

STRONG ACTION *for* ONTARIO

**BUDGET
SPEECH**

2012
ONTARIO
BUDGET

The Honourable
DWIGHT DUNCAN
Minister of Finance



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Budget de l'Ontario 2012 – Exposé budgétaire

Introduction

Mr. Speaker, I rise to present Ontario's *2012 Budget*.

It lays out a five-year plan to keep Ontario on track to balance the budget by 2017–18 ...

And describes the choices we are making.

Choices that speak to the priorities of the people of Ontario.

The right choices.

Ontarians want a strong and growing economy that creates well-paid jobs.

People want a strong education system for their children because they recognize it is the best possible investment we can make in their future.

In fact, a strong education system keeps us competitive in a tough global economy.

People want a strong health care system because we know that when someone we love is sick, nothing else matters.

A strong health care system also gives us an economic advantage, lowering the cost of doing business for investors and job creators.

Protecting and building on Ontario's achievements, while returning to balance in 2017–18, are the cornerstones of the *2012 Budget*.

To achieve these goals, we will transform the public and broader public sectors and, in so doing, how they serve Ontarians.



Government, and the role of government, are evolving ...

And everything we continue to do must be done more efficiently and even more effectively.

All of us in this legislature, and all Ontarians, must turn our attention first to balancing the budget.

We must change the political culture and the way all of us in this legislature, and across the province, approach and confront the challenges we all face.

To meet these goals, Ontario needs a plan ...

A plan that makes the right choices to build confidence in our economy both at home and abroad ...

A plan to continue moving our province and our people forward, together ...

A plan to build a stronger Ontario for our children and grandchildren.

The Economic Challenge

Mr. Speaker, economic growth has returned to Ontario.

It is slower growth, yet growth nonetheless.

Our gross domestic product rose by an estimated 1.8 per cent in 2011 and all private-sector forecasters expect modest growth to continue.

To be prudent, our plans are based on forecasts that are slightly lower than those of private-sector analysts.

We are projecting GDP growth of 1.7 per cent in 2012 and 2.2 per cent in 2013.

There is growth in jobs.

Ontario has created over 500,000 net new jobs since 2003 ...

And almost 300,000 net new jobs since the recessionary low in June 2009.

On a net basis, these are all full-time jobs — and there is still more to do.

To ensure strong job growth into the future, Ontario must eliminate the deficit to strengthen the foundation of the economy.

Mr. Speaker, as a result of the global recession ...

As a result of the substantial stimulus the McGuinty government, like others around the world, injected into the economy to create and preserve jobs ...

As a result of external factors that are affecting our economic potential — such as ongoing global economic uncertainty, a sluggish U.S. economy, a higher Canadian dollar and rising oil prices ...



Ontario has a deficit ...

And despite progress towards balancing the budget, we must make the right choices to ensure that we continue making gains in overcoming this challenge as well.

If Ontario does not take strong action, the deficit will grow ...

Which would mean unsustainable levels of debt.

Already today, interest on the debt is the third-largest expense in the budget.

More than we spend on colleges and universities.

This cannot continue, Mr. Speaker.

We have seen countries around the world lose control of their finances to others ...

And lose control over their ability to decide where to invest in public services.

That is why we choose, building on earlier initiatives, to take strong action ...

And make the right choices ...

To build a stronger economy.

Ontario's edge in the global economy is our highly skilled and educated workforce.

That is why the McGuinty government's plan will maintain the 30% Off Ontario Tuition grant for families.

Another key to prosperity lies in the creation of good, well-paying jobs for Ontario's workers.

The McGuinty government believes in making smart investments to help businesses create jobs.

Ontario currently provides about \$3.5 billion a year in support to business and people, through the tax system and through dozens of grant and training programs across many ministries.

We will create a new Jobs and Prosperity Council to work with us and help create jobs of the future.

We will review business support programs and decide which ones should be continued and consolidated into a new Jobs and Prosperity Fund.

This reform will create administrative savings ...

And some existing programs will not fit the new productivity focus so we will wind them down ...

And save \$250 million in 2014–15.



The Council will also help provide a sharper focus on the programs that support and develop Ontario's highly skilled workforce.

We will remove overlap and duplication by further integrating the Province's employment and training programs through Employment Ontario.

To support workers, Ontario invests directly in employment and training programs ...

Together, by 2014–15, business and training supports will total an investment of over \$2.5 billion per year in our workers, job creation, increased productivity and the economy.

Right now, the single most important step the Ontario government can take to grow the economy is to balance the budget.

The Fiscal Challenge

Mr. Speaker, the *2011 Budget* called for reductions in spending growth in order to meet our balance target date of 2017–18 ...

