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Lundi 21 juillet 2014

Standing Committee on Finance and Economic Affairs

Comité permanent des finances et des affaires économiques

Building Opportunity and Securing Our Future Act (Budget Measures), 2014

Loi de 2014 ouvrant des perspectives et assurant notre avenir (mesures budgétaires)

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Monday 21 July 2014

Lundi 21 juillet 2014

The committee met at 0900 in room 151.

BUILDING OPPORTUNITY AND SECURING OUR FUTURE ACT (BUDGET MEASURES), 2014

LOI DE 2014 OUVRANT DES PERSPECTIVES ET ASSURANT NOTRE AVENIR (MESURES BUDGÉTAIRES)

Consideration of the following bill:

Bill 14, An Act to implement Budget measures and to enact and amend various Acts / Projet de loi 14, Loi visant à mettre en oeuvre les mesures budgétaires et à édicter et à modifier diverses lois.

The Vice-Chair (Mr. Peter Z. Milczyn): I will call this meeting of the Standing Committee on Finance and Economic Affairs to order. Good morning, everybody. You'll be kind to me today, I hope, since this is my first time chairing a meeting here.

I'd like to welcome everybody to the meeting, which has been ordered by the House. As ordered by the House on Wednesday, July 16, we are assembled here today to hold public hearings on Bill 14, An Act to implement Budget measures and to enact and amend various Acts. This committee is authorized to sit today from 9 a.m. till noon and from 1 p.m. to 4 p.m. Each witness will be offered 10 minutes for their presentation, followed by six minutes for questions from committee members, two minutes per caucus. The order of questioning for the first deputant will be the official opposition, the third party and then the government. Then we will continue in that order, going clockwise, moving on to the third party, government and official opposition.

Are there any questions? No?

NATIONAL AIRLINES COUNCIL OF CANADA

The Vice-Chair (Mr. Peter Z. Milczyn): I'd to welcome our first witness, Mr. Marc-André O'Rourke, executive director, National Airlines Council of Canada. If you could just say your name and your title for the record.

Mr. Marc-André O'Rourke: Absolutely. I'm Marc-André O'Rourke, executive director of the National Airlines Council of Canada.

Mr. Vice-Chair, members of the committee, bonjour, good morning. Thank you very much for the opportunity to be here today and to present on Bill 14. I'm here to discuss the aviation sector's concern with the proposed 148%, four-cent-per-litre increase to the province's aviation fuel tax over the next four years. I'm here on behalf of the aviation industry but, as you'll hear today, you'll hear from other sectors as well that also have concerns with this bill.

My name is Marc-André O'Rourke, executive director of the National Airlines Council of Canada. The NACC represents Canada's four major passenger airlines: Air Canada, WestJet, Air Transat and Jazz. We advocate for safe, sustainable, secure and competitive air travel to ensure that Canadians have the best and most affordable flying experience, both within Canada and abroad. We are the largest airline users of Ontario's airports. Collectively, our members carry over 50 million passengers per year and directly employ over 43,000 people.

At the outset, it's very important to state that the member airlines of the NACC are very proud of the investments we make in Ontario and our contribution to the province's economy. Our industry is doing its part to grow Ontario, and we hope to continue to hire more people, make more aerospace purchases and expand services in the coming years. This requires a stable economy, a competitive tax environment and a partner in a government committed to the health of this dynamic sector. Sadly, unfortunately, the proposal to increase the aviation fuel tax is inconsistent with this objective.

Today, I want to share some information with you on how increasing the aviation fuel tax by 148% will harm Ontario's economy across many vital sectors and how Ontario communities, consumers and businesses all across the province, from Toronto to the southwest, the Ottawa region and the north, will all be negatively affected.

First, I would like to illustrate how the aviation sector in Ontario is already in a disadvantaged position in comparison with the rest of Canada, the US and, in fact, the world.

At the existing rate of 2.7 cents per litre, Ontario is out of step with most provinces and competing US jurisdictions. Ontario already has one of the highest taxes on aviation fuel and is one of the only jurisdictions in the world that still imposes an aviation fuel tax on international flights.

British Columbia is an interesting case study. In 2012, as part of its jobs action plan and despite facing very difficult budget constraints, the British Columbia government actually decided to eliminate its fuel tax on international flights to attract new services and create new jobs. It seems to be working. Since then, it is reported that 22 airlines have added flights to Vancouver, which brings new jobs and economic activity. In fact, the British Columbia government has indicated that the initial loss of revenue, which, in their case, was about $12 million, has been significantly superseded by an estimated $20 million in new payroll and consumption taxes in the first year alone. The proof is in the pudding.

If Ontario's aviation fuel tax goes up by 148%, as proposed, the consequences for the province's economy will be significant. Dr. Fred Lazar, of the Schulich School of Business at York University, has estimated that the fuel tax increase could result in a decrease of up to $97 million in GDP for the province. This tax increase could also mean a loss of more than 2,000 jobs and 400,000 air travellers in Ontario. By 2030, the catalytic effect of this four-cent increase could cost the province up to $1 billion in lost GDP.

The air travel sector is an economic driver and part of a high-value supply chain. Many industries rely on aviation to thrive, including manufacturing, financial services and particularly tourism. That is why important groups such as the Ontario Chamber of Commerce, which you'll hear from this morning, the Canadian Airports Council, which is also here this morning, the Conference Board of Canada, the Tourism Industry Association of Canada and the Association of Canadian Travel Agencies have come out in strong opposition to this increase.

Over the past 20 years, the aviation sector has repeatedly been told by governments that a given fee increase or a tax or the imposition of a new charge will only add a small amount to the airfare and will have no impact on demand. This approach of continuously adding charges and fees has resulted in Canada having the dubious distinction of being one of the least competitive jurisdictions in the world when it comes to high third party taxes and fees. This is according to the World Economic Forum, which ranked Canada 136 out of 140 countries in 2013. As such, it's unrealistic to believe that such taxes and fees can continue to be added without them having a significant impact on demand and the economy.

Now, we don't need to look much further than the jobs and dollars that are lost because of the three million Ontarians and more than five million Canadians who choose to drive across the border and fly out of US airports. Increasing this fuel tax will only exacerbate the leakage of jobs and economy-stimulating spending to the US.

Higher fees are pushing families in southern Ontario across the border, but the problem is also very real in northern Ontario. The Thunder Bay airport already loses up to 40,000 Canadian passengers a year to airports in Minnesota. In Sault Ste. Marie, the estimate is between 30,000 and 45,000 passengers. The increase in the fuel tax will make the problem worse for people and businesses in the north.

Even the small town of Ogdensburg, New York, is taking advantage of the situation. Ogdensburg, which is a town of less than 12,000 people but—this is the key—less than an hour's drive from Ottawa, is aggressively pursuing plans to expand their runway and expand their passenger terminal. They're doing this to attract new airlines and new destinations. It's safe to say—and the airport has made no bones about this—they are out to attract the over one million potential passengers in the Ottawa region.

Although the entire Ontario aviation and travel sector will suffer from this policy, I want to speak to the specific impacts on Toronto Pearson, given its nature as a major hub.

As Canada's largest and busiest airport, Toronto Pearson directly supports over 40,000 jobs. The airport is not only in competition with Buffalo, Niagara Falls and Detroit, but other international gateways like New York's JFK airport, Chicago's O'Hare, Newark Liberty, and the list goes on. Passengers have a choice when deciding where to fly from and where to connect to flights beyond. Higher taxes and fees in Ontario means that Toronto will lose out on more passengers and flights, and the well-paying jobs that these flights support.

0910

We believe the case is clear that increasing the aviation fuel tax by 148% is inconsistent with the interests of Ontarians, as it will hinder job creation, economic growth, trade, and the development of Ontario's vital travel and tourism sectors. The government has stated, and we know, that the government is committed to jobs, growth and keeping Ontario's recovery on course. As such, we ask the government and this committee to defer implementing the aviation fuel tax increase until a full study of its economic and other consequences can be completed. This would include meaningful consultations, meaningful input from Ontario municipalities, communities, consumer organizations, airports, tourism operators, airlines and other affected parties. Let's take the time to properly understand the consequences of this proposal.

Thank you for your time, and I'm more than happy to answer any questions you may have.

The Vice-Chair (Mr. Peter Z. Milczyn): Thank you, Mr. O'Rourke. Mr. Fedeli, for two minutes.

Mr. Victor Fedeli: Thank you very much. Welcome. You've talked to us a little bit about passenger—you haven't talked to us as much about the private pilots, but I think the biggest concern that I want to hear from you is on the cargo side of it, as well, and your thoughts on how you feel this will affect the cargo industry as well.

Mr. Marc-André O'Rourke: Sure. There's no question that this will affect the cargo aspect of the industry as well. This fuel tax will apply to cargo shippers. But if I may, I also want to talk about the private pilots as well. We are hearing from private pilot associations and from flight schools, those associations, that this tax and the increase are so significant that it is kind of a make-orbreak for a lot of these smaller flight schools and a lot of these smaller operations. So it has this impact across a broad spectrum of not only the larger carriers of our association but the smaller operators and the cargo shippers—absolutely.

Mr. Victor Fedeli: I've read your facts, I've read Dr. Lazar's facts—he talks about 2,907 full-time jobs being affected. He talks about—I think his number was 292,000 air travellers—

Mr. Marc-André O'Rourke: Yes, between—

Mr. Victor Fedeli: I know you mentioned 400,000, the $97 million in GDP. Why do you think the government is targeting your sector for these new taxes?

Mr. Marc-André O'Rourke: Well, that's the frustrating part. It's hard to understand why we would focus on a sector that is so dynamic. We believe that a dollar invested in or taken out of aviation has a disproportionate effect on the other sectors of the economy. The government has mentioned that this tax increase—

The Vice-Chair (Mr. Peter Z. Milczyn): Thank you for your answer.

Mr. Marc-André O'Rourke: Okay.

The Vice-Chair (Mr. Peter Z. Milczyn): Ms. Forster

Ms. Cindy Forster: Thank you. Good morning, Mr. O'Rourke. Do you see any benefits to this tax, from an environmental perspective, as a way to encourage carriers to reduce their use of fossil fuel, and as such, would you support the inclusion of environmental impact in any studies that you're recommending get done as part of this process?

Mr. Marc-André O'Rourke: We would definitely support studying the environmental impacts. But I do want to take this time—and thank you for the question—because aviation has been incredibly proactive when it comes to their environmental impact. The member airlines of our council have made investments in the hundreds of millions in new airplanes, more efficient engines; we're continuously working with air traffic control authorities and governments to find better ways to make approaches that will burn less fuel. There's an inherent need or reason for airlines to burn less fuel: For most airlines, fuel is the single-biggest component cost. So there is that inherent need to use less of it.

Canada is part of the action plan to reduce greenhouse gas emissions. Aviation has a fantastic record when it comes to reducing environmental impacts, so we would definitely welcome that as part of the study.

Ms. Cindy Forster: You talked about the positive impacts in BC of actually cutting the taxes. Did BC participate in any studies prior to cutting the fuel tax?

Mr. Marc-André O'Rourke: I know that when BC was looking at this, they actually announced in 2010 that they were going to do this in 2012—again, it was part of the Olympics. But they did work with the airports. They worked with the airlines. There was a lot of consultation, absolutely. That's what we would like to see here. Let's see the government work with our industry.

The Vice-Chair (Mr. Peter Z. Milczyn): Thank you for your answer. Mr. Potts.

Mr. Arthur Potts: Yes, hi. Thank you, Mr. Chair, and congratulations, Vice-Chair, on your appointment in your first committee.

Mr. O'Rourke, thank you very much for your remarks. We didn't expect you to be happy coming here, and you haven't disappointed us. We would have been surprised if you had said "thank you."

You talk about 148%. It seems like a large, large number, and we appreciate that, but if we look at the record, since 1992, there has not been an increase. Compared to other major jurisdictions like Chicago and JFK, we're at 5.7% aviation fuel—or if you compare us to London or Paris, where you're closer to 70 cents and Charles de Gaulle at 54 cents. We are, certainly at Pearson, a world-class airport in a world-class city, but we're not suggesting in any way that we're going to take rates anywhere close to that.

I also want us to be cognizant of the fact that, compared to transportation fuel for regular drivers, gas and diesel, where it's 14.7%, there's a strong equity argument partly from the environmental perspective that an increase in taxes to bring them closer to that would make a lot more sense, considering the fuel efficiencies of airplanes now. And I appreciate the work that's been done in the airlines. You're using less fuel per passenger, which has the effect of limiting the impact per passenger.

You talked about the 50 million passengers you carry. I believe this revenue tool is expected to create about $25 million in extra fees. The simple math is a 50-cent impact per passenger. I appreciate that you keep adding taxes upon taxes upon taxes, and it makes the case harder, but maybe there are other jurisdictions we should be looking at. The feds have considerably more impact on the ticket prices with the various services fees that they charge and their own rate for aviation fuel. We're not even getting to that in the first year.

If you would like to comment on that, I'd be happy to hear your comments.

Mr. Marc-André O'Rourke: Absolutely. I know the issue of fuel taxes in other jurisdictions and—

The Vice-Chair (Mr. Peter Z. Milczyn): Sorry, Mr. O'Rourke. Mr. Potts, you have to be a little more concise in your question next time.

Mr. Arthur Potts: Maybe you'll get a—

The Vice-Chair (Mr. Peter Z. Milczyn): We do have to move on to our next—

Mr. Marc-André O'Rourke: Yes, because I really want to address the fuel taxes in other jurisdictions. There's a bit of a misunderstanding there.

