to think, and clearly our members very much believe, with the kind of priority you see them put on it, that that would be a huge step backwards.

I would think the health care area in particular is the major pressure point. It's very difficult, and I guess I'm trying to say it's not an easy row to hoe right now simply because of what's happening with the federal transfer payment side and the cost of health care. We're not health care experts per se, but we're actually doing a fairly detailed survey on health care issues in the next couple of months or so—we haven't got the results back—to get the priority-setting process from our members. We do already spend an enormous amount on health care in this country relative to other jurisdictions. Seemingly just throwing more money at it—and this is probably just stating the obvious—isn't the only way we can cope with that. On the plus side, the extent to which other policies you undertake—whether they're in the tax admin area, which again can reduce costs; if that's done properly, it can reduce costs. It's not in the billions, but you can reduce bureaucratic costs and create some real positives out in the business sector that encourage growth. The other side of the equation is how much we can boost the economy so the monies can be there through the revenue system to help with some of these spending pressures. I think there are a lot of things, many of which I noted today, that could be done to try to boost economic growth generally.

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The Chair: Mr Hardeman.

Mr Ernie Hardeman (Oxford): First of all, thank you for your presentation.

Just very quickly on the WSIB problem: yesterday we had a presentation from one of the construction groups who had a real concern about the amount of slippage in the WSIB, people who were not paying premiums for workers. Your suggestion here is the clarification of independent operators.

Ms Swift: Right.

Mr Hardeman: That seems to be the same problem among the people I deal with. We have too many people becoming independent operators, and they're only independent until they have an injury and then they're not part of the program. Is there anything in your analysis that would show that to be the fact?

Ms Swift: Something we've suggested, given that the WSIB is actually spending a fortune—what is it?

Ms Judith Andrew: Two hundred and twenty million dollars.

Ms Swift: Some $220 million—you have to wonder about that—to put in a new computerized system and whatnot, why can't, as any employer does when they have extended health benefits—these days you just get a little card—that system be in place so you don't have these people? You can put in administrative measures that prevent that kind of silliness. We all know it happens. But if you say, "OK, I'm firm X. Here are my employees," they have some kind of computerized means of defining who's in and who's out.

Construction is a challenge, of course, because people can legitimately be independent operators on some jobs and maybe not on others. So there are complexities in construction. But it seems that if you could define it upfront, then you wouldn't have this sort of back-door person saying: "I'm injured now; I want to be in, thank you very much." Specify it upfront: these people are in, these people are out and there we are.

The Chair: Mr Phillips.

Mr Phillips: Thank you for a very thorough presentation, as always.

On your chart you indicated that Ontario is not competitive on small business corporate income tax rates. The material we've been provided with from research indicates that in Ontario the small business income tax rate is about 19.5%, and in our competitors, which I assume are the neighbouring US states, it's about 34%. So 19% in Ontario, and 34% in the US. Are we working with the wrong numbers here?

Ms Swift: I don't think I specified corporate income tax, because corporate income tax is actually—which chart are we talking about here?

Mr Phillips: The chart says we're uncompetitive.

Ms Swift: I think it's more the overall tax mix, involving more than simply corporate income tax, that we remain uncompetitive on—capital gains and so on. I should have put some etceteras in there, I guess.

Mr Phillips: That's what it says on the chart. That's what your remarks said, but that's not the case?

Ms Swift: Yes, you're right. It should be a more inclusive definition of taxation.

Mr Phillips: We've got maybe a 14-point advantage or something like that.

Ms Swift: On corporate income tax? Yes.

Mr Phillips: OK.

Ms Swift: Corporate income tax, for what it's worth, is the lesser evil because, as we've said before, at least you're making money, and if you're making money, then you're paying tax. The non-profit-related taxes—property taxes, payroll taxes etc—are the ones that are more killers, because those really whack business when times are tough. Those are more harmful than income taxes.

Mr Kwinter: You just touched on an area I wanted to discuss. When I look at your productivity priorities for small and medium-sized enterprises, you don't mention the capital tax.

Ms Swift: Yes.

Mr Kwinter: We had representations yesterday saying that is probably the most onerous tax that encourages a disincentive to invest, because as you've just said, it doesn't matter if you're making money or not, you're still—

Ms Swift: Yes, it's another profit-insensitive tax.

Mr Kwinter: I imagine it doesn't have that great an impact on the small business person, but indirectly is does.

Ms Swift: It's still a stupid tax. You're right. It's like the chunk of our members who might say the dollar doesn't have a direct impact on their business. It may not, because they're trading in a regional area where they're not in and out of US dollars, but of course it has an impact on everybody overall, and capital tax is similar. On a priority list, you'll never find it near the top for small and medium-sized firms, because there's usually—whether there are thresholds in some jurisdictions, whether they just don't have the asset base to attract it or whatever. But you're right, it affects the whole economy. From a sort of tax theoretical standpoint, we certainly would advocate for improvements in capital taxes, but it isn't one of the priority tax areas of our members because, no, it doesn't have the direct impact. But it affects the whole economy, so in turn would affect them, yes.

Mr Phillips: Your presentation was quite optimistic, which I'm very happy about. The problem is that the Minister of Finance was in last week with a very pessimistic outlook of—

Ms Swift: Yes, I saw it.

Mr Phillips: —a $3-billion to $5-billion problem. I think he's saying in his private hearings that if Mr Eves becomes the Premier they can't balance the budget. We have these two different views: small business optimistic and the Minister of Finance quite pessimistic on the financial front.

Why would we be facing, in the Minister of Finance's view, a $3-billion to $5-billion problem?

Ms Swift: We have seen over the last year a real divergence in the views of the large corporate community and the smaller firms. He may have his reasons to do it. Paul Martin for years—hide the surplus has been the game he's been playing for quite a long time now. I guess if you're going to play a game, we'd rather have a finance minister say things—not excessively—are going to be a little bit worse than they are so that it dampens spending pressures and then hopefully we get good news at the end of it, rather than what Don Mazankowski did federally back in the 1980s, as you may recall, which was that everybody got these rude surprises of $40-billion deficits and stuff like that.

Beyond that, we are seeing different optimism levels in the small business community versus the large business community. What struck us over the last little while—and we've been, like I say, doing some really frequent surveying, more frequent than we usually do—is that our numbers have turned out to be more accurate so far. I guess you can never predict the future with great certainty, but so far our numbers are looking awfully good. We tend to believe things are going to be better this year than a lot of the doomsayers are saying. I know some of the big bank economists—I read some of the stuff they were saying. We don't agree with them, but maybe next year you can see who was right.

Mr Phillips: It's all being taken down.

Mr Christopherson: Thank you, Catherine and Judith, as always. You mentioned, when you're talking about some of the priorities for your members, Catherine, the one that was at the top—I don't know whether it was prioritized or not—was property tax cuts.

Ms Swift: Yes.

Mr Christopherson: Of course that's pretty much at the sole discretion of municipalities. Yesterday we had the Toronto Board of Trade come in and one of the things the president said was, "From crumbling infrastructure to urban sprawl and increasing homelessness, it is clear that our city, our region, is in decline. And if it continues to decline, the prospects for future prosperity for our province decline with it."

With that and your positioning on property tax, it was interesting to hear you comment on the feds cutting back on transfer payments to the province and that it made the feds look really good. You emphasized that it made them look really good but it just transferred the problem down to the provincial government and their difficulties were exacerbated.

I just wanted to put to you that municipalities are in much the same position—property tax being under the control of municipal governments, homelessness now—and a lot of that is being pushed down to municipal government. Infrastructure, a lot of the things that were mentioned by the Toronto Board of Trade—all these things are in many ways municipal responsibilities.

You have great praise for this government on almost all of their economic activities, especially the balanced budget and the tax cuts which you loved so much. Yet a lot of that came at the expense of municipalities, not unlike the expense of the provinces and the federal government vis-à-vis their cuts in transfer payments. How can you have it all?

Ms Swift: I guess we'd all like to have it all but we can't. There's no doubt the provinces—not just in Ontario, either; this is a national phenomenon—did pass off some other issues to municipalities. We have sympathy with the municipalities in the sense that right now there is no doubt we need to find a better means of financing what they want to do at the municipal level. As you probably know, a lot of the mayors and whatnot across Canada have put quite a push on over the last little while. Some of the things they're suggesting, which is to mimic some US states—and there are some situations in the US where municipalities actually have a sales tax or some means of directly raising money. We're afraid that would just be an incremental tax.

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We think right now there should be some rejigging involving all levels of government—not just the province but feds and provinces—to give the municipalities a more predictable revenue flow, because property tax is unfortunately a blunt instrument in a lot of ways and over time, for purely political reasons of course, the burden has fallen on businesses much more than residential, because there are fewer votes there. So right now we have these huge anomalies where in some areas businesses pay seven and eight times what the resident pays for the same or sometime even fewer municipal services. Again, that can't be a sensible long-term strategy, but we have sympathy with municipalities. Some of their arguments are definitely right; there have been constraints in infrastructure and in a number of different areas over the years. In fact, right now we're working quite closely with the Federation of Canadian Municipalities, because we took a few shots across their bow and they thought, "Gee, maybe we should work with these guys." Our members very much agree that there needs to be a better way of doing it. But we believe, under the existing system—and of course all governments are going to jealously guard their little slice of the pie—there has to be a better way of helping municipalities fund things. No doubt.

Mr Christopherson: We certainly agree on the issue of the taxes being out of whack. Downtown Hamilton is a perfect example.

Ms Swift: Yes, Hamilton is very bad.

Mr Christopherson: It could be the poster child for the province.

Ms Swift: And if you're putting businesses out of business, that's not a winner for anybody.

Mr Christopherson: The difficulty I have is that I find it at cross-purposes to be cutting taxes, cutting taxes and paying for that first of all by borrowing money and almost cutting back on transfers to that very level of government that has such an immediate impact.

My question is this, and rather than that one I want to move to another issue: you had mentioned that balanced budgets were a priority. I don't have the exact quote, but you almost went so far as to say "no matter what" and then you pulled back a little realizing that "never never" is not a good thing to say.

Ms Swift: Obviously it's not pragmatic.

Mr Christopherson: You also mentioned that one of the pressures that's going to be upon us in the short to medium term is the tax cuts in the United States, and that's going to put pressure on Canada and Ontario from a competitive point of view. It's interesting that the only way the Americans, with the national budget, were able to get where they are and have increases in security spending was to go into deficit. I'm curious, given that a Republican, relatively right-wing president has deemed it in the interest of their country to go into short-term deficit to cover off some of these things. Given that you recognize there are some cases where balanced budgets shouldn't rule supreme, given some of the things you've heard, and I'm sure you've tapped into some of the things we've heard and the pressures that are on us, what are examples of some of those things where, if we had to go into deficit short-term, they're worth it?

Ms Swift: I think in the priorities our members laid out in one of the charts—it's in the package somewhere—on their spending priorities, Health was number one, so there's a good example. But in the US too—I mean, their security spending, let's face it, was astronomical and continues to be astronomical. That was an extraordinary and horrific, obviously, reason to have to do it, so I don't know that the analogy's great for Canada, frankly. We upped the spending a bit, but we're not on the same planet as them.

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

Ms Swift: Thanks. Judith is going to get into some of that this afternoon, by the way.

Ms Andrew: More on the municipal financing and taxation.

ONTARIO CHAMBER OF COMMERCE

The Acting Chair (Mr Ernie Hardeman): The next presentation is the Ontario Chamber of Commerce, if we have those present, if they would come forward. Thank you very much for coming to present to us today. We have 20 minutes scheduled for your presentation and we would ask that you start your presentation by introducing yourselves, and when your presentation is complete, any time left over will be divided equally among the three caucuses for any questions or comments they have. With that, we'll turn the meeting over to you.

Ms Mary Webb: Thank you. My name is Mary Webb. I am chair of the Ontario Chamber of Commerce finance and tax committee. I am also senior economist and manager at Scotiabank. With me is Atul Sharma. He is our vice-president of policy development and our chief economist at the Ontario chamber. I will begin our presentation and he will complete it. You have been handed our written version. We will be summarizing that because our presentation time is so short.

Essentially, we believe the Ontario economy is poised for recovery, with the turnaround in the United States beginning to emerge. However, with a slow start to calendar year 2002, the province's real growth this year is expected to remain at 1% to 1.5%, similar to the 2001 performance. A more solid expansion of over 3% is anticipated for 2003.

The OCC's pre-budget survey confirmed this forecast, and our members' plans for high-tech investment and new hiring underline their ability to expand in Ontario. Interestingly, following your last presentation, our pre-budget survey covered both small, medium-sized and larger businesses. In terms of their general expectations about economic conditions, they were quite similar. However, the mid- and large-sized corporations were slightly less optimistic about their performance this year, and a number of them, roughly one quarter of them, did anticipate that they might have to contract their payrolls somewhat this year.

The OCC strongly urges the government to maintain a balanced budget in fiscal 2003, despite the current economic slowdown. However, our long-term vision still calls for a target debt-to-GDP ratio of 15% within a decade, returning the province to the level at which it entered the 1990s. Within this balanced budget framework, the provincial government should proceed with its scheduled corporate and personal income tax cuts.

In light of the province's current fiscal constraints, several lower-cost initiatives have the potential to keep Ontario open for business and very visible. Most important is the substantive streamlining of Ontario's regulatory and taxation systems. The OCC applauds the measures in last year's budget to simplify tax filing procedures and tax audits. Immediate and significant measures to simplify small business tax administration will be welcome.

Going forward, the OCC looks forward to working more closely with the Red Tape Commission. In our pre-budget survey, considerable scope was indicated for progress in simplifying government. Roughly one half of the respondents reported no significant change in the amount of provincial red tape encountered by their business and a further 33% stated that their business had witnessed increased red tape over the past year.

The OCC recently undertook a review of Ontario's taxes with respect to their efficiency and their effectiveness. The following four criteria were used to identify specific taxes that the government should reconsider: uneconomical to administer and collect relative to the revenue they raise; a real or perceived barrier to equity, growth and investment; outdated or ineffective with respect to their original purpose; or fulfilling a purpose that is no longer a provincial priority.

The results of this research were released on February 19 in the report Streamlining Taxation and Regulation in Ontario. This is attached to our submission. Briefly, the tax issues highlighted in this paper represent only a few of the areas requiring the government's reconsideration. To assist this process on an ongoing basis, the OCC has implemented a permanent, more formal feedback system so that our members can report any fee, regulation or tax that is particularly inequitable or inefficient.

A couple of other issues have come up recently that could potentially represent additional costs to our members for operating in this province. One is with respect to the Workplace Safety and Insurance Board. Many employers in the private sector are now providing their employees with adequate coverage that is broadly equivalent or superior to the benefits provided by the WSIB, thereby eliminating their need for the WSIB. Therefore, the OCC recommends that these companies should continue to be exempt from WSIB coverage.

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Another recent concern is the draft privacy legislation released by the province. We recommend that the proposed privacy legislation should not go beyond the scope of the federal legislation, notably the Personal Information Protection and Electronic Documents Act, and it should not impose an additional burden on businesses operating in Ontario. Furthermore, prior to the passage of the proposed legislation, a business impact analysis on small, medium and large firms should be completed.

When we were doing our work on Ontario taxes, two issues arose from current concerns that we think deserve the government's near-term attention. The first is with respect to the retail sales tax on computer-software-related services. An immediate and necessary area of simplification is, in fact, the entire Retail Sales Act, and this was identified by the government in the 2001-02 budget. But this retail sales tax on computer-software-related services is a particular issue at the present time. Briefly, we recommend that the government should vacate all assessments for the period from May 1997 to February 2001, that they should implement a moratorium on new assessments until appropriate regulations are determined and that they should reconsider any imposition of the RST on computer-software-related services.

The OCC would also like to reiterate the importance to our members of limiting profit-insensitive taxes. With respect to corporate capital taxes, the Ontario chamber applauds the finance minister's first step to eliminate corporate capital taxes in Ontario. However, capital taxes are still perceived by business as a significant deterrent, and therefore we propose that the government announce a specific three- to five-year schedule for their elimination, with an accelerated schedule, depending on affordability. The OCC further recommends that, as Ontario phases out the corporate capital tax, the insurance premium tax paid by the property and casualty insurance industry in lieu of capital taxes should also be decreased.

The level and equity of business property taxes is also a serious concern for many of our members. One issue is the need for greater transparency, consistency and accountability in business property assessments. We applaud the report prepared by Marcel Beaubien, Review of the Property Assessment Process, and the specific changes that followed. But we would like to see further changes, including representation of commercial and industrial landlords on the Municipal Property Assessment Corp; a review of the equity of assessments for different types of businesses within the same property class, such as neighbourhood or retail-commercial; and complete availability of key assessment information for all taxpayers.

Now I'd like to turn the presentation over to Atul.

Mr Atul Sharma: In our analysis of taxes that could be improved to improve Ontario's competitiveness, we talked about the near-term ones, which Mary just talked about, but I just wanted to highlight a few of the longer-term tax policy issues that the government should look at.

One of them is the small business income tax clawback. We applaud the government's ongoing commitment to reduce small business corporate income tax and to raise the ceiling defining small business. However, the small business clawback provisions remain an impediment to small business. Therefore, we are recommending that, to support small business expansion, the small business clawback be rescinded as soon as possible.

We also identified a number of other taxes, including the tax for fuel conservation, the corporate minimum tax, the land transfer tax and the estate administration tax. A discussion of those taxes is presented in the report Mary referred to earlier, which is included in your package. We would certainly be happy to discuss them in more detail with the committee.

Another issue of concern, which we have raised a number of times with this committee and in meetings with the government, is GST-PST harmonization. In a survey, nearly four fifths of our members said they supported a combined GST-PST if it led to lower reporting costs for businesses. The Ontario chamber believes that the broader base of a harmonized sales tax would allow this change to be revenue neutral, with a one- to two-percentage-point reduction in the rate. Therefore, we are recommending that the provincial government examine the benefits of harmonization, coupled with a one- to two-percentage-point rate reduction.

In our presentation, we've also identified what we call "smart spending" areas for the future, and I just want to spend a few minutes to highlight those. One of the areas which many of our members are concerned with is the restructuring of Ontario's health care spending. In our survey we asked our members to pick an area of spending which would most benefit their business. Twenty-nine per cent picked health, compared to 17% for education, 23% for assistance for municipal infrastructure, 8% for other municipal services and 23% for other infrastructure. When asked what areas of health care reform should be the focus for the government, 37% felt that the focus should be on increased linkages between the public and private systems, 42% felt that the focus should be on preventive care and 20% felt that the focus should be on timely care.

The OCC will shortly be releasing a policy paper on health care principles. Of specific interest to the budget planning exercise is our recommendation that spiralling costs must be contained with significant structural changes. Allocating ever larger amounts of financing to this area will not remedy the current pressures on the system. An important first step is to provide stable, predictable funding for all major health care providers to allow them to develop long-term strategic plans.

Another area of great interest to our members is transportation and infrastructure investment. As you know, over the past year the Ontario Chamber of Commerce has emphasized the pressing need for strategic multi-modal transportation infrastructure investments. In fact, at this time last year we had just outlined our proposal for the establishment of an Ontario transportation authority. The authority would be comprised of four distinct phases in its implementation. The first phase would be the assumption of responsibility for governance and operation of GO Transit; the second phase would be the capital expansion of GO Transit; the third would be trade corridors; and the fourth would be border crossings.

Given the urgency of GO Transit's situation and its financial needs, the OCC calls on the government to immediately establish a true GO Transit authority comprised of all levels of government and the private sector. The benefit of such an authority is its financial capacity to execute the costly investments needed to improve transit infrastructure. Such a set-up allows the private sector to work closely with the government to promote the public interest while providing greater financial capital for projects that are greater than the government can muster on its own. Therefore, we recommend that the government immediately establish a true transit authority comprised of all three levels of government and the private sector and to assume responsibility and governance for the operation of GO Transit; furthermore, that the government immediately review with local government and the business community ways in which all urban transit systems can be better integrated with GO Transit to form a seamless public transit system within the Golden Horseshoe.

Ontario cannot afford to allow its recent advances in competitiveness to dissipate. Now, more than ever, it is critical for the province to maintain an attractive environment for new investment. The Ontario Chamber of Commerce therefore urges the provincial government to focus on achievable, measurable results from its affordable priorities. Streamlining government regulation and constraining the private sector costs of public policy are low-cost initiatives that can still be accomplished during a period of fiscal restraint.

In this prolonged period of sub-par growth it is easy to lose sight of long-term objectives. Ontario does not have the luxury of expedient options. Its debt and taxation burdens are still heavier than those in a number of competing jurisdictions. Avoiding a budgetary deficit and holding the line on all forms of provincial liabilities will provide Ontario with far greater fiscal flexibility going forward.

With that, we thank the committee for the opportunity to make this presentation and are prepared to answer any questions in the time allowed. If there are further questions, we are happy to meet with the members of the committee at a later date to provide details. Thank you.

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The Acting Chair: Thank you very much. We have one minute per caucus, starting with the Liberal caucus.

Mr Kwinter: Thank you very much. I was interested in the results of your survey where the respondents said that 50% of them felt that the red tape had not changed and that fully a third felt that it had got worse. Do you not find that strange, when this government has gone to a great deal of pain to set up a Red Tape Commission to look into all of this and has supposedly eliminated a lot of the red tape? How do you explain this reaction?

Ms Webb: Partly because the job of streamlining government is in fact quite immense and therefore, while there certainly has been progress and we have noticed it, and noted it and worked with the Red Tape Commission, there is still a significant burden perceived by our members.

Mr Christopherson: Thank you for your presentation. In the midst of a serious downturn, again, almost the entire document is tax cuts. The only thing I can see of anything to do with society or the public sector would be some mention of GO Transit, which is certainly within that realm.

At the beginning of the good times it was all tax cuts, tax cuts, tax cuts, and you got them. Now what we're seeing is the price of that. We're seeing people responsible for education coming in and talking about the crisis that's in education, the crisis that's in health care, the crisis that's in environmental protection. All those things are a direct result of all the tax cuts that happened during the boom times. Now the boom times are over, we're left with a disaster in all these key areas—and they're important to business to: having skilled workers, having healthy workers, our health system gives us a competitive edge. All those things matter and yet they don't appear here at all. I have trouble understanding how you see our society continuing into the future and giving us the quality of life that we've had if we just continue down this road blindly cutting taxes and not caring at all, a whit, about anything else.

Ms Webb: If you read the taxation paper that's appended, in fact we started the research on tax reform and further tax cuts last summer. As it became obvious that this downturn for Ontario was more extended than most forecasters had anticipated, we backed off immediate recommendations for tax cuts and put a number of longer-term issues in response to the request that the OCC do this research for the government. We tabled them but said, "These are longer-term issues," for exactly the reasons that you specified. Very interestingly, when we canvassed our membership they agreed with the board of the chamber, which said, "Balance the books," but the costs are probably too high to achieve a substantial surplus even though Ontario's debt continues to be a significant restraint on the province's flexibility. So I would argue that if you carefully review our submission, you'll find that we are deferring many of our tax proposals to a later date when the economy is stronger.

Mr Spina: Thank you for your recommendations. It's good to see you again.

On page 10, you have a recommendation that says the proposed privacy legislation should not go beyond the scope of the federal one because it would be a further imposition on business, and there should be a business impact analysis on small, medium and large firms. Could you please explain to me, in what way is the provincial act that's been proposed going beyond the federal act and how it can impact on businesses?

Mr Sharma: We are actually in the midst of developing our submission on the privacy consultation, which I guess is due at the end of this month. But we did want to flag to the government that we have received many concerns from our members that the legislation does go beyond the federal legislation in that it requires extra reporting requirements, which in their opinion do not increase the benefit or the privacy of the information for the individual. So it adds an additional cost to business beyond what was laid out in the federal legislation.

Mr Spina: What specifically—

The Acting Chair: Thank you very much. I'm afraid you've consumed your time and we thank you very much for your presentation.

ONTARIO CAMPAIGN 2000

The Acting Chair: Next we have Ontario Campaign 2000. If they are present, would they come forward. Thank you, gentlemen, for joining us today. With that, we turn the floor over to you.

Mr Pedro Barata: Thank you very much, Mr Chair, and thank you to the committee. We are here on behalf of Ontario Campaign 2000. Ontario Campaign 2000 is a chapter of a national coalition dedicated to the well-being of children and the elimination of poverty among children and families. My name is Pedro Barata. I'm the Ontario coordinator. With me is Colin Hughes. He's a steering committee member of Campaign 2000 as well as a community worker with the Children's Aid Society of Toronto.

For our presentation today we want to give you an update on the child poverty situation in Ontario and then we want to outline some of the areas that we see are necessary for addressing the issues of child and family vulnerability in this province, and throughout the presentation we'll be making some recommendations on how we see we can address these issues. You can follow along in your briefs, as we'll be following the recommendations in order.

The latest figures for child poverty that StatsCan has released are for 1999. As you know, 1999 was a banner year for economic growth in Ontario, yet we still have one in six children in Ontario living in poverty. As well, we see that families are falling farther and farther below the poverty line. As you can tell from the brief, the poverty gap, or what it would take for the average family to reach the poverty line, has grown from $8,700 in 1989 to just over $9,000 in 1999. So despite economic growth, we see that Ontario still has a huge child poverty problem.

In your brief, on page 1, you see some of the indicators that we've been tracking over the past 10 years. They speak directly to lack of income security. They speak to problems in the labour market for parents. They speak to lack of access to quality child care as well as housing needs. These are exactly the issues that we will be addressing.

The province of Ontario has relied primarily on tax cuts and the economic growth that comes along with that to try and address its child poverty problem, but as we've seen from the one-in-six number, this is simply not working. In our view, tax cuts are not a very effective approach to address child and family income security, for two main reasons: number one, general across-the-board tax cuts do not put the necessary amount of money, quite simply, into families' pockets to be able to address their various needs; number two, general across-the-board tax cuts deplete our available resources and our revenue to be able to invest in the kinds of supports that families need.

In our first recommendation, we call on the government to adopt a more balanced approached, with the intention of actually addressing child and family poverty in this province, to reducing it back at least to 1989 levels when one in 10 children was poor. We would like to see a shift away from a one-sided approach that's strictly dedicated to tax cuts and economic growth, and we'd like to see a greater focus on a social infrastructure for children and families, focusing on four key areas around income security, labour market strategies, housing and child care.

Mr Colin Hughes: We're going to be jumping back and forward. We're quite pleased, as everyone is, to see that there are more jobs, that there has been economic growth. That has resulted in a reduction in the child poverty rates over the last part of the decade here in Ontario.

