



# 2008 Ontario Budget

Growing a Stronger Ontario

The Honourable Dwight Duncan  
Minister of Finance



Budget Speech





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# Introduction



Mr. Speaker, I rise to present Ontario's 2008 Budget, the first Budget of the McGuinty government's second mandate.

In our first mandate, we eliminated the previous government's deficit while investing in health care, education and infrastructure. Prudent planning allowed us to invest in people while paying down debt and cutting business taxes.

Our economy today remains as strong and resilient as Ontarians themselves and it outperformed expectations this year.

Resilient economy

Still, it is being buffeted by a number of challenges that are creating uncertainty.

Resilience in the face of adversity speaks to the strength of Ontario's fundamentals and reminds us that while some sectors are struggling, many more are prospering.

Today the McGuinty government continues to implement its five-point economic plan.

The plan is as sweeping in scope as it is balanced in approach.

This afternoon, I will outline major new investments in skills training, infrastructure and innovation.

The plan will strengthen long-term economic productivity, while stimulating investment and job growth today, and move us to a greener, more sustainable future.

Five-point economic plan

In addition, the government will propose a number of tax cuts and regulatory reforms to reduce the cost of business and enhance the quality of life of our people.

Finally, the Budget will address partnerships with Aboriginal peoples, businesses, farmers, municipalities, unions and the federal government.



# The Economy: Resilience and Continued Growth

In 2007, stronger-than-expected economic growth of 2.1 per cent occurred despite a significantly more challenging external environment.

I am pleased to announce that this year's surplus is projected to be \$600 million.

This is our third consecutive balanced budget.

We are projecting six consecutive balanced budgets in total — a feat not matched since 1908.

Since we took office in 2003, real gross domestic product (GDP) has grown by 10 per cent and the economy has created more than 456,000 net new jobs.

The economy is growing, more people are working, real income is up and unemployment is down.

Private-sector forecasters expect modest economic growth in 2008 to strengthen to 2.8 per cent by 2010.

Ontario is expected to create over 230,000 net new jobs by 2010.

Yet, we know that certain sectors, some communities and too many families are not sharing in Ontario's prosperity.

A slowing U.S. economy, rising oil prices and a higher-than-anticipated Canadian dollar are reducing growth forecasts and creating greater uncertainty here in Ontario.

Third consecutive balanced budget

Prudent planning

With an uncertain economic outlook, it is important that our Budget maintain our record of prudent fiscal planning and careful management.

In the Speech from the Throne, our government outlined a five-point economic plan.

The Fall Economic Statement began to implement that plan and, today, we build on those initiatives.

# Building on the Five-Point Plan



The plan:

- makes investments in the skills and education of our people
- accelerates our investments in infrastructure
- supports innovation
- lowers business costs
- strengthens key partnerships to maximize our future potential.

It will invest in people so that Ontario can compete.

It is a balanced approach that is prudent and pragmatic.

## Investing in Skills and People

Skills to Jobs Action Plan

We are investing in the skills and education of our people so that they have real opportunities for success.

We have been getting great results. Today, over 90,000 more young people are going on to college or university than five years ago.

Over 10,000 more young people are graduating from high school every year.

Ontario has a higher percentage of people with a postsecondary education than any western nation.

But there is more to do.

The centrepiece of today's Budget is the investment of \$1.5 billion over three years in our Skills to Jobs Action Plan.

Second Career Strategy

The plan will train unemployed workers for new careers, expand apprenticeships, build more spaces in colleges and universities, and help students with education costs.

Some 20,000 unemployed workers will get long-term training that launches them into new, well-paying careers through our \$355 million Second Career Strategy.



**Building places  
to learn**

**Opportunity for  
all Ontarians**

Our government will also expand apprenticeship programs, targeting 32,500 new registrants — a 25 per cent increase in three years.

Most importantly, our people will be training in areas where growing industries are experiencing a shortage of workers.

This fall, we will also provide a Textbook and Technology Grant for about 550,000 full-time college and university students.

Students from rural and remote areas will benefit from a new Distance Grant to assist with travel costs.

And we will help build new and improved postsecondary and skills-training classrooms and facilities through \$970 million in capital funding.

Mr. Speaker, skills are one component of our investments in people.

And to help ensure that Ontarians have an opportunity to be at their best, particularly our children, our new cabinet committee is working on a strategy to reduce poverty.