The Vice-Chair (Mr. Peter Z. Milczyn): Thank you, Mr. O'Rourke, but we do have to—

Mr. Marc-André O'Rourke: Okay.

The Vice-Chair (Mr. Peter Z. Milczyn): You can send it in writing before the end of the day today, please. Thank you.

ONTARIO CHAMBER OF COMMERCE

The Vice-Chair (Mr. Peter Z. Milczyn: Our next witness: the Ontario Chamber of Commerce. Good morning.

Ms. Andrea Holmes: Good morning.

The Vice-Chair (Mr. Peter Z. Milczyn): You will have 10 minutes. For the record, if you could state your name and your position.

Ms. Andrea Holmes: Andrea Holmes, and I'm a policy analyst at the Ontario Chamber of Commerce.

My apologies. We got the invitation on Friday, so my CEO was not able to make it. I'll just run through the presentation quickly and then we can get to some questions.

Just a little about the Ontario Chamber of Commerce, in case you're not familiar: We represent 160 chambers of commerce and boards of trade around the province. We represent around 60,000 businesses. This actually represents two million people employed and around 17% of the GDP. We're Ontario's premier advocate and third-party voice on a lot of regulatory and policy issues facing Ontario businesses.

Going through that, we have a document called Emerging Stronger, which is our economic plan for the province. Through that, we have a couple of priorities for Ontario—and they're outlined here—which are: tackling the debt and deficit; creating winning business conditions; bridging the infrastructure gap; and developing the Ring of Fire. Going through the budget, some of those have been addressed but some of them still need to be. We're encouraged by a lot of the new investments in infrastructure but there is still a lot that needs to be done, particularly when it comes to the Ontario pension plan, as well as taxes and creating competitive business conditions for the province.

0920

If you go to the first slide, on tackling the debt and deficit, obviously it increases government spending by $3 billion for next year. We believe that it requires a more robust plan, and that the annual reviews and the annual program review targets are too modest. The appointment of the Treasury Board minister is encouraging, but we believe that more needs to be done. Particularly, we've been very strong on alternative service delivery, and we believe there's a lot of cost savings that can be done there, particularly in the back-end processing of OHIP. We're one of the only jurisdictions that doesn't have that delivered by the not-for-profit or private sectors. There's a lot of low-hanging fruit that can be targeted there, so one of our recommendations that we've been putting forward is that there be an audit of government services, and seeing for which there can be cost savings through alternative service delivery.

Secondly, one of our biggest things that we hear from our members is about the pension plan. According to our survey—we do policy quarterly surveys and we get an n of about 2,000 people—72% of our members feel that pension reform should be a provincial priority. However, 86% support pooled registered pension plans; and we're very encouraged by the fact that the federal government has come through with PRPP legislation, and that the Ontario government has also pledged to do so in the fall. So we would hope that they would stay on target to do so.

However, we also see that the OPP will be put through, but our members feel that it is a duplication of the CPP contributions and is another employer payroll tax. Only 23% of our members surveyed actually said they could afford an additional employer contribution that could be under the OPP. We have been in touch with Associate Minister Hunter and we know she'll be out there consulting with employers. We're anxious to be part of that consultation process. We feel that it's a great measure. PRPPs are not the only thing. They won't actually solve the problem, but we want to work with the government to make sure that the Ontario pension plan actually works for employers and is not a duplicate or an additional employer tax, and that's how it's seen by a lot of our members so far. On the whole, though, we understand that PRPPs are not the only thing that will solve the pension reform problems. We actually came out with a paper last year that consulted with our members about how they feel about the Ontario pension plan, the CPP and PRPPs. That was something that came out, and PRPPs were by far the most interesting component.

After that is creating winning business conditions. We have come out on—a lot of the regulatory and competitiveness of Ontario. We see Ontario as a great place, so we want to make it a place to live, work and play, but we're seeing that a lot of the conditions that are out there are not doing so. One of them is electricity prices; what we hear from members the most is about energy. They're saying that people from the United States and workforce development boards are actually coming to their local businesses and saying, "Come to us because our electricity prices are cheaper." They're getting letters from those workforce development boards and they're getting calls saying, "You could come here and you could save money" by going to other jurisdictions. So Ontario has become one of the least competitive.

Right now, we're actually consulting with our members to see the top five ways that we could lower electricity prices. I know there are measures being taken—mergers of agencies and things like that—but we still think that there needs to be a more robust energy plan. In fact, 38% of our members said increases over the next three years, because it will be about a 33% increase, will deter or cancel investment and therefore they'll have to close their business. That's one of the biggest things that we're seeing in creating winning business conditions that has deterred competitiveness in the province.

Second are the taxes. I know that the gentleman prior to us talked about the aviation fuel tax, and that is a big issue among our membership. We think that any measures that diminish the province's tax competitiveness will hurt job creation and detract from investment. Particularly, the aviation fuel tax is one of them. It would be one of the least competitive jurisdictions for flying because of this, and our members feel that this is an undue and unfair tax on their businesses. There are others issues that I've outlined here, but I'll just go over those quickly and then skip to the bridging of the infrastructure gap. Right now, our members feel that there is general acceptance around the user fees. We did a lot of consultations with our membership last year, and what they were saying is that they are willing to pay for new infrastructure. They're willing to give that, but we think that there is a need to look at reducing costs, as well, to help fund any new government spending. As I've talked to you before, alternative service delivery is one of those ways to get those low-hanging fruit, to reduce the costs, but also, our membership is in acceptance around user-pays. Obviously, transportation is the top priority for our members in the GTHA, and they believe that the investments in infrastructure will hopefully go a long way in doing that.

Finally, developing the Ring of Fire is one of our biggest things. We are very encouraged and applaud the government for making the strategic investment in the Ring of Fire. Actually, earlier this year, we released Beneath the Surface, which is an economic analysis of the Ring of Fire's potential. It projects that the Ring of Fire will actually contribute up to $9.4 billion to Ontario's gross domestic product and sustain over 5,000 jobs annually over the first 10 years of its development. Through that, we call for the federal government to also match this commitment and for the government to work with aboriginal populations, as well as make even more commitments to developing the Ring of Fire, as it is of great economic potential for the future of the province.

I just went over it quickly, but if you have any questions or comments—thank you for letting us present today.

The Vice-Chair (Mr. Peter Z. Milczyn): Thank you, Ms. Holmes. Ms. Forster, two minutes.

Ms. Cindy Forster: Thank you for being here today. You talked a bit about electricity pricing. I actually come from the Niagara Peninsula, where businesses are very easily leaving southern Ontario and crossing the border into New York state just a few kilometres away because the conditions are so much more competitive with respect to electricity. Do you have any stats provincially on how many businesses have actually left Ontario in recent years because of the taxation, the electricity prices and the conditions that competitive states are offering?

Ms. Andrea Holmes: We don't have the actual number of businesses, but we do have survey data from our actual pre-budget submission that we had in January, which I can leave with you. It's also on our website. We asked them, "How will increasing energy prices impact your business?" And 38% said that it will have a large impact that will delay or cancel investment. Actually, 4%—which might not sound like a lot, but it's actually quite a lot—said, "We'll shut our doors or move to another jurisdiction," which is surprising. If 4% of businesses say that they will actually shut down their business because of energy costs, it's clearly not a competitive jurisdiction. There are also examples of the letters that are being sent. I know Brockville Chamber of Commerce is getting a lot from Erie county, saying, "We are more competitive; come to us."

Ms. Cindy Forster: There's a very aggressive strategy right there.

Ms. Andrea Holmes: Yes, there's a very aggressive strategy from, especially, New York state, because they have more competitive prices. A lot of businesses are like, "Well, why not move?"

Ms. Cindy Forster: Thank you.

The Vice-Chair (Mr. Peter Z. Milczyn): Thank you. No other questions from the third party?

Ms. Cindy Forster: No.

The Vice-Chair (Mr. Peter Z. Milczyn): Mr. Baker.

Mr. Yvan Baker: Thanks very much for your presentation. What I believe is one of Ontario's greatest strengths is our diverse economy. We have quite significant emerging industries, but also mature industries and sectors. One of the things this budget does is it capitalizes on our competitive advantages by supporting key sectors. I'm thinking of advanced manufacturing, agri-foods, life sciences etc. What is your organization's view on this kind of sector-specific support?

Ms. Andrea Holmes: We're heavily in support of sector-specific targets. Particularly in Emerging Stronger, we've always thought that there are certain sectors that obviously are struggling a little bit more than others, and focusing on that. One of the things that we've been doing is working with the Ministry of Training, Colleges and Universities to actually encourage sector-based training, encouraging sectors to come together and collaborate on training their workforce. We see that as something that could also encourage growth and economic competitiveness.

We think that the main factor in targeting those sectors, though, is understanding and collaborating with those sectors. What we're hearing when we work with the CME or Life Sciences Ontario is that there is not a dialogue, and that's more important than just saying that we're going to invest or help sectors come together, to actually have a dialogue with those sectors.

Mr. Yvan Baker: Okay. Thank you.

The Vice-Chair (Mr. Peter Z. Milczyn): No other questions? Mr. Fedeli.

Mr. Victor Fedeli: Welcome, and thank you for representing your 60,000 members so well today. You spoke about—a portion of one of your sections was on Ontario becoming least competitive. I know that we have the highest energy rates in North America. Other than the merger of the OPA and the IESO, which was mentioned in the budget, which would save $15 million, did you see anything in the budget that would lower energy rates?

0930

Ms. Andrea Holmes: Right now, not really. We are consulting with our members so, in the fall, we're going to be coming out with a project that says, "Top five ways to reduce electricity prices." We're kind of leaving it to our membership to decide what they would see. We'll take a look at a lot of the things that have been put in the budget—the incentives, the tax credits and things like that—but also other things like importing from Quebec or merging other agencies or getting rid of certain acts to see if that will also lower them. Then we'll put it by an advisory council of our corporate and chamber members, and then we'll let them decide what they think are the most feasible options. Then in the fall, we'll come out with the top five ways that we think the government of Ontario can take, and then, hopefully, maybe that will actually influence some of the decision-making.

Mr. Victor Fedeli: So there's nothing in the budget today that lowers energy rates?

Ms. Andrea Holmes: We have come out and said that there is not a real strategic plan for lowering energy rates. Obviously, there's the LTEP. But I don't think there's a strong strategic plan for lowering them. Merger is a good step forward, though.

The Vice-Chair (Mr. Peter Z. Milczyn): Mr. McDonell.

Mr. Jim McDonell: Thank you for coming, Ms. Holmes. I represent the riding in eastern Ontario along the seaway, so we see a lot of advertising in the States about coming over to work. I hear a lot of comments from my own businesses that are having trouble surviving. Do you see any strategy that your group is trying to work, that would reverse that tide of people going over, and trying to keep our businesses at home?

Ms. Andrea Holmes: Yes. Well, we've—

The Vice-Chair (Mr. Peter Z. Milczyn): That was your two minutes. I'm sorry.

Thank you, Ms. Holmes. If there's anything additional you want to add, you could submit that to the Clerk before the end of the day today.

Ms. Andrea Holmes: Okay. Thank you so much.

HEALTHCARE OF ONTARIO PENSION PLAN

The Vice-Chair (Mr. Peter Z. Milczyn): Our next witness is Healthcare of Ontario Pension Plan. If you could state your name and position for the record, and you'll have 10 minutes for your presentation.

Mr. Jim Keohane: Okay. Thank you, Mr. Chairman. My name is Jim Keohane. I'm the president and chief executive officer of the Healthcare of Ontario Pension Plan.

Thank you for the opportunity to address the committee. This morning, I'd like to talk about the need for a retirement savings plan, such as the ORPP, and why most people are best served by being part of a pooled plan, such as a defined benefit plan or a target benefit plan, which is the structure that's being proposed for the ORPP.

Our organization, HOOPP, recently commissioned a poll, undertaken by the Gandalf Group, which surveyed Ontario residents on pension issues. That poll found that a very high percentage of Ontarians—in fact, over 85%—think there's an emerging retirement income crisis in Canada, and we believe they're right. Retirement income adequacy is one of the most important social issues that will be faced by public policy-makers over the next couple of decades.

Indeed, there is a pension problem in Canada, but it's not the one that seems to get the most attention. The real pension problem in Canada really is two-dimensional. First, there's a large number of private sector employees not covered by any workplace pension plan. Secondly, there is the increasing trend of workplace pension plans being shifted from defined benefit plans to defined contribution plans.

The absence of well-structured retirement plans has resulted in a situation where most of this group has not accumulated sufficient savings in their working careers to be able to afford to retire. A large percentage of these workers are facing a material decline in their standard of living in retirement and will become dependent on social welfare to fund their retirement.

OAS and GIS are already among the largest expenditures of the federal government. When you look at the demographic trends, it's really quite frightening. Retirees are the fastest-growing segment of the population, and longevity continues to improve, as people are living longer. You can see that this expense is about to grow rapidly.

It's critically important that public policy-makers act now to address this issue. We need to come up with solutions that will create retirement savings vehicles which can provide adequate and secure retirements for all workers, and the proposed ORPP is a good step in that direction.

I think it's insightful for policy-makers to understand the factors that have influenced private sector employers to move away from offering defined benefit plans to offering defined contribution plans. It's not about cost savings; it's about accounting rules and risk transference.