We would, though, point out that the number of families who have work but are poor is double the number just 10 years ago and that the child poverty rate is in fact much higher than it was in the last economic boom. We think one area that really needs to be addressed is to look at how one goes about increasing the supply of goods jobs, looking at better wages and so on, and that an important place to start with this is to look at the minimum wage, to increase it. Since it was frozen in 1995, inflation has taken a big chunk out of the purchasing value of the minimum wage.

Someone working full-time, full-year at minimum wage has lost the equivalent of about four or five weeks' purchasing power, so that's really an area where we would urge the province to start. The minimum wage has simply been frozen for far too long and we really need to look at ways to make work pay. If we want people to have a work ethic, we certainly want to reward them for their work performance.

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Mr Barata: For those families who are not in the workforce and who are forced to rely on social assistance—as you know, social assistance caseloads have decreased, but unfortunately for those families who remain on social assistance, they have not seen any increases or any betterment of their quality of life in the past six years. In 1995, this government cut welfare rates by 21.6%. When you factor inflation into this cut, it's nearly 30%. What we're saying is that families have lost nearly one third of their purchasing power. For example, the social assistance rate for a single parent with one child is $957. Social assistance rates right across the board tend to be 55% to 60% of the poverty line, so families are clearly living far below what they need.

As well, we see that there are really two approaches to welfare reform. There is the workfare approach, that essentially tries to get families off social assistance as soon as possible without much regard to what happens once they enter the labour market—and as Colin mentioned, we see that families are simply moving from social assistance poverty to working poverty. We would like to see a greater investment in people who are on social assistance. We would like to see a focus on opportunity planning. To give you a concrete example, we work with a group of parents in the city of Toronto who are really excited whenever there's a job opportunity, and who really want to get off social assistance. What they tell us is, "Going to our 10th straight resumé workshop is just not going to cut it. We need more than that." For parents, they need supports like child care. They see that the housing market is astronomically out of reach, and it's a real problem. We would like to see rectification of the current lack of income security within social assistance, both Ontario Works and the Ontario disability support programs. We would like to see the levels of assistance go back to where they were in 1995, as well as an adjustment in terms of the kinds of supports and help that families receive while they are on social assistance.

Mr Hughes: The minimum wage and social assistance, if you take them together, really do suggest a minimum social floor that nobody's going to fall below, theoretically. What we've seen on both of those fronts since 1995 is that those have reduced. So it's really no surprise that we've seen growth in poverty and in the depth of poverty since the same time 10 years ago, at the same period of economic growth and a boom in terms of jobs.

To fight child poverty, the federal government did introduce and improve the national child benefit supplement, which is an income-tested—what used to be the old family allowance. One of the problems we have is that this is deducted as income from social assistance. That really removes any kind of impact it has in terms of fighting child poverty among families who are relying, at that point in time, on social assistance for their income. We're calling on you to end the clawback of the national child benefit supplement from welfare. There have been over half a dozen municipalities who are so concerned about what's happening on the streets, in their shelters, in their communities and in their neighbourhoods with children and families that they've actually called upon the province to rescind the clawback. So we're simply echoing what Toronto, North Bay, London, Kingston and Hamilton and other municipalities are saying: "Please let them keep that money. Let people who are on social assistance keep their baby bonus. Don't take it away from welfare-poor children, or from foster children, or from children of parents who are disabled."

The other part of the national child benefit story is that the money saved by taking it away from welfare, from people who are on social assistance, is then reinvested in the Ontario child care supplement. The Ontario child care supplement is very much a misnomer. It really has nothing to do with child care at all. It's not linked in any way to child care, except that it uses the words "child care" in it. The supplement in fact is a work income supplement. We're fine with work income supplements, but we feel that it should be funded on its own out of general revenues, not by taking away the federal child benefit from welfare-poor children. We would simply urge that you rename it and call it what it is—it's a work income supplement, and that's great—and that it just be funded from general provincial revenues, not from the federal clawback money.

Mr Barata: One of the problems with the child care supplement for working families is that it does not address the two key objectives of early childhood education and care. On the one hand, child care does allow parents to join the labour force and remain in the labour force, but on the other hand it's also about child development. The government's own Early Years report points to the importance of children having high-quality experiences, not only in terms of their own development as individuals but also for the future well-being of society, both in terms of productivity and cohesiveness.

I want to give you a couple of numbers on the situation facing families out there. There are nearly two million children under 12 in Ontario. Of those children, 70% of their mothers are out in the workforce, yet for those children, only 12% have access to regulated child care spaces.

The province had a real opportunity to invest back into child care, after cutting the budget substantially by $70 million since 1995, with the early childhood development initiative. The federal government transferred $114 million last year to the province of Ontario. It will continue to do so over the next four years. Unfortunately, the Ontario government did not see high-quality child care as a priority for investment. We would really like to see that turned around. Essentially, our recommendation around child care is to stabilize the system, to put back the original cut of $70 million in 1995 and to begin to expand the system to account for the majority of parents who are out there in the workforce and who require this support in order to remain employed.

Mr Hughes: Finally, there's the area of housing. What we're increasingly finding in our cities, in our urban areas in particular, is that the situation for families is very unstable. Their housing is simply unaffordable. Their incomes keep getting worth less and less, and at the same time their rents keep going up and up. They are really squeezed. Let me tell you, there is nothing more heartbreaking than to be on the other end, trying to help a parent and her kids who are about to lose their home. This is really tragic.

We have got to the point in Toronto—and I think Toronto, as our capital, in many ways reflects much of urban Ontario—where the median income for a poor family is almost the same as the average rent. That tells the story right there. Their incomes are way too low; their rents are way too high. Something has to give somewhere, and what's been happening is that it's been giving out on the social end. Kids are filling up our shelters. We have 6,200 kids in homeless shelters in this city. That's an increase of some 130%.

What we're urging is that there's really a need to bring back rent controls in this province, as we had previously, and to get back into the business of increasing the supply of affordable housing.

Mr Barata: We thank the committee for hearing our presentation. We would now like to open it up for questions.

The Chair: We have approximately a minute and half per caucus.

Mr Christopherson: Thank you for your presentation. It's good to know that somebody out there is advocating for the other part of Ontario, where the majority of people live.

I want to focus on the minimum wage, because I've only got a very short period of time. It's absolutely disgraceful that we've gone seven years since there was last an increase in the minimum wage. It was the NDP government that raised it in 1995. Nothing's been done since then. During the economic boom, we heard you can't afford to raise minimum wage because we don't want to dampen the boom, we don't want to hurt the economy the way it's zinging along. Meanwhile, the Americans felt confident enough that it wasn't going to damage their economy. They raised their minimum wage twice and it's now much higher than ours.

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What's difficult is that there are not a lot of people who are on minimum wage. Most people earn a bit more than that so they sort of tune out when you talk about minimum wage, and yet it's the benchmark upon which everything is gauged. As long as you keep the minimum wage low, then when you contract out, you keep wages low; when you privatize, you keep wages low. Ontario Works benefits are kept low. People on fixed incomes, whether they're seniors receiving pensions or disabled people receiving benefits, all these things are kept low. Nurses, teachers—at the end of the day everybody's wages are suppressed, and yet we're moving into a user fee society where you have to pay directly for everything you need. How do people who are earning minimum wage, or around there, galvanize enough political action to make a difference?

Mr Hughes: I think you've hit on some important points. One is that we really feel that work should pay, and this was absolutely the case not that long ago. About 15 or 20 years ago, a single person working full-time, full-year, earned enough to be out of poverty. That simply isn't the case right now. We have people working at minimum wage who are living in shelters in Toronto. It's just disgraceful. It is a basic floor, and you're absolutely right: as that floor rises, other things rise relative to it. So it's not just people who are at the minimum wage, but people who are near it and above it in other ways. We really don't understand the rationale for allowing the minimum wage to erode. We think it should be indexed, that it should be brought up to the standard that was set in 1995, and that we make work pay.

Mr Christopherson: Hang in there.

Mr Spina: Gentlemen, thank you very much. I wonder if you could help me understand something better. On your first page you're talking about the growth in the number of poor children in Ontario, and you state, "In 1989 ... one in 10 children in Ontario was poor; by 1999," 10 years later, "one in six children was poor." That's a 40% drop in the ratio, and that's obviously including the growth in population and so forth. Then you indicate that the "growth and prosperity is not benefiting ... families and children." This sounds like a paradox. Can you maybe explain that, please?

Mr Barata: One of the most important indicators that we look at in terms of how well families are doing is how far they are below the poverty line. You have mentioned growth in population, which is a factor in the way the numbers rise, but you also have to look at the rate of poverty. The rate of poverty in 1989 in Ontario was the lowest in Canada; it was 10.8%. By 1999, it had jumped up to 16.5%. This is simply a rate of poverty on all children. But most importantly in terms of how far families are falling below the poverty line, that gap has continued to increase over the past decade. That's a very basic indicator that shows that although families are trying to make ends meet, quite simply the supports that are available in society have decreased. Their benefits have not increased at the same time, and they are falling deeper below what they need to live on.

Mr Kwinter: Thank you for your presentation. I just would like to get your advice, really, because I don't know what the solution is, or we would solve it. We have this sort of dichotomy where we had a presentation by the Canadian Federation of Independent Business earlier today. They talked about almost 50% of small businesses saying they cannot get proper employees. The qualities they're looking for—they don't have to be computer scientists or anything else—are a willingness to learn, the number one issue; the willingness to stay at a firm, number two; and customer service skills. These are all things that can be learned relatively easily. My feeling is, if that is the case, if there's a chronic shortage of labour, even though there are a lot of unemployed people, something is going wrong with the way we address the problem with the working poor.

It's also interesting that in your presentation you talk about the fact that the minimum wage is a problem which doesn't allow these people to get close to the poverty line, and Mr Christopherson is telling us that very few people really earn a minimum wage. Somewhere along the line you've got to connect the dots. I was just wondering if you had any advice as to how you think this should be approached.

Mr Hughes: You're right, there are a number of issues at stake here. One is, what kind of skills do people bring to the labour market to start with? That's where you have to look, and I think the business community has to seriously look, at what the social costs of many of these tax cuts in fact are. They are not making life very good for a lot of the families who are living out there. I'm telling you, you do not go to a job when you have been hungry, when you have been homeless and when you have a hard time even clothing yourself or your family—when you've experienced those kinds of hardships—and really become a very good employee. It's a bit contradictory. We need to look at the impact of poverty on the next generation of workers and so on.

In terms of what makes that job attractive, can people live on those wages—that's a whole other question. There are two parts to it. One is, are those wages adequate to begin with? I don't know. What proportion of them is at minimum wage or near minimum wage? I imagine there's data on that. That shouldn't be very difficult to find out.

More importantly, though, if we're talking about families with children, they are definitely at a disadvantage at the lower end of the labour market simply because they cannot earn enough to support themselves and their families. This has been an ongoing problem. Wages are not sensitive to family size. That's why the child benefit, the work income supplement, those kinds of things, are very important and also need to be enhanced. We're suggesting that a comprehensive approach should be taken to those things. I don't know if that really is an adequate answer to your question.

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 this morning.

ONTARIO COALITION FOR SOCIAL JUSTICE

HOUSING AND HOMELESSNESS NETWORK IN ONTARIO

The Chair: Our next presentation is from the Ontario Coalition for Social Justice. 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 this morning.

Ms Kira Heineck: Thank you very much for the opportunity to present to you today. My name is Kira Heineck. I represent the Ontario Coalition for Social Justice and the Housing and Homelessness Network in Ontario, our newest member group. I will speak briefly about the broader issues and needs that the OCSJ feels must be addressed in the government's next budget. Ann Fitzpatrick, who's with me, will speak directly to the concerns and demands of the Housing and Homelessness Network in Ontario in the next provincial budget.

The Ontario Coalition for Social Justice is a coalition of over 200 provincial and national groups promoting social and economic justice in Ontario. Our provincial members include most major union affiliates, as well as many provincial social sector groups, such as the Canadian Federation of Students, the Ontario Coalition of Senior Citizens' Organizations, Campaign 2000, the National Action Committee on the Status of Women, the Inter-Faith Social Assistance Reform Coalition etc. I've listed a few more for you in our brief.

Of equal importance is our work with over 20 local member social justice coalitions. These are communities across the province that have their own local social justice coalitions and who have joined together under our umbrella. You'll see there the list of communities in which we are quite active. You'll notice that it stretches right from east to west and north to south in the province.

There are many issues that fall within the scope of social and economic justice that the OCSJ concerns itself with and to which we could speak today. Some of our local community coalitions have already presented to this committee, or are still scheduled to, as are many of our provincial member groups. We fully support their ideas and strategies for an alternative way forward for this province, one that builds a sustainable future for all Ontarians.

To complement the specific positions they've already argued before you, or will still argue before you, we feel our contribution is to remind the committee that the existence of poverty and homelessness in Ontario are indeed human rights abuses. There is no doubt that homelessness has increased dramatically in Ontario in the last seven years, and that poverty continues unabated in this province. I've listed some of the basic statistics and facts to flesh out that picture but, again, you've heard a lot of this already today and in other hearings of the committee. I'll just leave that for you right there.

A couple of points are important to highlight, though. A lot of these statistics underestimate the reality that's out there because they don't include the economic conditions of native people living on reserves and those in institutions like hospitals and jails.

1250

This sad and shameful reality is indeed a human rights abuse. Poverty and homelessness in Ontario violate at least three basic human rights that everyone in Ontario is entitled to: the rights to livelihood, life and equality. All three are enshrined in the Universal Declaration of Human Rights and are supported by the Canadian Charter of Rights and Freedoms and the Ontario Human Rights Code.

I will read to you article 25(1) of the Universal Declaration of Human Rights because it is extremely powerful:

"Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control."

Clearly, the income levels attainable under minimum wage and the various social assistance programs currently in place in Ontario make the exercise of this right to livelihood impossible for everyone.

Article 6(1) of the International Covenant on Civil and Political Rights, designed to give legal force to the Universal Declaration of Human Rights, reads, "Every human being has the inherent right to life. This right shall be protected by law. No one shall be arbitrarily deprived of his life."

We know that in Ontario, crushing poverty and the lack of adequate social programs, income security measures and enough affordable low-income housing have already condemned many people to death on our streets, thus violating the very right to life.

Poverty and homelessness also violate the right to equality because they are themselves barriers to the enjoyment of that right. Poverty and homelessness make access to the tools to achieve equality, such as education, adequate housing and nutrition and decent health, almost impossible to achieve. An argument can also be made that allowing homelessness to exist violates section 15 of the Canadian Charter of Rights and Freedoms, which protects the poor from discrimination.

The expertise I bring to this committee is what I learn as I travel across the province and work with the local social justice coalitions. I want to talk to you more about what they are telling me they need based on their experiences.

Everywhere people are struggling under increasing challenges to provide their families with a decent standard of living, and with hope for and the ability to enjoy the future. Here is what they demand Ontario spend our money on in the next budget, with two major objectives: end poverty and homelessness.

Raise the minimum wage so that anyone working a full-time job can support themselves and their family at above poverty-line levels. I'm not an economist and the details could be worked out in the future, but I think that would be approximately $13 an hour right now.

Raise social assistance rates and modify eligibility requirements, management policies and support programs to introduce truly meaningful, respectful and just welfare reform.

Return the national child benefit to the families that really need it.

Increase benefits to injured workers to, at a minimum, fairly reflect inflation rates.

Build the social housing required to meet needs in every community across Ontario. The Ontario Ministry of Finance has found that we need about 18,400 units per year. I don't need to remind you that none are being built right now.

Adequately fund health care so that health care costs do not become an extra burden on people living in poverty.

Stop the privatization of Ontario's electricity market, which will only add cost burdens to low-income Ontarians.

For the objective of ensuring equality:

Build the subsidized and second-stage housing required in order to support women and children fleeing abusive relationships, and adjust social assistance rates and program requirements to support and assist women and children fleeing abusive relationships. These two recommendations are reflected in the Hadley inquest recommendations that I'm sure you've already been presented on as well. The Hadley inquest found that the number one barrier to Gillian Hadley being able to escape with her life was that she was living in poverty and couldn't access second-stage or subsidized housing.

Stop the private school tuition tax credit and freeze post-secondary school tuition across Ontario to ensure equal access to education for all Ontarians. Again, this recommendation is based on the fact that an increasing number of low-income young people are not accessing secondary education. They just can't afford it any more. I can tell you that the number one concern across the province these days—I just came back from a trip to Wawa a few days ago—is the lack of opportunity for young people. It's everywhere. Every workshop we do, every discussion I have, every dinner I have with people, this is what we talk about, the lack of opportunity for young people.

Stop the tax cuts to corporations and wealthy Ontarians, who disproportionately benefit from them. These tax cuts help to widen the gap between rich and poor in Ontario, which hurts everyone's quality of life. This is based on studies that show us that the narrower the gap between rich and poor in society, the better the overall health is of everyone in that society.

So it's your choice. The reality of poverty and homelessness in Ontario is even more appalling because it exists in the richest province in one of the richest countries in the world. It is pathetic that the government of Ontario, while extolling the virtues of Ontario abroad and presumably upholding the internationally recognized rights to equality, livelihood and life, allows poverty and homelessness to exist, both through direct policy action and indirectly by not developing legislation and policies to alter this reality.

Homelessness and poverty in Ontario are man-made realities. They have man-made solutions. This standing committee has the power to make recommendations to start implementing the solutions. The government of Ontario has the power to act upon those recommendations. It is your choice. The future generations in Ontario will judge you not for how many tax cuts or selling of public services you were able to pull off, but on how you promoted and protected the common wealth, the quality of life of the poorest among us, and the struggle for the equality of all Ontarians. You will be held accountable. Make sure it is for bold moves toward social justice and equality.

Thank you very much.

Ms Ann Fitzpatrick: Good afternoon. The Housing and Homelessness Network in Ontario formed about two weeks ago, following a two-day gathering of over 40 organizations from across Ontario from Parry Sound, North Bay, Kingston, Windsor, London, Belleville, Kitchener-Waterloo, Sault Ste Marie, Hamilton, native and aboriginal communities, and Toronto. Participants represented community-based organizations from their areas, including legal groups, seniors' groups, youth groups, social justice groups, faith communities, housing services, housing advocates and child welfare.

I'm here today representing the Children's Aid Society of Toronto on this network. My job at CAS involves dealing with families with housing and homelessness problems. I deal with two to five cases a day of eviction and homelessness and people living in unsafe housing. Ten years ago I dealt with that many issues each month.

At our conference, we heard story after story, community studies and research reports that uncovered the devastating impact of our housing disaster on a growing number of Ontario citizens. Many participants had been involved with housing issues over the last decade and they were witness to the worsening crisis. For example, the Toronto Disaster Relief Committee reported that coroners have been advised to look out in their investigation autopsies and inquests for homelessness as a factor in those deaths.

The scope of homelessness: at this conference we reaffirmed our understanding that government must understand the visible and the invisible homeless reality in our cities and towns and isolated communities. Homelessness and policies to address it must include the visible people who are living rough on the streets, in bus shelters, on grates, sidewalks, stairwells, benches and in parks, and people who are living rough who are hidden from view in parks, under bridges, in tent cities and in abandoned buildings.

It also includes the invisible homeless nobody sees except some of the social agencies like children's aid that are visiting people in their homes. Those are people at risk for losing their homes because their rents are rising faster than their income, compromising their ability to pay their rent and resulting in an astronomical increase in evictions. We have 500 applications for eviction weekly in Toronto.

Homelessness also includes those who are in insecure housing, people who are living temporarily doubled up with other families, who have no rights of tenure and, with a breakdown, can be forced to move at any time.

Now there is a new term called "couch surfing" that has surfaced across the province, where youth and even seniors and families are sleeping on couches from different address to different address.

What are our recommendations before you today? First of all, we want to say that we want you to invest in solutions to turn this crisis around, and we know you can afford to do so. It's very clear that dealing with this growing problem makes good economic sense at the same time as it deals with people's basic and human needs and rights, as Kira has spelled out. On your budget ledgers you can invest now in housing solutions and comprehensive strategies that cross ministries or, you can continue to pay now, and later, increasing sums for the unanticipated domino effect on other budget lines and services.

1300

A case in point has been distributed to you in the package. The children's aid carried out a study with the U of T in 1992 and followed up in 2000. In 2000, for one in five children admitted to our care, housing was a problem. The number of children admitted where housing is a problem has gone up 60% since 1992, to 450 children in the year 2000. In another one in 10 cases, we could not reunify children with their families because of housing problems. The costs are enormous, and this is a program you fund 100%—almost $2,000 a month for each child in care. For each child, the average cost is over $40,000. For the 450 children, if you look at the average length of stay in care, that is a staggering cost of $18 million.

Other examples of the cost-effectiveness of funding housing in a strategic and a planned way versus other services are outlined in the other handout that came from the mayor's task force on homelessness, which looks at expenditure estimates for various options. I've annualized some of these costs. These are going back to 1999, so no doubt many of them are much higher.

It costs for a person to be in prison for a year $42,000, or almost $4,000 a month. A motel or a family shelter costs $37,000 a year, or over $3,000 a month. Contrast that to investment in public housing, which only costs $486 a month for government to subsidize, or approximately $5,840 a year. New non-profits are a little bit more expensive because they were developed when land costs were high, but they're still $1,905 a month. So if governments are setting budgets, they have to look at what other budget lines are having impacts on failing to act on the housing issue.

In addition to these costs, you've spent $12 billion on tax cuts. So we just cannot accept the argument that a government cannot afford to solve the housing crisis. It's an issue of choices and strategic investments to reverse this serious and growing problem.

What we want to see in the budget are solutions that address housing supply, income issues and policy issues, and it needs to be done in an integrated way.

For starters, on new supply we want you to put in your contribution of $245 million toward the federal-provincial agreement that you signed off on in Quebec City. We understand $20 million is on the table; that's not acceptable. Even if you put in $245 million, it's only going to result in 2,000 units a year across Ontario, and we know that's a drop in the bucket, depending on the need.

We also know the private sector is not going to solve this problem, as was promised. Al Leach, when he was the Minister of Housing, said there would be 15,000 new rental units a year if rent control was scrapped and other policies were passed. We know that hasn't happened. We need government investments, and history has shown us that in terms of meeting the housing needs of the lowest income groups. So we want a long-term strategy of investing in supply. As Kira said, the Ministry of Finance projected that there's a need for 18,400 units of rental housing in this province. So all we're asking is that you follow your own financial projections and fully fund that program. It would cost about $900 million annually.

The housing needs to be permanent affordable housing, for the most part, but it could also address some local needs identified, such as transitional housing for assaulted women as well as some emergency shelters, which don't exist in some communities. Aboriginal communities need to manage and control their housing, and they need some targeted dollars. The demand is clear. When I started working on these issues over 10 years ago, the waiting list in Toronto was 10,000 households; now it's over 62,000 households. We've got to do something fast.

We also want you to address income strategies. The previous deputants covered a lot of the issues that we also support. We think that social assistance rates have to be increased. I would say that cutting social assistance and eliminating rent control on vacant apartments was one of the most toxic brews of policy I've ever seen. It has punished low-income people beyond belief. Then, when you add to that that there's no supply of social housing, there have been horrific impacts of those decisions.

Landlords have always discriminated against people on social assistance, despite the protections in the Ontario Human Rights Code. But now low-income people can't afford those units. The unit cost for a one-bedroom in Toronto is about $883, and that is well beyond what a single person earns on social assistance.

We reiterate that the minimum wage needs to be increased. We think there needs to be more funding to tenant services through legal clinics and the Ontario Rental Housing Tribunal. There are areas in the north that are getting very poor service and it's leading to more evictions.

We think there needs to be more support to groups working regarding issues of discrimination in rental housing, and access to these services should be province-wide.

Finally, a couple of recommendations that probably don't fit on your budget line directly, but we want rent controls back. We want rents to be fair; we want housing to be affordable. Above-the-guideline increases under the NDP were taken off base rents once those capital improvements were made, but under your new policies they're built into rents ad infinitum. So it's of course going to escalate rents. You've got to say it's unfair for tenants to have to keep paying for improvements in their base rent after the laundry room was already paid for.

Finally, we want you to reinstate the Rental Housing Protection Act. We have seen a net loss of rental housing in many communities, even though there have been a few units developed by developers. Toronto recently won a case allowing the city to set some rules around conversion and demolition. All we're saying is, do that province-wide. We need to save the housing we've got as well as produce new housing.

In conclusion, I hope this hearing is a meaningful process and a democratic process. I hope that you're going to listen, reflect and act on what you're hearing from people across the province. Economic forecasts and indicators often fail to attend on the impact on people. We're working at the ground level; we're seeing what's happening.

It takes leadership and accountability to evaluate your own policies and decisions and to change direction where that is necessary. Your housing policies and welfare policies are a case in point. Failure to act soon and take a new direction from the direction you've taken will result in more money spent on the numerous services and institutions that kick in over time in desperate situations: health care, child welfare, police, jails, mental health facilities, hostels and motels. Pay now, with leadership and vision, or pay now and later, with thousands of children, families, seniors, youth and voters falling into desperate living conditions and putting greater burdens on the network of services we have across the province.

An ounce of prevention is worth a pound of cure, and you have the resources to take action.

The Chair: With that, there won't be any time for questioning as you've used all your time this morning. On behalf of the committee, thank you very much for your presentation this afternoon.

This committee is recessed until 2 o'clock this afternoon.

The committee recessed from 1309 to 1401.

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Chair: Good afternoon, everyone. If I can get your attention, we'll bring the standing committee on finance and economic affairs to back to order. Our first presentation this afternoon will be from the Canadian Federation of Independent Business. I would ask the presenters to please come forward and state your names for the record. On behalf of the committee, welcome.

Ms Judith Andrew: Good afternoon and thank you, Mr Chairman. I'm Judith Andrew, vice-president, Ontario, for the Canadian Federation of Independent Business. With me today is Melanie Currie, policy analyst for Ontario, also with the CFIB.

I've put some kits together that you should have in front of you. They are actually quite different material than was distributed by Catherine Swift this morning, so please do look. Just to acquaint you with the contents of the kit for future reference, in the right-hand side of the kit you'll find the statement that I will make today concerning the pre-budget. There are also some charts that accompany the statement and some very new and interesting data in those charts, so please look at that. There's a survey that we have freshly completed dealing with a proposed hotel levy to support tourism promotion. As well, there's a new mandate ballot from our membership dealing with the issue of financing incentive.