And our government's five-year plan will keep Ontario on track to achieve this goal.

For the third year in a row, we have beaten deficit forecasts.

The deficit for 2011–12 is now projected to be \$15.3 billion, which is a \$1 billion improvement from the deficit forecast in last year's *Budget*.

This forecast is based on overall expense growth of 2.5 per cent.

For 2012–13, the deficit is projected to be \$15.2 billion, and is consistent with our plan to balance the budget, which we laid out in the *2011 Budget*.

In spite of this progress, there is still more to do.

The Conference Board of Canada estimates that if no further action is taken, Ontario's deficit would reach \$16 billion in 2017–18.

The Commission on the Reform of Ontario's Public Services estimated the deficit would reach \$30 billion by that time if no action is taken.

Despite the difference between these numbers, one fact is clear: Ontario needs to take strong action to balance the budget and build a better future.

If action is not taken, the deficit will increase, which would hurt Ontario's ability to continue to focus on its priorities — education, health care and smart investments to create jobs.



Escalating deficits would also impair Ontario's ability to set and control its own priorities, choices and actions.

That is why, for every dollar in new revenues outlined in the *2012 Budget*, there are four dollars of savings and cost-containment measures.

Over three years, the plan includes \$17.7 billion of savings and actions to contain cost increases.

Mr. Speaker, we choose to ensure that everyone plays their part in returning the budget to balance.

For those of us fortunate enough to serve in Ontario's legislature, we are proposing to extend the pay freeze for MPPs by a further two years — for a total of five years.

We also propose to build on the actions we have taken to end executive perks across the broader public sector ...

By extending the pay freeze for executives at our hospitals, colleges, universities, school boards and agencies for another two years — for a total of four years.

A Competitive Tax Climate

Mr. Speaker, the McGuinty government has turned Ontario into one of the most competitive places for businesses to invest and create jobs.

In total, we have reduced taxes for Ontario businesses by over \$8 billion a year.

The result, Mr. Speaker, is a tax environment that is far more competitive for businesses now than it was eight years ago.

In fact, we are second only to California as the world's favourite destination for foreign investment in North America.

We have made Ontario a more attractive place for businesses to invest and create new jobs.

So we are asking business to do its part to help Ontario balance its budget.

That is why we are proposing a freeze on further reductions of the general Corporate Income Tax rate and education taxes for businesses until the budget is balanced.



Fairness for Families

Mr. Speaker, Ontario families understand the importance of building the best education and health care.

In total, our Tax Plan for Jobs and Growth has cut taxes by \$12 billion over three years for Ontario families ...

And nine out of 10 Ontario taxpayers now pay less income tax.

In addition, Ontario delivers tremendous support to people through a number of programs including social assistance.

Where other governments have tried to balance their budgets on the backs of those who need assistance, the McGuinty government is maintaining current social assistance rates.

And we are increasing the Ontario Child Benefit, although on a slower schedule than we would have liked.

To continue to protect the most vulnerable, we will drive reforms to our benefit programs to create a more efficient, integrated system that helps low-income Ontarians get back to work.

We will also keep the Ontario Clean Energy Benefit in place.

While we are keeping it in place for virtually all families and smaller businesses, we are capping the benefit for larger consumers of electricity.

We know that average energy use by a family of four each month is between 800 and 1,000 kilowatt-hours.

So we are proposing a cap of 3,000 kilowatt-hours per month, which will generate savings of over \$500 million.

That would mean families and smaller businesses will continue to get the full monthly benefit — while larger users would only get the benefit on their first 3,000 kilowatt-hours.

That is only fair because, as we fight the deficit, it makes sense to give the most help to our families.

Ontario provides assistance to seniors for the cost of their prescription drugs through the Ontario Drug Benefit program.

All seniors are eligible, regardless of their income level.

This means a senior with an annual income of \$300,000 receives the same benefit as a senior with an income of \$30,000.

That is why we are changing the program so that high-income single seniors with net incomes of \$100,000 or more and high-income senior couples with net incomes of \$160,000 or more ...

Will pay more of the cost of their prescription medicine.



This change will affect only about five per cent of Ontario's seniors — those with the highest incomes.

And it will bring Ontario in line with other provinces that have an income test for drug benefits, so that the highest-income seniors pay a greater share of their drug costs.

Mr. Speaker, the Auditor General has told us that where Ontario charges a fee for a service, that fee should recover the full cost of providing the service.

We are raising some fees — some of which have not been raised in more than 15 years.

A few will affect people and others will affect businesses.