The Sarbanes-Oxley legislation, which was enacted in 2002 in response to the Enron and WorldCom accounting frauds, imposed accounting rules that effectively killed corporate defined benefit plans. In an effort to create greater transparency of off-balance-sheet corporate activities, this legislation required that all of these activities, which include the companies' defined benefit plans, be consolidated in financial reporting. Part of that is actually the notes of the financial statements. This consolidation creates significant volatility in financial results. Shareholders not liking this volatility have put increasing pressure on the management of corporations to discontinue offering defined benefit plans to employees, and as a result most corporations have closed their defined benefit plans and converted their employees to defined contribution plans.

This is not about affordability. If contribution rates stay the same, there are no current savings to the employer from the shift from defined benefit plans to defined contribution plans. The main benefit to employers is future cost certainty. Their obligation ends once the initial contribution is made and the burden of investing the money and obligation to make up any shortfalls is shifted to the employee and, ultimately, the taxpayers that fund the social welfare system.

Shifting individuals to defined contribution plans puts them in a position where they have to make decisions about their retirement savings that they are simply not equipped to make. Unless people are in forced savings plans, they don't save. They underestimate the amount they need to save and they don't have the training or the temperament to successfully navigate the complex and volatile financial markets that we have to deal with every day. Facts show that individuals who attempt to manage their own retirement savings plans do not accumulate sufficient savings to fund their retirement. Most individuals are much better served by being part of a pooled arrangement, such as the structure being proposed by the ORPP.

There is significant risk-sharing embedded in the design of pooled plans, which benefits all stakeholders. That risk-sharing is not available in individual plans.

The first of these is intergenerational risk-sharing. If you were a member of a defined benefit plan such as HOOPP in 2008 and you retired in 2008, it really made no difference to your pension outcome because that risk was shared across multiple generations.

In contrast, if you were in an individual plan and you were planning to retire in 2008, the market conditions may have forced you to completely alter your retirement plans.

The second major risk-sharing benefit is the diversification of longevity risk. In a large-scale defined benefit plan, some of the members pass away early in their retirement years and some live to be over 100 years old. In fact, in our HOOPP plan we have 56 pensioners who are over 100 years old. But the average mortality is quite predictable, being in the mid-80s, so contribution rates can be set and determined based on that outcome.

But if you're in an individual plan you have to assume that you'll live to be 100, so you have to either save a lot more money or spend a lot less in retirement to ensure that you don't outlive your money. This risk-sharing, which is part of the plan design of defined benefit plans and target benefit plans, provides significant savings to all stakeholders because it enables you to reduce the contribution rate during a worker's working years, yet maintain the same retirement benefits. It also provides certainty for plan members because they know they are not going to outlive their money.

Pooling retirement savings also allows for sufficient scale in employee professional management. Facts show that well-governed, professionally managed, large-scale funds generate higher risk-adjusted returns than the average individual investor at a substantially lower cost. This is the natural result of the economies of scale that are inherent in large pools of capital.

These large-scale funds also play an important role in economic development. Given the long-term nature of these plans, they provide an important source of stable and long-term capital to help finance businesses and government.

There's a broad-based misconception out there that defined benefit plans are high-cost. When you look at the facts, you find that this is definitely not the case. The reality is that defined benefit plans provide the lowest cost of delivery of pension benefits and provide the highest amount of pension income for the dollars contributed.

If you compare the cost of operating our HOOPP plan to the implementation cost of individual retirement plans, you can see that this is true. HOOPP investment costs run at about 18 basis points or 0.18% per year, and the total cost of operating the plan, which includes all the administration of the plan, is about 30 basis points per year or 0.3%. There is a significant number of studies that show that the cost of administering individual retirement plans is around 2% per year. That difference in implementation cost results in a substantially different outcome. When this difference is compounded over the life of the plan, it results in a much-reduced pension income for individual plan members. In fact, several studies have shown that this results in retirement income that is 40% to 50% lower than those people in the pooled plans.

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My Boston consulting group recently completed a study on the economic impact of defined benefit plans on the economy in Ontario, and the findings of the study were quite clear: Benefits paid to Ontario defined benefit plan members play a significant role in the province's economy, both at a provincial and local community level. Ontario's approximately 1.3 million defined benefit pension plan members channel an estimated $27 billion back into the economy annually in the form of consumer spending, and this generates about $6 billion in tax revenue back to the government through the HST, income tax and other tax sources.

One interesting observation to come out of this study was a snapshot of the difference in spending patterns between those in defined benefit plans and a group which was a part of defined contribution plans. The study found that the retirees who were members of defined plans spent the income they received because they had predictable income in retirement and knew there was another cheque coming next month. They also knew they would not outlive their money.

On the other hand, a very different spending pattern was exhibited by retirees who were not part of defined benefit plans. They found this group became savers in retirement because they did not save enough during their working careers. Due to the income uncertainty and concern about outliving their savings, they did not spend and deferred purchasing all discretionary items.

This implies that if the trend of employees moving from defined benefit plans to defined contribution plans continues, it could have a very long-term dampening effect on the economic activity in the province.

Additionally, the studies show that defined benefit pensions reduce the need for government assistance programs, such as the guaranteed income supplement.

According to the study, an estimated 10% to 15% of defined benefit plan members in Canada access the GIS, as opposed to about 45% to 50% of non-DB pensioners, significantly reducing the cost of this program.

Given the social consciousness of our Canadian society, we will care for our senior citizens in their retirement. Supporting our fellow citizens in their retirement will not be cheap, but we're going to pay for it one way or another. If you fail to create schemes where people can accumulate sufficient savings to pay for their own retirement, they'll end up on social assistance, so we need to deal with this issue now, because the cost of dealing with it later will be much higher.

The Vice-Chair (Mr. Peter Z. Milczyn): Thank you, Mr. Keohane. There are questions. Ms. Hoggarth.

Ms. Ann Hoggarth: Thank you very much for your presentation. Thanks to everyone for their presentations. I love the way you pointed out what will happen if this pension plan is not implemented, as we have an aging population and they don't have the money to sufficiently look after themselves or to contribute to the economy, we will all be in a worse state.

Contributions to the ORPP will be mandatory. Do you think that the mandatory contributions are important, and if so, why?

Mr. Jim Keohane: I think it's critically important because what you find is that if people are not in mandatory savings plans, they don't save. It's not that people don't want to save; I think there are a lot of pressures that you face as an individual: raising your kids, buying a house—all the different things you run into. So unless that money is actually deducted from your paycheque, studies have shown that people actually don't save. I think if you don't save, what's going to happen is that burden of funding the non-savers' retirements is going to fall on the people who did save.

It's a fairness issue, in my opinion. All people should be part of saving for their own retirements so that that burden doesn't get shifted around to people who have saved from some of those who don't save.

Ms. Ann Hoggarth: Thank you very much.

The Vice-Chair (Mr. Peter Z. Milczyn): Other questions from government members? No?

Mr. McDonell.

Mr. Jim McDonell: Thank you for coming out. I noticed the thrust seems to be around having government take our funds early, but there are a lot of investments that young families make because they have the availability of this money, like purchasing a house, which is in an investment that contributes back to the retirement age. You lose that economy activity early. You're having the government take the money back so that they can save it and give it back to you in the future. That does have a negative impact.

I mean, the finance ministry itself is talking about killing 150,000 jobs. There's 150,000 people who could benefit from working today who won't have a job. So this is not all rosy; this is another issue of Big Brother taking money from you so that they can look after you later on, if that's your wish. But a lot of people would like that money today to spend and to invest.

Mr. Jim Keohane: I think something that's implicit in your question is that essentially this money gets taken out of the economy and gets tucked under somebody's mattress somewhere and then doesn't get used, which is actually not true. When that money gets put into funds like ours it gets channelled back into the economy through investment in businesses, in infrastructure, in real estate, in housing and in government operations. The money isn't stagnant or dead. It is actually recycled back into the economy though investment activities that are undertaken by these funds.

Mr. Jim McDonell: As somebody who is contributing, I have less money available, fewer funds to actually go out and purchase a house. It probably delays the purchase of a house; it will delay major programs I'd like to get into. It is less available cash for the people themselves who may choose to save later but invest in different programs early.

Mr. Jim Keohane: Yes, I think there's some merit to that argument. The fact is that when people defer savings they tend to not save. Also, it's important to start savings early because it actually reduces the cost of the savings overall. If you don't—

The Vice-Chair (Mr. Peter Z. Milczyn): Thank you for your answer.

Ms. Forster?

Ms. Cindy Forster: Thank you. Thanks for being here today.

Between the two options, the PRPPs and the public pension plans, can you speak to the quality of merit solutions for retirement security for Ontarians?

Mr. Jim Keohane: I think all these things are good. I mean, any vehicle you can provide that allows people to save is a good idea.

I think history has shown that voluntary savings plans such as the PRPPs have not really accumulated sufficient savings for people who retire. PRPPs, in my view, have some advantages over group RRSPs, but it's essentially a repackaging of group RRSPs. What you see is significant unused RRSP contribution room—I think it's in the $600-billion to $700-billion range—that people have not used, again, because if they are not in compulsory savings plans they actually don't contribute and don't save.

I think all these things are a good idea, but I think the Ontario Retirement Pension Plan would actually be more effective in terms of accumulating sufficient retirement savings for people than a voluntary plan such as the PRPP.

Ms. Cindy Forster: Do you think that the PRPP model leads to too much of people's savings actually going into fees as opposed to the public system?

Mr. Jim Keohane: Yes, and that's another big difference. Pooled savings plans actually have a much lower implementation cost than individual plans. In individual plans, as I described earlier, the cost of implementation is quite high. It's generally at about the 2% range versus about 0.3% for larger pooled funds.

Ms. Cindy Forster: That can be significant money.

Mr. Jim Keohane: Yes, and when you compound it over 30 or 40 years, it actually results in a pension income which is about half of what you would get otherwise. So it has a very material difference over the long run.

Ms. Cindy Forster: Thanks so much.

Mr. Jim Keohane: You're welcome.

The Vice-Chair (Mr. Peter Z. Milczyn): Miss Taylor?

Miss Monique Taylor: No.

The Vice-Chair (Mr. Peter Z. Milczyn): Thank you, sir. If you do have anything else to submit, you can do that before 4 o'clock today.

Mr. Jim Keohane: Thank you.

CANADIAN AIRPORTS COUNCIL

The Vice-Chair (Mr. Peter Z. Milczyn): Our next witness is the Canadian Airports Council. For the record, if you could state your name and your position please.

Mr. Daniel-Robert Gooch: Daniel-Robert Gooch, president of the Canadian Airports Council.

Ladies and gentlemen, thank you for the opportunity to speak to you today on Bill 14 in particular, the proposal to more than double the tax on aviation fuel in this province. I come to you today from the Canadian Airports Council, which represents 11 airports in the province, including the largest international airports in Toronto and Ottawa, regional airports like Thunder Bay and London, and some of the smaller commercial airports like North Bay and Sudbury.

I was here when you heard earlier today from colleagues with the major air carriers at NACC. While I echo many of the comments of my airline colleague who spoke earlier, we'll approach this from the community perspective, with airports actively seeking to support and facilitate growth in Ontario's economy and drive tourism and economic activity in the communities they serve. The health and diversity of Ontario's economy continues to drive the demand for aviation, and Ontario airports are working hard to make sure they are positioned to serve this demand and support economic growth.

Our airports all have different goals and concerns. Our largest international airports are busily growing their roles as regional, national and, indeed, international traffic hubs. They do so in step with the increasingly global nature of the needs of Ontario's business, leisure and tourism sectors, while our smaller community airports seek to strengthen their vital role connecting to larger communities and the world beyond.

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Regardless of their individual goals, however, success for Ontario's airports is dependent on keeping and growing the air services that they have and adding new routes and competition in the market from new carriers. All of this is made a lot more difficult by adding to the already significant government-related costs our aviation sector faces. It doesn't really matter what the label is on the tax, it all adds to the amount. It's a cost burden that already has Canada ranked 136th out of 140 countries when it comes to cost competitiveness.

Ontario is an anomaly in having a fuel tax that applies to international flights. We were working actively before the first budget announcement to try and get the international component of the fuel tax eliminated, as the province of British Columbia has done. Instead, we are facing the prospect that this tax will more than double. Based on projections we've seen, a bill of about $65 million a year today would rise by $20 million a year come September 1, and to more than $100 million a year next April. In 2016, the annual bill would eclipse federal airport rent, which is currently the single biggest tax on aviation, at $134 million for Ontario airports last year. The Ontario fuel tax would finish at a whopping $160 million by 2017.

Now what would be the impact of this? Our airline colleagues have produced some economic numbers, which they shared with you, and we have a few of our own. Nationally, we estimate we're losing about five million passengers to U.S. border airports. Of this, probably more than half of that is happening in southern Ontario. This is happening, in large part, due to what the Conference Board of Canada found to be a 30% cost advantage enjoyed by US airlines. The Conference Board also found that about 40% of the fare difference between Canada and the U.S. is due to Canadian government-controlled fees and taxes. A cost reduction equivalent to just that portion of the difference—that 40%—the Conference Board estimates would bring back about 40% of those Ontario travellers that we're losing to the US. Instead, what we're talking about is a significant increase to the cost.

Moving past economic studies, let's talk about what this looks like. Ontario is home to three international airports with more than two million passengers a year, including the largest airport in the country. Ontario also hosts some of the largest operational hubs for three of our biggest air carriers. To serve the growing demand from business and leisure travellers, these carriers have been adding flights and routes domestically to the US and abroad. The Ontario economy and our consumers benefit from this, and we want this activity and growth to continue.