The entire left side of your kit is devoted to municipal matters. There's an update on the property tax burdens in Toronto; a new property tax fax alert that our members are using to convey their views on what ought to be done at this juncture; a new ballot dealing with an idea we have on property tax, which I will address in a moment; plus our recent reports dealing with municipal issues from the standpoint of small business. One is entitled Building Better Communities; the second one is entitled City Limits and it deals with special authorities for taxation for municipal governments; and finally, last year's pre-budget submission, which contained a lot of analysis and detail that might actually be worth referencing in this year's go-round.

Turning to the statement and the accompanying charts, CFIB appreciates the opportunity to make submissions to the Ontario government with respect to the forthcoming Ontario budget 2002 on behalf of our 40,400 Ontario small and medium-sized enterprise members.

We certainly commend to your further attention CFIB submissions with respect to last year's budget, which are in the kit and do supply detailed analysis and an integrated set of recommendations that we're still proceeding along.

As Catherine Swift outlined this morning, small business is the primary engine of the economy and it is very heartening that small firms in this province continue to hold reasonably strong expectations for their businesses. Catherine went into some detail on that, so I will not.

This submission will briefly update our members' budget-related priorities and make the case for moving forward on key small business recommendations within the strictures of Ontario budget-making this year. CFIB's "Our Members' Opinions" census survey continues to show total tax burden as the perennial number one issue of concern for small firms. Knowing that today's debt is tomorrow's taxes, small business owners' fiscal priorities emphasize debt repayment first, followed by tax relief, with spending ranked third.

Small businesses report diminishing satisfaction with all levels of government in controlling spending. That actually is the third chart. It should be noted that Ontario scores somewhat better on its stewardship of taxpayers' money than do either of the other two levels of government. Health care, education, transportation infrastructure and environment infrastructure garner the most support among small firms for spending increases, and you have the chart that was revealed this morning, as well as a more detailed chart dealing with public infrastructure. This particular one has the benefit of over 23,000 respondents, so it's a very broad-based survey in terms of the areas of public infrastructure that our members would support. Not surprisingly water quality, highways and local roads get the most support for increased spending in that area.

CFIB acknowledges with appreciation this government's progress on addressing small and medium-sized enterprise budget priorities. This action helped to recession-proof our sector and get Ontario through the recent economic bumps with fewer negative repercussions than were feared. In the face of a softening economy and the terrorist attacks, it was very positive and confidence-instilling that this government not only held to its tax cut commitments, but also accelerated the tax relief to October 2001.

CFIB's fresh "Focus on Ontario" survey data show that personal income tax, employer health tax and small business corporate income tax cuts have, to date, most helped small business job creators. That's the chart on page 3 at the bottom. This data also show that capital tax relief is starting to be felt. We anticipate that full-year implementation of the first $5 million capital tax deduction will substantially reduce or eliminate the tax for many small and medium-sized enterprises in a manner that ensures that every business enjoys equal relief. I should say for small businesses this is a substantial relief, which means much more to them than the same deduction would, of course, in a large firm.

Workplace Safety and Insurance Board premium reductions since 1995 have also assisted small and medium-sized enterprises, although the decreases in the average rate have disappeared and plans to expand the system are worrisome. That was referenced this morning by Catherine.

CFIB's latest tabulation of concern with provincial/local taxes and charges places municipal property tax as the number one tax most harmful to Ontario businesses. With growing concern over recent years, in tandem with rising fuel prices, our members in northern Ontario identify fuel taxes as their second-ranked most harmful tax. Personal income tax, corporate income tax and provincial education property tax are also ranked high on the most harmful list.

Looking at future tax reductions—and there's a table and a chart on page 5—municipal property tax received the highest priority rating for future tax reduction attention, followed by personal income tax, provincial education property tax, fuel tax and small business corporate income tax. As you can see, capital tax is nearer the bottom, second from the bottom, as an issue where our members have certainly appreciated the relief extended in last year's budget, and it's not now on the top of the list of their priorities.

We commend the Ontario government for adhering to its positive Bill 140 hard cap as a start to levelling property taxes and improving accountability to the resident-voter for local spending. One strategy to approach the range of fairness and at the same time mete low-end property tax relief to small business is to institute a small business threshold of property values that municipalities must tax at the lower residential rate. We are currently canvassing our members on this option, and the mandate ballot is enclosed in the left side here, and our preliminary findings show small firms are strongly in favour of the proposed threshold approach.

1410

Our members strongly oppose giving municipalities new taxing powers, for example, local sales or income taxes. Instead, business people favour reductions in local spending. Small firms resist allowing local governments to levy new local fuel taxes to pay for transportation infrastructure. However, they would support earmarking existing fuel taxes to pay for local transportation infrastructure; for example, roads and transit. Few have qualms about forcing municipalities to lower municipal property taxes on business in order to lessen the property tax load. There is reasonable support from small firms for removing social services costs from the property tax, and replacing taxes with fees for specific services is also moderately supported as a genuine user-pay approach. To summarize, all those findings regarding municipal finance and taxes are in the two charts on page 6. One deals with northern Ontario and the other is all of Ontario.

Our recommendations to the Ontario government for Ontario budget 2002 are:

(1) Maintain a sound fiscal balance, emphasize debt and tax reduction over spending and focus priority spending to support growth and competitiveness.

(2) Support confidence by continuing to phase in the announced tax relief—personal income tax, corporate income tax—on schedule.

(3) Alleviate the unfair burden of profit-insensitive property taxes on small business job-creators by (i) delivering substantial relief on provincial business education taxes; (ii) instituting a small business threshold of property value that municipalities must tax at the lower residential rate; (iii) disallowing municipal clawback of reductions owing to lower assessments; (iv) taking other steps to lower municipal business property tax rates toward the established range of fairness.

(4) Promulgate Ontario's charter of taxpayer rights on tax administration, fulfilling this 1999 Ontario budget commitment to treat taxpayers fairly, and also update and improve the vendor compensation for retail sales tax collection.

(5) Eliminate the capital gains tax—in effect, zero-rate it—as an incentive for direct—and this is without intermediaries—patient capital investment in small and medium-size enterprises. The ballot on that is in the kit, with a vote 63% in favour. That was also supported in the Chudleigh report on competitiveness. So that's an important item.

(6) Fulfill the government's commitment to publicly identify provincial fees and charges paid by businesses in Ontario; review existing provincial fees, as promised, to determine whether they exceed the cost and value of the service provided; and refrain from introducing legislation allowing municipalities to introduce a hotel-motel levy to pay for tourism promotion. Again, the survey vote on that is attached, a very strong survey in opposition—91%.

We appreciate the opportunity to make these submissions, and we look forward to attempting to answer your questions.

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

Mr Gilchrist: In the interest of time, I'll make this very quick. I had an e-mail today from a gentleman who is watching with great interest the Toronto city budget deliberations. He noted that they are proposing to spend $280 million on homelessness and $255 million on all their fire services, but only $140 million on all parks and recs. It's small wonder they can't keep the pools open.

It seems to us a bottomless pit. We share your concerns about property tax, but we need some direction. Should the province be accelerating the rate that municipalities are required to produce best practices or meet performance measures and then mandate that they have to stick to those percentages and it would be illegal to raise taxes beyond that level?

Ms Andrew: Our members, as you can see from the last survey charts on page 6, are pretty hard on municipalities in terms of the kinds of latitude they would give them to do anything. Our members have been ill-treated by municipalities. The tax burdens in Toronto are enormous. There's a summary sheet here showing just how much commercial properties and industrial properties are levied relative to residential properties.

So our members really feel that the Ontario government needs to set the framework for proper budget-making and then allow the municipality to levy appropriate levels of taxes without ill-treating the business sector the way they've been doing until now. There may be some sympathy for certain kinds of social services that are hard to support off the property tax base. There would be some sympathy for doing that, but that's not our members' number one. They're just desperate to have some relief on the property tax front.

Mr Phillips: On property tax, I see by your chart here that a majority of the property taxes that are paid by a manufacturing operation—this is the Toronto example—are set by the province. You have now I think correctly talked in your document about provincial property taxes. No one thinks about that, but I see that over half of the property taxes being paid by businesses in Toronto go to education and are set by the province. I think you're showing—

Mr Gilchrist: No, they're not.

Mr Phillips: I know Mr Gilchrist doesn't like to hear this, but here are the majority of taxes going to the province, set by the province. Mike Harris sets the education tax rate and it goes right into education. It's set by the province, with the province controlling it.

Mr Gilchrist: It's set by the school boards. The cap—

Mr Phillips: Mr Gilchrist doesn't like to allow other people to debate. It is set by the province. Mike Harris sets this tax rate. A majority of taxes—

Interjection.

The Chair: Mr Phillips does have the floor.

Mr Phillips: Thank you, Mr Chair. I know it's always somewhat difficult with Mr Gilchrist.

Your chart here quite correctly points out that a majority of property taxes go to education—and the Legislature never sets that rate, by the way; it's set by regulation. Do you think it would be helpful if we in the Legislature had an opportunity to participate in the debate around setting those education tax rates that are set right now in secret by the cabinet?

Ms Andrew: If the elected members would do something about the onerous burden on business, absolutely. The fact of the matter is, you are right: in the Toronto example here, on a $300,000 property more than half of the property tax is provincial education property tax. It shows up very high on our survey as something that has to be dealt with. It's the third-ranked priority after municipal property tax and personal income tax.

We would argue that if there's any money in the treasury to be spent on anything this year, it ought to be applied to reducing that provincial education property tax. A uniform average rate wouldn't work. You basically need to buy down the rates on the municipalities where the rates are very high. Mr Gilchrist is right: it is a fact of history that school boards bargained in different ways and ended up with different levels of education property tax, which the province took over. But now is the time to start buying down those very high rates, as was done in the 1998 budget. But much more is needed.

It's a big chunk of money to get that down to something reasonable that would compare across the country.

The Chair: Mr Christopherson.

Mr Christopherson: Thank you for your second presentation of the day. Here's the world we've got with municipalities: over the last seven years, we've had an enormous amount of downloading of responsibilities. It's pretty clear now that it wasn't revenue-neutral, that municipalities ended up with less money and more responsibility. Yet a lot of the things that make small business work are very different from large corporations trading and exporting on the world market. I think of downtown Hamilton and Westdale as examples of that. A lot of the things that matter to them in terms of competitiveness are those very municipal services that are provided, such as police protection, fire protection, the building and maintenance of roads, sewage, garbage pickup, snow clearing—all the sorts of things you don't really think about that can make a huge difference if you're competing regionally.

Yet you've still maintained that a balanced budget, which in effect means less money for municipalities—once you say the one, the other happens, because there's not enough money to meet the current demand, let alone anything expansionary. If balanced budgets are the priority, and yet you want local government to respond to a lot of the business issues which, quite frankly, are also citizen issues—often they're one and the same—their hands are tied. I have trouble, and I mean this very sincerely, trying to understand how you see both things being able to happen at the same time.

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Ms Andrew: I guess we don't accept your premise that it's been entirely a situation of downloading, that the exchange of services and costs—in some of the data I showed, some municipalities were up money on the exchange. They actually—

Mr Christopherson: Not Hamilton.

Ms Andrew: —claimed it was downloading. It's one of those things that almost requires a forensic analysis to get to the truth. There was that kind of analysis done for Toronto. It's easier for levels of government, I guess, to point the finger at each other than to actually solve the problems.

Our members are not well treated by municipalities. They don't even get equal access to the services. This latest round of changes on garbage in Toronto, for example, is another way of skirting around Bill 140, to put more of the cost of garbage and diversion into blue box and so forth directly on the business. So they're getting less service with more cost just on that one item alone.

If the taxes were even-handed across the categories of taxpayers, if it were a classless society in terms of there not being classes of taxpayers, then you would have accountability to the residents for the spending. Because businesses don't vote, they don't get the kind of response that is necessary. So I guess we don't accept your argument that municipalities have been dealt a poor deal by government necessarily. In some cases there may be imbalances, but as far as I know, those imbalances were made up. Municipalities have not hesitated to download their problems on to business, and the levels of services provided to business certainly do not justify the kinds of taxes that are levied.

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

CATHOLIC PRINCIPALS' COUNCIL OF ONTARIO

The Chair: Our next presentation will be from the Catholic Principals' Council of Ontario. I would ask the presenters to please come forward and state your names for the record. On behalf of the committee, welcome.

Mr Brent Wilson: My name is Brent Wilson. I am president of the Catholic Principals' Council of Ontario. With me is Lou Rocha, the executive director.

The Catholic Principals' Council of Ontario represents and supports over 2,000 principals and vice-principals in Ontario's Catholic elementary and secondary schools. These men and women work daily to foster an authentic vision of Catholic education, and strive to provide leadership that will in turn enable them to serve the needs of students so that they will be prepared to exercise Christian leadership as full and contributing members of Canadian society. As president and executive director, we welcome this opportunity to speak to you today.

CPCO shares the goals of the government of Ontario which are listed below. In addition, we support Ontario's Catholic school graduate expectations which are listed before you.

Principals recognize their role in implementing change for continuous school improvement. CPCO recognizes the importance of fostering educational leadership. Principals need support to develop and refine their skills and to acquire new knowledge to fulfill their roles. There is ample evidence that successful schools have strong and effective leaders. Educational reform dramatically expanded the role and responsibilities of principals in recent years. There are greater expectations for improved student achievement, involvement with parents and school councils, and public accountability. Principals and vice-principals are making extraordinary efforts to successfully implement these recent educational reforms.

As educational reforms continue to change the provincial landscape, the Ontario College of Teachers study indicates that 44% of teachers with principal qualifications are eligible to retire within five years. CPCO's own survey on retirement indicates that 43.1% of principals and vice-principals will retire within the next three years. Ontario schools have an urgent need to recruit future principals and vice-principals. Related to this is the fundamental requirement to provide training for the next generation of school leaders.

Principals have a key role in leading change in Ontario. As leaders, they develop consensus within their communities on mission and direction. In ordinary times, experienced leadership and professional training programs are paramount to the creation of effective schools. This is even more critical today with the large-scale changes being undertaken in Ontario. CPCO's most recent membership survey indicated that 38% of principals and vice-principals have less than five years' administrative experience. This situation alone underscores the need for professional training programs to support school improvement.

In It's All About Improvement, the report of the Task Force on Effective Schools, they recommended increasing funding for professional development to an amount equal to 1.6% of payroll of school boards. This would equate to an annual amount of approximately $1,500 for professional development for each principal and vice-principal. We concur with this recommendation.

CPCO established the Academy of Catholic Educational Leadership, ACCEL, in January 2001 to provide professional development and training for principals and vice-principals in the Catholic school system. In April 2001, the Ministry of Education's joint initiative project funded CPCO and other provincial principal organizations with $4.5 million, of which CPCO received $1.54 million. The ACCEL staff and the ministry staff worked together to ensure that high-quality programs were provided across Ontario with this funding. In so doing, the issues of accessibility and equity have been addressed by using a variety of delivery methods. By June 2002, CPCO's 2,000 members will have participated in over 3,800 training days, and CPCO will have delivered the following training programs and resources to principals, vice-principals and supervisory officers.

The ACCEL courses are constantly reviewed and kept current, and are of the highest quality. One of the courses reviewed by an external consultant received the highest rating in seven out of eight categories. There is no doubt that professional development delivered through CPCO effectively supports principals and vice-principals in their role as effective leaders and agents of change in Ontario education.

The quality of CPCO's materials and resources has been recognized by the Ontario College of Teachers. The college has accepted 13 of the courses as core professional learning programs under Ontario regulation 270/01. These courses meet the requirements in six of the seven categories outlined in the legislation, and you'll see a chart in the back of the booklet that outlines where those courses match up to the core learning programs. We are also awaiting approval on a number of other courses.

CPCO's membership survey on professional development indicated that more than 75% of principals and vice-principals are planning to complete the 14 mandatory courses in the next five years, despite the fact that 40% are eligible to retire in the next three years. The same survey indicated that principals and vice-principals believe the provincial principals' associations should develop and deliver the professional learning programs. Hence our second recommendation.

The ministry's joint initiative project was a good and necessary start to funding professional development for principals and vice-principals in the province. Further commitment is needed in the immediate future to develop and implement continuous professional development and training for principals and vice-principals. Given the high rate of retirement in the next five years, and combined with the relative inexperience of new administrators, it is imperative that the Ministry of Education make a long-term commitment to Ontario's school leaders. Funding professional development for principals and vice-principals is a sound investment in the future of Ontario education. The quality of programs that have been provided through the ministry's initial funding grant is a guarantee that such an investment is both valid and valuable. Hence our third recommendation asking for funding for over a five-year period.

In order to promote school improvement, the Ministry of Education must amend the current student-focused funding model to address the funding of school leadership. During the last four years, the number of teaching principals and vice-principals has increased while the time spent on administrative duties has decreased. At a time when school leadership is so important in implementing educational reform, many principals and vice-principals are working 60 hours a week trying to be both effective administrators and successful classroom teachers.

CPCO recommends that the funding model be modified to provide full-time principals in every school. We further recommend that all vice-principals be assigned to full-time administrative duties in order to prepare successfully for their future leadership roles.

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CPCO conducted a number of surveys in the fall of 2001. In November 2001, we released the paper called Funding Effective School Leadership. This paper identified four building blocks needed to support effective leadership: full-time principals and vice-principals; the appropriate funding for principals and vice-principals in order to implement number one; retention incentives, recruitment and security issues were identified and recommendations made around those; and the last one was professional development.

Ministry data indicate that a significant number of elementary principals and nearly one third of elementary vice-principals have assigned teaching duties. CPCO's own survey indicated that 68% of principals have performed the dual role of teaching principal, some for as many as 20 years. These educators face challenges on a daily basis. They try to provide high-quality instruction for their students but are often called away to deal with a serious problem or a parent concern. They are trying to complete numerous reports but have less administrative time and fewer administrative staff. They find it difficult to maintain ongoing communication with staff, students, parents and school councils. They cannot consult with all stakeholders to plan for school improvement and EQAO target-setting because of the time required to plan lessons and assess students and also to teach. They will find it impossible to properly implement the new teacher performance appraisal model because their time is restricted by the amount of classroom teaching they must do.

While there are few teaching principals in secondary schools, the situation is equally challenging. Since 1998, 67.12 full-time-equivalent principal and vice-principal positions have been lost. At the same time, a radical reduction in the number of department heads has had a negative impact on the schools' administrative support structures. While secondary reform and the Safe Schools Act have created significant responsibilities for secondary principals in the present, the future will bring new issues and initiatives such as the double cohort, collection of personal information and the time-intensive teacher performance appraisal model.

CPCO believes that every school must have a full-time principal with no teaching duties. They must be allowed to devote their full attention to the organization and management of the school, the implementation of curriculum and the supervision of staff. Therefore, our fourth recommendation is that the funding model be adjusted to incorporate this idea.

Vice-principals have a key role in the school system. In addition to their function as members of the administrative team, these people are the future leaders of our schools. As such, they must be given the time to properly develop their leadership skills and learn the role of principal while interning as vice-principals. Similarly, principals must have the time to guide and mentor their vice-principals.

With the impending leadership shortage due to retirement patterns, it is essential that highly qualified candidates be recruited to the position of vice-principal. Our school systems must be able to prepare future leaders for the role of principal. That preparation cannot be facilitated when vice-principals have part-time or full-time teaching assignments in addition to their administrative duties. In elementary schools, some 28% of vice-principals have teaching assignments, compared to 4% of secondary vice-principals. Therefore, we recommend that all vice-principals be assigned full-time administrative duties.

The student-focused model provides funding based on average expenditures of school boards in 1996. The model provides funding for principals and vice-principals based on board enrolments. Basically, it says one elementary principal for every 363 students, one elementary vice-principal for every 1,333 students, one secondary principal for every 909 students, and one secondary vice-principal for every 666 students.

If you look at ministry data, they indicate that 67.6% of elementary schools are under the 360 students, and 33% of secondary schools are under the 600 enrolment figure. These data show clearly why boards are experiencing difficulty assigning full-time principals and vice-principals to all schools. The funding model does not address the reality of Ontario's schools. Two thirds of elementary schools do not have enough students to generate funding for a full-time principal. The model similarly disadvantages many rural school boards, and some urban school boards, that have high schools with fewer than 900 students.

There is a significant need to review the student-focused model. The ministry must take steps to reassess the funding for administrative staffing in elementary and secondary schools.

Thank you very much.

The Chair: We have about a minute and a half per caucus, and I'll start with Mr Phillips.

Mr Phillips: On the challenges of a principal for every school, one of the challenges I think is to keep smaller schools open for communities. I've always felt that there's a trade-off. If you have a smaller school, you often have a school with a lot more intimacy than a school in your community, but you don't have exactly the same levels of service.

I'm just wondering what impact it would have if we did mandate that every school had a full-time principal. Is there the risk that that leads then to the school board saying, "If we have to do that, it's a bigger reason why, therefore, we may have to close that school. In setting priorities, we just simply can't fund that"? If enrolment, let's say, drops to 220 or something like that, would the community be better off with a part-time principal doing some teaching, if that meant keeping the school open?

Mr Wilson: One of the things that's in here is really the idea of funding for a full-time principal. There are so many things that person can be doing that are system oriented, also. At a time with the changeover being so fast in education, all the new initiatives coming in in terms of legislation and also the turnover rate because of retirements, there are a lot of people who need mentoring. So what I could see is that a smaller-school principal could have system responsibilities that may take over the mentorship of new teachers or an induction program for new teachers, to help them with the new curriculum and also help focus them on testing results and those types of things.

At the same time, the person could also take on a leadership role in terms of new vice-principals in the system and actually hold ongoing professional development as part of the role. I think there's an expanded role that you can have for these people. These people are excellent teachers. They were excellent teachers before they became principals and they haven't lost that teaching ability, so to be able to apply that teaching ability now to helping adults and teachers within the system do a better job for the whole system would improve education.

Mr Christopherson: Thank you for you presentation. No matter who we hear from in the education system, it's primarily the same message: that there's not enough funding, that things are deteriorating, the pressures are getting greater and greater and if you don't get some relief soon in terms of new funding, the system is going to outright break.

I was interested when you talked about the number of vice-principals who are assigned to non-administrative duties before they become principals. I thought to myself that it's like taking a co-pilot for an airliner and keeping him on the ground doing maintenance when the whole idea is to have him or her eventually become a pilot.

You also mention on page 2, "Principals and vice-principals are making extraordinary efforts to successfully implement recent educational reforms." Given the pressure that teachers are facing, and we've heard from many, is it your experience that there are otherwise excellent teachers who would make good vice-principals and principals who are looking around and saying, "I know what my world is right now. The thought of taking on even more responsibility for administering this crisis is something I'm not interested in"? Are you having any difficulty recruiting teachers you'd like to see promoted up into vice-principal and principal ranks who are saying, "Not a chance; it's just not worth it"?

Mr Lou Rocha: I'll take a stab at that. It was our information about a year ago that in fact principal courses are bursting with enrolment. Therefore, it's very surprising to hear school boards saying they can't get people to apply for the position. On the one hand, you have a lot of qualified teachers who have principal's papers, but they're not applying for the job of a vice-principal or principal in some of the smaller boards. We have done a couple of studies that indicate there's a fair amount of stress and there are a lot of disincentives in the job. One of the goals that we always carry forward is to try and promote the benefit of being a school leader and talk about the good that you can do for the system. But it is a struggle and it is a reality in the field.

Mr Christopherson: You have to convince people to do this, as opposed to it being something they would ordinarily see as part of a career path.

The Chair: Thank you very much. I have to go to the government side.

Mr O'Toole: Thank you very much for your presentation. Just looking at the opening line here, you say you share the government's goal of—I'm just focusing on one thing—"providing equitable funding to all students in the province." Of course, that was the original starting point of all these changes for the publicly funded education system.

I can tell you, as a former separate school trustee, the Catholic system has benefited from this and to say otherwise would be a complete misrepresentation of the facts. There have been winners and losers in this, and I think the winner—and I hate to put it in those dramatic terms—has been the Catholic system. Yet I'm not convinced that it isn't just more of the same. It has been sort of replicated and they're becoming much alike. Unfortunately, I have a problem with that, and many of the people in Ontario do as well.

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I'm not blaming you personally, but as you've said several times, you are the leaders. What I'm looking for is, how are you different than the public system, if it's identical in every other way except language? In fact, the position has been that they took the appeal to the Supreme Court on the ability to hire based on religion.

The most recent attack has been OECTA's position—and this is my question—on refusing student teachers to participate in practice teaching in the classroom. You're a leader and a manager, and these are difficult but necessary decisions. Do you support OECTA's position—this is on the public record—to reject those student teachers' right to teach and to have practice teaching? It's difficult to make a decision, but I want the record to mail out to my constituents, who are very upset about this issue. Do you support the OECTA union position or not?

The Chair: I think we have received the question, so give him a chance to answer.

Mr Rocha: The question is clear, Mr O'Toole; the answer may not be so clear. We certainly struggle with OECTA's decision. It's had a significant impact on Catholic schools in particular, and there are various reasons why that has happened. Perhaps one of the possible responses is that the other unions haven't acted in a like manner; otherwise the situation would have been more widespread. Certainly in our most recent discussions, we feel that a lot of impact has been placed on Catholic schools because of the position of OECTA.

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 CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

The Chair: Our next presentation is from the Ontario Confederation of University Faculty Associations. I would ask the presenters to please come forward and state your names for the record. On behalf of the committee, welcome.

Dr Henry Jacek: I'd like to thank the committee for hearing us once again. I was here last year. I'm pleased to be back again, and certain parts of my presentation will, I hope, have continuity with last year's.

My name is Henry Jacek. I'm president of OCUFA. On my right is Henry Mandelbaum, our executive director, and on my left, Mark Rosenfeld, our director of research.

The Ontario Confederation of University Faculty Associations represents approximately 11,000 faculty and academic librarians in Ontario's universities. We're pleased to be here today. Our brief makes a number of recommendations, but I just want to highlight two of the most pressing ones.

I'm pleased to be here, but at the same time I'd like to say that it is distressing to me that although last year I tried to impress upon you the dire straits of universities and their ability to deal with the faculty shortage, the aging faculty and the increasing numbers of students—that was what we talked about last year, particularly putting emphasis on the faculty shortage—it's with a great deal of regret that I point out that universities today are worse off than they were a year ago.