As a start, to improve dental care services and make a difference in the health and well-being of thousands of low-income families, the government is providing \$135 million over three years.

To ensure that no child has to start the school day hungry, we will provide nutritious food to thousands more children by doubling our investment in the Student Nutrition Program over three years.

To help some 690,000 Ontario Works and Ontario Disability Support Program recipients, our government will increase social assistance benefits by two per cent in 2008–09. This is in addition to the Ontario Child Benefit we initiated last year.

Mr. Speaker, our strong health care system is one of our key competitive advantages — it helps make the province an attractive place for business to invest and create jobs.

Our government is building on the success of the last four years by continuing to invest in and improve universal public health care.



To help Ontarians stay healthy and provide better care when they need it, the McGuinty government will invest \$40 billion in 2008–09.

We are committed to improving access to health care.

We will increase access by adding 50 more Family Health Teams — particularly in rural and underserviced communities.

We will expand nurse practitioner-led clinics by providing \$38 million over the next three years.

Improving access to health care

To help improve the quality of long-term care, we will provide \$107 million over three years towards our goal of 2,500 more personal support workers.

We will also help increase prevention and the early identification of chronic diseases, starting with diabetes, with \$190 million in new funding.

We will also increase cancer screening — particularly to cover the costs of Prostate-Specific Antigen (PSA) testing and extending the human papillomavirus (HPV) vaccination program.

Our government will continue to make record investments in the education of our people.

Continued prosperity in a competitive global economy depends on a well-educated workforce. By making investments in schools and school boards, we have built a strong foundation for student achievement.

In the 2008–09 school year, Grants for Student Needs funding, the cornerstone of education funding, will rise to \$18.8 billion.

Investing in teachers and students

Our government is now investing an estimated \$9,821 per student — up 24 per cent from 2003–04.

Since then, we've hired 9,000 additional teachers to ensure our kids are doing better at school.



## Helping seniors stay in their homes

Our investments and the hard work of teachers and students have resulted in remarkable progress: higher test scores, more students graduating, and more going on to college, university or apprenticeships in Ontario than ever before.

Mr. Speaker, Ontario's seniors have contributed so much to our success.

Today, I am proposing a property tax grant to help low- and moderate-income senior homeowners pay their property taxes and stay in their homes.

In early 2009, the Province would provide about 550,000 senior homeowners with grants of up to \$250. The grants would rise to a maximum of \$500 in subsequent years.

Over five years, this would amount to \$1 billion in savings for seniors.

We are also expanding the 211 Ontario system — a telephone and web-based resource tool for referrals to local community, government and social services.

## Accelerating Infrastructure

Mr. Speaker, the McGuinty government is already making the largest investments in Ontario's infrastructure in a generation — and we plan to do more.

Our government has modernized schools, social housing, hospitals, roads, bridges, public transit, community facilities and water systems.

This has translated into hundreds of thousands of jobs — and a more productive, competitive and greener economy.

## Investing in infrastructure



This Budget includes an additional \$1.0 billion to invest in municipal infrastructure with:

- \$400 million for roads and bridges outside Toronto
- \$497 million for public transit projects in the Greater Toronto and Hamilton Area
- \$100 million for social housing improvements.

Perhaps our most important infrastructure undertaking is a new border crossing at Windsor.

As part of the environmental assessment, the Detroit River International Crossing Study is expected to provide recommendations very soon on a new crossing and access road.

Ensuring efficient trade

Ontario will fully fund its share of the costs of the final proposed road link between Highway 401 and the new border crossing.

Sufficient funds to cover the cost of the project are built into the government's 10-year infrastructure plan.

Business and union leaders and others from right across the province want to get on with this project.

Mr. Speaker, so do we.

Construction is scheduled to begin in 2009 and is anticipated to be concluded in 2013.

At a time when they are most needed, this project will create thousands of jobs in Windsor.

## **Supporting Innovation**

Fostering creativity

Mr. Speaker, to compete in the global economy, we need to foster Ontarians' creativity and innovation.

Today our government is announcing nearly \$300 million for new innovation initiatives.



## Creating jobs through innovation

The McGuinty government will provide \$250 million over the next five years to the Ontario Research Fund for investment in research infrastructure.