In addition to Canadian carriers, on international routes our airports have been busy courting foreign airlines to provide travellers here with greater choices and more competition. They've been doing this rather successfully. They're doing this, however, in an international environment in which Canada already is perceived to be a very expensive place to fly airplanes.

Regionally, for airports like London and Thunder Bay, keeping and growing links to larger transportation hubs is essential. New routes and new air carriers bring new competition, which can have a dramatic impact on fares and the costs associated with flying out of one's community. Ontarians have told us that the cost of flying out of their community is their number one issue with aviation today. Just a few minutes ago, I was advised by our member in Thunder Bay that he has spoken with Bearskin Airlines, which provides a lot of essential services in northern Ontario. They're estimating that this will impact them by about a quarter of a million dollars, which they're going to put right onto the cost of a ticket in the form of a fuel tax surcharge. These are significant numbers.

There are also jobs. More than 50,000 people work at our airports in Ontario—that's direct jobs—and just a single 19-seat aircraft flight at an airport like Thunder Bay supports about 33 full-time equivalent jobs in terms of employment. A new daily international route from overseas into Pearson or Ottawa International supports hundreds of jobs.

In international segments, we're competing for a lot of air traffic that doesn't need to go anywhere near Ontario or even Canada. Toronto Pearson is the fifth largest port of entry into the United States and is the second airport in North America only to New York's JFK in terms of the number of international passengers. Within North America, we enjoy very good overseas connectivity here in Ontario. This is highly valuable to our economy and tourism sector. Much of our prospects for growth of the aviation sector here in Ontario is heavily reliant upon gaining a greater share of growing international travellers going between points south of us in the Americas to Asia or Europe, connecting over Canada. We're talking about the people going from Brazil to Japan who don't need to fly over Canada, but they're choosing to because we're trying to make it competitive for them to do so. This is an important business for us. Adding to our cost burden doesn't help us compete for this traffic. It's a hindrance. It makes Ontario a lot less attractive market in which to conduct business, trade and invest.

In closing, this is a challenging file to navigate through government. Whenever we engage with government on the cost issue, the conversation inevitably focuses to a particular cost segment, how that compares internationally or how it just adds a few dollars to the cost of a ticket. The problem, as my colleague outlined, is that a few dollars here is added to a few dollars there, and these dollars add up. The next thing you know, you've got $100 on the cost of a ticket. The impact is gradual and can be difficult to see. That between two million and three million passengers in Ontario choose to drive to the US instead is a problem that resonates with people because you can see it. It is real.

It's a lot harder to imagine customers who just simply fail to materialize, particularly when overall traffic volumes may continue to climb. It's hard to picture lost opportunity, but that's exactly what we're talking about here. I've heard the situation compared to what can happen in the downtown of a major city in which, over time, due to various policies, the city slowly loses its lustre, until one day people look around and wonder what happened, because it was very gradual. You didn't see each step but, 20, 30 years later, you have a problem.

We are working with the federal government on a host of ways to improve our competitiveness in attracting a greater share of this traffic in a range of areas, including costs. Rather than imploring you not to be adding to our industry's cost profile though, we'd prefer to be working with Ontario to make these things better.

Members of the committee, we urge you not to enact the fuel increase that is proposed at this time. Thank you, and I welcome your questions.

The Vice-Chair (Mr. Peter Z. Milczyn): Thank you, Mr. Gooch. Mr. McDonell, questions?

Mr. Jim McDonell: Yes. Thank you for coming out today. I know where I live, there's a number of people who just drive across to Ogdensburg but, more likely, Burlington or Plattsburg. It's not very far, and I hear the savings. You're talking, for a couple of people, hundreds of dollars. Parking alone is in the teens versus $80 or $90 for a week, and it all comes down to being competitive. It's just another cost. I don't think I've ever heard of people driving up here to take a flight anywhere. Your estimate of the jobs is what for people leaving the province to take cheaper air flights?

Mr. Daniel-Robert Gooch: I'm sorry?

Mr. Jim McDonell: The estimate for people taking air flights is huge, people travelling to the States.

Mr. Daniel-Robert Gooch: Well, we estimate in Ontario it's between two million and three million. We've heard something like 2.3 million in Buffalo alone, and airports in the US are capitalizing on it. Ogdensburg has received significant federal funding to lengthen its runway. It's a very small community, but it knows it can attract Canadian business. Not only are we losing people in the US—you're losing people travelling to the US, but it also stifles opportunity for new carriers to come up and create competitive options here in Canada. If you're looking at entering into a market and you know that you can't offer the type of fare that you would offer in the US because you're going to add $70 to $100 on top of the ticket, you're just not going to come into the market and you're not going to have that stimulating impact that new carriers in a given market will have.

The Vice-Chair (Mr. Peter Z. Milczyn): Mr. Fedeli.

Mr. Victor Fedeli: Thank you. I'll ask you the same question I asked earlier. Why do you think the government is picking on the aviation sector for new tax?

Mr. Daniel-Robert Gooch: I believe it's seen as a luxury, which I don't really understand. Around the world over the last 20, 30 years, governments have started to see, particularly in an increasingly global economy, that aviation is a vital part of the infrastructure.

The Vice-Chair (Mr. Peter Z. Milczyn): Thank you for your answer. If you have anything else, you can—well, we have more questions. Sorry. I'm getting ahead of myself.

Ms. Forster.

Ms. Cindy Forster: Thanks for being here today. You talked a bit in your presentation about trying to grow that greater share of international travellers who actually aren't coming to Canada. It's because of the hub in Toronto. Can you talk a bit more about how important those hubs in Toronto, Ottawa and places are actually to the economy?

Mr. Daniel-Robert Gooch: I'd encourage you to speak to our colleagues at the Toronto Pearson airport. The connecting traffic that you can have on a route can make the difference between a route being viable or not viable. The number can be as small as 20%, 30%, 40% of travellers who are going on to another destination, but those numbers can be enough to make a route viable and the 60%, 70% of the travellers are actually coming to your country. They make viable routes that just would not otherwise exist, in addition to supporting jobs at the airport, the 50,000 jobs at the airports that we have, as well as the Canadian air carriers that are providing a lot of the lift.

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Ms. Cindy Forster: Do I have time for another one?

The Vice-Chair (Mr. Peter Z. Milczyn): Yes.

Ms. Cindy Forster: Can you describe some of the policy differences, the subsidies, the incentives that are impacting the Canadian airline industry as opposed to our counterparts in other countries?

Mr. Daniel-Robert Gooch: Federal airport rent is essentially a very large tax. It's about $134 million on airports in Ontario that generally doesn't exist in other parts of the world. There's a federal component to that.

We have a user-pay approach to aviation in this country, and so we have other fees and taxes that are generally used to support specific services, such as security, for example, but our security fee is one of the highest. There's a host of others. GST is on top of all of these. A lot of it is federal.

The Vice-Chair (Mr. Peter Z. Milczyn): Thank you.

Mr. Potts.

Mr. Arthur Potts: Yes. Thank you, Mr. Gooch. I appreciate you coming down. You speak very well on behalf of your members, and we appreciate your perspective.

But really, 1992 was the last time this tax was increased, and at the time, the price of fuel was significantly less, generally. So surely the cost to travellers has a lot more to do with the increased price of fuel than it does—

Mr. Daniel-Robert Gooch: The cost to travellers has to do with the whole totality of the tax. Just one little tax—like I said, it doesn't matter what the label is. It's the entire amount and how it stands relative to other countries.

Mr. Arthur Potts: I call that the coffee cup argument. It's just a cup of coffee, but you can have a lot of cups of coffee, and it does add up.

Can you address the question of why an airline traveller's transportation fuel cost tax, at 2.7%, should be so much lower than for someone taking a car or a bus?

The Chair (Ms. Soo Wong): That's it. Thank you.

Mr. Arthur Potts: Done? That's two minutes?

The Chair (Ms. Soo Wong): Thank you very much, Mr. Gooch.

CANADIAN ASSOCIATION OF RETIRED PERSONS

The Chair (Ms. Soo Wong): The next witness is from the Canadian Association of Retired Persons: Ms. Eng, the vice-president, advocacy. Ms. Eng, you know we have 10 minutes for your presentation, and there will be a rotation of two minutes each from each party. Thank you, and welcome. You can start.

Ms. Susan Eng: Thank you. I deliberately kept my remarks short, and I'm looking forward to being expansive in my replies to the questions.

Thank you for the opportunity to present CARP's views on the Ontario budget today, particularly the health care priorities and the Ontario Retirement Pension Plan.

CARP is a national, non-partisan, non-profit organization committed to advocating for social change that will bring a better quality of life for all Canadians as we age. There are 300,000 CARP members across the country, two thirds of whom live here in Ontario. We have 60 local chapters across the country, and 34 of them are here in Ontario. These local chapters help us stay engaged with our membership throughout the country.

We also poll our members every two weeks on our various major advocacy issues to get their opinion on them and to give us the impetus to pursue them. We also capture their opinion and response to any public policy proposals that we may have.

There are several budget proposals that will particularly resonate with our members. CARP members will definitely welcome the proposed increase in home- and community-based services that will improve their access to home care, including the increase in wages for personal services workers and the $750 million targeted to increasing funding by 2016-17.

Dementia care is a priority for CARP. Almost all of our members have been touched by dementia in some fashion, either through a close family member or people they know. Many are caring for someone with dementia, and virtually all agree that dementia, as a problem, is on the increase with no cure in sight. So the focus on prevention, early identification, housing and employment support, and an integrated, coordinated service model are vital to helping families cope now with caring for someone with dementia.

During the recent election campaign, we summarized for our members the platforms of all three parties that addressed issues of particular importance to our members. They would have been pleased to note that all parties spoke to the issues of wait times, better access to home care, wait times for long-term care, and improved patient navigation. All spoke to the need to move care into the community and into people's homes, which we believe will be critical to getting health care costs under control and having more room to provide much-needed care today. The proposal for an enhanced caregiver tax credit is most welcome, and we would encourage the government to adopt that measure as soon as possible.

In CARP's paper, published in 2008, CARP called for a universal pension plan modelled on the CPP but not necessarily part of the CPP, with key features to provide for an adequate retirement income, including:

—a payroll deduction mechanism;

—mandatory enrolment and contributions;

—professional management; and

—a governance board that is independent of government and independent of the employers, on which employees have a voice and which is designed to provide an adequate and predictable retirement income.

In the years since that report, the vast majority of CARP members have been steadfast in support of CARP's UPP and any step in the direction of improving retirement security—not for themselves, since 85% of CARP members are already retired, but for the current working generation. They know how hard it is to get by once the paycheques stop and they see that their children and grandchildren are not saving enough. So it's not surprising that CARP members welcome the proposal to establish the Ontario Retirement Pension Plan. A full 80% of them, of the 2,100 members responding to the May 2 poll, supported the ORPP, and 70% thought that the other provinces should follow suit.

The strongest support, however, is still reserved for the CPP, which they consider to be a retirement savings plan that they pay into, or a retirement insurance plan, and only 5% would call it a payroll tax. So CARP therefore supports a proposal to establish the ORPP and would add the following recommendations: that the work continue to have other provinces pass parallel legislation with reciprocal provisions so that the pension benefits are portable; and that the pension benefits envisioned by the ORPP be increased to eventually be sufficient to provide an even greater amount of retirement security.

Thank you. I look forward to your questions.

The Chair (Ms. Soo Wong): That's great. Thank you very much. This round of questioning will begin with the NDP. Ms. Forster?

Ms. Cindy Forster: Yes, thanks. Thanks for being here today. We heard from an earlier speaker from HOOPP, Jim Keohane, the CEO, that in fact the ORPP or PRPP benefits are only 50% of what a public pension system would be, and in fact the cost of implementing and the ongoing management fees are 0.3% for a public pension versus 2% for the ORPP. But I'm hearing from you that your members actually support that model.

Ms. Susan Eng: I can explain. The difference is that in a privately run PRPP, which is what the federal government is proposing and which Ontario is also going to be enabling, is a defined contribution plan. Those plans and mutual funds etc., tend to have fees around 2% to 3%. Any publicly run pension plan of a significant, sufficient size, such as the ORPP, which is being proposed, would have much lower fees—

Ms. Cindy Forster: Or should have.

Ms. Susan Eng: —and it's all a function of size—the CPP, HOOPP. We hope, obviously, with ORPP, given the sufficient size of the plan and the fact that it will grow to almost $10 billion in about three years, that then it will have lower fees. That's why our members understand that and support it.

The Chair (Ms. Soo Wong): Ms. Eng, this round of questions is from the Liberals. Mr. Baker?

Mr. Yvan Baker: Thank you very much for your presentation. You spoke about an issue that's close to my heart, which is home- and community-based care. In my riding, Etobicoke Centre, we have a large percentage of seniors. Can you talk a little bit to the importance of home and community care to your members, and then how you believe this budget addresses that?

Ms. Susan Eng: Absolutely. Thank you. Indeed, we have a chapter in Etobicoke and we hear from them a lot. They've attended many of our sessions dealing with home- and community-based care.

Our members directly and, of course, through our research, indicate that there is a growing need for home care. As the population ages, the focus is on chronic care and not so much acute care. Our members indicate that they're quite satisfied with acute care, generally speaking, but it's the after care, post-acute care and chronic care for conditions like diabetes, heart conditions, COPD and so on and, of course, dementia, which require constant attention usually in the home in the first instance, which is where the preference lies.