Our first major request is that the government of Ontario needs to increase the base operating support for Ontario universities by $200 million each year for the next two years. This is additional to the money that was pledged in the May 2001 budget. If we are to have any hope of meeting the needs of students who will be coming through our door over the next two, three, four or five years, the double cohort and the other students who are coming, there is no way we will be able to accommodate them without major additional funding. The universities are overcrowded now, there are bottlenecks, there are shortages of all kinds. How we are going to accommodate the additional 50,000 students over the next two years without money I have no idea, and we need that money quickly. We have less than a year to prepare for the major onslaught.

Actual enrolment increases are outpacing projections by the Ministry of Training, Colleges and Universities. The numbers used in last year's budget underestimated the number of students who were coming to university. The number of full-time students this year increased by 5.2%. A year ago the government figures would not have had that in there at all. The Ontario Universities' Application Centre reported last month that the number of applications for this coming September shows an increase of 16%, on top of this big increase of 5.2% that we saw this past September. A lot of this is the impact of the double cohort, but there are also other factors at work.

The May 2001 provincial budget allocated $218 million over three years to universities, with the bulk of that money back-end-loaded, coming in the final year, and indeed after the final year in many ways. Most of this money will come too late to benefit students in the 2003 double-cohort year and, when it does come, it will not support the increased enrolment.

I also have to point out that, of the money that was pledged in last year's budget, the universities have not yet seen a single dime pledged by the finance minister last May. Not only that, as far as I know, as of today, the universities have not even been told what their share of that pledge is. Yet the students who are supposed to be supported by that money in last year's budget have been in the universities for over six months. It's virtually impossible to properly plan in universities when we have budgeting rules such as the kind I've just described. It's a nightmare for university budgeting committees. I would point out that two years ago I was the chair of the McMaster University budget committee and I know how difficult it is to put together a budget when you don't even know what kind of money is coming from the province or when you're going to receive it.

To put it in perspective, the May 2001 budget will not make up for the large funding cuts to universities over the past half decade. Between 1995 and 2003-04, there will be a 20% reduction in operating grants for full-time-equivalent students when adjusted for inflation and projected enrolment increases.

Many of the university presidents and vice-presidents have spoken out about the unworkable financial situation we face. The CEO of Queen's University, one of the major universities in the province, has stated publicly that this year he is going to have to cut $8 million in services from his budget. He is going to put a freeze on faculty positions. That means as faculty leave, as they retire, early retirements and other reasons, they will not be replaced. That means 80 faculty positions are being cut from Queen's University next year, at a time when our enrolments are expected to shoot up. As the principal of Queen's University said, we are going backwards in this province when it comes to policies toward universities.

At Ryerson University the board of governors has approved a 3.7% cut to the instructional budget; the University of Western Ontario, a 3% cut to its academic and instructional budget; and now the University of Toronto is considering a 4% to 5% budget cut. The vice-presidents there have just said in a recent communication that although they said they would take 9,000 of the 50,000 expected new students over the next two years, it has become very clear to them that unless they get new money, they cannot meet that commitment.

The president of Carleton University says there is limited space to study journalism, architecture and engineering. The University of Windsor is placing caps on its five most popular programs. It means that even if there are places for students, they will go to programs which are not their priority. They will essentially be cut out of programs that today they would qualify for, but there won't be space for them one, two, three, four years down the road.

On Thursday you will be at Waterloo. I urge you to pay special attention to the presentation by the vice-president, academic, at the University of Waterloo. I think he will confirm the things that I am saying here today.

The Ontario faculty-student ratio is the worst in Canada. Over the past 10 years it has deteriorated by 25%. It is now 10% worse than in the other provinces. It is higher than the public jurisdictions in the United States. What this means for individual students is less individual attention and less contact with faculty, and we know that, in terms of academic progress, those are the most important things in terms of increasing a student's learning experience.

There is, as I pointed out, a growing shortage of university faculty. I pointed that out last year in my presentation here. As I said, it's getting even worse. We see the situation at Queen's; we will see this at other places. Many of our best graduate students and young professors are being lured away by universities elsewhere. Quite simply, the competitive challenge for Ontario is that the better-funded US public universities, with 50% more revenue per student than in Ontario universities, can provide better salaries, research facilities, equipment and resources for its faculty and it is especially attracting our younger, bright Canadian faculty members. There is stiff competition for high-quality faculty and staff because of the faculty shortage crisis.

1450

This was discussed a bit last year. I discussed this with Mr O'Toole last year and sent him a follow-up letter on

February 21. Two universities he was especially interested in were two state universities in the United States: the University of Georgia and UCLA. In my letter to Mr O'Toole I pointed out that last year at this time, Ontario universities received about $6,400 per student. At the University of Georgia, each student received $20,000; at UCLA, over $27,000. You can see what a tremendous disadvantage we are at. We would be in paradise if we could even approach what the state of Georgia gives the University of Georgia and what the state of California gives to UCLA.

The next point is, what would be achieved if we increased our investment $200 million in each of the next two years? First of all, we could accommodate our enrolment. Second, we would be able to hire the faculty we need for this increasing number of students. We would be able to increase the student-faculty ratio to at least the Canadian average and stop the quality deterioration in Ontario's public universities. We need this money if the government is going to keep its promise to the people of Ontario that every qualified and willing student who wants to go to an Ontario university will find a place at that university. The Ontario government has made that promise. We agree with that promise. We have to have the money to make that promise valid over the next two years.

Our public opinion surveys—we've been doing quite a few of them; some have been sent out to members here—show that people agree with us. They want increased funding for higher education. For example, in our London-Middlesex-Oxford survey in November, 91% of voters say they want to increase government funding for higher education.

The second and final point I want to make is that access to post-secondary education among these students who are coming is closely linked to Ontario's economic performance. We need to educate these people. Our future economic viability as a province depends on this. For that reason, we call for a freeze on tuition fees. We point out that more and more students are paying for their university education. It has gone up increasingly over the years, to where it's now about 37% of Ontario revenue, where a few years ago it was down around 20%.

There is as well, among the surveys we have been doing over the past year, tuition fatigue. It is very clear that people in Ontario are in favour not only of freezing tuition fees; they want lower tuition fees. They're worried they will not be able to afford to send their children to university. I think this is a very serious problem. So we have to have money to hire the faculty, be ready for these students and not try to finance this problem on the backs of our students. Thank you very much.

The Chair: We have two minutes per caucus, and I'll start with Mr Christopherson.

Mr Christopherson: Welcome back to Queen's Park, Henry. It's always good to have a prominent Hamiltonian front and centre. I want to return to your earlier comment that not only do you not have enough money, but that it's coming too late in the year to benefit students of the double cohort in 2003. Could you expand on that a little bit? Exactly how does that work? You're talking about the students being in the university for six months, but the money is back-ended. Where does that leave the university now?

Dr Jacek: It means that the universities follow a very conservative budgeting strategy. The universities do not want to run a deficit. If the money is not there, if it's not even pledged to a particular university, we don't count that money. So right now, a university like McMaster is putting together its budget for next year, and it has no idea about its revenue for this year, because the government has not told it exactly what its share of the money is for this past September. It certainly has not received that money, yet we have to pay for services for students who arrived in September.

Imagine if you had an employer, and your employer said: "Go ahead and spend money. I'll pay you nine months, 12 months after you've done your work." I think most people would say: "Hey, I do my work. I should be paid at the point at which I'm doing my work." The universities are getting their money nearly a year after they're supposed to be taking care of these students. It's just an impossible situation. It results in very careful management of money so that we don't overspend, and we don't hire faculty we can't pay for and do all the other things we should be doing.

The Chair: For the government side, Mr Spina.

Mr Spina: Gentlemen, I need a little help understanding the variance in student enrolment. I think you said the ministry predicted a 5.2% increase for this coming year, I guess 2002-03. Is that correct?

Dr Jacek: No. That's the actual increase of this past September. I think the ministry was predicting a 4% increase or so. In terms of ministry projections, at this point we're probably running about 7,000 to 8,000 more students than were projected and were in the figures for last year's budget.

Mr Spina: The ministry obviously gets its numbers based on high school matriculation, right?

Dr Jacek: Well, there are a lot of numbers out there. A lot of the numbers come from estimates from universities and making what kind of assumptions you want to make. For example, one thing that has happened over the past year is that the percentage of students who want to go to university from a particular age group, the entering age group, has gone up a point and a half, 1.5%. That's a number of thousands of students.

Mr Spina: So this really isn't the double cohort at all. That's not starting to kick in till probably January of next year in a phase, because I know—my wife teaches high school—some of the kids are taking some of their credits sooner—

Dr Jacek: That's right.

Mr Spina: —so they can get a jump-start, as it were. But that isn't likely going to take place until the second semester of next high school year.

Dr Jacek: We already have a 15% increase in applications for this coming September.

Mr Spina: Where are these kids coming from?

Dr Jacek: A lot of those are people who are fast-tracking. Instead of waiting till 2003, they're trying to get out in 2002.

Mr Spina: So if you—

The Chair: Mr Spina, we've run out of time. I have to go to the official opposition.

Dr Jacek: I wouldn't say it to the high schools, but certainly we need more money.

The Chair: Order, please.

Mr Phillips: Thank you for the presentation. I'm trying to get the recommendations down in my own mind. You're suggesting the requirement is $200 million for the upcoming school year?

Dr Jacek: For this coming fiscal year.

Mr Phillips: Starting in September. Is that correct?

Dr Jacek: Our budget years normally begin May 1 or so.

Mr Phillips: So it's $200 million?

Dr Jacek: In addition to what was pledged last year.

Mr Phillips: So nothing has flowed yet from what was promised last year.

Dr Jacek: No. The way budgeting to universities in this province currently works, none of the money that was pledged in last May's budget has actually reached the universities, nor have individual universities even been told the amount of money they will have. This is for a fiscal year that is going to be ending in April and for which the students have been here since September.

Mr Phillips: Right. They pledged roughly $300 million last year.

Dr Jacek: No. The government pledged $218 million over three years, most of which was supposed to be at the very end of that three-year period—for this year, $25.8 million, based on the enrolment increase.

Mr Phillips: It says in the budget, which I'm reading here, $293 million.

Dr Jacek: That includes colleges. I'm just talking about universities.

Mr Phillips: Right, right—$300 million. And you're suggesting there's a requirement for another $400 million, is that correct?

Dr Jacek: Exactly.

Mr Phillips: That's required, I gather, for a portion starting right away. So I guess we're short somewhere around $600 million from the current number, is that correct?

Dr Jacek: I'm not even talking about this year; I'm talking about $200 million for next year, which is the second year of last year's budget cycle, and then $200 million for the third year. We're not even asking for more money for this year. We're just sort of saying: "If we get the money that's pledged for this year, let's forget about it. Let's look forward to next year."

Mr Phillips: I understand. But over what has actually been spent in the budget this year, the total increase after two years would be about $600 million a year.

Dr Jacek: Yes.

The Chair: With that, Mr Phillips, 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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ONTARIO RESTAURANT HOTEL AND MOTEL ASSOCIATION

The Chair: Our next presentation will be from the Ontario Restaurant Hotel and Motel Association. I would ask the presenters to please come forward and state your names for the record. On behalf of the committee, welcome.

Mr Terry Mundell: Thank you, Mr Chairman and members of the committee. It's a pleasure to be here this afternoon. My name is Terry Mundell. I'm the president of the Ontario Restaurant Hotel and Motel Association. With me are my colleagues Ryan Parks and Lisa Marsden.

As I think you're well aware, the hospitality industry in Ontario contributes significantly to the provincial economy. In fact, the industry generates over $18 billion in annual sales and has over 22,000 food service establishments and nearly 3,000 accommodation properties. Some 60% of food service establishments are independently owned and operated, and nearly half of the accommodation properties have 30 or fewer rooms. It's important to note that when we speak about the hospitality industry, in many cases we're talking about the financial health and well-being of a small business operated by individual Ontario entrepreneurs and their families.

Our operators are involved in a turbulent sector of the economy. For example, the food service sector has averaged profit margins of only 5% after taxes. The sector also provides jobs for approximately 46% of all entry-level workers in the Ontario economy. Juggling paper-thin profit margins, providing good jobs for Ontarians and weathering the uncertainties of the economy are just a few of the challenges that the hospitality industry faces.

This year, hospitality operators provided all levels of government with approximately $2 billion in tax revenue. In fact, the average full-service food service establishment paid over $170,000 in taxes to all levels of government. It's quite an accomplishment, considering what kind of year 2001 turned out to be. In general, although 2001 was a very difficult year for the provincial economy, it's especially true for the hospitality sector. The economic slowdown that began last winter slowed growth in this sector to a near standstill, and then of course we had the terrorist attacks in the United States. The ensuing economic confusion had dramatic effects on tourism, consumer confidence and Ontario's economy. The last quarter of 2001 saw an unprecedented decrease in foreign visitors to Ontario. In September alone, international border crossings dropped by 29% over the previous year. The trend continued through to November, which saw a 17.8% decrease compared to 2000. Year-end occupancy rates decreased by 7% compared to the year 2000 as well.

The Ministry of Finance economic outlook and fiscal review anticipates slow economic growth. Unfortunately for the hospitality industry, it is one of the first sectors of the economy to suffer from a downturn and one of the last sectors of the economy to recover. Disposable income is a big part of our business.

However, there are reasons to be cautiously optimistic. It is clear that the government has recognized it has a role to play in any recovery. Government investment and progressive taxation measures have benefited us in the past and will go a long way to brighten the economic horizon.

I would like to take this opportunity to focus on how the government can encourage tourism and assist in the creation of a healthy hospitality industry. It is clear that border security and unfettered cross-border travel are essential to a sustained economic recovery. While we recognize that border security is a federal jurisdiction, we were encouraged to hear the Premier advocate closer security co-operation with US authorities. We would encourage the provincial government to continue to monitor this issue and to ensure that the federal government deals with this issue in a timely and effective manner.

In addition to security and cross-border traffic, the government has a unique opportunity to strengthen Ontario's competitive position as a tourism destination. While we applaud recent investments the government has made in the tourism sector, we believe that more can and must be done. Opportunities exist to market Ontario as a safe location where a favourable exchange rate means even greater savings for the consumer. Continued government investment in tourism marketing initiatives will help leverage previous investments and ensure that Ontario does not lose ground to other tourism jurisdictions.

The ORHMA recommends that to maintain pace with competitive jurisdictions, the Ontario government commit to a multi-year investment similar to the 1998 $120-million, four-year investment to attract more visitors and create jobs in the tourism industry. Additionally, we recommend that the government work with the tourism stakeholders to develop new funding partnerships and invest further new money in targeted regional marketing initiatives.

I would like to now focus on property tax reform. The ORHMA supports Bill 140, the Continued Protection for Property Taxpayers Act. We believe it was necessary for the Ontario government to create a fair playing field for property tax levels throughout the province. In Toronto alone, commercial property tax levels are three times the provincial average. Unfortunately, many municipalities have yet to move their property tax levels to within the prescribed range of fairness. With so little activity from the municipalities on this front, we believe it is time for the government to require all municipalities that have not yet moved their commercial property tax rates to within the range of fairness to do so over a prescribed phase-in period to be completed by 2005. As for municipalities that may seek an exemption from the caps imposed by Bill 140, ORHMA recommends that such exemptions be denied.

The ORHMA supports the government's efforts to remedy core deficiencies in the tax system. Taxation within the accommodation sector requires immediate attention. As a result of a flaw in the assessment process, Ontario accommodation properties currently pay 80% more taxes than the national average. Such punitive taxation assessment must be corrected. In fact, the Beaubien report recognized these problems and made several helpful recommendations.

Unfortunately, today we are still waiting for government action on this issue. We are optimistic that the government will recognize the merit of our concerns and the content of the Beaubien report and will act to remedy the current problem. The Assessment Act clearly states that the value of a property for property tax purposes is to be based on the value of the land plus buildings. The assessment process for accommodation property does not meet this standard. Although business value is acknowledged, it is not adequately deducted. Assessors in Ontario have concluded that the deduction of management fees removes the entire business component. This is a mistaken assumption and creates a de facto income tax. The more an accommodation property earns, the higher the value, the more property tax it pays. Establishing a flawed assessment by not removing the business component is not fair taxation.

The ORHMA requests the government to amend the current assessment methodology being applied to accommodation properties for the purposes of property tax and to change this methodology to ensure the business enterprise value is fully deducted.

The government of Ontario has made great strides in improving efficiency of government ministries; however, too little attention has been given to the agencies, boards and commissions that the government operates. These organizations continue to grow and expand at an alarming rate, in many instances costing taxpayers millions of dollars annually and creating a large bureaucracy and increasing red tape.

In particular, the Liquor Control Board of Ontario is not investing enough resources to improve product selection and service delivery for licensee customers. It appears that the entire process of modernization and service improvement has been focused solely on the retail operations, at the expense of their wholesale customers. The LCBO must act to modernize its wholesale business. Currently the licensee client base, approximately 17,000 in Ontario, representing over $480 million, or one out of every $6 in annual sales by the LCBO, is being ignored. This modernization must extend well beyond process, service and infrastructure. It also must include a reform of certain fees and charges that are levied on sales to licensees.

One of the main constraints placed on hospitality entrepreneurs is the high level of taxation they must endure. Perhaps more than most taxes, the gallonage fee charge on the sale of spirits, beer and wine appears to be the most unjustified. It's a tax on top of a tax. Currently, licensees pay two separate licensing fees. They pay a flat annual licensing fee and then they pay a fee based on the number of units of alcohol they sell. These fees are included in the price of the alcohol before a 10% provincial sales tax is levied. The ORHMA has long believed that in an industry with paper-thin profit margins, these fees place an unwarranted financial burden on licensees. Therefore, the gallonage fee should be eliminated.

The ORHMA recommends the government require the LCBO to modernize and improve the service of its wholesale component by engaging stakeholders in constructive dialogue. Additionally, the ORHMA recommends that any cost savings realized by this modernization be reinvested to either improve the general levy of wholesale service offerings or reduce excessive licensing fees. Furthermore, the ORHMA recommends the government eliminate the gallonage fee that promotes the unsound principle of charging a tax on a tax.

Profit-insensitive taxes such as the employer health tax have a disproportionate impact on labour-intensive workplaces such as the hospitality industry. Acknowledging this, the government in 1996 exempted the first $400,000 of payroll from the EHT. This had the net effect of creating 93,000 new jobs. At a time of such economic uncertainty, the government could ensure the creation of new jobs by raising the EHT exemption from the first $400,000 to the first $600,000 of payroll. Increasing the exemption to $600,000 would have wide-ranging positive effects on most sectors of the economy and would make it consistent with the government's annual paperwork threshold for other taxes. This measure would affect 45% to 55% of the hospitality industry, mostly small to medium-sized enterprises. Family-owned operations such as Lucy's Seafood Kitchen and Café, with locations in Mississauga and Barrie and operated by the husband-and-wife team of Len and Lucy Little, parents of four children, would benefit greatly from an increase in exemption. Raising the EHT exemption would make Ontario more competitive, as neighbouring jurisdictions such as Manitoba currently exempt the first $1 million in payroll compared to our $400,000 level.

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There is a clear instance of an industry that has evolved at a faster rate than the taxation system: home meal replacement versus restaurant meals. Today's families and working parents experience time poverty. As a result, there is a relatively recent phenomenon at your local grocery store. It's known as home meal replacement, or HMR. HMRs are full meals that are precooked and ready to eat after being defrosted and/or heated. HMRs are aggressively marketed as alternatives to restaurant meals. They're fast, convenient and currently tax-friendly and tax-free. Whereas an identical meal served in a restaurant is subject to retail sales tax, an HMR is exempt. For example, an HMR of fried chicken, mashed potatoes and vegetables is available from your grocery store tax-free, while a family meal from Kentucky Fried Chicken, a nearly identical offering, is fully taxed. It's frustrating for our operators that taxation policy has not kept pace with developments in the food industry, to the point where they and their businesses are punitively harmed and automatically placed at a competitive disadvantage. The government must level this playing field. Either HMRs must be subject to the same tax that restaurant meals are subject to, or both meals must be exempt.

On a separate but related topic, meals purchased at restaurants that are priced lower than $4 are exempt from retail sales tax. This tax threshold was introduced 15 years ago, and has not been adjusted to account for inflation. We ask the government to increase this threshold to $6 to meet with inflation.

Finally, we would like to encourage the government to reinstate business meal deductions to previous levels of 100%. Prior to 1988, business meals were fully deductible. Since then, provincial deductibility has slipped to 50%. It is true that restaurants are the boardrooms of small business. At a time when both discretionary business spending and consumer confidence is low, such an initiative will assist the hospitality industry and the wider business community. This measure allows the government to encourage spending and assist the food service sector through these difficult economic times. Therefore, the ORHMA recommends that the Ontario government reintroduce 100% tax deductibility for business meal expenses.

In conclusion, the ORHMA believes that with strategic investment in tourism initiatives and creative alterations to the current taxation structure, the hospitality industry in Ontario will be able to make a faster economic recovery, thus creating jobs, boosting tax revenues and ensuring a healthy and competitive Ontario economy well into the future.

The Chair: Thank you very much. We have two minutes per caucus.

Mr Hardeman: There are a couple of items I wanted to quickly touch on; one was the LCBO. I'm just curious. You mentioned in your presentation that they've turned over almost $1 billion to the provincial government. I hear from the LCBO that that's because they run such a good, effective and efficient business; that they do such a good job, they can make big money selling alcohol on behalf of the taxpayers. But in your report, you seemed to indicate that you think they're raising the money in different ways, through taxation, because they do have the monopoly. You're suggesting that there are efficiencies they could find to do things differently, to actually provide a better service to their customers, such as the wholesale industry. Is that correct?

Mr Mundell: I think people need to remember, one of the biggest points to this is that when we talk about LCBO modernization, the average person understands the LCBO store, what they see in their community. What they don't understand is that the LCBO also services over 17,000 licensees in the province of Ontario. There is a wholesale component to that business. We believe there are a certain number of inefficiencies within that wholesale component that could in fact drive more revenue, drive sales, drive some potential margins back into the hospitality industry, where we could create more jobs and more revenues for government through our entrepreneurs. So I think there are opportunities, that the LCBO could find efficiencies in their wholesale system.

Mr Kwinter: I want to commend your industry, because it's really the basis for a lot of economic activity in this province. I think a lot of people don't understand that.

I have a couple of questions; one has to do with these HMRs. The problem you have when you're trying to compare someone going into a restaurant and paying tax, and someone walking into a supermarket and buying a TV dinner or some such thing is that people usually don't go to restaurants just to eat. If they want to just eat, they can eat at home. They go to a restaurant because it's an evening out. It's a way of celebrating something. It's a totally different environment. I think it's very difficult to equate one with the other, that the food you get at a supermarket should have the same tax as the food you get in a restaurant. I don't know how you feel about that.

My feeling is that with new technology in the food processing industry, with which I have some involvement, there are things that happen in the processing of food to give it longer shelf life, to give it greater nutrition and all of these different things, and it becomes more convenient. In some cases, it's cheaper for a consumer to buy it at the store than to buy all the ingredients and make it themselves just because of the economies of scale. How do you feel about that?

Mr Mundell: I think the issue that we're looking at is tax equity, quite frankly. In effect, I think the food service industry, the restaurant industry, feels a little bit like the research and development arm for the large grocery stores, because what is happening is the home meal replacement system which has been put into place by most of these establishments essentially is restaurant meals.

The tax equity issue affects those in a takeout facility the same as it affects those in a sit-down facility in a restaurant. So the issue of whether you go in for the ambience in a restaurant or not, is not one which takes place in this particular scenario. In fact, you go into a quick service restaurant to take out a meal and pay your tax on it for the same reason, because of the time poverty. You want to get in and out and go to your next event, the same reason you would in a grocery store. So from that perspective it is essentially a level playing field; however, there's a 7% tax situation, which is not a level playing field.

Mr Christopherson: Thank you for your presentation. It's good to see you again.

You note in your report on page 5 that the December 2001 data showed that you had an annual decrease in occupancy rates and revenue per available room of 7% when compared to 2000. I suspect that your projections, as you note here, for 2002— the term you use, a little "less than robust," is probably putting it mildly.

The New Democrats, as I'm sure you know, proposed last year, after September 11, a number of short-term measures to indeed bring people back out into the restaurant community and tourism. Are there short-term measures that the government should be taking, in your opinion, that would spark some activity in your area, or are you going to have to wait for the overall turnaround before you can see anything significant?

Mr Mundell: I hope we don't have to wait for the overall turnaround to see anything significant. There are some short-term measures. Again, the business meal deductibility is one of those issues. The restaurants are the boardrooms for small business across Ontario. There's no doubt about that.

The other opportunity as well is that we're missing the "business business," if you will, right now. As people go through their traditional business cycles, as the economy starts to get a little better, both stateside and in Ontario, we start to see some business spending coming, but if there is an opportunity to somehow entice businesses to spend some of those dollars on various corporate events, then those are items which would help us short-term, for sure.

I don't think there is any doubt that funding in destination marketing is essential right now as well. We need to invest in destination marketing. We need to get that rubber tire traffic coming into Ontario. Having said that, we can't forget the European and Asian marketplaces. We are seen as a safe destination. We are well positioned in Ontario, but we can't lose ground to other destinations that are spending those dollars, and we're not. That's a significant hit for today, for the near term, and particularly in the Asian and European communities as well. We need to stay out in those marketplaces and we need to work that rubber tire traffic.

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

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ONTARIO CATHOLIC SCHOOL TRUSTEES' ASSOCIATION

The Chair: Our next presentation will be from the Ontario Catholic School Trustees' Association. On behalf of the committee, welcome. Could you state your name for the record, please.

Ms Louise Ervin: Good afternoon. My name is Louise Ervin. I am president of the Ontario Catholic School Trustees' Association. To my immediate right is John Stunt, our executive director; to my left are Dr Paul Whitehead, our vice-president; and Carol Devine, our director of political affairs and media relations.

Dr Whitehead and I will do the presentation this afternoon. If I start coughing, John Stunt will take over for me.

The Ontario Catholic School Trustees' Association represents all 29 English Catholic district school boards and five English Catholic school authorities in the province. We appreciate this opportunity to have input to the province's pre-budget consultation process.

Our presentation today is based in large part on the education finance brief that our association presented to the Minister of Education in the fall of 2001. Our brief, entitled Student-Focused Funding: Addressing Adequacy, is included in our documentation today.

OCSTA and its member boards share the government's goal of providing high-quality education for Ontario's students. We note and strongly support the government's, as well as all of the parties', stated commitment to maintain education as a provincial priority.