They are modest increases and they serve the practical need to move towards recovering the costs of providing these services.

Protecting Jobs, Education and Health Care

Mr. Speaker, protecting and building on Ontario's achievements in education and health care means keeping teachers working in our classrooms and doctors and nurses working in health care.

It also honours the importance of the work they perform and the service they provide to Ontario families.

At the same time, the inescapable fact is that over half of the government's costs go to wages, benefits and pensions.

So, to protect what we have built, together, we need to come to an understanding, together.

To balance the budget while protecting results, we will need to address the issue of compensation.

To that end, our government has begun facilitating negotiations and discussions with school boards and unions.

In 2004 and 2008, we secured agreements that allowed us to make real progress in our classrooms.

Now, as we discuss the first new agreement since the global recession, we are proposing parameters that, if accepted, would allow us to protect the gains Ontario has made in the classroom.

These choices reflect the priorities of Ontarians.

Health care is also a priority for Ontarians.

We are negotiating with doctors to renew the billing arrangements that expire at the end of this month.

These payments to doctors under our health insurance plan total \$11 billion or 23 per cent of health care costs.



Mr. Speaker, together with doctors and other health care providers across the province, Ontarians now have shorter wait times for surgical procedures ...

More nurses ...

And better access to care.

We must not sacrifice the gains we have made, together.

And that means total physician compensation has to be maintained at current levels.

Again, Mr. Speaker, these are the right choices to make because they reflect the priorities of the people of this province.

The McGuinty government's plan keeps Ontario on track to balance the budget in 2017–18 while protecting education and health care.

In their election platforms, none of the parties represented in this legislature set aside additional money to fund increases in compensation for public-sector employees.

So I would hope, Mr. Speaker, that all parties can also agree that it is necessary to work through the collective bargaining process and other consultations to achieve results that allow Ontario to protect our positive results in schools and health care.

When we begin negotiations with other broader public-sector partners, including OPSEU and AMAPCEO, we will do so with that shared objective in mind ...

The McGuinty government respects the collective bargaining process and we will work through it.

Bargaining in good faith is not only the right choice to make ...

The Supreme Court of Canada requires it ...

Just as all Ontarians require that we stay on track to balance Ontario's budget.

Where agreements cannot be reached that are consistent with the government's plan to balance the budget ...

And if no agreement can be struck to protect Ontario's progress in education and health care ...

We are prepared to propose necessary administrative and legislative measures to protect the public from service disruptions ...

And also to protect jobs for teachers, education staff and health care workers.

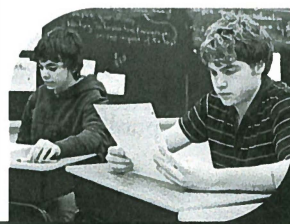
That is not a choice we would make lightly.

Respect will be our watchword when it comes to these negotiations.

Respect for our public-sector partners.

Respect for the collective bargaining process.

And the respect we owe all Ontarians who are counting on us to eliminate the deficit.



Public-Sector Pensions

Mr. Speaker, this country and this province are recognized as having some of the strongest pension plans in the world.

Unlike retirement supports in other countries, the Canada Pension Plan is sustainable.

Unlike in other countries, our public-sector pensions are well governed and well managed.

Security in retirement for our seniors is important.

That is why we have led the national call for a modest and gradual enhancement to the Canada Pension Plan.

To ensure our public pensions remain strong for people who are already retired and for those who will retire ...

We choose to take action.

The Commission on the Reform of Ontario's Public Services forecasts that, if changes are not made, the cost of public-sector pensions to Ontario taxpayers would nearly double between now and 2017–18.

This is neither sustainable nor affordable.

And many public-sector employees, particularly those just starting their careers, are at the limit of what they would like to pay towards their pension.

So, when we address pensions, we are looking to make them affordable for taxpayers and sustainable for public-sector workers.

One way to help make our jointly sponsored pension plans more sustainable is to change the way they address pension shortfalls.

When a public-sector pension plan has suffered a pension shortfall ...

Taxpayers have been called upon to make higher contributions.

We do not think it is fair to ask a single mother who earns \$14 an hour and who has no pension plan, to pay even more of her hard-earned tax dollars into the pension funds of others.

We want to work with our broader public-sector partners to limit taxpayer exposure when a pension fund is in deficit ...

By reducing future benefits, rather than asking taxpayers to contribute even more.

Let me be clear.

Any change would not affect people who are already retired.

It would only affect future benefits, not those already earned.

We will consult with the Opposition parties, and start a dialogue with Ontarians — those with and without public-sector pensions — before we introduce legislation that would strengthen our pension plans.