To help launch the next wave of Ontario innovators, I am proposing a bold new 10-year corporate income tax exemption.

This is unique to Canada.

It is a new tax incentive for new corporations that commercialize research from Canadian universities, colleges or research institutes.

Ontario is also home to some of North America's top entertainment and creative industries. Between 1999 and 2007, this sector alone created over 80,000 net new jobs.

To further help this growing sector, we are proposing to enhance the Ontario Interactive Digital Media Tax Credit. We are also investing in Ontario libraries to help them bridge the digital divide, and providing more than \$100 million in support for cultural and heritage programs.

To help create jobs and strengthen our northern communities, our investment in the Northern Ontario Heritage Fund Corporation will rise to \$100 million annually over the next four years.

## Encouraging economic growth

Our government has also recently launched the Next Generation of Jobs Fund to help innovative businesses grow and create jobs. It is a \$1.15 billion investment to support companies and privately led groups, whose products may, for example, reduce pollution, save energy, make transportation more efficient or cure diseases. Applicants are guaranteed a decision within 45 days of submitting a complete proposal.



## Lowering Business Costs

Mr. Speaker, I now turn to our plan to lower costs for Ontario's businesses.

Ontario is a great place to invest and create jobs.

Our government has made significant progress in reducing costs for Ontario businesses.

In fact, just three months ago, I proposed a package of business tax relief worth \$1.1 billion over three years.

Mr. Speaker, to help encourage economic growth, I am proposing today a further \$750 million over four years in new business tax relief. I will outline a few of these initiatives.

To help our manufacturers now, we are proposing a further retroactive Capital Tax cut for manufacturers and resource firms going back to January 1, 2007. This would entitle companies to \$190 million in rebates.

We also plan, Mr. Speaker, to enhance capital cost allowances. This would save Ontario businesses some \$433 million over three years and encourage Ontario manufacturers and forestry companies to invest in new equipment.

In this Budget we will accelerate Business Education Tax (BET) rate cuts by four years in the north so that northern business property tax rates will be at the maximum of 1.6 per cent in 2010. Over three years, this will save northern businesses a total of more than \$70 million.

Lowering costs  
for business

Small businesses create jobs for Ontario communities and we thank them for their advice on reducing Business Education Tax rates and the paper burden.

Supporting  
Northern Ontario

This year, we will also modernize business and financial regulations and streamline approval processes — to help reduce red tape for hard-working Ontario businesspeople.



## Encouraging a greener Ontario

This will begin with an aggressive cap-and-trade initiative — when new regulations are introduced, others will be eliminated.

The McGuinty government is also committed to strengthening competitiveness in key economic sectors.

Mining has been one of Ontario's great recent success stories. To encourage further growth, the government will invest \$20 million for geological mapping and close to \$7 million to implement the Ontario Mineral Development Strategy.

Our forest-products sector is the mainstay of many northern Ontario communities. Since 2005, our government has provided over \$1 billion in support to the forestry sector.

To help address the challenges the sector is facing, the government proposes to reduce the stumpage rate for poplar hardwood to encourage new investment and support our producers.

Mr. Speaker, despite a drop in visitors from the United States due to a strong Canadian dollar, Ontario's tourism sector has been resilient and tourism employment continues to grow.

To help encourage further growth, the government is investing over \$110 million to strengthen and expand tourism in Ontario.

A competitive economy is a green economy, Mr. Speaker, and so we are increasing funding to fight climate change and providing funding for an environmental curriculum.

I am also proposing to extend the Retail Sales Tax exemption for ENERGY STAR® household appliances and light bulbs as well as for bicycles and related safety equipment.

The government will also support bio-economy research in Thunder Bay, launch a new centre for invasive species management in Sault Ste. Marie and encourage Ontarians to buy locally by contributing to the Pick Ontario Freshness Strategy.

## Partnerships with Aboriginal peoples



## Strengthening our Partnerships

Mr. Speaker, partnerships for progress are essential to Ontario's social and economic development.

We are building stronger relationships with the Aboriginal peoples of Ontario. The new Ministry of Aboriginal Affairs will have an annual budget of almost \$50 million and guide more than \$600 million in programs across government.

The McGuinty government is especially proud of the new \$3 billion agreement with Ontario First Nations to share revenues from our gaming operations.