OCSTA has long maintained that, to be acceptable, the education funding system in Ontario must respond to four essential principles: equity among all Ontario school boards and students; adequacy of resources in the funding system; flexibility and autonomy to address the goals of each system and to meet local needs; and accountability to ensure efficient and effective use of educational resources for students.

OCSTA wishes to acknowledge again the actions of the government in establishing a fair and equitable funding model for Ontario's four publicly funded school systems. Although delay in implementing equity in Toronto and Ottawa and the impact of many years of inadequate funding levels for the province's assessment-poor boards continue to create challenges, very positive steps have been taken toward achieving equity. OCSTA is carefully reviewing this aspect of the funding model in preparation for the required 2003 legislative review.

OCSTA and Catholic school boards acknowledge and appreciate the refinements made to various parts of the funding formula since its introduction, as well as the examples of one-time funding provided to boards for various purposes outside the formula. At the same time, we are alert to the impact of each of these adjustments across the four publicly funded systems. We urge the government to continue to maintain the integrity of the model and its fundamental commitment to equity in the face of all such adjustments.

OCSTA sees the funding model and the basic principles and structures upon which it is built as fundamentally sound and workable. It is important, however, to distinguish the structure and concepts of the funding model from the level of funding it allocates at any point in time. It is clear to OCSTA and our member boards that some allocations within the funding formula are currently inadequate to meet the needs of students, schools and school boards. The data on board costs on which the model is built is outdated, in most cases derived from a 1996-97 costing framework. Real cost increases have not been systematically recognized within the formula since it was introduced in 1998, a period in which the CPI has increased by over 8%.

OCSTA believes that the credibility of student-focused funding depends upon congruence between the level of allocations within the model and boards' actual costs. OCSTA strongly recommends that the Ministry of Education establish a provincial system to track changes in school board costs on a regular basis and update the costing framework accordingly.

Catholic school boards have a history of cost-effective operations. They will continue to carefully manage their resources and to remain accountable to their communities. At this critical moment in the development of the funding formula, however, OCSTA must express to you our concern about boards' ongoing ability to meet all responsibilities and maintain current service levels within the dollars allocated.

Dr Paul Whitehead: The actual amount of revenue generated by some aspects of the funding formula is problematic, as it has not kept pace with costs. Of concern also is the manner in which that revenue is currently made available to school boards; that is, on an annual basis only. School boards require multi-year grant forecasts in order to engage in effective long-range planning. This is especially critical in light of the new requirement for three-year collective agreements between boards and their teachers, beginning in August 2004.

Our member boards continue to report to us their concerns about the adequacy of specific areas of the funding formula. As previously mentioned, all of these are outlined in some detail in our finance brief. In the time we have today, however, we would like to summarize just a few of the key issues our boards have identified.

The significant gap between the formula allocation and realistic board costs for staff salaries and benefits is an area of major concern. For example, in 2001-02 there was no adjustment for salaries. School boards are challenged to negotiate fair and reasonable collective agreements with their employees within the constraints imposed by limited funding and provincial requirements on class size and teacher workload. Salaries and wages comprise approximately 80% of the costs of elementary and secondary education. Until allocations realistically mirror actual costs, monies from other budget areas will continue to be allocated to fund staffing costs.

In a similar manner, allocations within the funding formula for benefits for teaching and non-teaching staff have remained unchanged while actual costs have risen sharply. In 2000-01, for example, the allocation for salary and benefits increased by 1.95%, while costs for life insurance rose by 8.7% and for extended health benefits by 40%. For some boards, difficulties arise from long-term commitments to gratuities and the increasing rate of retirement. The 12% benefit factor in the funding models falls far short of meeting the costs of these benefits.

Funding for special education continues to be an area of major concern for boards. Almost all Catholic school boards find it necessary to spend more than their current allocation in order to meet the needs of their most challenged students. It has been helpful that funding for high-needs students has remained stable while the provincial comprehensive review continues. We urge the government, however, as part of the budget decisions this year, to permanently adjust special education funding to recognize factors such as inflationary costs and new enrolments. Some boards have now qualified for levels of funding that are higher than the level of stable funding that now prevails. We urge you to make it possible for such boards to opt for live funding for the 2002-03 school year. To do so would certainly be in keeping with the government's stated commitment to provide each school board with funds based on the board's demonstrated incidence of students with very high needs.

Transportation is an essential element of Catholic education. The government's allocation of an additional $29.3 million in one-time funding to help boards manage increased transportation costs was appreciated, as was a similar allocation the previous year. Catholic school boards, particularly those experiencing declining enrolment, however, continue to experience difficulty providing necessary transportation services within the current allocation. OCSTA urges the government to proceed as quickly as possible with the implementation of a new and more realistic transportation formula to provide needed dollars to school boards on a permanent basis.

Ms Ervin: OCSTA supports the government's current approach of funding major maintenance projects through the school renewal allocation. Catholic school boards are growing increasingly concerned, however, about their ability to maintain their aging stock of school facilities at even present levels of repair within the current funding allocations. A large proportion of Ontario's schools are now 25 to 50 years old or more and have higher maintenance and facility renewal requirements than newer buildings. Catholic school boards are concerned not only about managing the backlog of deferred maintenance built up over years of underfunding under the old model, but also about the impact that component life cycle degradation will have on the future condition of our schools. Cost factors within the renewal allocation require review and updating now in order to address the life cycle needs of school facilities and avoid much higher replacement costs in the future.

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During this government's mandate, significant reforms have been implemented in several aspects of elementary and secondary education. Some of the government's recent education initiatives mandated through legislation or regulation have carried with them specific costs for school boards. Examples of such initiatives include required new programs and procedures around student suspensions and expulsion, the administration of criminal reference checks for employees, extensive professional assessments and administrative procedures related to special education funding for very-high-needs students, and teacher in-service required to implement new curriculum and assessment programs. In order for these new responsibilities to be fulfilled without disruption or reduction in other necessary services, these new responsibilities assigned to school boards must be accompanied by funding. It is essential that the funding model recognize any additional costs to school boards of new legislative or regulatory requirements at the time they are implemented.

Ontario's new student-focused funding model has now been in place for three full years. We commend the government for the progress that has been made in realizing the goals and key principles on which it was based. We have come a long way toward realizing the government's commitment to providing equity of educational opportunity for all students in Ontario's elementary and secondary schools. The funding system is also, as hoped, more transparent and accountable to parents and the general public.

At this critical point in the evolution of the funding model, however, OCSTA sees it as essential that government attention now be given to concerns around adequacy. If the quality of education for all students is to be ensured and if the unique needs of some of our most challenged students are to be met, the overall amount of funding for education in Ontario's elementary and secondary schools must be increased to recognize legitimate increases in costs. Such an investment today in the education of our young people is, we believe, a crucial investment in the future strength and success of our province.

Once again, OCSTA thanks you for the opportunity to present this brief to the standing committee on finance and economic affairs.

The Chair: Thank you very much. We have a minute and a half per caucus, and I'll start with Mr Kwinter.

Mr Kwinter: Thank you very much for your presentation.

You're right: you have achieved equity in funding, but you haven't achieved adequacy. Everybody has the same problem, so you have reached that goal of being in the same boat as all of the other schools. We hear this wherever we go. Whether it's Sault Ste Marie or Windsor, they all have the same problems. Whether it be transportation, whether it be funding for staff, whether it be programming, supplies, they all have the same problem, and it goes across all four boards.

My question to you is this: you say that 80% of your funding goes to staff salaries and wages and that isn't adequate so you have to take it out of other programs. How does that impact on your ability to deliver the services that you are mandated to do? How do you work that out?

Ms Ervin: It's a great concern to all our boards, because some of the envelopes are protected and you can't transfer funds from those envelopes into this particular one. So, for example, in the past few years some of the boards have transferred money from textbook funds to be able to fund staffing costs, and the money has also come from other areas. In some boards, some programs have been cut so that the staffing costs can be met.

Mr Christopherson: Thank you for your presentation. I can appreciate your tone is somewhat less harsh than others', given that you don't want to appear ungrateful for certain recent moves. Nonetheless, I agree with Mr Kwinter. Once we start talking adequacy, you're in the same boat, but welcome aboard; there are holes in the boat. And now it's a question of getting the government to recognize that.

I have one technical question. I've been around the Ministry of Finance and finance issues for a lot of years. Live funding? Qu'est-ce que c'est ?

Ms Ervin: Qu'est-ce que c'est ? Live funding means that your funding just moves along with the number of students—

Mr Christopherson: Pay as you go, sort of?

Ms Ervin: As your number of students increases, the funding automatically increases. You don't have to wait for another assessment to be done.

Mr Christopherson: I see. OK, good. I just hadn't come across that term.

You've made the case again, as gently and diplomatically as you have, that there are going to be some real problems. In special education, you're stating almost all Catholic school boards find it necessary to spend more than their current allocation in order to meet the needs of their most challenged students, and in your background paper under the same subject, on page 13, you say that you are concerned that students' future access to the assessments, programs and support they require may in fact be limited by a board's current fiscal inability to provide these same services.

It's the same thing we're hearing on the public side; it's just put a little gentler. But the reality is there are kids out there with special needs and, on the public side of things, there are kids who are at home who can't be in the classroom because there aren't enough educational assistants. I'm hearing a similar sort of situation here.

Is there indeed the possibility that children who have needs will not see those needs met as a result of the current funding formula?

Ms Ervin: I'm not aware of any boards in the Catholic schools that are refusing services to our special-needs students. What it does, however, is that the students are coming to school but the ability of staff is just stretched to the limit to provide services to those children. And the parents are concerned that their children are not being served as well as they could if the money were there, if this live funding were there to provide the services that these students really deserve.

Mr Hardeman: Thank you very much for your presentation. We appreciate it, and I agree with Mr Kwinter when he suggested that this new funding formula and the reforms in education in fact did provide fair funding for all four systems that we have in the province. When it was put in place, most of the calls I got in my constituency office were from people from one of the other systems complaining that it was too much of an advantage to one system, and that happens to be the one that you represent. That tells me that we had hit some fairness there, that they were finally getting what everyone was entitled to.

I wanted to go a little bit to the actual funding formula. In your presentation you say the quantity of the funding, as opposed to the quality, has to be based on your expenditures. But if you do that by, first of all, suggesting that the overall wage settlement should stay below 2%, the board then negotiates a contract that takes it to 3.5%, and if you use that assumption then that the funding formula should pay it up to 3.5%, what incentive is there for any board to stay within spending limits? If we know we're going to get the money to pay it anyway, why would we be concerned about the cost of education escalating, which it had been doing for quite a few years? My property taxpayers had been complaining about it on their property taxes, that it didn't seem to matter to school trustees; they just used the money they needed and sent the bill to the property taxpayer.

How would we curtail that if we were not curtailing it by limiting the amount of money going into the system?

Ms Ervin: I'll defer that question to Mr Whitehead. He likes that area.

Dr Whitehead: The difficulty is one of not being able to plan ahead of time. That is the fundamental difficulty, and it's going to be even worse as we're forced into multi-year agreements. Many boards, for instance, had salary settlements for 2001-02 based on an anticipated 1.95% increase. Well, that didn't materialize, yet that's what we had received the year before and there were certainly hints from the ministry that that's what we would receive again in the future.

Our grants are not announced, in some cases, until long after salary settlements are reached, especially when salary settlements take the form of multi-year agreements, which is frequently the case—you know, part of the year has already gone by so you settle for this year and the next year. In the future we're going to be asked to do that over three years. So if the government wishes that there be a better correspondence between salary agreements reached and what the government is going to provide for that funding, it's important that notice of that be given in time so that there is an opportunity to have salary settlements reflect that reality rather than leaving the boards to guess what the future reality might be.

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

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ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Chair: Our next presentation is from the Ontario Public Service Employees Union. I would ask the presenter to please come forward and state your name for the record. On behalf of the committee, welcome.

Ms Leah Casselman: Good afternoon. Thank you very much for the opportunity to speak to you today. My name is Leah Casselman, and for almost seven years now I have been the president of the Ontario Public Service Employees Union.

In some ways the work of a union is similar to that of a government and, like the Premier and the cabinet, I and my executive board are chosen to manage the budget when we win democratic elections. So far I have won four, to the Premier's two.

Like government, a union is responsible for providing services to people. We negotiate and enforce legal contracts, manage pensions and benefit funds, train people, and advocate publicly for the interests of our members. To pay for these services, we collect money from our members, just as the government collects taxes from Ontarians.

Over the last seven years, I have been accountable for an annual budget of about $50 million, and I am very familiar with the budgeting process, let me tell you. Building a budget is about setting priorities. It involves, first of all, deciding the things that you must do and then deciding the things that would be good to do if you were able to do them.

Second, it involves ensuring that your revenues are adequate to provide the services you have decided to provide. There are two ways to do this. One is to make sure that you are spending your money wisely; the other is to make sure that you actually have enough money.

I would like to comment here today on the way the Minister of Finance seems to be going about the budgeting process, and I base my remarks on his comments in front of this committee on February 27 as well as comments he has made over the last year.

Jim Flaherty is, first of all, making huge mistakes in determining what are high-priority items and what are low-priority items. Second, he is planning to continue many of the wasteful and inefficient practices of his government. Third, he is making poor-quality assumptions about both the current economic climate and the options available for government revenue.

I would like to comment on each of these three items. First, priorities: here last week, Mr Flaherty made virtually no mention of the services that government must provide, or that government should provide. This is very telling. Apparently, public services are not a priority for him. They are, however, a priority for the Ontario public. Recognizing this, because he does, after all, want to be Premier, Jim Flaherty has at other times set out his spending priorities. As described on his Web site, these priorities are schools, hospitals, the environment, and caring for the vulnerable. Of course, he has offered few details except for his plan to put the homeless in jail. If you know anything about jail, which Mr Flaherty clearly doesn't, this is an impressively stupid idea.

It's not a crime to be poor. It is not a crime to be homeless. Our jails are overcrowded as it is. In most of them, there's no programming to speak of. Correctional officers can get tuberculosis simply by going to work. Armed robbers are getting extra time knocked off their sentences because conditions inside are so horrendous. The idea of putting homeless people behind bars is absolutely unreal.

Jim Flaherty says he wants to cut what he calls non-priority spending. Again, he won't give details, but it's fair to assume that everything that's not a priority is a non-priority. So let's take a look at some of his non-priorities.

Right now, today, Ontario's stressed-out probation and parole officers have the highest caseloads of any in Canada. Seven hundred people are supposed to keep tabs on over 70,000 convicted offenders serving sentences in our communities. On average, they only have time to meet for 30 minutes a month with sex offenders—and sex offenders get more attention. Our officers have 15 minutes a month for other offenders, sometimes only two minutes. But is Jim Flaherty talking about this? Is he talking about increasing the number of probation and parole officers and support staff to keep our communities safe? No, he's not. To him, it's a non-priority.

Look at food safety. Ontario used to have 150 permanent provincial meat inspectors. Now there are eight. Ontario used to have 20 provincial fruit and vegetable inspectors. Now there is zero. In November the provincial auditor said, "Food safety deficiencies that are defined as critical by the ministry and could pose risks to human health are noted during annual licensing audits of abattoirs.... Such deficiencies include unsanitary food contact surfaces, rusty equipment, and the transportation of meat in non-refrigerated vehicles.... Newer testing methods allow bacterial, chemical and other hazards to be detected easily and quickly. However, the Ministry did not have a process in place to randomly test meat from abattoirs for evidence of these hazards...." That's pretty shocking stuff. But is Jim Flaherty talking about food safety? No, he's not. To him, it's a non-priority.

In the Ministry of Labour, the full complement of occupational health and safety inspectors is supposed to be about 280. We're about 40 short, and we've been about 40 short for a long time. These people do important work. Their job is to stop people from getting killed on the job or having their arms ripped off or getting occupational diseases. But because of this government, thousands of workplaces are being ignored. Is this costing lives? Yes, it is, and those lives are a non-priority to Jim Flaherty.

In November, the Provincial Auditor again called the Ministry of Transportation on the carpet for mismanaging highway safety. Is Flaherty talking about this? No, he's not.

This brings me to my second main point: instead of talking about improving services, Jim Flaherty is talking about wasting more money through the magic of privatization. It's right there on his campaign Web site. It says, "I am committed to privatization in order to provide a more efficient government." The only proper response to this is, "Huh?"

Since 1995, privatization has been the most dangerous policy of any provincial government in Ontario history. In many cases, as the Provincial Auditor reported in November, private operators are charging the government two, three or more times what it would cost to have accountable public employees do the same work.

In the Andersen Consulting fiasco, the Ministry of Community and Social Services paid the project manager—oh good, you're sitting down—$575 an hour to manage a computer system that still does not work. The Provincial Auditor said public service employees could have done the $200-million project for wages one sixth of what Andersen charged. Andersen employees billed the government an average of $24,000 each for personal expenses without receipts. This is supposed to be efficient? God, I'd hate to see what inefficient looks like.

The auditor said that highway maintenance costs more when performed by the private sector in three out of four cases he looked at. When the Ministry of Health privatized our air ambulance system, they paid out over $2 million in severance to critical care flight paramedics just to have the same critical care flight paramedics come back to work at the same job for the private operator. Our air ambulance system now costs more than ever, with no improvement in service. That's Jim Flaherty's idea of efficiency. It's a joke. It's not a funny joke, but it's a joke.

A budget that's built around privatization is a budget that's built around waste. The only way that privatization is efficient is as a method of transferring taxpayers' dollars into the pockets of private business people. Meanwhile, Flaherty says he can't afford the services Ontarians need. Jim Flaherty is like the guy who spends all day in the bar buying drinks for his buddies but won't put food on the table for his kids.

1550

This brings me to my third point: revenue. Government revenues this year will be over 20% higher, in real terms, than they were in 1995. Even without the $12 billion in annual revenue that you've blown out the window on tax cuts, this government is richer than any other government in Ontario history, and yet Jim Flaherty is crying poor. In his speech here last week, Flaherty said that private sector economists were predicting an average rate of real GDP growth of 1.3% for the year 2002. I don't know who these forecasters are. Perhaps they are forecasters like the Canadian Imperial Bank of Commerce, which announced in November that the Canadian economy was in recession. As we now know, there was no recession. But even when CIBC was saying there was, they were still predicting growth of 1.7% for 2002.

I can't afford private sector economists, so I'll stick with the public sector ones. In the United States, Alan Greenspan, head of the Federal Reserve, has endorsed a prediction of 2.5% to 3% economic growth in 2002. As you know, the downturn in the US has been worse than it has been here. In Canada, David Dodge, governor of the Bank of Canada, has predicted growth of 1% to 2% in the first half of 2002 and 3% to 4% in the second half. Even Dodge's predictions may be too low. Growth in the last quarter of 2001 was 0.5%, or an annual rate of 2%. Bear in mind that the budget you are making is not for 2002; it is for fiscal 2002, which includes the first quarter of 2003. And in 2003, as you know, even Jim Flaherty is predicting real GDP growth of 4.4%.

Looking at these numbers, a strong case can be made for a forecast of over 3% growth for fiscal 2002-03. In 1996, then-Finance Minister Ernie Eves referred to numbers lower than that as "steady, solid growth." Flaherty's prediction of 1.3% is a deliberate lowballing designed to provide a rationale for his real agenda: cuts and privatization to transfer public dollars into private hands.

Flaherty has bragged about balancing the budget in 2001-02. We should all be asking: if we could have a balanced budget in 2001-02 with 1% economic growth, how can we be short several billion dollars in 2002-03 when economic growth is going to be much higher? There is only one answer to this: "There's a hole in the bucket, dear Liza." Somebody is still buying drinks at the bar when they should be thinking about groceries.

For example, Jim Flaherty's pet project, the tax credit for parents with children in private schools, will cost at least $300 million a year and possibly as much as $700 million once it is fully implemented. By supporting the public services I mentioned earlier, Ontarians get a stronger public service. By supporting private schools, we get a weaker public school system. Who would vote for that if they had a choice?

Then there's the $2.2-billion corporate tax cut. Why are we draining the public purse when Canada is the cheapest place to do business of all the G7 nations, according to KPMG Consulting? It's pure right-wing ideology. It is not based on common sense.

You may be surprised to hear me say this, but I actually agree with Jim Flaherty on something. We both agree that there is a crisis in Ontario, but I'm telling you now that it's not a financial crisis. It is a crisis in public services. To keep it short and sweet, I'm going to talk today about the Ontario public service specifically. At last count, the OPSEU bargaining unit in the Ontario public service had been reduced by over 23,400 employees. That is a reduction of one-third. Workloads are up, stress is up, frustration is up. The story of today's public service is the story of a system that has broken down.

If we had 100 provincial auditors or if an inquiry like the Walkerton inquiry were held in every ministry, it would reveal that the same policies that undercut the Ministry of the Environment are at work in every Ontario government ministry. The process we call Walkertonization is a process of mismanagement. It involves selling off services; wiping out rules; axing jobs; reducing job security, job quality and wages for public employees while increasing workloads, frustration and stress; creating confusion, not leadership; and destroying employee morale.

Walkertonization creates a mismanaged, fragmented patchwork public service. In its current state, the Ontario public service can no longer adequately protect public health and safety, let alone the public interest. It's time we did something about it.

After six and a half years of cuts, layoffs and privatization, it is now clear that we as Ontarians have no choice: we must rebuild the Ontario public service. That is what you should be thinking about in your budget deliberations. The foundation of the public service is people. If we want public safety, value for money and a professional, accountable, open public service, you have to start by supporting the people on the front lines.

After the September 11 attacks, air security experts asked, "Can we really expect safe airports with security guards paid $6 and turnover rates of up to 200% per year?" Not surprisingly, their answer was no, and the US government made major changes in airport security.

A little closer to home, Justice Dennis O'Connor reported on January 18 that a Ministry of Environment "human resources plan in 2000-01 reported that the MOE has difficulties attracting and retaining skilled personnel in a number of areas."

There is a direct relationship between the quality of the public services Ontarians receive and the wages and working conditions of public employees. Laboratory technologists at our Resources Road lab in Etobicoke worked day and night during the Walkerton disaster. They were public service heroes, yet their pay is between 17% and 20% less than that paid for the same job at a community hospital. That's just one example. Our nurses, pharmacists, tradespeople and workers in close to 100 occupations all face the same problem.

How can the government expect to hang on to skilled, experienced people? How can the government expect to recruit enthusiastic new ones? The answer is, it can't.

Take a look at the 25 junior environmental officers who have been hired to inspect water plants. All of them are temporary contract staff. Is the government saying that water quality is a temporary problem? It certainly looks that way.

We now have 26% of our members on contract, with no benefits, no pension plan and no job security. Not surprisingly, many of them leave when they find out that the contract job is not a foot in the door but a slap in the face. It shouldn't be that way. Public service is not just a job, it's a calling. When people have stable careers in the public service, they develop expertise and experience. They learn to live by a set of guiding principles on how to operate in the public interest. Senior workers pass their knowledge on to junior workers. More than that, they pass on the fact that they care about protecting the public interest. They pass on the fact that they are committed to protecting public safety, taking care of the public's money and ensuring democratic accountability.

That is the way the public service should work. But today, OPSEU members in the Ontario public service are overworked, stressed and demoralized. Their wages are low. They have little job security. Staff turnover has never been higher. Staff recruitment has never been harder.

Those who remain on the job are forced to watch the looting of the public service by every junior Enron with a PC Party card. With these kinds of decisions going on, we shouldn't be surprised that OPSEU members are wondering, "How is it that we can afford a 36.6% pay raise for MPPs but we can't afford to support the people on the front lines who deliver public services?" Thank you.

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

Ms Casselman: Thank you very much. It's a privilege to be here.

1600

CANADIAN BANKERS ASSOCIATION

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

Mr Al Wheable: Thank you for providing the Canadian Bankers Association the opportunity to participate in the pre-budget consultation process. My name is Al Wheable. I'm vice-president, taxation, of the TD Bank Financial Group and chair of the CBA's taxation specialists group. I'm here with one of the CBA's Ontario committee members, Bob Bissett, who is senior vice-president, Toronto core, personal and commercial client group, for the Bank of Montreal; and with two members from the CBA organization: Kelly Shaughnessy, vice-president, banking operations, CBA, and Michael Green, who is director of provincial and community affairs.

Perhaps before I get into our specific recommendations for the 2002 budget—and we've tried to keep those short—it would be useful to take a minute to briefly outline for committee members how the banking industry is integrated into Ontario's economy and Ontario's communities.

Canada's banking industry is a strategic industry for Ontario and one that contributes significantly to provincial economic development. Canada's banks take very seriously our commitment to Ontario and its communities. We have a formidable presence and provide economic strength and vitality to nearly every part of the province.

As the financial services centre not only of Ontario but also of Canada, the banks and their subsidiaries are one of the country's largest employers, with over 235,000 staff located in Canada, of which 126,000 bank employees reside in Ontario. In fact, almost $21 billion in GDP and 320,000 jobs in the greater Toronto area depend directly or indirectly on financial services. Compare this to the auto industry in Ontario, which directly employs 195,000 people. In this regard, we have a strong interest in ensuring that Ontario's economy continues to be competitive.

The banks have over 3,500 branches and over 7,600 ABMs in Ontario, in almost every community across the province.

But our impact on the economy is much more than our physical presence. Ontario's banks provide crucial financing and credit to Ontarians and Ontario businesses which has spinoff effects throughout the economy. When we advance a mortgage, it allows an Ontario family to invest in a new home, which in turn provides new capital for and work in the housing construction industry, the retail industry and others. At the end of last year, banks had over $141 billion outstanding in residential mortgages in Ontario and more than $62 billion in personal loans.

Ontario's banks are also the leading source of credit provided to Ontario companies, totalling more than $101 billion last year. Ontario's banks also made over $18 billion in financing available to over 329,000 small and medium-sized Ontario businesses last year. This type of financing not only supports our customers, but changes hands and fuels growth and job creation in almost every industry in the province.

But our impact in communities goes beyond jobs, bricks and mortar and financing. We also support hundreds of local community charitable and non-profit organizations, giving over $50 million to Ontario charities from across the province last year. In 2000, the six largest banks invested $3.2 billion in technology in Canada, outsourcing a significant amount and thereby directly benefiting other sectors in the economy. The shares of Canadian banks are significant holdings, direct and indirect, in the investments of Canadians and Ontarians.

Finally, the six largest banks paid over $1.4 billion in total taxes in Ontario in 2000; over $231 million in capital taxes alone. This is significant when you consider that even though 46% of the largest banks' total earnings are generated from outside of Canada, 78% of all taxes are paid in Canada and, probably most importantly, 90% of the bank jobs are here.