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Indeed, in terms of the cost savings alone, even if you didn't address the fact that people prefer to stay in their homes, are factors of sixfold at least, comparing the equivalent amount of care provided in the community or in the home versus being in hospital, which is the most expensive and, of course, in long-term care.

The cost savings alone have been recognized as one of the critical factors for, I guess, potential solutions for dealing with the health care cost concerns. The opportunity both to make the health care system—

The Chair (Ms. Soo Wong): Ms. Eng, can you please wrap up?

Ms. Susan Eng: —much more sustainable comes through home care.

The Chair (Ms. Soo Wong): Okay. This round it's Mr. Fedeli.

Mr. Victor Fedeli: Thank you, Chair. Good morning, and thanks for being here. Full disclosure: I'm a very happy CARP member.

Ms. Susan Eng: Thank you.

Mr. Victor Fedeli: I want you to know that.

Mr. Arthur Potts: Me, too.

Mr. Victor Fedeli: The colour of my hair will let you know that I'm qualified.

Ms. Susan Eng: There's no minimum age anymore, so we're all members.

Mr. Victor Fedeli: How many CARP members that you have are or were small business owners?

Ms. Susan Eng: We haven't asked that question, and we will. At the moment, we're focused on their personal responsibility. So we asked whether or not they're retired. As I say, 85% of them are retired. Given—

Mr. Victor Fedeli: No, that's good. I'm fine with that. Thanks. I'll move over to Mr. McDonell.

Mr. Jim McDonell: Thank you, and thank you for coming out. One of the issues we have in our office is with people trying to find a long-term-care bed for their loved one where home care is just not a solution. But we don't see in this budget any new spaces. How do you see this problem?

Ms. Susan Eng: I noticed in the budget that there was going to be additional funding for long-term care, but it isn't as much of a priority as home- and community-based care.

We recognize that there is still a need for long-term care, and the waiting lists are still long. The longer-term hope, of course, is that, as you divert a lot of that demand to the home- and community-based care, that there's more freeing up of the spaces available in long-term care. The numbers and so on are not those that we can really comment on, as to whether what is promised is enough, but certainly it remains a concern for our members.

Mr. Jim McDonell: I mean, we see the population over 75 almost doubling over the next 20 years or 15 years but no extra spaces. Is there room, with home care, or is that just a pipe dream? We don't seem to have room today.

Ms. Susan Eng: The idea of home care is one that has been spoken about. Whether it's universally available is questionable. We have asked our members as to whether or not they get the home care that they feel they need in their families, and we do not get a good response across the country, but it is a patchwork. Some places are very happy with the access.

The Chair (Ms. Soo Wong): Thank you very much for your presentation, Ms. Eng. Now we're off to the next witness.

Ms. Susan Eng: Thank you.

NATIONAL ASSOCIATION OF FEDERAL RETIREES

The Chair (Ms. Soo Wong): All right. The next group is the National Association of Federal Retirees and Ms. Sylvia Ceacero, the CEO. Welcome.

Ms. Sylvia Ceacero: Good morning.

The Chair (Ms. Soo Wong): Can you identify yourself for the record? You have 10 minutes for your presentation. This round of questioning will begin with the governing party. Thank you.

Ms. Sylvia Ceacero: Thank you. Good morning. My name is Sylvia Ceacero. I am the chief executive director of the National Association of Federal Retirees, formerly known as FSNA.

The National Association of Federal Retirees is the largest national advocacy organization representing active and retired federal employees and their partners and survivors from the public service of Canada, the Canadian Forces, the Royal Canadian Mounted Police and federally appointed judges.

Our organization is a not-for-profit association with more than 185,000 members across Canada, over 50,000 of whom are veterans.

Our association believes that we should raise our standards to afford all Canadians the opportunity to have a predictable and secure retirement income. We know that secure, adequate retirement income is linked with a better quality of life and better health outcomes, but many Canadians are still struggling to save enough.

The Royal Bank of Canada and Ipsos Reid found that over 77% of non-retired Canadians have not determined the amount of money they will need for a comfortable retirement. Rates of personal savings are at the lowest. RRSPs are severely underutilized. As of 2011, 85% of all available RRSP contribution room was not used.

We also find ourselves in a tougher savings environment. It is estimated that it could take $1 million in investments today to generate the same retirement income as $500,000 would have generated five years ago.

According to a recent EKOS national poll performed for our association, the Canadian public supports expansion of the Canada Pension Plan. More than 63% are in favour of it. Two thirds of Canadians believe that it is an urgent priority to improve pensions for the majority of Canadians who have little or no coverage.

According to Frank Graves of EKOS, Canadians are receptive to a more effective and active government. The overall trend is away from support for lower taxes and smaller government in favour of seeing government getting involved in new, ambitious measures for retirement income security.

These findings are contrary to what we've heard our federal government expound. For instance, Minister Joe Oliver continues to state that now is not the time to expand public programs such as the CPP.

In the absence of federal government leadership willing to move to the expansion of the CPP, the National Association of Federal Retirees supports the Ontario Retirement Pension Plan. This being said, the association believes that all provinces need to work with the federal government to expand the CPP. The CPP is a proven, effective means of securing retirement income. The CPP is on sound financial footing, and in fact, in December of last year, the Chief Actuary of Canada reaffirmed that the CPP is sustainable for the next 75 years. Having one single, national pension plan prevents duplication of services, increased administrative fees, and avoids complicating an already multi-faceted retirement savings system.

We also urge the implementation of measures to protect individuals from harmful repercussions from possible future modifications to the CPP. For example, if the CPP were to be expanded and should the Ontario government choose to make changes to the ORPP in response, those who rely on the ORPP should not be negatively impacted. The ORPP should work in harmony with the CPP to ensure that Ontarians have a predictable, secure retirement income.

We also would like to see measures implemented regarding portability. Many Canadians move from one province to the other and we must ensure that if individuals were to work in Ontario and move elsewhere, they are not penalized. Measures for transfer of these funds must be considered, as well as the possible implications of RRSP maximum contributions.

Our members believe that having open, vibrant conversations to identify solutions such as the ones we have raised will allow us to identify possible solutions that will provide real outcomes for all Canadians and move us towards collectively implementing those solutions. With this in mind, we would like to invite the members of provincial Parliament to take part in a series of town halls that our members and other members of the community will be hosting in cities throughout Ontario in the coming year. These town halls would focus on retirement income security and sustainable health for all Canadians. The information gathered, of course, will be shared and provided to the MPPs in the hope that we can work together towards a national solution for retirement issues and ensure that all Canadians can retire with dignity. Thank you.

The Chair (Ms. Soo Wong): Thank you very much. This round of questions will be from the Liberals. Who will be—Mr. Milczyn? Thank you.

Mr. Peter Z. Milczyn: Thank you, Ms. Ceacero, for your testimony. Your organization represents retired federal workers who enjoy a good retirement pension benefit, but two thirds of Ontarians don't have the benefit of those kinds of workplace benefits. Could you explain to us what your views are on the risks to those two thirds of Ontarians who would have to rely simply on CPP and their own personal savings, and the impact that might have on the economy in the future?

Ms. Sylvia Ceacero: Thank you for your question. Indeed, when I testify on behalf of the National Association of Federal Retirees, the understanding is that federal pensioners have so-called gold-plated pensions. The reality is that the average pension of a federal retiree is $25,000, and half of that if they are a surviving spouse. So it is far from the gold-plated pension that most people think it is.

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However, we do believe, as an association, that those who do not have workplace pensions, and even those who do—for instance, we saw what happened with Nortel—are at greater risk. As we become older as a country, if there is no income security, there will be incidences on the health system but also on the economy.

So when Minister Oliver says that the Ontario economy is fragile and we shouldn't be expanding on CPP or ORPP, it begs the question of how our seniors are going to have a dignified retirement and continue to contribute to their society.

Mr. Peter Z. Milczyn: The proposed ORPP will have mandatory contributions for many, but not all, employees. Do you think having mandatory participation in this plan is important, and why?

Ms. Sylvia Ceacero: We have seen that other systems of saving—for instance, the pooled RRSPs or RSPs and so on—are not being effective. Right now, 85% of RRSP room is going unused by Canadians. When we are young and we come out of university—

The Chair (Ms. Soo Wong): Finish your sentence, and then we're going to go to the PCs.

Ms. Sylvia Ceacero: Thank you. When we come out of university with debt, we want to pay that debt, raise our families, buy our first home and so on. If we are not forced to save, we will put that to the last, and then we get up to 45 and all of a sudden realize we have 20 years—

The Chair (Ms. Soo Wong): Mr. Fedeli?

Mr. Victor Fedeli: Thank you very much. I appreciate your being here. A little earlier today, we heard from the Ontario Chamber of Commerce. Their 60,000 members would be the ones who would be funding half of that proposed ORPP. In the survey that they had of their membership, over 80% were against this ORPP, and over 50% said they would result in layoffs of people if this were implemented.

I was home in my hometown of North Bay on the weekend, and I asked some business people—this is, of course, anecdotal but their philosophy bore out what the chamber of commerce said. One business owner said, "I've got 10 employees today. I'm going to have to let one go and use that money to pay for the other nine and make the other nine work harder." I think that's anecdotally what the chamber of commerce found when they talked to their members as well.

I think one of the most important things in terms of retirement is that you need to start with having a job. Do you believe the chamber of commerce statistics that 53% will result in layoffs in their company?

Ms. Sylvia Ceacero: I'm not sure I can comment on whether I believe their statistics. I would have to see their study—

Mr. Victor Fedeli: Okay. Thanks, Chair. I'm going to pass it over to Jim.

The Chair (Ms. Soo Wong): Thank you very much.

Mr. McDonell, you have a question?

Mr. Jim McDonell: Yes. I hear you talk about people going through university, post-secondary, and wanting to buy a house, wanting to buy things, and this is a way of forcing them to save. But is there any thought that maybe some of these investments they'd like to make are not only good for the economy but actually are what people are wanting? It's like Big Brother is telling you what you should do. Really, people like to live and like the choice.

When you add that to the point that the economy is fragile—the Ministry of Finance says it means 150,000 less jobs, but it also is driving the good-paying jobs out of the province. I guess the point is, is there not some of that feedback from your membership that people have a choice of how they live and where they spend their money, and maybe buying the house or buying the car earlier, which is actually good for the economy?

Ms. Sylvia Ceacero: We believe that these are the necessities of life, in order to hold a job and raise a family and so on—buying the house and so on, and the car, to be able to transport yourself to work. Not everybody's lucky enough to live in cities where you have such wonderful public transportation—

The Chair (Ms. Soo Wong): Okay. This round, the last question is for Ms. Forster.

Ms. Cindy Forster: Thanks for being here. I'm glad that you raise the issue about what the average pension plan actually is, because a lot of people seem to think that public servants who have retired have these $100,000 pensions, and it's not the case.

You did speak to the issue of making sure that if an ORPP or PRPP was established, it doesn't impact the RRSP contribution room. What impact do you think that would have? Currently, you say that 85% of people aren't using their room, so you think that would increase that dramatically?

Ms. Sylvia Ceacero: Perhaps not dramatically, but sufficiently in order for that room to grow.

Ms. Cindy Forster: On the issue of health, do you have any comments, briefly, on what your members feel about the current health system and what they're getting out of it?

Ms. Sylvia Ceacero: Yes, we do have a lot of comments, actually. One of our advocacy pillars is health care, and our members are very concerned about the situation in Ontario and across the country. Waiting times, home care, long-term-care facilities: We do have lots to say about that as well.

Ms. Cindy Forster: Okay. Thanks.

The Chair (Ms. Soo Wong): Thank you very much. Thank you for your participation.

The next witness is from the Ontario Health Coalition. Nobody from the Ontario Health Coalition? Let's skip to the next witness just in case they got stuck in traffic; you know what traffic is like, right? Okay, we'll go to the next one. It's the Ontario council of universities. Are they here? All right. Anybody from the Co-operative Housing Federation of Canada, Ontario region?

Mr. Victor Fedeli: Is Harvey coming today?

The Chair (Ms. Soo Wong): I don't know. I don't see Harvey.

You know what? We are going to recess for 10 minutes, but don't go far, because we're going to come back in 10 minutes. Just so members know, because of the House order, we are not expected to be at question period today. Please be back here at 10:35.

We're recessed for 10 minutes.

The committee recessed from 1026 to 1035.

The Chair (Ms. Soo Wong): My clock says 10:35. We're going to reconvene the committee. I believe we have quorum.

Let's call out again for the Ontario Health Coalition. Are they here yet?

Seeing none, let's go to the next one.

COUNCIL OF ONTARIO UNIVERSITIES

The Chair (Ms. Soo Wong): The next witness is the Council of Ontario Universities. Are they here?

Ms. Jennifer Grass: Yes.

The Chair (Ms. Soo Wong): Yes, I see her. All right: Jennifer Grass, the senior director of communications and public affairs. While Ms. Grass is coming up, I just want to remind everybody that we have 10-minute presentations—Ms. Grass, 10 minutes for your presentation—and then there will be six minutes of opportunity for all three parties to ask you questions. This round of questions will start with the NDP.

Ms. Grass, you can present. Can you please identify yourself for the record?

Ms. Jennifer Grass: I'm happy to do that. My name is Jennifer Grass, and I am the senior director of public affairs and communications for the Council of Ontario Universities. It's a great pleasure to be here to present to you. The Council of Ontario Universities represents Ontario's 20 publicly supported universities.