Mr. Speaker, Buy Ontario is about more than being sure we purchase our fruits and vegetables from Ontario farmers — it is about recognizing the importance of the agri-food sector to our future prosperity.

The groundbreaking risk management program established this year, coupled with the \$1.1 billion we will spend in the coming year, will help ensure that farmers continue to thrive.

Since taking office, we have worked hard with our partners in the public service and the broader public service.

Nurses, teachers and public servants all make invaluable contributions to the strength of our economy.

Collective bargaining is never easy, particularly at a time when the economy is challenged. We look forward to negotiating new collective agreements this year with our partner unions that honour the contribution of their members and respect the needs of all Ontarians.

Mr. Speaker, as we move forward, we want to build new partnerships.

The financial services sector is a major and growing part of Ontario's economy. We are world leaders in banking, insurance and finance.

Broader public service partners

Attracting investments to Ontario



## Working with municipal partners

## Partnerships for a stronger Ontario

Toronto is the third largest financial centre in North America. More than 350,000 people work in financial services — an increase of 50,000 in the past 10 years.

Moreover, the vast majority of these jobs are high skilled and well paid. This sector attracts other jobs and investments to the province.

We are looking forward to working with this successful sector as it continues to grow.

Mr. Speaker, since 2003, we have worked very hard to establish a real partnership with Ontario's municipalities.

We have more than doubled operating assistance to our municipal partners and have started to upload the Ontario Drug Benefit (ODB) program and the Ontario Disability Support Program (ODSP), which will save municipalities some \$900 million annually by 2011.

Mr. Speaker, I want to thank our partners who have been working on the Provincial-Municipal Fiscal and Service Delivery Review — some of them are here in the gallery today: Mississauga Mayor Hazel McCallion, Toronto Mayor David Miller, Stratford Mayor Dan Mathieson and Doug Reycraft from the Association of Municipalities of Ontario.

Mr. Speaker, partnerships are never easy. They involve hard work and compromise, but deliver real rewards.

Ontarians expect the federal government to be a full partner in responding to today's challenges and building tomorrow's prosperity.

We have a plan to cope with the challenges currently facing Ontario. But we could get better results, faster, in partnership with the federal government.

We are moving forward with help for our unemployed workers, but we need a federal partner to ensure Ontario workers will get their fair share of Employment Insurance benefits during this time of transition.



Average benefits for an unemployed Ontarian are over \$4,000 less than in other provinces. That \$4,000 could help make ends meet, pay for groceries and pay the mortgage while looking for another job.

We are moving forward with better health care, but we need a federal partner to provide Ontarians with equal per-capita health care funding this year — and not wait until 2014.

We are moving forward with infrastructure, but we need a federal partner to provide Ontario communities with an equitable share of funding.

We need a federal partner that will come to the table for our manufacturing sector the same way it does for other sectors in other parts of the country.

I am a proud Canadian, Mr. Speaker. Ontarians are proud Canadians and we're not looking for a special deal — we're looking for the same deal.

It's only right.

We want a strong Ontario because a strong Ontario means a strong Canada.

Strong Ontario,  
strong Canada



# Conclusion

Mr. Speaker, I would like to thank the very dedicated team of public servants in the Ministry of Finance who have made an invaluable contribution to the creation of this Budget.

The McGuinty government's economic plan takes a pragmatic, balanced approach to the Province's finances.

Prudently investing in training and infrastructure creates jobs now and improves productivity in the future.

The innovation initiatives in this Budget ensure that Ontario will continue to be on the cutting edge of new technology.

They will propel us to a greener, more sustainable economy.

Competitiveness is defined by a broad range of factors, including education, health care and, yes, taxes.

This plan strikes the right balance and enhances those public services that make Ontario the best place in Canada to live, work and invest.

This plan undertakes initiatives for those sectors, communities and families that are facing external challenges.

Premier McGuinty is fond of saying that for the economy to truly succeed, we need everyone at their best.

This fundamental value is at the root of all we do.

The resilience of Ontario's economy will continue into the future because of the ingenuity, perseverance and compassion of our people.

This plan affirms our conviction that prosperity is found where quality public services are properly funded.

Working together, we can build an even better future — a future that is as prosperous as it is inclusive, as sustainable as it is competitive, and as full of hope as the people of Ontario themselves.

Thank you, Mr. Speaker.

Building a better future





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