I concluded our contribution list with taxes on purpose, because the CBA and its members feel that this is an area that needs further reform. We are pleased that the Ontario government has recognized that the business tax system is a critical component to ensuring that Ontario remains competitive internationally. Ontario's reduction of the provincial debt and the elimination of the deficit, combined with the lowering of personal and corporate income taxes, gives Ontario a good start.

In fact, these changes, together with those at the federal level and in other provinces, make the case for reform even more urgent. For years, taxation was one area where Ontario was not competitive, at least for service industries in general and the financial services sector in particular. Now there is a real prospect that Ontario can be competitive on the tax front and leverage its other advantages to obtain investments and jobs.

However, capital taxes remain the biggest impediment to business investment. Canada is the only major economy in the world to levy annual capital taxes, and since 81% of all capital taxes paid by the banks are paid at the provincial level, it is clear that the provinces have the biggest role to play. Capital taxes are problematic from a number of perspectives. Unlike corporate income taxes, which are related to profitability, capital taxes are not based on earnings and therefore are payable whether a company is profitable or not. It taxes investments, including information technology, which inhibits growth. Capital taxes are particularly punitive to financial institutions, which are required by regulation to maintain high capital levels to support the safety and stability of the financial system, and then are taxed on this regulated capital base.

That is why the CBA is pleased with the 2001 Ontario budget commitment to eliminate capital tax for both general corporations and financial institutions. The commitment to eliminate the capital tax in Ontario is particularly important because the financial services sector as a whole bears a disproportionate tax burden relative to GDP, to international competitors and to the general corporate sector.

Canada's banks recognize that businesses must pay taxes. We accept this as a requirement for doing business in Canada. However, the current provincial capital tax regime in Ontario, which taxes financial institutions at a higher rate than general corporations, leaves the banking industry poorly positioned to meet the challenges of increasing domestic and international competition, competition that will become particularly intense now that the federal government has implemented financial services reform legislation.

Financial capital today is more mobile than ever before. Regulatory reform, globalization of financial markets, and advances in computing and communications technologies have made it possible for financial services to be delivered from any cost-effective location. In order to remain competitive, Canada's banks are seeking out investment locations to enhance their future growth. Alberta, for example, has completely eliminated all capital taxes and will have a corporate income tax rate of 8% by 2004. Alberta is increasingly seen as the most cost-effective location for new business investment or to relocate back-office operations.

While we are pleased with the 2001 Ontario budget commitment to eliminate the capital tax, Ontario-based banks are making investment decisions now. For business planning purposes, banks need certainty. While we recognize the fiscal constraints the government is working within, Ontario needs to provide the business community with a clear sense of the timing of its commitment to eliminate the capital tax.

Financial services has probably the highest concentration of senior decision-makers of any sector resident in Ontario. Ontario does not have to fight its way on to the radar screen for consideration when investments are to be made by this sector. The opportunity for growth is there if Ontario can provide a level playing field for its second most important industry. The CBA therefore makes the following recommendations to ensure business tax competitiveness and continued economic development in Ontario.

First of all, eliminate the discrimination in the capital tax policy in Ontario to ensure parity within the business sector by levelling the capital tax rates applied to financial institutions, which now range from 0.6% to, more generally, 0.9%, credit unions, which don't pay any, and the general corporate sector at 0.3%. Then build on the commitment made in the 2001 Ontario budget by legislating a firm schedule for the complete elimination of all capital taxes in Ontario.

Mr Chairman and committee members, thank you again for providing the CBA with the opportunity to meet with you today. We'd be pleased to answer any questions you may have.

The Acting Chair: Thank you very much for your presentation. We have approximately two and a half minutes per caucus. We'll start with the New Democrats.

Mr Christopherson: Thank you, gentlemen, for your presentation. I note that the six largest banks paid over $1.4 billion in total taxes in Ontario in 2000. Correct?

Mr Wheable: That's correct.

Mr Christopherson: What was the after-tax profit of those six banks in the same year?

Mr Kelly Shaughnessy: We would have to get that information for you, but may I remind the committee that the profits of the banks are global profits, not only the profits based in Ontario. So with your permission, Mr Chair, we'll send you the number for the six largest banks, but that will be a global number.

Mr Christopherson: OK. I'm going by memory now, but I think that figure for that year was around $4 billion or $5 billion.

Mr Shaughnessy: Once again, I'd prefer to get that for you.

1610

Mr Christopherson: Fair enough, but I don't think that's too far of an exaggeration. I point that out for the obvious reason. It's good to note your contribution to the tax base for services. Absolutely. It's there and that's why I repeated it. I don't want to be unfair. But in the interest of fairness also, let's remember we're talking about, overall, an industry that makes $4 billion to $5 billion in after-tax profits. I've got to tell you right up front that I think it takes an awful lot of gall when you're still making that kind of money, given the pressures that exist in this province, and the only two recommendations you have are for more.

I don't have a problem with you coming in as a self-interest group. There's nothing wrong with that. But being such huge players, and given the significance of the role that banks play, I would have thought you'd have felt a little more of an obligation, given the money that your businesses make in our economy, to be recommending something beyond, "Give us more."

Mr Wheable: Could I just respond to that one?

Mr Christopherson: Sure.

Mr Wheable: Our recommendation came in directly on the capital tax. It is certainly our view that the capital tax costs a lot of jobs in this province. It costs a lot of economic activity. We currently have a corporate tax proposal on the table that is aiming at approximately 30%, which I think is also where OECD corporate tax rates are going.

This costs Ontario a lot of jobs. We're not actually coming in, if you look at the recommendation, asking for the elimination of it now. We're asking for a clear schedule so that investment decisions that will generate jobs and income for this province are made. So we believe this is in the interests of the province. We understand that there are many people who don't want to give things to the banks. We're asking you to give it to Ontarians.

Mr Christopherson: Also, you note that you've got 126,000 bank employees. I assume they're not all vice-presidents, so some of them, quite frankly, are going to be among the group of people whom we heard representation on behalf of who have been waiting for years to get their kids assessments for mental health services. Those are the same people. Again, I don't want to be off the deep end here. It's not that you came in recommending—

Interjections.

Mr Christopherson: I realize the Tories are snickering over that. I don't have a problem with you coming in and recommending things that are good for your industry, and if there are spinoffs to the rest of the economy, great. Everybody can make that. What I have a problem with is, there's absolutely no recommendation at all that deals with anything else. Nothing. You've got nothing to say about the health care system, nothing to say about education, nothing to say about environmental protection? Not a word?

Interjections.

Mr Christopherson: They're big boys. I'm ready to listen. Go ahead.

The Acting Chair: The time for the New Democrats has expired. We'll hear from the other party.

Mr O'Toole: I won't try to be quite as vociferous and—

Mr Christopherson: —that pucker-up we've seen all day.

Mr O'Toole: As a small investor in Ontario, I have a few small shares.

Interjections.

The Acting Chair: Order.

Mr O'Toole: I think there actually are shareholder issues here for people who are hard-working, tax-paying and trying to plan for their own retirement type of people like I am.

I just want to say that your message technically isn't, I don't think, bad advice for the government. I heard yesterday from Don Drummond and David Penney from a group called the Coalition for the Elimination of Capital Taxes, and they reinforced what you've presented here on the capital tax argument. It's profit-insensitive. It discourages investment. You need longer horizon lines to make the kinds of commitments to grow not just your own business and profitability, but also jobs in our economy. That's what I see in my own community, and the banks are always there to support charitable activities, and I would encourage that to be ongoing.

To be competitive is the other part. The corporate tax thing, the capital tax—the government hasn't laid out a schedule, but it has taken the first steps and I would hope to see in the budget some strengthening, despite the tough challenges that lie ahead, specifically this year. The corporate tax: right now Ontario has a schedule there. The federal government is 22.12% and the province is 8%. I think we have to be competitive and that's important.

Mr Drummond raised a question yesterday. He was saying we're going to have a shortfall this year of roughly $4 billion—somewhere from $3 billion to $5 billion. These are times of difficult decisions, and Mr Christopherson makes the point. The pressure we hear from every delegation is "more money." Health care is about $5 billion, and education varies from $2 billion to $2.5 billion. Long-term care is about $1.5 billion—it's staggering. Stack that on top of the deficit. What advice could you give us? Should we continue to be competitive, to grow the economy, look at the short-term? How would you handle the short-term problem, the dip, the curve, the U, the V, whatever it is?

Mr Wheable: We certainly recognize the financial strains that the government or anyone building the budget would be under. What we're saying is that the capital tax goes to long-term decision-making. What you need to do is put a schedule out, probably another five-year schedule; it may start next year. It's not necessarily an immediate cash outlay that's necessary to help the economy grow. It is a commitment to basically have a competitive tax system with the OECD standards, which in our view is about 30%, which as you indicated, if you add the federal reductions and the provincial ones, comes to Ontario at a 30.12% corporate tax rate. However, for instance, the federal government estimates that the overall capital tax—and financial institutions pay a higher percentage—adds about 4% to that rate.

So to help people make decisions, to put them in their investment models, which is how jobs get created, people should be on record—"This is the time frame you can build this in"—but I don't think it's probably appropriate for you to spend any significant number of it in the current budget.

The Acting Chair: For the Liberals, Mr Phillips.

Mr Phillips: I appreciate that you're an important sector of our economy, and it's important that we have that strong financial services industry.

Just on your recommendation on the capital tax, we do face in the short and, I think, in the medium term and maybe the long term, significant fiscal problems, without a doubt. Right now, the government has determined that corporate income taxes in the province of Ontario are going to be about 25% lower than our major competitors. If you look at all the budget work we do now, we benchmark against the neighbouring states—that's where it all is—and we're going to be 25% lower than the neighbouring states. It's a matter of priorities. That's a fair bit of forgone revenue; the government indicated last year about $2.2 billion of forgone revenue to do that.

Would you put the elimination of the capital tax as a higher priority than getting corporate income taxes 25% lower, and would your advice to us be, "Listen, this is a profit-insensitive tax. Far more important for long-term investment, Ontario would be better off to not cut corporate taxes 25% lower but take a portion of that and fix the capital tax"?

Mr Wheable: We believe capital tax is about the worst tax that you have. I think all the economic work shows the multiplier effect of capital tax is just enormous—the impact on investment, jobs, revenues, whatever—and I think over time it in fact is a cut that doesn't cost you funds.

But let me just correct a comment. We've seen frequently that, if you forgive the phrase, this is compared to the rust belt states. That is not in fact what Ontario is being competitive with. The proposal to get to 30.12% is not 25% less than the international standards. It may well be for where you place an auto parts plant but it is not—I mean, the UK is 30%, Australia is 30%, the US federal one is 35%, so there are a number of locations. Obviously, if you put it in New York City, you're going to pay 45%. There's a number of other ones, but I've always doubted, frankly, that the use of those states is the comparison for the kind of economy that Ontario wants to build, as compared to some very specific hard-manufacturing sites.

Mr Phillips: I'm just going by what the government—

Mr Wheable: I'm not disputing your quote. I just challenge—

Mr Phillips: It's not my quote. The government said, "This is why we're doing it."

The Acting Chair: Thank you very much. The time has expired. We thank you all for your presentation and we appreciate you taking the time to do that.

1620

TORONTO CATHOLIC DISTRICT SCHOOL BOARD

The Acting Chair: The next delegation is the Toronto Catholic District School Board, if they would come forward. Thank you very much for being here with us this afternoon, and taking the time to come and present for the committee. Please start by introducing yourself.

Mr Joseph Carnevale: My name is Joseph Carnevale. I am the chair of the Toronto Catholic District School Board. Thank you very much for the opportunity to be here today and to present some of the issues which are of importance to our board as they relate to the budget consultation for 2002-03.

I will try to keep my remarks brief—no guarantee of that—but I know it cuts into my time anyway. I'll touch on five points: the education funding model; school facilities issues; small schools and unique needs due to urban location and history; special urban needs; and funding for teaching groups and three-year agreements.

Education funding model positives: the model as it currently exists has many good features, including the creation of new grant and expenditure categories which provide an enveloping system that improves accountability for funds spent in our schools and for our students. I applaud the government for changing it because, to be quite honest with you, it is a more equitable system. It provides a fair level of funding for all the school boards and for education across the province. It provides for equity. TCDSB has no desire to return to the old system of taxation based on school support and assessment, since that was an inequitable system.

As with any new initiative, there is always room to make improvements and adjustments. In the case of the education funding model, changes would be beneficial in the areas of capital grants, special education and English as a second language.

Aging and prohibitive-repair-cost schools: TCDSB has 87 schools which are deemed to be prohibitive to repair. Essentially, it's cheaper, or just about the same cost, to repair a school than it would be to build a brand new one, since we need the Ministry of Education to approve what we call the prohibitive-repair-cost criteria. This spells out the concerns and some of the criteria, such as unique construction needs: parking facilities with limited space, costs of demolition, space for playgrounds. This is one area that we need additional funding for, that Toronto has a special need for.

The additional part specific to prohibitive repair deals with the fact that over a 50-, 60-, 70-year period—that was deemed to be the life of those schools, basically. The ministry says, "We'll fund the creation of a new school." We get the grants. We build the school. We do all we can to repair the schools, but over time, there's nothing else you can do to it. When you get to a point that it's cheaper to build a brand new school than it is to repair that facility, I think not only do the taxpayers of Ontario deserve what's economically feasible and what is in the best interests of the taxpayer, but also what's in the best interests of the students, which is why we're here today.

Small schools: TCDSB has shown leadership in meeting the requirements of the provincial funding model by closing 21 schools over the past three years in order to procure added funding to address our building needs and to match our costs to the grants provided. This creates huge disruptions for students and parents, often dividing neighbourhoods and parishes. As chair of the board, it hasn't been easy. It's a difficult decision. It's been suggested by the minister and by the government that our board is responsible in its actions, that we're reasonable and we do what needs to be done. It's also important to remember I'm here today to discuss the situation that has arisen, which is that in many areas we just don't have the additional funds needed to provide the best education possible. That's why I'm here.

The other issue with small schools is that they remain vital to our local communities. When we close a school, we have disruptions. We have people going to new areas, not familiar with them. Kids, obviously, face the disruption and are not comfortable with that, and neither are parents. In many areas, the ministry would not permit larger Catholic schools to be built in Toronto. They said, "You have localized communities," because we're a Catholic board in Toronto, "and therefore if you create a large school, we might have empty spaces." Over decades various governments told us, "Don't build large schools," so we built schools that were relatively small for the community. Now we're told they're not large enough. Our problem is, historically we don't have the facilities that could accommodate the needs, based on the present funding formula.

What we need from the government and from this committee: specifically, the grant formula should be modified to provide full funding to retain a full-time school principal and a full-time school librarian in schools with enrolment of less than 250 children. As you know, and you were told earlier today, 364 kids is what generates a full-time principal. We have 59 elementary schools with less than 250 pupils, so we're at a major disadvantage.

Special-needs students: Toronto attracts a large number of students with special needs. The funding allotted for special education is not sufficient to provide for the specialized staff, programs and materials necessary to meet the needs of these students. We have suffered from a historical lack of funding. The 1997 amounts boards received were used as the baseline for future special education funding. The result: we continue to spend $10 million a year more on special education than we receive through grants.

The TCDSB and the Toronto district serve the same demographic populations, with the same single-parent families, ESL, learning disorders and poverty issues faced by many students. Toronto remains a magnet for children with severe disabilities and needs because of the hospitals and resources available in the city. We have 33% of the students from a similar demographic group as Toronto district; however, we receive 18% of the funding allocation for special education. As a result, we find ourselves disadvantaged to the tune of $18 million a year when you compare it to our public school board, and that gap remains today. We tried our best to narrow that gap, but in trying to do that and spending $10 million a year more, we obviously take the money out of other envelopes to try to accommodate that, and ultimately it affects all the children in our system.

In the short term, there needs to be an immediate infusion of an additional $18 million in special education funds over and above the ISA-generated funding and other grants for high-needs students to address the current TCDSB shortfalls. In the longer term, a special education work group needs to be established by the ministry to make recommendations to ensure that the funding model adequately meets the needs of all special needs students across the province.

English as a second language and socio-economic factors: the city of Toronto has a highly diverse population, with large numbers of families whose first language is not English, and our schools are expected to provide the necessary supports to ensure that students are able to achieve a high level of literacy. The minister's own Education Improvement Commission in January 2000 indicated that the level of learning opportunities funding that both the TCDSB and TDSB receive is insufficient to meet the high degree of need that exists in Toronto.

The literacy improvement funds allocated by the government have helped a great deal but, as our EQAO results show, we need to do more. We have the programs that work, but we need additional funding to expand them.

TCDSB continues to face an extraordinary combination of challenges in bringing to a state of readiness students who require special programs funded in part through the learning opportunities grant. Investing in the success of such students saves taxpayer dollars in the long run and benefits the province as a whole.

What do we need: the province should enrich the learning opportunities grant and re-examine the factors used to determine need and level of support under this grant, particularly as it relates to the unique needs and high costs of educating needy students in Toronto, including the need to greatly improve literacy levels.

Funding forecasts and teacher collective agreements: the provincial government now requires school boards to negotiate three-year agreements with their teaching staff. Yet the government does not provide school boards with the corresponding three-year grant projections it needs to properly negotiate the required agreements. In effect, we are forced to negotiate agreements with our staff without knowing how much money we'll have available to pay those salaries and benefits in the future.

This committee should consider recommending that a rolling three-year forecast of the grants, or the three-year percentage increases which will be available to cover inflation, CPI increases etc, be made available to school boards in order to provide them with the information required to negotiate the mandatory three-year contracts with teaching groups.

At this point, I'd like to sincerely thank the committee members for taking the time to hear some of the matters which are important to the Toronto Catholic District School Board now and in the future.

To recap, the education funding model has provided many positives; it just needs some fine-tuning. School facilities are in many ways unique in Toronto due to age, historical circumstances in their development and the special requirements of location in a large urban centre with limited space. Small schools are a reality of TCDSB history and we have shown leadership in closing 21 schools, but their unique costs should still be recognized. The number and needs of special-education students are greater than normal in the Toronto environment, and this should be recognized in the grant structure. Finally, teachers' collective agreements must now be three years in length, and we need the three-year projection of grants we will receive in order to bargain effectively. Thank you.

The Chair: Thank you very much. We have two and a half minutes per caucus, and I'll start with Mr O'Toole.

1630

Mr O'Toole: Thank you very much for your tone. We've heard three presentations today, affecting basically the Catholic School Trustees' Association. There has been a recognition of the equity, and quantity is the other question that remains. Given that 80% of your budget is wages and benefits, we understand there are pressures. The three-year thing, if you put it on the table, they will say, "Now we've got three each year,"—or 1.9 or whatever it is—"and the next step is five." I hear you. Stable funding is good on the operational side, the capital side. There are some choices that you've made, the 21 schools. I hear you very clearly on that.

Do you have any new ideas? For instance, there are a lot of resources, whether it's ESL, whatever, that aren't—I'm a former Catholic trustee myself. But I'm trying to find a way of breaking outside the box a bit here. What I'm asking you is, is there any way the public and separate boards could work more effectively together without getting into Catholic versus Protestant, the 200-year-old argument? We can use it as a decoy or you can move forward. You're young, you're creative, you're not trying to be in the box, otherwise you would have appeared alongside the other group. How can we move forward? There are some resources: speech and language, ESL. Tell me something I haven't heard over the last seven years.

Mr Carnevale: Thank you for the question. Working together in broader terms, there are some things we've been promoting and are performing with the Toronto District School Board. One thing is that we're enhancing and coordinating the transportation—

Mr O'Toole: How about schools in the same building?

Mr Carnevale: Actually, that's a good point. In our new schools, we actually pioneered—

Interjection.

Mr Carnevale: Thank you. We actually pioneered the whole concept of having a Catholic elementary school, a public elementary school and a community centre all combined.

Mr O'Toole: Excellent.

Mr Carnevale: We've already sat down with the city of Toronto. We have conveyed to them our interest in moving forward on any other joint ventures. We've done the same thing with the Toronto District School Board. I think we can all agree that sharing that space and bringing those resources together is what's in the best interests of our taxpayers.

Mr Phillips: In my area, you built a fine high school in conjunction with the then city of Scarborough, with a community centre attached. So you've already done some; Mr O'Toole may not have heard that.

Mr O'Toole: It's good to have it on the record.

Mr Phillips: The $10 million in extra spending for special education students is a theme we've heard from virtually every school board, that they have to find money from elsewhere in their budget to supplement the special education needs. It's significant across the province. Where do you actually find the $10 million? There are areas that theoretically the funding formula is providing for, but presumably you have to take the money out of some other part of your budget to fund the $10 million.

Mr Carnevale: That's correct.

Mr Phillips: What are the areas where you found the $10 million?

Mr Carnevale: Without giving you a cent-by-cent analysis—I don't have that in front of me—what I can tell you is that we generally go back at budget time and look at all the other envelopes, and ultimately it means, whether or not you have a special-needs child in the system, you're going to feel the effects of not getting the full funding for it, because ultimately we go into textbooks or facilities or paraprofessional envelopes and other envelopes. We're going to go in there and we're going to take money out of those envelopes to fund the kids who can't help themselves, and that's what we're trying to do here, make sure we educate all children to their fullest, and in doing so, we have to borrow $10 million out of other envelopes.

Mr Phillips: Similarly, with English as a second language and the other unique needs you're trying to meet, is the answer the same as to how you find the funding there?

Mr Carnevale: It is, but when it comes to English as a second language, obviously being from Toronto, you understand the difficulties we face. Our problem is, of course, how do we address those concerns? It's not as simple as just taking money out of other envelopes. At some point, you just can't take any more. Ultimately what happens is that we can't provide the resources, we can't provide those teachers, because we don't have the funds.

Mr Christopherson: Thanks for the presentation. This has come up a lot, the issue I'm going to raise, and given all the other issues, I haven't yet touched on it. It's this business of your being mandated to negotiate three-year terms with the teachers' unions, but the government will not give you funding beyond one year, and even then you're finding out late in the year how much you're getting. I can just imagine what this government would do if somebody said that to them. We'd still be peeling them off the ceiling.

What do they say when you raise the obvious question, which is, how can we possibly negotiate a three-year term when 80% of our costs are wages and benefits and you won't tell us what we're going to receive? What do they tell you when you raise this?

Mr Carnevale: I'm hoping to get the answers after this meeting.

Mr Christopherson: Good luck.

Mr Carnevale: To touch on that, I don't think you're able to have those same projections for yourself and your own staff, so I understand that. I understand the difficulties around that. But for us, I think what it comes down to is that we'd like to be able to negotiate settlements with our unions that we're making conscious decisions over. If we know we're going to get 1% next year, then the onus is on the trustees to decide: are we willing to go into other envelopes to fund that, are we going to go above 1%, are we going to go below 1%? But that's our decision. You've made the system accountable. You've made us stand up to taking responsible actions. Now give us the information we need to make even more responsible decisions. That's really the problem.

Mr Christopherson: I can appreciate it's probably difficult too for the unions to sit down and develop their strategy. Normally, if they know they're going beyond what you've notionally allocated on a wage line, they know the arguments they need to make one way or another, or accept certain realities and move into another area. They can't do that either. So both of you are sort of going into negotiations blind.

Mr Carnevale: You're absolutely right. That's part of the problem.

Mr Christopherson: I can't let it go by without touching on special education—ESL. I represent Hamilton West. It includes the downtown area—very similar issues and challenges as you face here in Toronto. For the life of me, I can't understand how the government expects new Canadians, as children, to lay down the roots necessary to be successful in our society when they're cutting back on the services that help people when English isn't their first language. It makes no economic sense, as well as making no social sense. Some of the rules are clearly meant just to cut children off. There are examples of coming in through the United States. If you resided there for two or three years, I think, you don't qualify. What are you doing to try to compensate for the lack of funding to support new Canadians in our communities?

Mr Carnevale: There are new Canadians, adult Canadians, whom we have in a not-for-credit adult ESL program that we offer. Actually our board has 100,000 graduates or students every year to accommodate that, and that's in partnerships with local, provincial or federal agencies. Aside from that, when it comes to students and the children, we're really having to dip into other envelopes to solve that problem, or we just can't offer the services.

Mr Christopherson: Where does that stop?

The Chair: Mr Christopherson, I have to bring it to an end, as we've run out of time.

Mr Christopherson: You dip into another envelope for wages, another envelope for special ed, another envelope for ESL. At some point, you run out of envelopes.

The Chair: Once I have the floor, Mr Christopherson, you're not recorded. I think I've been very fair with the time, and we've run out of time.

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

ONTARIO FEDERATION OF LABOUR

The Chair: Our next presentation is from the Ontario Federation of Labour. I would ask the presenters to come forward and state your names for the record, please. Welcome, on behalf of the committee. You have 20 minutes for your presentation.

Mr Wayne Samuelson: Thanks a lot. I'm Wayne Samuelson, from the Ontario Federation of Labour, and with me is Ross McClellan, the director of legislative issues at the federation.

The OFL is pleased to present our annual pre-budget submission to the standing committee on finance on behalf of our 600,000 members. The OFL participates in and supports the work of the Ontario alternative budget project, and a full presentation of our views is set out in their annual publication. For today, I want to highlight some of our special concerns.

As we enter the seventh year of the Common Sense Revolution, the first thing we have to say is that the Common Sense Revolution has been a failed experiment. That is something virtually everyone in Ontario knows, including, it seems, most of the contenders for the job of Premier.

The extent of the failure is best expressed in the astounding fact that the Treasurer of Ontario, for the first time in memory, has repeatedly refused to tell the public or the members of this committee what exactly is the true financial picture of the province of Ontario. When asked by the opposition to give the usual revenue projection for the coming year, 2002-03, the Treasurer stonewalled and refused to answer the question, not once or twice but six times.

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I'm willing to admit that I'm not an economist, but I have to say that what the government is telling us makes absolutely no sense. Ontario finances for the third quarter show that the Ontario government is running a $140-million surplus this year. But the Minister of Finance says he's facing a potential $5-billion deficit next year, and he refuses to explain how this can be possible. He refuses to table the numbers. There are only two possible explanations: either the government has completely mismanaged the provincial finances and is hiding a real crisis behind phony and manipulated accounting procedures, or the potential $5-billion deficit is a fake and is being used as a bogeyman to justify Mr Flaherty's extreme right-wing political agenda. I suspect that's probably the real explanation.