Investments in university education are crucial to graduating the leaders of tomorrow and driving our provincial economy. Ontario's university graduates continue to have the highest lifetime earnings, the best labour market outcomes and the highest employment growth of any educational group. The 2014 Ontario budget recognizes that strong economic growth requires a highly educated work force. Universities support the job focus outlined in the budget, and we graduate more than 100,000 talented students each year.

The government's Jobs and Prosperity Fund and youth employment fund is aligned with our universities' goals to support graduates with many skills, but including the entrepreneurial skills that spark economic growth, foster innovation in our communities, and prepare students for the workforce.

Universities continue to transform academic programs to adapt to the changing marketplace and to meet the changing learning needs of our students. Increasing numbers of work-integrated learning opportunities are being offered, in order to ensure that students have the applied aspect of learning as well as the conceptual piece.

As we transform programs and initiatives on campus, universities are also trying to adapt facilities to meet the changing needs of students. Those can be technological needs, the needs of people with disabilities, aboriginal students, francophone students—increasing numbers of our buildings need to be adapted in order to meet those needs.

The Ontario budget increased contributions to facilities renewal, committing additional funding of almost $500 million over 10 years to address critical maintenance repairs at universities and colleges.

Our institutions are dealing with a deferred maintenance backlog which reached $1.97 billion in 2010, and it has doubled over the last 10 years. The investment in facilities renewal included in the budget is therefore critical to provide the capacity that we need to address student needs.

Universities recognize the fiscal challenges the province is facing, and we are taking our own steps to enhance productivity and efficiencies wherever possible. Indeed, Ontario universities are the most productive in Canada. We have accommodated more than 153,000 new students since 2002, with less funding per student than anywhere else in the country.

In the past year, our universities have increased collaborative procurement by 7% in the sector, resulting in significant cost savings, more competitive pricing and a reduction in administrative overhead.

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With cuts being implemented this year, we will need to reduce costs further, but over time there is also a need to invest in quality to ensure our universities can continue to attract and produce the top talent that advances our economy.

It is also important for our province to remain a global leader in university research. The budget is committing $250 million over three years to research infrastructure, which will help institutions to leverage funds from the federal government and other sources to support innovative research that transforms lives. Specific support was also provided for the Institute for Quantum Computing and the Trillium Advanced Manufacturing Network. These are key pieces of research that are advancing innovation in our communities, our economy and even the world.

In addition to talent development and research outcomes, universities make a significant economic impact in other ways. Our universities are major employers, often the most stable employer. Indeed, Ontario's largest university contributes more than $5 billion to the economy each year. Comprehensive universities are estimated to contribute around $2.5 billion, and even smaller universities are injecting approximately $150 million or more into the economy on an annual basis.

But most of all, universities are all about their students, the young people we are educating for a world that will be much different than it is today. No matter what the discipline, our universities continue to ensure that students have the critical thinking, problem-solving and communication skills that are fundamental not just for a job today, but for a career or, more likely, many careers over the course of their lifetime.

As the government moves towards a balanced budget, increasing university funding will improve quality, produce more entrepreneurial thinkers and develop the talented minds Ontario needs to secure a bright, prosperous future.

Those are—

The Chair (Ms. Soo Wong): Thank you very much, Ms. Grass.

Sorry, Ms. Forster, this round of questioning is from the PC side. Is it Mr. McDonell? No. Mr. McNaughton.

Mr. Monte McNaughton: Great. Thank you very much for that presentation and thanks for the contributions that universities make to Ontario's economy. Where I'm from, UWO plays a big role in southwestern Ontario and we're very thankful for that.

A quick question regarding the government's Jobs and Prosperity Fund: Do you have a number attached to that as far as job creation, and how many students you're projecting will get hired because of that?

Ms. Jennifer Grass: I wish I did. We are working on that. Our institutional planners are away a bit at the moment, so we haven't been able to capture that. But you're right: That's an important number to us.

But even beyond that, we feel there's a real impetus coming from our incubators on campus and those, of course, are university initiatives that are creating opportunities for students that are well beyond those that are in the marketplace, because they're creating their own jobs and, in many cases, they're hiring other students. I'd like to be able to give you that and I'd be delighted to follow up.

Mr. Monte McNaughton: Perfect, thanks. Vic?

The Chair (Ms. Soo Wong): Mr. Fedeli.

Mr. Victor Fedeli: Thank you very much and welcome. There is a discrepancy between the amount of money that universities receive per student—and I've met with the president of Nipissing University in North Bay frequently. They continue to show me the charts and graphs that show how low the funding is per student at Nipissing. What would you recommend that I, as an MPP, do to try to bring some equalization to the funding model for each and every university in Ontario?

Ms. Jennifer Grass: That is a complex question. Certainly, we hope that over time, as the economy improves and we have a stronger fiscal situation, perhaps there would be an opportunity to phase in higher levels of per student funding.

Mr. Victor Fedeli: Or balanced levels, I think, is what we're looking for as opposed to just higher—

The Chair (Ms. Soo Wong): Ms. Grass, sorry. Sorry, Mr. Fedeli. It's two minutes.

The next question: Ms. Forster.

Ms. Cindy Forster: Thanks for being here today. This government provides the lowest funding per student in the country and one of the highest tuitions for students in the country. How concerned are you about the complete absence of any measures in this budget to make university more affordable for the students attending?

Ms. Jennifer Grass: Actually, Ontario has the most generous financial aid system in the country. While we are always concerned about the needs of students, with the Student Access Guarantee, nobody who is in need is going to be denied the opportunity to get a place in university. So while it is a concern, we do feel that there are significant opportunities to ensure and protect the students in having access to university.

Ms. Cindy Forster: At my university in Niagara, Brock University, there are significant layoffs occurring at the moment because of operating deficits. Are other universities across the province experiencing those same layoffs of good-paying jobs?

Ms. Jennifer Grass: Universities are working hard to make sure that they make the best use of their revenue position. There is no doubt that the cost curve has had an impact and that we are trying—

The Chair (Ms. Soo Wong): Ms. Grass, can you wind that up? Because the next round of questioning—there are only two minutes per question, per party.

Ms. Vernile, do you want to ask a question to the witness?

Ms. Daiene Vernile: Yes. Thank you very much for your presentation, Ms. Grass. I was listening very closely because in my region, we have two world-class universities: the University of Waterloo, which is receiving funding for IQC—and you talked about students and jobs; they created co-op education in Canada, where they're connecting students with well-paying jobs—and Wilfred Laurier University, and also one of the best colleges in Ontario, Conestoga College.

You've talked about the budget providing $500 million for critical maintenance repairs to post-secondary institutions. Could you please tell us some more information on how your organization feels that this funding is so crucial at this time?

Ms. Jennifer Grass: Well, as you know, much of the building boom, particularly around colleges, occurred during the 1960s, so we have a lot of buildings that are somewhat old. The needs of students are much different. As you know, they come with laptops and iPads and what have you, so sometimes there's a mixture of different kinds of spaces that are needed that just don't exist in some of these old buildings. In other cases, it very simply comes down to making sure that they have more efficient environmental HVAC systems and that kind of thing.

There's a variety of different kinds of needs when it comes to deferred maintenance in our colleges and universities. At the end of the day, it's all designed to make sure that we have the kinds of places that we need for students.

Ms. Daiene Vernile: Would you say that the 30% tuition grant is important in allowing more students to access university?

Ms. Jennifer Grass: Absolutely it is. It absolutely is. I would say not only that, but I think a lot has been invested in financial aid to help make it more—

The Chair (Ms. Soo Wong): Ms. Grass, thank you very much for coming before the finance committee and thank you for your input.

ONTARIO HEALTH COALITION

The Chair (Ms. Soo Wong): All right. The next witness and the next group is the Ontario Health Coalition. I believe Natalie Mehra, the executive director, is here.

I just want to remind everybody: It's 10 minutes for the witness and two minutes per party, so it's a very short timeline. Thank you.

Good morning. Can you please identify yourself for the record? Thank you.

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

The Chair (Ms. Soo Wong): Thank you. You may begin.

Ms. Natalie Mehra: Thank you very much for this opportunity. We had just about three major things that we wanted to highlight from both the budget papers and the budget bill this year.

The first is that we appreciate the budget measures that have been introduced that will, we think, improve the health and well-being of people in Ontario. An Ontario pension plan would significantly help to address the increase in poverty among Ontario seniors, particularly women. In fact, in the country, the largest increase in poverty rates has been among elderly women in Ontario. It's a serious problem, and we're happy to see some movement on that.

The increase in the home care personal support worker minimum wage—a tremendous jump forward for some of the most marginalized of workers in the health care field—the increase in the overall minimum wage; the increase in the maximum allowable child benefit; the increase in taxes for the highest income earners to redistribute that income through investments in public services and public programs, which will improve equity; and the proposed expansion of low-income health benefits for children: All of these things are great measures.

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On the other hand, our deepest concern remains, as it has been for the last five years, with the hospital cuts. This is the fifth year in a row now of austerity budgets for Ontario's hospitals. At this point, Ontario's hospitals are funded at among the lowest rates in the country. We've cut more hospital beds than any jurisdiction in Canada. We have the fewest beds left per person, by far, compared to other provinces, and we're actually almost at the very bottom of the entire OECD in terms of hospital beds per person. The only countries that have fewer hospital beds per person than Ontario are Turkey, Chile and Mexico at this point. We have seen a precipitous decline in the number of beds, particularly acute-care beds and chronic-care beds, which have been cut in half in Ontario.

Despite the rhetoric, these services are not being offset by increases in home care funding. In fact, the Ontario Auditor General reported in 2010 that home care funding per client had declined significantly since 2002. With the investments in this budget and the previous two budgets, home care funding per client is now just getting back up to where it was in 2002. So despite page 27 of the budget papers, which says that this home care funding is going to buy all kinds of things, including a five-day wait time guarantee and so on, it's actually not. It's just going to restore what has been cut over the last decade.

Also of deep concern to us—and I know some of the members around this table are on this committee—is rural hospital funding. It was announced in the 2012 budget and announced again in the 2013 budget: $20 million to ostensibly stop the cuts in small rural hospitals. But that money, to our knowledge, has never flowed. There were two local announcements in April 2013, but that's it. So if there is $20 million available, then why has the Wallaceburg hospital, for example, been cut to five remaining beds and an emergency department: no lab, no other services, no complex continuing care beds? Every other service has been moved out of that hospital. Why are St. Marys and Stratford and Seaforth and all of that area of hospitals facing major cuts right now? That money surely should be used to offset those cuts.

Finally, we remain concerned about P3 hospitals and the use of infrastructure funding for profit, but we'll intervene more on that, I think, with the new infrastructure act, which we hope will go to full hearings.

There was just one other thing in the budget that isn't a budget measure. We don't know why it's in the budget bill. It's schedule 19, which enables the director and the minister in the Ministry of Health to extend the licences for long-term-care homes, so that's the licensed homes or for-profit, from 25 to 30 years. We don't know why that's in there. It's not a budget measure. It shouldn't be in the budget act. It should be subject, at minimum, to more fulsome scrutiny.

The Chair (Ms. Soo Wong): Okay. Thank you very much for your presentation.

This round of questions is from the NDP. Ms. Forster?

Ms. Cindy Forster: Good morning, Natalie. Do you think that this budget will do anything to stop the expansion of private clinics, 97% of which are for-profit, according to the Auditor General's report?

Ms. Natalie Mehra: No, not at all. In fact, the worst part of this budget, I think, is for Ontario's hospitals. It means another round of ever more serious and deeper cuts, and everything that's being cut is being privatized. Physiotherapy and all of the things that are being moved out to clinics are basically going to two-tier clinics, where they're charging extra user fees for a whole raft of, really, what is medical junk that they're upselling to patients.

Ms. Cindy Forster: And how does that—physiotherapy, for example—impact patient care in the hospital?

Ms. Natalie Mehra: Well, if you lose your public outpatient physiotherapy, as has happened pretty much all across the province, then you're subject to long wait times. In fact, a man contacted us just a couple of days ago from Chatham and told us the story of his wife. He's waiting now, at minimum, for three weeks for stroke physiotherapy for his wife—a minimum of three weeks before she even gets any, and what she gets is very, very severely rationed. To pay out of pocket is $70 to $100 for the first assessment and $50 to $70 for every visit thereafter. It's just completely beyond their means.

Ms. Cindy Forster: Thank you.

The Chair (Ms. Soo Wong): This round of questions is for Ms. Hoggarth.

Ms. Ann Hoggarth: Good morning.

Ms. Natalie Mehra: Good morning.

Ms. Ann Hoggarth: Thank you very much for your presentation. In 2006, our government launched drug reforms that are now saving the province $500 million a year. Those savings will be reinvested in providing better community-based services, such as the family health teams and home care. Reinvesting savings from drug reforms into better community care is part of the government's action plan to provide Ontario families with access to the right care at the right time and in the right place. It's much more economical to take care of people in their homes than it is to have them in hospital or long-term-care facilities.

In this budget, our government is committing to increase investments in health care services in the home and the community by over $750 million in 2016-17. How does having this access to health care closer to home affect the patients in Ontario?

Ms. Natalie Mehra: What those numbers obscure is the fact that Ontario has now dropped almost to the very bottom of the country in terms of health care funding, both on a per capita basis and—the true measure of sustainability—as a proportion of provincial GDP.

While we support the approach to drugs that the former Minister of Health took and the reinvestment of that half a billion dollars into needed health care services, there is a lot more that could be done on appropriateness. In fact, that would be a much better approach than just continual endless cuts to hospital services that people need.