I hope this committee, and especially the government members, will realize how unprecedented it is for the Minister of Finance to stonewall at these hearings. Ernie Eves, Floyd Laughren, Bob Nixon, Frank Miller and Larry Grossman never treated this committee with that kind of contempt.

We can only guess at the extent of the misery that faces Ontario when Minister Flaherty says he has a potential $5-billion problem without coming clean about the nature of the crisis, and that he intends to make more cuts. Make no mistake: if Minister Flaherty intends to cut as much as $5 billion out of the budget next year, he will create such damage that it will make the cuts of the Mike Harris era look mild by comparison.

How could it be that Ontario is facing a $5-billion cash crisis after seven years of the Common Sense Revolution? After all the boasting, all the propaganda, all the taxpayer-paid ads claiming that tax cuts would solve all our problems and lead to higher and higher economic growth, how can we possibly be facing a $5-billion deficit? If we are facing a $5-billion deficit, the cause is crystal clear: irresponsible tax cuts which now total $12 billion a year in lost revenue.

The tax cut solution always was and always will be voodoo economics. It has nothing to do with the Ontario economic recovery from the recession of the early 1990s. That recovery was driven by a combination of exports to the US, a very sensible policy of interest rates and a low and very competitive dollar.

We warned this committee last year, and we warn you again, that the tax cut agenda is wrong; it is folly. It is dangerous and certainly destructive. What this government has done over the last four years is squander the fiscal dividend that should have come to the treasury during the four years of economic growth. Part of the fiscal dividend should have been kept in reserve to cushion Ontario from the downturn that is now upon us.

In our submission to this committee last February, we warned that the minister's growth projection for 2001 was very optimistic. We, and many others, warned that the US economy was heading into a cyclical downturn and that—I quote from page 6 of our last year's submission—"The only question is how bad will it be."

We still don't know the answer to that question because of the minister's stonewalling. But we do know that in the third quarter, between July and September, the Ontario economy actually shrunk by 0.8%. That's before the full impact of September 11 had even been felt. On an annualized basis, that would be a decline of 3.3% in provincial GDP. We assume the fourth quarter, post September 11, will be much worse.

Unemployment has shot up to 7.4%. Half a million Ontarians are already out of work. According to the latest Ontario labour market report, between January 2001 and January 2002 the number of jobs in Ontario increased from 5.852 million to 5.863 million. In other words, in 2001 the Ontario economy produced a grand total of 11,000 new full-time jobs; that's right, 11,000, not the 91,000 claimed by the minister. That's another phony number. It's 11,000 additional full-time jobs last year. Keep in mind that we need 100,000 new jobs just to stand still; that is, to accommodate young workers who are entering the workforce for the first time. This is one more example of the colossal failure of the Common Sense Revolution's voodoo economics.

During the last 12-month period, Ontario has lost jobs in agriculture, manufacturing, transportation, warehousing, finance, professional services, culture and recreation. Instead of maintaining public services and programs when the money was pouring in between 1998 and 2000, the government spent the dividend in advance on useless tax cuts. Now that the economy is turning sour, the reserves aren't there like they should be to protect Ontario from the effects of a recession. And so we are told that Ontario faces a potential $5-billion crisis. This would be a crisis that has been manufactured entirely by this government.

We will issue the same warning we issued last year: cancel the unimplemented tax cuts. We cannot afford them. We cannot afford to cut another $5 billion from

Ontario's budget. It would be absolute insanity. We can't afford another Walkerton. We can't afford another year of chaos and turmoil in our schools. We can't afford more hospital emergency rooms on emergency bypass. We can't afford to send sick people to Buffalo. We can't afford to let three people die on the streets every month in this very city because there are no homes for them to live in. We certainly can't afford thousands of children living in emergency shelters.

We've had seven years of the Common Sense Revolution. Let's admit it: it didn't work. It's time to scrap it and return to a measure of sanity in this province.

The tax cuts had nothing to do with economic growth. The tax cuts had nothing to do with reducing the deficit. The Premier himself admitted in the House that according to the Ministry of Finance projections, the budget would have been back in balance by 1997-98 without the cuts.

Interjection.

Mr Samuelson: Mr Chair, does that come off my time, the mumbling over here?

What a supreme irony: after years and years of condemning the previous government for running a deficit during the last recession, the Harris government declares that at the end of the road it is facing a potential $5-billion deficit. And now, according to the Minister of Finance, we'll be right back where we started, facing a huge deficit. Or again, as we suspect, the $5-billion deficit could be a phony smokescreen to justify more draconian cuts and is part of Mr Flaherty's truly bizarre leadership campaign. Whatever the case may be, his government's tax cuts have already wrecked Ontario's heritage of public services and programs.

Let's just take a quick look at the mess in education. Not only have there been cuts in real spending, but research by the EIC shows that the funding formula itself has shortchanged the school system. In its December 2000 report, the Education Improvement Commission pointed out that the funding formula is deficit in the following areas: English as a second language, French as a first language, learning opportunities, First Nations students, special education, pupil accommodation, the small-school factor, small-boards administration and teacher compensation. We strongly advise this committee to insist on a complete revision of the education funding formula.

As if this were not enough, our school boards have been forced to absorb the deficit which has been downloaded by this government on to their shoulders. The cuts to elementary and secondary school funding must be restored.

At the post-secondary level, disaster is already upon us as skyrocketing tuition increases and hopeless overcrowding are squeezing working-class students out of Ontario's universities.

The same deficit download syndrome exists in the health care system today. The total debt of Ontario's public hospitals increased by nearly $1 billion between 1995 and 2000, and the crisis generated by the deranged cutback and restructuring activities of this government shows no sign of easing up. Incredibly, according to documents tabled before this committee, the total cost of all this restructuring stands at an unbelievable $14.9 billion—I'm sorry, $4.9 billion. This government actually squandered almost $5 billion to turn our hospitals, schools and municipal public services upside down. It really is unbelievable.

Our cities, which used to be prohibited by law from doing deficit financing, are now piling up mountains of debt while the standard of service plummets. If you don't believe me, just look at the state of the streets in this city. Once upon a time they were clean, but that was before the revolution.

Let me say something about the most spectacular failure of the Common Sense Revolution: the crisis of homelessness, which now affects every city in Ontario. We were told in 1995 that if we scrapped social housing programs and got rid of rent control and tenant protection laws, the private market would solve the housing crisis by building affordable housing. So what went wrong, my friends?

1650

We have the results. Last year, vacancy rates in Ontario were below 1%. In each of the four years between 1997 and 2000, Ontario has had less than 2,000 rental housing starts. By contrast, between 1988 and 1992, rental starts averaged 15,000 units a year. Ontario now has an affordable housing deficit of 74,000 units. This is another clear sign of the abject failure of the Common Sense Revolution. The private housing market cannot and will not provide affordable housing. That is why the Davis government and every government since, except this one, built social housing. That is why the Davis government and every government since, except this one, passed rent control laws and tenant protection laws.

Our recommendation to this committee is that Ontario urgently needs a new social housing program and it needs one now. The fastest growing group of homeless people in this province are children; 6,000 children were living in shelters last year in Toronto alone. A major study in November 2001 showed that 20% of children were coming into the children's aid society care because of lack of housing. More than 30,000 people stayed in emergency shelters in Toronto in 1999. The biggest increase was in two-parent families. There are homeless families in every city in Ontario, but instead of offering new funding support to build affordable housing, this treasurer announces his plan to make homeless people criminals and throw them in jail.

The final irony is that the current issue of Ontario Finances shows on page 8 that Ontario received $530 million for social housing from the government of Canada. But on the expenditure side, page 9, Ontario has cut the budget for the Ministry of Municipal Affairs and Housing by $572 million since 2000-01. As far as I'm concerned, this represents a total misappropriation of funds. Every dime received from the federal government should be matched by the government of Ontario to build homes for homeless men, women and children.

Finally, we have the scandal of what has happened to social assistance in the province. No other group of people in Ontario have had their incomes cut by 22% and then been held down at that subhuman level for six long years without a penny increase. It's an offence against every decent impulse of a civilized society. The Bible condemns people again and again for "grinding the faces of the poor," and that is exactly what this government has done. We can only hope that, even at this late date, some shred of compassion and decency will see light in the coming budget. At a time when unemployment is once again on the rise in Ontario, I urge this committee to do the right thing: call for a major increase in the income of those on social assistance.

Thank you very much.

The Chair: We have a minute and a half per caucus, and I'll start with the official opposition.

Mr Phillips: Thank you for your presentation. It is ironic that Mr Harris heads out the door in a couple of weeks, I guess, and we have this seeming financial chaos with a $5-billion problem looming. The government is saying, "We'll find it," and one way is that we'll cut expenditures. They've been in government now for seven years, presumably getting the fiscal house in order, so where they'll find $5 billion—if it is in fact that size. They say they're not going to cut health and education. The rest is social assistance, which they cut dramatically, and then the next biggest ones are correctional services and the Solicitor General: our policing, our jails and our courthouses.

It is, as I say, ironic that as he heads out the door we've got this seeming chaos, according to the Minister of Finance, after seven years of Mr Harris's hands on the steering wheel. What's your judgment on how we could find ourselves, after seven years of seeming economic growth, suddenly faced with a $5-billion problem? And if in fact they're looking at really having to make—let's say $5 billion is an exaggeration. If they are having to make a $3-billion cut, where would you see them having to cut that and what would be the implications of it?

Mr Samuelson: You know, guessing where these guys are going to cut next is always difficult, not because they won't have lots of places to cut, in their mind, but because they do it without any real consultation. I'm glad somebody is talking about this, because history has shown us over the last seven years that the cuts are so indiscriminate.

I travel every day in this province, and I'm reminded of a telephone call I got on a radio phone-in show when a woman said that her son in grade 5 couldn't get help—they needed special education help—and then she said, "Mr Samuelson, my son will suffer every day for the rest of his life." That story sticks in my head.

I don't know how much harm is going to have to be done to people who need help, and to many people who don't need help, before the government learns, Gerry. But I do know this: this fixation on giving more money to people who already have lots doesn't in the end build society, it doesn't help ensure that we take care of each other and, frankly, that we put in place the kind of economy and society that I think we all expect in this province, and it has caused a great deal of harm.

Mr Christopherson: Wayne, Ross, thanks very much for your presentation. It's good that there are powers that are prepared to make arguments for people who don't have lobbyists and don't have charts and don't have big presentations, because, quite frankly, as we've seen from presentations today, a lot of folks who are already doing quite well have the ability to come in here and make a case and work the system. If it weren't for organizations like the OFL putting their strength behind these issues, there's nobody else to speak for them. So I want to thank you for that.

It was interesting, the reaction you got, when you read on page 6 that the Premier had admitted in the House that according to Ministry of Finance projections the budget would be back in balance by 1997-98, even without the tax cuts. The reaction is similar—watch, it'll happen again—when I remind them that in the 1995 election the date for having a balanced budget actually came sooner with the NDP than it did with the Tories—

Interjections.

Mr Christopherson: There they go. See, it happens every time. But it's the truth. That's exactly what happened—typical of this government, you know, night is day, day is night, black is white; it's just the opposite of everything. It's the truth, and the reason it's the truth is that we didn't have billions of dollars in tax cuts draining the money away. So we could have balanced the budget sooner, eliminated all the devastation that you've done to everything and we'd have had a balanced budget sooner. So it's good to keep these folks at least one toe in reality.

I have a report that Premier Harris earlier today said in a speech to the board of trade—and I don't have a quote, but the essence of what he said was that he wished he'd done more to implement the Common Sense Revolution faster, cut taxes more and cut them faster. How would you react to that?

Mr Samuelson: My guess is that he's probably down there looking for a job. It's probably a good spot for him to try to make people happy. It would probably help him get a job in a short while.

Having said that, Dave, frankly that's one of the problems. This suggestion that somehow you can go down and meet with the board of trade and talk about what you want to do without considering what the impact would be on people who work in the factory I come from or live in your communities is—

Interjections.

Mr Samuelson: Mr Chair, Jeez, it's pretty rude.

The Chair: There has been an echo in the room all along. You've got about 30 seconds to wrap it up, so we'll go on.

Mr Samuelson: The point I'm trying to make is that it's this arrogance that leads to people interjecting, but also suggests that somehow "I know better." I think that's what has been characteristic of the Harris leadership and certainly their government, that somehow "I know better, and everything you say is just wrong, and I'm not going to listen to it."

I spent all my life in politics and in the labour movement, and there are lots of people I've disagreed with, but I think everybody in this economy has a right to express their viewpoint, and people deserve to do that with some respect, and they certainly deserve to do it without having heckling from their elected representatives.

The Chair: Thank you very much. I'll go to the government side.

1700

Mr Gilchrist: Thank you very much, and you might want to play a tape back, Wayne, because once again, having come in to decry the government for being ideologues you've suggested that you've got all the answers here. Let me just recount what you've told us here today. So there's not a single action that the government did that laid the foundation for any of the economic improvements, but by the same token everything we did is responsible for 100% of the imminent failure. It's an interesting perspective.

You say that somehow it's a secret, the state of the finances, and then on your second page you actually quote last week's publication of the Ministry of Finance that gives you the most up-to-date financial information on the third quarter.

Mr Samuelson: No, it doesn't.

Mr Gilchrist: Perhaps you have some crystal ball. You're challenging the speculation that has come from a number of economists, not just the Minister of Finance. So perhaps you'd like to put on the record here today what you say categorically we can hang our hats on for the economic improvement, the increase in GDP in the province of Ontario. I'll be fascinated to know the source of that premonition as well.

When you talk voodoo economics, it's kind of hard when you look at the actual numbers, and I know you don't want to do this, you'd rather deal with rhetoric, but the revenues we inherited were $49.5 billion. When Mr Harris is leaving, they're $64.5 billion. All those tax cuts, those billions we gave away, I guess the tax fairy just brought in $15 billion and left it under his pillow one night. By the way, all those draconian cuts, well, let's see: the last year the NDP were here, they spent $56 billion; this past year, the finished past year, we spent $5.5 billion more. What school did you go to, Wayne, that the word "cut" can be used in the same sense of going from $56.1 billion to $61.6 billion? I'll be fascinated to hear how you can do those mental gymnastics.

Mr Samuelson: I'm really pleased to answer your question, Steve. First of all, I'm quite amazed that you have to ask me what I think the GDP will be next year when you're unwilling to—

Mr Gilchrist: You're saying Flaherty doesn't know.

Mr Samuelson: Can I finish, with all due respect?

Mr Gilchrist: I asked you a question. What is it?

Mr Samuelson: I'm answering it.

The Chair: Mr Gilchrist, Mr Samuelson does have the floor.

Mr Samuelson: Thank you very much. Frankly, I'm surprised you would ask that question when you're unwilling to even release your own numbers. But I think your other question is even more disgusting.

Mr Gilchrist: You didn't answer.

Mr Samuelson: If you can't figure out why expenditures increase in an economy that grows every day because the population grows and the money you bring in and expend is affected by inflation, if I have to explain those basic realities—I bet your income from taxes also increases. Well, of course, the economy gets bigger, more people go to work, more people, more jobs. It's not rocket science, and I continually am amazed at how the government would rather not talk about what it has meant to my kid, my daughter, who suffers because of your policies in her education; my mother, who went through your health care system. I was there, and I've seen it, and this is real. I've just about had it up to here with people who come to me and try to—

Laughter.

Mr Samuelson: And laugh, Mr Hardeman. These are real people's lives, and it's having an impact on them every single day. You can sit here in your offices and—

The Chair: With that, we have run out of time and I have to bring the discussion to an end. On behalf of the committee, thank you very much for your presentation this afternoon.

ONTARIO PHARMACISTS' ASSOCIATION

The Chair: Our next presentation will be from the Ontario Pharmacists' 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. You have 20 minutes for your presentation this afternoon.

Ms Jeannette Wang: Good afternoon, Mr Chairman and committee members. My name is Jeannette Wang, and I'm the chairman of the board of the Ontario Pharmacists' Association. Thank you very much for allowing us to make this deputation today.

Before I begin, I'd like to introduce our delegates with me today and give you a brief overview of the Ontario Pharmacists' Association. I have with me Mr John-Paul Dowson, who is OPA's director of government and external relations; and Ruth Mallon, who is our vice-president of pharmacy services.

I'd just like to take a minute to walk you through who the Ontario Pharmacists' Association represents. We are a voluntary not-for-profit professional association representing pharmacists and pharmacy students. We have approximately 5,000 members across the province, representing all areas of practice, from research to hospitals and to the community.

Ontario is home to a diverse market for pharmacists and pharmacy services, delivering a dynamic mix of services in a huge variety of settings. It's also interesting to note that a full 60% of Ontario's community pharmacies are independent—they're the small mom-and-pop pharmacies—with the remaining 40% comprised of chains, franchises and large retailers. The diversity of community pharmacy supports the delivery of a wide choice of services to meet the unique needs of our patients.

The OPA does have a memorandum of understanding with the government of Ontario which officially recognizes us as the lead voice for pharmacists in the province. We at OPA certainly take our obligations under the MOU very seriously. To this end, we are constantly searching for ways to help the government save valuable health care dollars while moving the pharmacy profession forward.

OPA recently developed and submitted responsible, reasonable and achievable program objectives that can help deliver net savings in the delivery of ODB and health care services, and I believe each committee member now has a copy of that. Pharmacists are a significant stakeholder in the health care sector, with a particularly strong interest in the Ontario drug benefit program and the delivery of broader collaborative health care services.

Why are we here today? Every year, OPA participates in the government's pre-budget process. We see this annual process as a very important opportunity to bring ideas and proposals forward that will help shape the future of a health care system that we all rely on. However, we believe the system can benefit from some innovative changes delivered by pharmacists.

Before outlining our issues and proposals, I would like to recognize some current partnerships between the government and OPA.

The first one is the Telehealth initiative, where OPA is very pleased to be partnering with the government to provide callers with a medication information service as part of the Telehealth initiative.

Second, we have the seniors' safe medication use program. OPA developed this program, which then was supported by the Ontario government. Through this partnership, pharmacists receive a fee for delivering medication information seminars to seniors across the province, and we certainly look forward to renewing this program with the government in 2002.

Third, we have the clinical tobacco intervention program. With the support of the Ministry of Health and Long-Term Care, pharmacists are working together with physicians and dentists to assist individuals in quitting smoking. We believe the program is well worth the government's investment. If you think that a smoker usually takes twice the amount of medication of a non-smoker and costs an employer typically upwards of over $2,500 annually in additional health care costs, it's certainly a worthwhile investment for the government.

Finally, we have the emergency contraceptive program. OPA is pleased to be a partner in the delivery of two Toronto-area pilot programs for the Ministry of Health, benefiting women's health needs. Under a strict protocol, trained pharmacists are permitted to prescribe and dispense the morning-after pill, called Plan B, to women. After dispensing the medication, the patient's health information for the prescription is sent to, and verified by, a physician. It's another example of pharmacists and physicians working in collaboration to deliver health care services. This particular program saves an estimated $1,000 for each unintended pregnancy.

While OPA supports the promotion and delivery of these programs, a lot more can be done and must be done. OPA has presented some 23 options for the Ontario government to save money, to resolve outstanding issues with the profession and to improve the delivery of patient-focused health care.

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Many of OPAs proposals are well known to this committee and to the government. We have been down this road many times before—actually, some six times in front of this very committee—and each year we are left with a sense of frustration as the government fails to embrace our innovative ideas for expanding the use of pharmacists in the health care services. However, we remain hopeful that this year, in the face of a deficit, the government will adopt some of our recommendations. Our proposals are achievable, efficient, fair, costed out and proven to work in other jurisdictions.

One of the key messages we would like the committee to know is that pharmacists can help the government find health care savings. We know there is no new money. Pharmacists can improve access to health care services. Pharmacists and physicians share a unique collaborative role in health care. We're advocating for expanded pharmacy services and a united commitment to improved health outcomes and cost containment. Each missed opportunity to increase the use of pharmacists is a missed opportunity for savings, for improved access to care and for greater collaboration between the different providers.

I must tell you again and emphasize again that Ontario pharmacists are frustrated. We want to move forward. We want to work with the government. We see more patients, a greater demand for Ontario drug benefit prescriptions, escalating annual drug costs, a shortage of available pharmacists and a government that seems unprepared to move in new directions. We need the government—we need you—at the table before we can move forward together.

Pharmacy is facing some very serious challenges to a renewed partnership with the government. First of all, I'd like to bring your attention to the fact that the ODB professional fee for dispensing has been frozen for 12 years. It remains at $6.47. Also, under ODB, pharmacists lost at least $22.5 million last year subsidizing higher drug costs as a direct result of the ODB regulations—the government's own regulations—that are not enforced.

Pharmacists know their professional needs cannot be addressed in isolation of the entire health care system. However, the profession also knows its needs must be addressed to help support and improve the delivery of health care services, particularly the drug program.

I want to review our concerns about the ODB professional fee or, as it's also commonly called, the dispensing fee. As I've said before, pharmacists continue to face a 12-year freeze on the ODB dispensing fee at $6.47. Let's just think about that for a second: no increase in 12 years. in fact, the fee was actually decreased under the social contract and then restored to $6.47 in 1999.

Now, also look at the other side of the equation. The cost of pharmacy practice increased by 31% in the last 10 years, the volume of ODB prescriptions increased 8% between 1999 and 2000, and national prescription sales increased by 56% since 1996. In reality, I'd also like to draw your attention that the actual cost, the real cost, for a pharmacist to dispense medication ranges from $9 to $10.50. So there is clearly a disconnect between that figure and the $6.47 under the Ontario drug benefit program.

It's really important to recognize that the ODB dispensing fees are not a program cost driver. ODB expenditures on dispensing fees in 2000-01 accounted for only 3.2% of the government's total ODB costs. The government's share, after patient co-pays and deductibles, was $57.5 million.

As the cost of practice races upward, our fee remains frozen in time. Pharmacists cannot continue to absorb cost increases without an adequate increase in the ODB dispensing fee.

How could this happen? It happened because ODB would not pay the $22.5 million owed to pharmacists to cover the overhead cost of the 150 ODB drugs reviewed by the OPA. However, the ODB program did pay pharmaceutical companies $140 million more than it should for these drugs. There are 150 drugs on the ODB formulary with actual prices that are 200% higher than their ODB listed price. In fact, a number of drug prices exceed their ODB-listed price by more than 1,000%. The price freeze on ODB drugs invoked by the Ministry of Health in 1993 is clearly being ignored. ODB pays higher drug prices, even though regulations clearly state that a drug must be made available for purchase at its ODB-listed price in order to remain on the formulary.

The OPA recognizes that there are costs incurred by drug companies in getting their drug products to market. However, every drug that exceeds the listed price erodes the pharmacist's markup. Whether the government enforces drug regulations or employs another means for cost savings in health care, pharmacists cannot subsidize, and should not be squeezed into subsidizing, actual drug costs under ODB. The only freeze being imposed by the government is on pharmacists, which is the smallest expense under the ODB, and clearly the easiest target.

So where do we find the savings? I want to turn your attention to the options for cost savings and service delivery document, which you have in your hands. OPA's proposals demonstrate the ongoing commitment of pharmacists to work in close partnership with physicians and other providers for the benefit of our patients. The unique expertise of pharmacists in disease and medication management programs provides government with vast and largely untapped resources to help the delivery of health care.

In June 2001, the Minister of Health and Long-term Care called on pharmacy to deliver the tools that would help the government address the long-standing professional needs of pharmacists. The OPA submitted to the Ministry of Health the document you have in your hands, called Options for Maximizing the Efficiency and Efficacy of the Health Care Budget. We answered the call. Ontario pharmacists have given the Ontario government real opportunities for savings, real opportunities for investing in pharmacy and real opportunities for improved access to health care services. Let me walk you through some of the savings we can achieve.

We can save $300 million by permitting pharmacists to authorize prescription refills under a strict protocol with physicians. How it works is that under defined rules, pharmacists can provide refills for selected patients, where appropriate, and free up doctors' time to see patients in greater need.

Another $14 million could be saved by implementing a seven-day trial prescription program. What happens is that this trial program delivers an initial quantity of the drug to the patient, and the remainder is dispensed, where appropriate, to complete the treatment. This program can reduce drug waste and improve patient care.

Another $98 million could be saved by implementing pharmacy-based warfarin clinics. This is already happening in many Ontario hospitals, in some US states and soon in Alberta. Pharmacists monitor the blood levels of this anti-clotting drug in patients, and physicians, again, only see people in greatest difficulty.

Another $11 million could be saved by implementing a prescription clarification program. Again, this is done in collaboration with physicians. A pharmacist would refuse to fill a prescription that may not be in the best interests of the patient. The pharmacist would contact the doctor, discuss the drug therapy options and resolve the problem.

If you look at these four programs collectively, they could save a total of $423 million for the government.

The future of pharmacy practice offers exciting opportunities for improved delivery of cost-effective patient care. It's time to invest in these opportunities to relieve the pressure on overburdened doctors, nurses and hospitals.

In conclusion, the Ontario Pharmacists' Association is asking the government to move forward together with pharmacists to implement OPA programs that could save more than the $400 million I alluded to earlier; restore necessary markups for pharmacists to recover their drug costs; lift the 12-year freeze on fees and increase the ODB dispensing fee; and finally, move forward in a strong partnership for development and delivery of new and expanded pharmacy services in collaboration with other health care providers.

I'd like to thank you all for giving me this opportunity to share ideas with you, and for your attention. I'm sure it's been a long day.

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The Chair: We have time for a quick question from each caucus. We have less than one minute on each side.

Mr Christopherson: You talked about $140 million that could be saved with the pharmaceutical companies because of the ODB formulary, that some of them are 200% higher and some are more than 1,000% higher. Could you expand on that a little for me?

Ms Wang: Every six months or so, the ministry puts out a formulary listing drug prices. Theoretically, pharmacists are able to purchase those drugs at the prices listed in the formulary. But there are 150 drugs where price increases have gone ahead over the years, and pharmacists just cannot purchase those drugs at the formulary-listed price anywhere. There are regulations in place that, for a manufacturer to get listed on the formulary, they have to provide those drugs at those prices. But clearly, companies are allowed to do that without making those drugs available at those prices.

The Chair: Mr Hardeman.

Mr Hardeman: I just wanted to make sure I understand about getting the price straight. The price on the price list that the pharmacist must provide it for—you provide it for that, and later on you get paid the difference between what you had to pay to purchase it minus your markup. Did I get that right?

Ms Wang: That's correct. We can get what we call the actual acquisition cost back. But when we adjudicate that claim, we don't get the markup. That is very detrimental for the pharmacists, because the markup provides for inventory carrying costs of procuring that drug, of carrying that drug in the pharmacy.

The Chair: Mr Kwinter.

Mr Kwinter: Just so I understand, is that what you talk about when you say that you subsidized higher drug costs to the tune of $22.5 million?

Ms Wang: That's correct. Every time we can't claim the markup, the pharmacy has to cover the inventory carrying costs. Where does the money come from? It comes from the other side of the operations within the pharmacy. The other aspects of the pharmacy operation are effectively subsidizing the Ontario drug benefit program to the tune of $22.5 million a year.

Mr Kwinter: When there are incidences where it's up as much as 1,000% above the sort of rack rate, how does that happen?

Ms Wang: You have to understand that the cost of producing drugs increases every year. This price freeze was invoked in 1993. It costs more for the drug manufacturers to produce those drugs, so they feel it's necessary for their operations to raise prices to cover the cost of producing those drugs. In the meantime, with the formulary, because of the pressures on the drug benefit program, the government is freezing those prices. So pharmacists, again, are caught in the middle. We cannot buy those drugs at the formulary-listed price anywhere, and the manufacturers are effectively charging the government the higher prices.

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

SCHEDULE FIVE PHYSIOTHERAPY CLINICS ASSOCIATION

The Chair: Our next presentation is from the Schedule Five Physiotherapy Clinics Association. I would ask the presenters to please come forward and state your names for the record, please. On behalf of the committee, welcome. You have 20 minutes for your presentation. I must admit my spine does feel like this today.

Ms Judy Gelman: We can help you. I'm Judy Gelman, president of the Schedule Five Physiotherapy Clinics Association.

Ms Carol Dusome: I'm Carol Dusome, and I'm on the executive of the Schedule Five Physiotherapy Clinics Association.

Mr Leonard Domino: I'm Leonard Domino. I work with Schedule Five Physiotherapy.

Ms Gelman: Thank you for letting us present today. I'm sorry it's so late in the day. I know you all do feel like the pen, so we'll try to help to make this very quick and clear.

First of all, I just want to say that we have been working very closely with the government, and the Ministry of Health especially, and we've had some very positive interactions. Mr Clement and his staff have been very, very helpful with us.

As you'll see from our handout, which is straighter than our pen, the acronym SFPCA stands for "simple, financially efficient, proven, cost-savings and accessible." But as we flip along, I just want to explain to all of you, in case you don't know who we actually are, the Schedule Five Physiotherapy Clinics Association represents the majority of the 100 physiotherapy clinics operating under the schedule 5 licences granted to us by the Ministry of Health. The association is the official and only negotiating body on behalf of OHIP-funded physiotherapy services across Ontario.

Since 1964, our clinics have met Ontario's need for low-cost, high-quality physiotherapy care. Last year alone, our clinics provided over four million services, at least 60% of which were provided to senior citizens. As Ontario's population continues to grow older in the coming years, an even greater percentage of our patients will fall into this group.

If you'll turn just quickly to page 3, we have a graph there for your understanding of our patient population. I must admit that it has not been updated over the last two years, but it shows you that a great majority of our patients are seniors.

Continuing, many senior citizens live in urban areas. Schedule 5 clinics represent the most accessible treatment options available. Schedule 5 physiotherapy clinics have shorter waiting lists than hospital outpatient clinics. We have a high quality of care. We provide extended hours in our clinics and generally are located in places where seniors live.

We also offer office visits at a rate of $12.20. Now, that rate is not something that we're very proud of, because I heard the pharmacists talk about not having a raise in many, many years, and obviously the same thing goes for us. But we're not here to talk about that today. But compared to a physician assessment-for-referral visit of at least $24.09 or a hospital outpatient visit at a cost of over $20, the schedule 5 clinics provide equal or better care, at 50% of the cost, of alternative government-paid services. With over two million services a year currently being provided to seniors alone, the government is already reducing potential health care costs by at least $24 million per year by using our services.

Reinvesting in schedule 5 services has the potential for further immediate savings of at least 50% for related payments currently made to physicians for referrals and to hospitals and CCACs which are providing physiotherapy services. Assuming that schedule 5 clinics currently provide around 50% of government-funded physiotherapy services in Ontario, which is the figure given to us by the CCACs, the potential for an additional $20-million to $30-million immediate reduction in health care costs through reinvestment of services to schedule 5 clinics is not only realistic but attainable.

As well, many of our clinics offer home care services. These are usually offered at about one third of the price comparable to private home care services or the CCACs. Many schedule 5 clinics service senior citizens where they live, allowing these people who would not otherwise have access to physiotherapy to receive treatment.

Currently, schedule 5 clinics are underrepresented in rural areas. The Ministry of Health froze the addition of new schedule 5 operating licences back in 1966, and no new clinics have opened since then. Reinvestment can allow for increased coverage for schedule 5-delivered services across all of Ontario.

Our clinics meet a wide variety of physiotherapy services. A majority of our patients are seniors. As well, however, many of our patients need treatments related to post-surgical interventions and orthopaedic conditions such as arthritis and tendinitis. General conditions such as repetitive stress also form a significant and growing part of our caseload.

As the next chart, on page 8, illustrates, schedule 5 clinics bill OHIP significantly less than hospitals or home care services do for the same treatments, making us a much more cost-effective form of service delivery. There has been no fee increase to schedule 5 physiotherapists since 1994, but all alternative costs have risen.

We do not have actual costs for the CCAC physiotherapy provided but we know, because many of us are often asked to help them with providing physiotherapists for CCAC physios, and whereas we're getting $12.20 a treatment, they're often getting between $45 and $85 a treatment. That's what the government is paying.

As you can see here, the hospital outpatient is over $20, and it's gone up, compared to our $12.20. Home care is over $38, closer to $40 usually; ours is $24. For multiple care—that's patients in nursing homes—it's a combination; theirs is around $40 and ours is around $12. So you can see that it's a very big discrepancy.

The ability of our clinics to operate at such low per-service costs comes, first, from our ability to streamline administration, thereby reducing unnecessary expenses and, second, from the fact that fees for service have not been increased since the social contract agreement.

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At our clinics, however, low-cost care does not reflect lower quality. Patients at our clinics look forward to the best possible treatment at the hands of professionals. Treatment in our clinics is provided by qualified physiotherapists operating under the guidelines of the Ontario college of physiotherapy. The college ensures that service levels are met or exceeded.

The only OHIP-funded physiotherapy service for seniors that is alive and well is sitting right here. There were some treatments being given under the auspices of doctors, called G codes, and that was discontinued a very short time ago, as I think you're all aware. So now, as I say, to repeat ourselves, the majority of our patients are seniors on fixed incomes. They would be unable to pay for treatment if any copayment is put in place. Seniors also have told us loudly and clearly that they will not accept this loss of a vital service that helps them maintain their mobility, strength and independence.

We also want to make it very clear that we would like not to be lumped together with some of the other independent practitioners such as the chiropractors, podiatrists and optometrists, because our caseload is a very different caseload. Our patients are mostly seniors who cannot afford and who do not usually have extra health insurance.

Also, our cost of only $50 million a year is a very small portion of the total health care budget. The impact of any copayment would be significantly more severe for our patients.

Copayment and budget cuts to physiotherapy would result in minute savings to the government when compared to the high price in terms of social costs and health outcomes. Patients without physiotherapy cannot remain strong enough to stay at home, meaning they will have to go into nursing homes or hospitals. Hospital stays will become longer, as no physiotherapy would be offered for patients returning home after surgery. Patients in nursing homes whose strength is not maintained will have more falls and end up in acute care hospitals.

The financial viability of schedule 5 clinics also would be seriously weakened if the implementation of a copayment or a fee reduction were put in. The most affordable, most reliable physiotherapy services for citizens of Ontario would be undermined.

Ms Dusome: Our notes on understanding the key objectives of the Ministry of Health and Long-Term Care: to protect accessibility to services for seniors; to maintain the quality of service; to manage the costs of physiotherapy services; to identify immediate cost savings; to respond to service demands; to provide quality care; to maintain the lowest-cost delivery position; to provide the least disruptive delivery solution; and to provide the lowest government investment of time and resources.

The issue of accessibility: delivery of physiotherapy services, especially to seniors, must be provided, and on a timely basis. Schedule 5 clinics are represented in a large part of Ontario, and there is a capacity to expand. We are a low-risk, proven-commodity approach.

Schedule 5 clinics provide the lowest-cost option to the Ministry of Health and Long-Term Care at a basic rate of $12.20 per visit, which is less than one third of the cost of CCAC-directed physiotherapy through CCAC funding, less than half the cost of unnecessary physician referrals currently provided at $27.05 per visit, and significantly less than hospital emergency or outpatient clinic costs.

Schedule 5 clinics reduce the incidence of seniors requiring hospitalization or full managed care.

Existing funding for CCAC-directed physiotherapy services should be reallocated to the schedule 5 clinics and our lower-cost option.

Schedule 5 clinics provide equal or better results, with more access to services.

A significant reduction in required funding, potentially two thirds of funding currently provided to CCACs for physiotherapy, can be achieved by utilizing the existing performance standards of schedule 5 clinics.

Ms Gelman: Cost savings potential through reinvestment: I'm not sure whether you're all aware, but a physician referral for physiotherapy services is no longer required. Schedule 5 licensed physiotherapists are qualified to perform initial and ongoing assessments and no physician referral is legally required or necessary. The ministry has not yet, however, educated the public or the physicians on this cost-saving issue. We've been talking with the ministry about this for quite a few years and it has not yet been done. The cost of an office visit for a physician, for them to assess and then refer a patient to us, is approximately $27.05, as compared to our initial assessment visit, which is $12.20. Therefore, there's a potential to reduce or redirect over $1.5 million per year, every year, for every 100,000 patients that physicians see to refer them to schedule 5 for physiotherapy.

Also, services provided through our clinics, both in office and home visits, significantly reduce the incidence and extent of hospitalization as well as physician interventions. A single treatment provided at $12.20 can eliminate one hospital visit or physician visit, either of which is more costly. Seniors who regularly use the services of schedule 5 clinics remain stronger and independent for longer periods and thus significantly reduce the need for lengthy hospital stays and acute care interventions. The prevention focus in schedule 5 service provided in seniors' homes reduces the incidence of falls and the need for acute care and hospital interventions.

Ms Dusome: Schedule 5 physiotherapy clinics provide high-quality care to Ontario. All physiotherapists are licensed. There is accreditation and protection to the public through formal and accepted college standards, and there are established and functioning quality measures.

How should funding be reallocated or reinvested to best serve Ontario? Focus on proven cost-efficient and quality care service providers, and identify schedule 5 clinics as the providers of choice across Ontario for physiotherapy services. Existing schedule 5 clinics presently provide coverage to 81% of the Ontario population area, and this can be expanded.

Ms Gelman: The next few pages are for you to glance at later, or if you want to glance at them now, basically it just shows where our clinics are located across Ontario and the fact that we service about 81% of the population.

In summary, why should schedule 5 physiotherapy clinics be the providers of choice for Ontario and be retained? Proven quality of service; lowest cost of service; accessibility and availability across Ontario; identifiable and immediate new cost savings potential with the immediate elimination of payments for physician referrals and the immediate redirection of funding for CCAC-directed physiotherapy services to reduce costs by 50% or more.

We have the highest quality and lowest care costs. Existing clinics have the capacity and the expertise to expand service with existing infrastructure. It would be the least disruption of existing services, and it's easily periodically evaluated and reviewed with the ministry.

The Chair: Thank you very much. We have time for one quick question, one minute per caucus. I'll start with the government side.

Mr O'Toole: Thank you very much. I do respect the numbers you've given us. It's something I would encourage the government to be looking at strongly as you made the case from my perspective, especially in the case of the CCACs. And with in-home services, whether it's recuperating from surgery or some other kind of trauma, there are often physiotherapy services required. So I appreciate your input and I think just on the cost side alone—best quality, lowest price is kind of the theory here. If we can save for every 100,000 patient cases a million point something, it certainly makes good sense to me.

Ms Gelman: Thank you very much.

Mr Kwinter: I only have one question, so I'm going to have to put about three different elements into it to get the answer.

Number one, I notice that the licence has been frozen since 1966. How does that work? That's 34 years. Obviously you can't have people who are 85 or 90 doing this.

Ms Gelman: No, sorry. When I say frozen—

Ms Dusome: We're actually not that old.

Ms Gelman: We may not look it, but—no, actually, there is a provision in the regulations for people to sell the licences, so it's just the same existing licenses but they can be sold.

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Mr Kwinter: The other thing that I really want to ask about is, you mentioned you don't want any copayment. Is someone threatening to have copayments?

Ms Gelman: It was our understanding that one of the many ideas that were given to caucus way back was, number one, to either install a copayment for some medical services and/or even delist some services. So we're here to very strongly make the case that neither of those things would be a very good alternative for the seniors of Ontario.

Mr Christopherson: Thank you for your presentation. On page 4 you state, "Schedule 5 clinics provide equal or better care at 50% of the costs of alternative government-paid service providers." Can you just break that down for me a little bit as to why and how that is?

Ms Gelman: First of all, the CCACs, which are the community care access centres, put out RFPs and they have providers. When I myself put in an RFP for it, I realized that we were going to be able to pay our physios anywhere from $45 to $65 or $85 a treatment with the amount of money that the people were asking for. The level of bureaucracy was at least threefold what ours is. So I think that's where their increased costs are coming in. Hospital visits have always been at least $20. It's globally, but it is at least $20; it's up to about $28, I'm understanding now. Home care visits are at least also that.

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

UNITED WAYS OF ONTARIO

The Chair: Our next presentation, which is the final one for today, will be from the United Way. 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.

Ms Helen Connell: Thank you very much. Good evening. My name is Helen Connell. I'm the executive director of the United Way of London and Middlesex. I'm here today representing the United Ways of Ontario. With me are Bill Morris, who is the manager of government relations for the United Ways of Ontario, and Sandra Morris, who is the associate vice-president of United Ways of Ontario.

We'd first like to thank the committee for this opportunity to make our remarks and to make recommendations on the pre-budget process. The United Ways of Ontario represents 46 individual United Ways across Ontario. Our members work with community-based agencies and other organizations to meet urgent human needs and increased capacities for Ontarians to care for each other. Our partnership with 1,700 community health and social service agencies provides us with a unique insight into the pressures faced by community agencies and the vulnerable children, youth, adults, seniors and families they serve in Ontario.

The United Way fundraising campaigns rely on successfully engaging businesses as well as individuals throughout the community to donate to initiatives and services provided by our partner agencies. In 2001, United Way campaigns in Ontario raised $170 million.

The United Way understands that in developing its budget, the government will be faced with the task of addressing complex and sometimes competing priorities while maintaining a balanced budget. In undertaking its annual allocations process, which involves allocating funding to high-needs program areas and initiatives that have maximum impact, the United Way itself is confronted with similar tasks.

We also understand that the budget will be developed in a context of reduced revenue and the need to re-establish economic priorities. The priorities we have identified reflect our assessment of the program areas that would most benefit from government support in budget 2002 and that would help to ensure a better future for all Ontarians this year and beyond.

In particular, United Ways of Ontario would like Ontario's 2002 budget to include strategic investments in two areas: tax and direct-spending measures to aid production of affordable housing that is accessible to vulnerable households and those needing supportive housing; and tax measures to strengthen and support the voluntary sector in Ontario.

Speaking first to housing and supportive housing, the housing conditions of vulnerable households continue to deteriorate in Ontario. This is particularly true for the 40% of Ontario households who rent. Rent increases continue to outpace incomes, rising by an average of 4% in 2001, 6.2% in 2000 and 4.8% in 1999. Tenant households are frankly getting poorer. Between 1984 and 1999, the net worth of Ontario renters decreased by 45%. In the meantime, homeowners saw an increase of 35% in that same period. Just over 60,000 eviction applications were filed in 2001. That's a 10% increase over 1999.

Ontario needs at least 15,000 new rental units each year to accommodate population growth, but in the last five years less than 2,000 new rental units have been built annually. Many Ontario communities, in fact, suffered a net loss of rental stock. More units are being demolished or converted out of the rental market than are being built. Vacancy rates in most Ontario communities remain low, averaging 1.7%.

The recent coroner's inquest into the tragic death of Gillian Hadley, a young Pickering mother, highlighted the impact that the desperate shortage of affordable and assisted housing is having on the lives of women and children who are the victims of domestic violence. Waiting lists for social housing are very long in high-need communities. More than 60,000 households are on the list in Toronto, where, for example, people who applied for a one-bedroom apartment in 1990—12 years ago—are only now being housed. These conditions leave many people vulnerable to homelessness and increase the demand for community services. Homelessness, once considered a Toronto problem, is now spreading across Ontario.

In late November, federal, territorial and provincial governments agreed on a framework for implementing the federal $680-million housing initiative. This is the first new housing supply initiative since Ottawa and

Ontario stopped funding such programs in the early and mid-1990s. Originally, the federal government hoped to lever the matching new funding contributions from the provinces to make this a $1.3-billion program. The provinces, however, won the right to flexibility and may count their existing programs and contributions from municipalities or third parties. Ontario's share of the federal funds is $245 million. So far, Ontario's only new contribution is to forgo $20 million in PST on construction materials. In contrast, Quebec is matching two thirds of the federal dollars with new funds.

The initiative has no funding for rent supplements or housing supports. Without rent supplements or other forms of assistance, the housing created through this initiative will be inaccessible to needy households. Ontario's contribution should seek to ensure that more vulnerable households are able to gain access to housing generated and to benefit from this initiative. Therefore, we respectfully make the following recommendations:

(1) That the provincial budget include a commitment of 2,500 new rent supplements targeted at needy households to augment the federal-provincial framework agreement. We estimate the cost at $15 million annually, calculated on the basis of 2,500 times $500 times 12 months.

(2) That the provincial budget extend the exemption from the land transfer tax to new housing developed through the federal-provincial framework agreement.

We're also here today to speak to the need for measures to strengthen the charitable sector in Ontario. In recent years, the funds raised by United Way and other charitable organizations have become an increasingly important vehicle for addressing urgent community needs. United Ways are proud to be able to provide this support to community agencies and vulnerable Ontarians. However, we are concerned about the potential impact on our fundraising campaigns of some disturbing long-run trends in charitable giving.

Analyses undertaken by the Canadian Centre for Philanthropy indicate, in particular, that both the national donor base and the national donor participation rates are actually shrinking. Across Canada, 204,000 fewer donors claimed donations in 1999 than in 1991, despite the growth in Canada's population during that period. In effect, total annual charitable giving is increasing, despite the declining donor participation rate and base, because of larger gifts—but from a shrinking pool of donors.

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The United Way believes that donors give to the United Way and other charitable organizations, first and foremost, to make their communities better places to live and work. We understand, however, that tax incentives also play a role in encouraging charitable giving. Under the current two-tier charitable tax credit, donors are eligible for a tax credit of 6.16% on donations of up to $200 and 11.16% on donations in excess of $200.

The net impact of this incentive on the cost of charitable donations has changed over time with changes in federal and provincial income taxes. Ten years ago, the federal and provincial governments effectively partnered with Ontario donors on roughly a 50-50 basis on individual charitable donations above $200. In recent years, federal and provincial personal income tax rates have increased the disposable income available for charitable donations and other purposes. However, they have also had the effect of increasing the net cost to donors of charitable giving. For example, for lower- and middle-income earners, the combined federal-provincial contribution to charitable donations declined from 43% in 1995 to only 37% in 2001. Ontario's share of the cost of charitable donations made by lower- and middle-income earners has declined from 15.4% to 10.2%.

The United Way understands that under the new tax-on-income system, Ontario has the flexibility to enhance the block of provincial non-refundable credits, including tax credits for charitable giving. A number of options are available to enhance the tax credit.

(1) Eliminate the $200 threshold. Doing so would simplify the charitable tax credit and ensure that all donations regardless of size are entitled to the same level of support.

(2) Reduce the $200 threshold. Lowering the threshold to $100, for example, would reduce the net cost of charitable giving and encourage those presently giving less than $100 to increase their annual gifts.

(3) Add a new tier that provides large charitable donations with a tax credit at a higher rate, for example, a supercredit for superdonations.

Enhancing the charitable tax credit would help Ontarians invest in their communities through community-based charitable organizations such as the United Way, provide additional tax relief and incentives to people who make charitable donations, boost support for the charitable sector and reduce the erosion in the charitable donor base by encouraging additional giving. Depending on the option selected, the enhancement of the charitable tax credit could encourage additional giving.

In pursuit of these goals, we respectfully make the following recommendation: that the provincial budget boost support for Ontario's charitable sector by enhancing the charitable tax credit through elimination or reduction of the $200 threshold and/or the provision of a supplementary credit for super donations.

The Canadian Centre for Philanthropy and the Association of Fundraising Professionals have worked jointly with the United Way in recent months on the issue and support this recommendation. In your package we have included letters from the association and the centre. They believe, as we do, that an enhancement of the charitable tax credit would be a significant long-term benefit to the charitable sector and to the community agencies and vulnerable Ontarians that we serve.

That concludes our submission. Thank you again for this opportunity to address you today and we would be pleased to respond to questions.

The Chair: Thank you very much. We have a minute and a half per caucus. I'll start with Mr Kwinter.

Mr Kwinter: Thank you very much for your presentation. As I understand it, your donor base is shrinking but the dollar amount is increasing.

Ms Connell: That's right.

Mr Kwinter: Which implies that you're getting most of your contributions from corporate donors. Is that not true?

Mr Bill Morris: Actually, corporate donations are down somewhat. What we're getting is bigger donations from the same pool or a smaller pool.

Ms Connell: Individuals are giving but they're giving larger amounts. It's a smaller pool from which we pick.

Mr Kwinter: That's what I don't understand. I thought the problem would be that you're not getting enough people contributing, and if you had a tax credit, more people would contribute. If individuals are giving larger amounts under the present tax situation, why do you have to give them a greater incentive if they're already giving larger amounts? I just don't understand that.

Ms Sandra Morris: It's that question of the erosion of the base. The annual increase in total charitable giving is the result of larger gifts from a smaller and smaller pool of donors. So our thinking was that indeed you would want to examine the tax incentives for charitable giving with a view to the impact they might have on that donor base. In particular, the reduction in the current $200 threshold is an idea that suggests itself. It would have the effect of increasing the overall incentive for charitable giving and, as Helen mentioned, could provide an added incentive for the significant number of people who are presently donating fairly small amounts to boost their annual contribution.

Mr Kwinter: I can understand that.

The Chair: I have to go to Mr Christopherson.

Mr Christopherson: Thank you for your presentation. It's not easy being the last one at the end of a long day, but you had an excellent presentation.

Ms Morris: It's harder for you.

Mr Christopherson: Well, you held everyone's attention and that says a lot.

I want to deal with the issue of housing. I think it's interesting to point out that you talk on page 5 about what Quebec is doing in terms of matching two thirds of the federal dollars for housing in their agreement versus the $20 million, which is a pittance, quite frankly, in terms of the overall need, but what's important and what I want to underscore is the fact that it's Quebec. In a number of issues, we've had Quebec used as an example of a progressive government that has done a number of significant things, including child care services and others, yet they're also one of our major competitors. So it's not a question that the government can't do these things because they won't be competitive any more when one of our key competitors continues to be very progressive on a lot of fronts and still remains extremely competitive, both in the national context and internationally.

Also, you said we need at least 15,000 new rental units just to deal with the population growth. That's not dealing with the backlog, I imagine; that's just dealing into the future. I know in our time in office we didn't meet all of the need, and we created 65,000 units. We were the last government in North America providing them. Where are we going to be if this isn't addressed, say, for another term of government? Let's say there's a snap election and the nightmare comes true and we've got these guys again. Where are we going to be in five years if we continue to see this issue ignored?

Ms Connell: It's difficult for us to speculate exactly where we'll be in five years, but I think the reason we're here today is that we strongly believe that money invested in housing now is a great investment in Ontario's future.

Mr Hardeman: Thank you very much, Helen, for the presentation. I want to say I totally support the principle of trying to put in tax incentives to create the ability or the incentive to donate more.

I wanted to talk just quickly about the housing, as Mr Christopherson did. When I was on the committee that went around the province to review the Tenant Protection Act, which is presently replacing the former government's rent controls, we made a visit to London. Your being from London is the reason I ask the question. We visited London. I think it was the only centre in the province where, when we talked about taking off the controls and only applying them every time a new tenant came into the apartment, all the landlords objected. They wanted to maintain the right to be able to increase their rents to the allowable limit because they had so much housing stock that they didn't want. They couldn't get the allowable rents for their units. Has that dramatically changed in London now?

Ms Connell: Yes, it has changed as the housing problem has spread across the province. I think part of it is because affordable new units aren't being built, and also the ones we're losing to condominiums. But we are definitely now below that 3% threshold. So we've gone from a city with an abundance of housing to a city where there is an issue, especially for family housing, getting affordable, decent family housing.

The Chair: With that, I have to thank you on behalf of the committee for your presentation this afternoon.

I would like to inform the committee members who will be travelling by bus tomorrow that the bus will be leaving at 7:45—that's kind of early—in front of Queen's Park for Cobourg.

Mr Spina: Mr Chair, I have a request which I think would be helpful to all members of the committee, and I'm not sure how long it would take research to look into it. To try to put everything in perspective, I'm wondering if we could get a total of dollars that has been requested by the various delegations. I know it's easy to eliminate the duplications. Obviously you don't take every school board's or federation's request. It's easier to pick off the large ones, the associations. Some of them tend to be fairly similar. But if we could get some idea—

Mr Larry Johnston: When would you like that by?

Mr Spina: I don't know. Do you want to work all night, Larry? Just whenever you can, but certainly I think before we get to our proposed deliberations on our recommendations and report to the minister. It would just give us some perspective. If we're looking at making recommendations to the minister for a budget, then we want to know what people have asked for. We should have some idea of those totals. That would also give us some idea on what recommendations to make in terms of priorities to the minister.

The Chair: We'll see what research can come up with.

Mr Christopherson: Before you pass anything, I think there's nothing wrong with identifying the need. I'd also like to identify the greed. So in addition to all the requests for additional funding, could we also do a summary of all the requests for further tax cuts that have been made?

Mr Spina: That's fair.

The Chair: All right, we'll try to give you some figures in the near future.

With that, this committee is adjourned until 10 o'clock tomorrow morning in Cobourg.

The committee adjourned at 1802.

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