While we agree that services should be provided based on people's need, in the right place and at the right time—

The Chair (Ms. Soo Wong): Thank you. Okay, this round of questions is to Mr. McNaughton.

Mr. Monte McNaughton: Great. Thanks, Natalie, and thanks to you and the Ontario Health Coalition for your advocacy on behalf of rural and northern hospitals. I had an opportunity to work with you, before I was elected, at the Four Counties Health Services in Newbury. My grandfather founded that hospital, so it's very much of personal importance to me. You mentioned about the Wallaceburg hospital, the Sydenham, being cut down to five beds, I think only emergency room beds then—as well as in my riding.

I just wondered, from the coalition's perspective, where could savings be found within administrative levels of hospitals and within the ministry? Where could savings be found that could be invested into front-line patient care?

Ms. Natalie Mehra: As I was saying, I think appropriateness: There's a lot of evidence that at private clinics, for example—the ministry's own estimate is that 20% of the MRIs and CTs ordered by private clinics are medically unnecessary. That's one in five—so more appropriate use, looking actually at the billing patterns of the private clinics in Ontario and actually doing something about them. The auditor has reported that the ministry has found unusual billing patterns but not done anything about it. That's key.

Definitely, moving on prescribing practices: Improving prescribing practices would actually make people healthier, would be safer and would save money.

Definitely, real movement on controlling the costs of CEOs and executive salaries in the health care system: There are 18,500 fewer beds. All kinds of services are contracted out. So why has the pay of the CEOs gone through the roof? Less work, more pay—it doesn't seem right.

The Chair (Ms. Soo Wong): One minute.

Mr. Victor Fedeli: One more minute? Thanks.

The Chair (Ms. Soo Wong): Mr. Fedeli?

Mr. Victor Fedeli: In North Bay, I was informed on the weekend that the closure of the 60 hospital beds has already started. Do you have any statistics of how many other hospital beds are actually closing in Ontario?

Ms. Natalie Mehra: Yes. We continually collect lists of cuts from across the province. On an ongoing basis, we ask our membership to send in cuts. There are cuts happening in the rural hospitals in southeastern Ontario; there have been a raft of cuts over the last few months. There are new cuts being proposed in southwestern Ontario in the rural hospitals. There are the huge cuts in North Bay, as you mentioned. So there are cuts happening all across Ontario.

The Chair (Ms. Soo Wong): Thank you for your presentation.

CO-OPERATIVE HOUSING FEDERATION OF CANADA, ONTARIO REGION

The Chair (Ms. Soo Wong): The next group coming before us is the Co-operative Housing Federation of Canada, Ontario Region: Nicole Waldron, the president, as well as Harvey Cooper, manager of government relations.

Welcome. Can you please identify yourself for the record? You have 10 minutes for your presentation, and this round of questions begins with the governing party. Thank you very much. You can begin.

1100

Ms. Nicole Waldron: Good morning. I am Nicole Waldron, president of the Ontario council of the Co-op Housing Federation of Canada. Thank you for having me this morning.

We represent 555 non-profit housing co-ops, home to some 125,000 people. It is my pleasure to speak to the committee this morning on Bill 14, the act to implement budget measures. Our manager of government relations, Harvey Cooper, you all know, will be happy to answer any questions that you may have.

Our submission that has been distributed is the same one that we were pleased to also give to your predecessors on the committee when we were here in January. We believe these affordable housing suggestions that we recommended for the 2014 budget are just as relevant today.

We are encouraged by the news that the 2014 budget notes that Ontario is finalizing an agreement for the jointly funded federal-provincial investment in affordable housing program. The housing program would see Ontario contributing $80.1 million annually for five years to this program. While this is a welcome and important contribution by senior levels of government, the levels of investment are quite modest when compared to the affordable housing supply programs in existence from the end of World War II until the mid-1990s.

The Canada-Ontario affordable housing program and its successor, the IAH, have added about 1,500 units annually since their inception about a decade ago. The lack of affordable housing for key workers in many sectors is threatening the province's economic competitiveness. Investment in affordable housing would play a critical role in addressing this problem. What's more, construction and renovation of affordable housing would prove significant, an immediate economic stimulus creating good jobs, often using locally supplied materials and producing a major economic multiplier effect.

Given the number of new MPPs on the committee, we thought you might well be interested in hearing about the five low-cost or even no-cost initiatives that we suggest that the government should take. We believe that these practical recommendations are measures that all parties should support to create new, affordable housing and ensure that the existing housing stock is preserved as a long-term public asset.

(1) Replace expiring federal housing assistance for low-income households. Today, nearly 200,000 vulnerable Canadian households, almost half living in Ontario, depend on federal rent-geared-to-income, RGI housing assistance to pay their rent. Of these households at risk, just over 7,000 live in federally funded housing co-ops in Ontario. Federal assistance is delivered through operating agreements with co-ops and other housing providers developed under federal housing programs in the 1970s and 1980s.

When these agreements end, so does the RGI subsidy. There is no commitment from the federal government to extend RGI assistance. Some of these agreements have already expired, and we are quickly approaching 2020, at which point a large majority of the contracts will have ended. This is a critical issue for federal co-ops.

Vulnerable households have few other affordable housing options, but they will not be able to afford to stay in their co-op homes without assistance. The federal government has been largely silent on this issue. There are billions of federal dollars that will become available over the next quarter century as these operating agreements expire.

The Ontario government has a clear interest in ensuring that existing affordable housing continues to be available. Together with other provinces, Ontario should negotiate with Ottawa for the reinvestment of expiring federal assistance in a long-term, cost-shared plan for affordable housing that includes rent supplement funding. A key part of this solution is to ensure that households now receiving federal RGI assistance continue to qualify and remain in their homes.

(2) In that inclusionary zoning legislation, the province under its planning authority can mandate a municipal zoning approval process that requires developers to make a percentage of housing units in new developments available at below-market rents. In return, the developer would receive a density bonus, allowing more units that would ordinarily be permitted under zoning restrictions. The below-market housing created would be affordable to many low- and modest-income households who cannot afford the steep rents charged in many recent condominium developments.

While the inclusionary housing policies are set by local governments, it is up to the province to ensure that these municipal measures can be enforced and not subject to endless challenges at the Ontario Municipal Board. A straightforward provincial statute would give municipalities the authority to establish inclusionary zoning practices and would accomplish this goal.

The government would give serious consideration to enacting such legislation. Inclusionary zoning has proven an effective tool in the United States, where it has been used in a number of states and municipalities.

(3) Make government lands and surplus school properties available for affordable housing. Ontario should follow through on earlier commitments to facilitate the development of affordable housing on surplus provincial lands. A major part of the capital costs for affordable housing would be removed if the land were available without charge. This would reduce the capital grant required from the government and bring down the required economic rents. It would also lower the subsidy required to bridge the gap between economic rent and rent-geared-to-income rent levels.

The province should follow through on this long-delayed initiative that would help create many more affordable homes without incurring significant government expenditures.

Another step the government should take to increase the supply of affordable housing is to amend regulation 444/98 to the Education Act regarding the disposal, selling or leasing of public school board lands to add co-operative and non-profit housing to the list of priority users for the surplus sites.

Regarding this issue, we would want to thank the Chair of the committee, MPP Soo Wong, for the work that you have done in this area and organizing a number of meetings between ourselves and the Toronto District School Board to explore the possibilities. Thank you very much.

(4) Preserve the existing affordable housing stock—a very important issue. The long-term viability of much of Ontario's social housing stock is at risk. As economist Don Drummond noted in his 2012 report on the reform of Ontario's public services, this is of serious concern. Co-op and non-profit housing providers need access to new mortgage financing to pay for capital repairs to their aging buildings. One significant step Ontario could take with little cost to the provincial treasury would be to expedite a program through Infrastructure Ontario to allow providers to leverage the equity in their housing to borrow the money they need at reduced IO rates and extend their mortgages so that their debt servicing costs do not increase.

Last, but not least, (5), let's build more co-op housing. For many years, CHF Canada has raised concerns with the province about the barriers to development of co-ops and other community-based non-profits under the federal-provincial AHP and IAH programs. Historically, almost a quarter of social housing developed in Ontario was co-op housing. Under the recent programs, that share has dropped to less than 4%. We don't believe that this is a policy intent of the Ontario government. In the fall 2013 session, when the Legislature unanimously passed a bill moving co-op housing tenant disputes to the Landlord and Tenant Board, MPPs from all three parties spoke about the benefits of the co-op housing model. Many parliamentarians mentioned that this is cost-effective and builds healthy communities, and said that the government needs to find ways to facilitate the development of more co-ops.

We urge the government to examine the barriers that have blocked the development of housing co-ops under recent supply programs and take steps to address them.

Another measure that we had recommended previously to achieve more co-op housing developments would be for the government to set aside a certain number of units specifically for the development of co-ops. The province used this type of approach when they set up a reserve stream for the development of affordable housing on brownfield sites a few years ago. Municipalities will still be responsible for selecting suitable projects for development and later would be responsible for the administration, but the reserve pool of units could only be used to build housing co-ops.

The co-operative housing sector is anxious to work with MPPs of all parties to follow through on these practical suggestions and to partner with the government to find other creative ways to ensure that every Ontarian has a decent, affordable place to call home.

I wish to thank the committee members for the opportunity to address you this morning, and as mentioned, Harvey Cooper will be pleased to answer any questions—because we believe housing is a right and not a privilege.

The Chair (Ms. Soo Wong): Thank you very much for your presentation.

This round of questions is from the government. Mrs. Albanese.

Mrs. Laura Albanese: Thank you for your presentation and for the advocacy that you do on a regular basis for co-ops in Ontario.

The riding that I have the privilege to represent, York South–Weston, is home to about a dozen healthy co-ops, including Beech Hall, which was the first co-op housing in the city of Toronto, so I'm quite familiar with all of the points that you made, but especially the first one, replacing the expiring federal housing assistance program. Actually, I asked a question in the House about that just last week, asking what our government was doing in order to negotiate an agreement with Ottawa and an extension of that agreement.

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I know that our budget is committing additional funding, especially in regards to the community homeless prevention initiative, and that is also something that you have been advocating for. But in general, could you elaborate on what you would see the federal government's role and our government's role to be in that?

Mr. Harvey Cooper: Thanks, Mrs. Albanese, for that question. Just to echo our president's remark, it's always a pleasure to be at the Legislature, working with MPPs, even in the middle of July. We're certainly never shy about advocating for affordable housing solutions.

Quickly, on that key issue, I think that for us and non-profit housing, those legacy federal programs affect 200,000 Canadians across the country. We're a small piece of it, but while we're looking forward to building new housing and new solutions, I think it's absolutely critical that we don't let the carpet roll up behind us. Those are probably the most cost-efficient and economical existing affordable housing developments from one end of this country to the other.

What we would ask the province to do and the federal government to do is to not make this a political football. These are actually people's homes. Some of the groups, when they're out of their mortgage, may be able to refinance, but they're not in a position to do income distribution. It was never the intent of the program to provide for those residents who are receiving rent-geared-to-income assistance. While we've already got huge challenges with waiting lists, let's not lose the units that we already have. Let's not point the finger from the province to the federal government and the federal government to the province. Everybody, sit down at the table and let's just extend these agreements.

The Chair (Ms. Soo Wong): Thank you. Mr. McDonell, your question to the witness.

Mr. Jim McDonell: You talked about the percentage of co-op housing units going from 25 to 4. This government is very supportive, but we're not seeing any actions that actually show that support. What suggestions would you have to bring that on?

Mr. Harvey Cooper: Thanks very much for the question around new supply. Overall, as Nicole mentioned in her submission—and it's in our brief—certainly with the developments that are going forward, very few of them are co-operatives, but overall there is a modest amount of building. But compared to the programs we saw in the 1970s, the 1980s and right up to the early 1990s, it's frankly somewhat of a fraction of what used to be produced.

Hence, the developments that go forward are often asked by the municipal levels of government—because it's very difficult to get a project approved—to perhaps bring an equity contribution to the table, or perhaps have a piece of land that they can access. Certainly for a large, let's say, municipal non-profit like TCHC or a developer who's holding a piece of land, they can think long-term. They have the finances and the resources to participate in the program and hope to get a return over X number of years.

For a small, community-based co-op or co-operative, what we have here is, I think, an un-level playing field. I think there are some improvements in that program that we could make that would balance it and we'd get a greater yield of co-ops and non-profits.

The Chair (Ms. Soo Wong): Thank you. Ms. Forster, your round of questions.

Ms. Cindy Forster: Thank you, Harvey. Nicole, thanks for being here today. You'll be happy to know, if you don't already, that Cheri DiNovo, my colleague from Parkdale–High Park, has already tabled the inclusionary zoning bill, probably for the fourth time—right?—in her career here at Queen's Park. I don't know when her bill's slot is, but stay tuned.

Anyway, we have consistently supported inclusionary zoning. I know that you've had numerous discussions with the ministry. What are the major barriers, if any, that are preventing this government from actually enacting that zoning?

Mr. Harvey Cooper: I think it would be difficult for me to identify from the government's side why this hasn't moved forward. We've included it in this submission. We included it in previous submissions. It's certainly a very low-cost way, given particularly the condo boom that's going on in Toronto, the GTA, Ottawa—it has worked in a number of American jurisdictions. I suspect, and I'll leave it to others who are in those discussions, that probably may not be welcomed by certain components of the development industry. Like anything new, it's a change. In the long run, where it's worked in other jurisdictions—and I think Legislatures from all parties would be interested in solutions that do work—they have found it economically feasible.

Sometimes you have to try something a little bit different that has, in this case, a proven track record, particularly given the challenges we're facing in adding new units in this province. I'd encourage everyone to have a good, hard look at this.

The Chair (Ms. Soo Wong): Thank you, Mr. Cooper, and thanks, Ms. Waldron. Thank you to both the witnesses who are here today.

Ms. Nicole Waldron: Thanks so much for having us. Have a good day.

CUPE ONTARIO

The Chair (Ms. Soo Wong): Our final witness is from CUPE Ontario, Mr. Fred Hahn. Mr. Hahn, welcome. Come on down. You have 10 minutes for your presentation. There are six minutes, so each party will get two minutes for their questions to you; I just want to make sure. Can you please identify yourself for the record?

Mr. Fred Hahn: Sure. My name is Fred Hahn. I'm the president of CUPE Ontario. I don't have a brief for you today. I thought I'd just come and talk to you all about this budget because, at the end of the day, we have a majority government and it's unlikely that there's going to be a whole bunch of changes to the budget, which is unfortunate because there are some really good things that could be changed here.

Our union is proud to represent 240,000 folks who live in the province of Ontario. Of course, we're here today to speak on their behalf but also on behalf of their families, their neighbours and their communities because the government said in its throne speech and the budget speech that its intent is to lift people up, to build our province, to move forward. There are some important components of the budget that attempt to do that.

You're raising taxes on high-income earners, folks who can well afford to pay more in taxes, but we're not going to go after the real money—corporations that are paying the lowest corporate tax rates they've been paying since the 1930s, sitting on more than half a trillion dollars in profits that they are not investing to create jobs. There is some real movement that could be made here to actually generate revenue.

There's also a real problem when we take it as a point of pride that we spend the lowest amount per capita on public services of any jurisdiction in Canada. Surely the people of the province of Ontario deserve at least—I don't know—the median spending per capita on public services in the province of Ontario. I think that would make some good sense.

We also raise the lowest amount of revenue per capita. We have the largest province, of course, in the country—you all know that—one of the most diverse in terms of its geography, the number of communities, the makeup of our communities. Surely the people of Ontario deserve something that is truly lifting us up, that truly moves us forward, but instead, some of the progressive ideas that are in the budget are actually undermined by other aspects of it.

On one hand, there are resources to invest in the wages of some of the lowest-paid workers in the province: personal support workers who support us when we're sick, our parents; child care workers who help to raise the next generation of Ontarians; and folks who concern themselves with folks with developmental services, the work that I used to do in the workplace, but at the same time the Premier's on the radio every day saying there's no new money for wages because apparently there are some workers who are deserving of wage increases and some workers who are not.

For example—I don't know—an education assistant who works with disabled children in schools, who makes just under $30,000 a year, who only works 10 months of the year: I think she deserves a wage increase as well because every penny she earns she spends in her local community, she spends in her local small business. It actually helps her community when she has money in her pocket to spend.

Going back to corporate taxes, when the New Brunswick council of business issues a report saying that the slashing of corporate taxes in New Brunswick didn't help their economy one bit and actually recommends that the government restore corporate tax rates and says that it would not damage their economy in any way but would generate revenue for government—when the New Brunswick council of business can say that, then I think Ontarians would expect that their government could be brave enough to do the same thing.

I guess I would wrap up by saying we are investing in this budget in infrastructure. That's a good thing. There's a huge infrastructure deficit. But in the budget, after those announcements of billions of dollars to be spent, there are pages and pages espousing public-private partnerships.

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Much of the debate in the last election was about wasting public money. Why did we spend a billion dollars on those gas plants? It wasn't because they got cancelled only; it was because they were public-private partnerships. It was because the corporations who had signed the contracts not only got paid as though they built them, but got paid for the profits that those plants would have generated far into the future, because they signed contracts to do that.

Public-private partnerships waste public money. Yet we're talking about building lots of infrastructure in a model that may in fact replicate that same mistake again and again and again. That doesn't build us up. It doesn't help us to move forward. It doesn't fix the deficit of the province of Ontario. In fact, the International Monetary Fund—who knew that a trade union guy would be sitting here talking to you about the IMF? The IMF says that austerity, cutting back, actually doesn't work in advanced economies that are going through the kinds of challenges that the province of Ontario is facing. The IMF recommends that in a low-interest economy, we should be borrowing public money, investing to build things publicly that we own together. Yet instead, we have a government considering selling off the things that our parents and grandparents built, that we own in common—burning the furniture to heat the house.

We don't need politics; we need some reality. We need long-term thinking. We have a stable majority government now, so let's start talking about reality. Let's start talking about the things we need to do. We need to raise real revenue from those who can well afford to pay it—not just high-income earners, but corporations who are no longer paying their fair share to generate revenue for the province of Ontario. We need to make real investments not just for some workers, but for all of us. We need to create real jobs, and we need to be honest about one other thing. There was an arbitrary date picked for political purposes to get rid of the deficit; "2017-18 sounds good, doesn't it?" No family who invests in their future—who has a mortgage, who borrows money to help send their kids to post-secondary education—picks an arbitrary date and says, "By that date, we're going to pay it all off." They invest in their future. They understand that it's a long-term project. Even if we raise revenue, even if the government were to be willing to restore corporate taxes, do the right thing and raise additional revenue, it would still be difficult, if not impossible, to balance the budget by 2017-18 without continuing to cut budgets.

Today in the province of Ontario, long-term-care facilities are laying off staff because they have to balance their budgets. That means our parents and grandparents are getting less care. Today in the province of Ontario, child welfare agencies are closing for five days, un-paying their workers and, of course, not offering those vital services to families in need in their communities. I think we can make a different choice, but I think that takes political will.

I thought I would come and at least put that stuff on the record on behalf of our members and really encourage the government, in a majority situation, to consider making real changes—real changes that would lift us up, being honest with the people of Ontario that if we move to balance the books, it doesn't have to be by an arbitrary date, but it has to be done in the right way. The progressive measures in the budget should not be undermined by continuing to follow a false line that even the International Monetary Fund understands doesn't work in economies like ours. You can't cut your way to growth and you can't cut your way to a balanced budget. It's just the truth.

I appreciate your time and attention and wish you well in the budget process.

The Chair (Ms. Soo Wong): Thank you very much for your presentation. This round of questions begins with the PC Party. Mr. McDonell, you can begin.

Mr. Jim McDonell: I just wanted a clarification. This government certainly isn't talking about paying off the debt in two years; they're just talking about not getting further into debt, putting in jeopardy the fact that—interest rates are going up. This is money that could be going into crucial services; it's going to the bankers because we have to service our debt.

The question I have for you: You quote that there is a half a trillion dollars of investments sitting on the sidelines. Why would you think that business is not investing that money? Surely they're not making a great investment on it. It would be better spent in building in this province.

Mr. Fred Hahn: Well, look: I got that figure from the previous governor of the Bank of Canada, who said that it was the big corporations across Canada that were sitting on more than half a trillion dollars and not investing it. Clearly, corporations, companies and business have their objective. It is to increase their profit margins and to have sufficient revenue—understood, and that is what they should be doing, but government should be thinking about how we increase fairness and tax fairness, to generate the kind of revenue that we need to conduct the services that people rely on government to actually provide.

Interest rates haven't risen for four years. The Bank of Canada is keeping the main rate at the same level. In fact, many analysts are suggesting that it will probably stay there for at least a couple of years. Now is the time to actually borrow in a long-term project to build the kinds of services, supports and infrastructure that we need. Many economists are saying it. Surely it's not just me.

Mr. Jim McDonell: Well, we've racked up a huge amount of debt over the last 10 years, and we've squandered the ability to borrow more. I might suggest that businesses are sitting on the sidelines because they have no confidence that we can turn this province around—that they won't actually lose the money if they do invest it.

We've gotten ourselves into a precarious situation where people are afraid to invest in this province. They look at the government and what they've achieved with the tens or hundreds of billions of dollars wasted in debt now that we have to pay off sometime in the future. I have not heard any of the three parties talk about what they dream would be a date when they could actually pay that off, because it's a huge debt that dwarfs the rest of the provinces in this country.

Mr. Fred Hahn: Well, the size of our population dwarfs the rest of the provinces in Canada as well, and look: debt and deficit are two different things—

Mr. Jim McDonell: We don't dwarf. We're only a third of the population. Our debt is greater than all the others.

The Chair (Ms. Soo Wong): Be brief in your response, because you have two minutes. You're already almost past the two minutes, so really quickly.

Mr. Fred Hahn: Sure. Our parents and their parents built Canada and built Ontario by having long-term debt that financed our future. It's the way families operate. It's the way government operates. There's nothing wrong with that.

The Chair (Ms. Soo Wong): Thank you. Ms. Forster?

Ms. Cindy Forster: Thanks for being here today, Fred. Given your read of the budget and the fiscal framework, is it CUPE's belief that, if there are no changes made to this framework over this finance committee process and amendment process, there will be a need for further service cuts, asset sales and/or both?

Mr. Fred Hahn: Well, we're currently seeing the service cuts, and a number of the ministries are going to experience either flat-lines or cuts to their budgets. While there are some aspects of the budget that make investments, as I said, we're seeing very real cuts to services today. Without changes to the budget that actually not just generate revenue, but also recognize that you have to deal with inflation and other costs in order to provide services—just to maintain them, never mind to enhance them to meet the needs that are actually there in communities.

When child welfare agencies are closing for five days in order to balance their books, denying services to vulnerable children and families in our communities, and when personal support workers are being laid off from long-term-care facilities, so that our parents and grandparents are receiving less service, I think we've got a problem, and it means that we have to do things differently.

Selling the things that we own in common isn't the answer. Raising revenue from people and corporations who can well afford to pay for it is part of the answer. Then, taking a longer view, not being obsessed with balancing the budget by some artificial date is the other part of that equation.

Ms. Cindy Forster: Thank you.

The Chair (Ms. Soo Wong): Thank you very much. The last question here is from Ms. Vernile.

Ms. Daiene Vernile: Mr. Hahn, thank you very much for your passion. You and I share something in common, and that is that, up until I ran for this election in April, I belonged to a union for 33 years. I believe in unions. I believe that they ensure a fair distribution of profits and they keep the workplace safe and humane, and sometimes they're a buffer against bad bosses, which occurs from time to time.

Not surprisingly, our budget isn't going to make everyone happy. We've heard from all kinds of stakeholders this morning—some who are in favour, and some such as yourself who are raising some concerns—but I will say to you that the budget is there to provide effective and responsible spending in areas where it's necessary, as well as addressing our deficit.

Now, I know that businesses are encouraged during re-elections to speak up, and I heard from a lot of people. I'm from the Kitchener-Waterloo area, where we have an exploding tech sector, and they were very, very happy to see the Liberals re-elected. They want to see us continuing investing in what they are doing.

But here is my question for you: When I was knocking on doors, whether it was a house that had a blue sign out front or somebody who identified as being a lifelong Liberal, everyone said over and over again to me, "I want better bang for my buck. I want better spending." So, I ask you: When you hear that people are concerned about the debt and deficit, how do you respond to that?

Mr. Fred Hahn: I think that it's a question of what "better spending" means. I think that part of what people are saying is that, if we're going to make investments in public infrastructure, then that money should be actually done in a way that's smart, that doesn't line the pockets of corporations that are paying the lowest corporate taxes since the 1930s, that doesn't see us spending a billion dollars on mutual funds that are based in the Cayman Islands, which is what we did with the power plants that were cancelled.

I think the kind of investments that are in the budget in infrastructure are important. They should be done in a public borrowing model that has worked for generations in our country. They shouldn't be done as public-private partnerships.

I think when people talk about smart spending, they also understand that it makes no sense to have child welfare agencies closing for five days to balance their books. It makes no sense, when seniors actually need more care, not less, that we're cutting jobs in order to balance budgets in long-term care. Those things don't make sense. I think when people talk about smart spending, that's the kind of smart spending they're talking about.

The Chair (Ms. Soo Wong): Mr. Hahn, thank you very much for your presentation, and thank you to all the witnesses.

I think we've finished all the witnesses for today. A couple of housekeeping items.

I want to remind the committee members that the written submission is due this afternoon by 4 p.m., so that's really critically important.

Any amendments to Bill 14 need to be submitted in person by 6 p.m. to our infamous Clerk here—right?—in room 1405, Whitney Block. That's 6 p.m. for amendments. So if there is any amendment, it has to be submitted in person to our Clerk here, and then we will be back here at 9 o'clock tomorrow morning for clause-by-clause consideration of Bill 14.

Ms. Forster.

Ms. Cindy Forster: First you said 4 o'clock, and then—

The Chair (Ms. Soo Wong): Four o'clock is the written submission.

Ms. Cindy Forster: Written submission.

The Chair (Ms. Soo Wong): But if there is any amendment to the bill—

Ms. Cindy Forster: Oh, written submission is 4, and amendments are 6. Okay. Good enough.

The Chair (Ms. Soo Wong): So any written submissions are due at 4, but amendments to Bill 14—that's two different things at different times. So amendments must be hand-delivered to the Clerk. They cannot be faxed, cannot be emailed. It has to be submitted to the Clerk by 6 p.m. at 1405, Whitney Block.

Any more questions and comments?

I will be adjourning the committee until 9 o'clock tomorrow morning for clause-by-clause. Thank you very much. Have a great afternoon.

The committee adjourned at 1132.

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