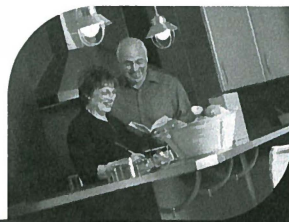
Employees in many public-sector plans contribute less than their employers do.

We are asking public-sector workers to share equally the ongoing costs of their pensions with their employers.

This is only fair...

And it will help protect education and health care.

Research shows that large pension plans generate higher returns at lower cost than smaller plans.



In spite of this, Ontario has about 80 smaller pension plans.

For example, Ontario's 20 publicly funded universities have more than 25 pension plans.

The government will propose legislation this fall that would pool investment management functions of smaller public-sector pensions to help put them on a more secure footing.

Mr. Speaker, we will build on a made-in-Ontario model that has been recognized by others as an example to the world — to make the management of our public-sector pensions even stronger.

Transforming Public Services

Mr. Speaker, the *2012 Budget* presents a strong plan to move forward and transform public services — to change the way they are delivered to give Ontario families better value for money and better results.

The plan includes choices that will lay the path to a better future.

The right choices — which will ensure that Ontario families are receiving the best possible services and the highest value for tax dollars.

We will use office space more efficiently to reduce the government's real estate footprint by about one million square feet.

We will propose legislation that allows ServiceOntario to help us maintain high-quality service for families — at lower cost — through public-private partnership models.

We will also maintain the Polar Bear Express, which delivers a vital public service to isolated parts of the province ...

While divesting other parts of the Ontario Northland Transportation Commission's operations because taxpayers can no longer maintain a subsidy of \$400 per ticket on its passenger rail service.

And we will not stop there, Mr. Speaker.



We will continue looking for additional savings across government while providing quality public services for Ontario families.

And we welcome good ideas — from people, business owners, economists and the Opposition — on how to best find those savings.

We will adopt those ideas, where we find them.

Indeed, the Opposition parties will see some of their ideas reflected in this *Budget*.

We recognize, however, that the responsibility falls to us, as a government, to keep Ontario on track to eliminate the deficit through strong action.

Conclusion

Mr. Speaker, Ontarians know from experience that deep, arbitrary across-the-board cuts create deficits in education ...

They create deficits in health care ...

And they create deficits in core infrastructure.

Evidence shows that across-the-board cuts create a trampoline effect ...

In other words, the money saved in the short term only leads to higher costs in the long run when the bill comes due.

So, we choose to reject that approach.

We know what the right choices are when it comes to education and health care.

Some would have us cut full-day kindergarten for our early learners. We choose to keep it.

Some would choose to increase class sizes in our early grades.

We choose to keep them small.

Some would choose to cut nearly 10,000 teaching jobs and 10,000 non-teaching jobs, eroding the quality of our kids' education.

We choose to protect those jobs.

Some would let people wait longer for medical care.

We choose to keep the shortest surgical wait times in Canada ...

When we make these choices, Mr. Speaker ...

We will choose protecting education and health care — every single time.

Because that is the right choice.

Ontarians face difficult choices every day.



Every day, they make responsible decisions for themselves to create a better future for their families, children and grandchildren.

Mr. Speaker, we choose to do what Ontarians themselves are doing.

We are taking a good hard look at our financial circumstances.

We are thoughtfully examining the choices we can make, today ...

That will best position us for long-term success.

Because when we make the right choices about our government's finances ...

We will balance the budget.

The right choices create confidence among investors and the markets.

And when we make investments in a strong, well-trained and healthy workforce ...

It creates confidence among the businesses that want to set up shop and create jobs here in Ontario.

The McGuinty government's plan will create a stronger economy ...

A better quality of life ...

And a better future for all Ontario families.

The choices we are making are the right choices to meet today's challenges.

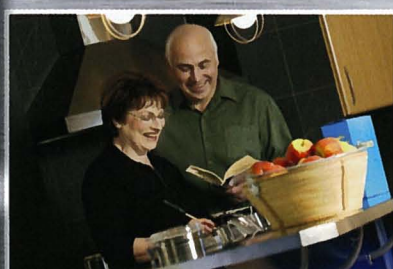
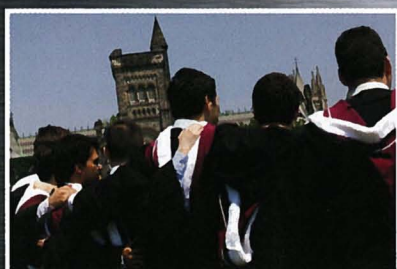
They are fair, responsible and ensure that all of us have a role to play in overcoming these challenges.

To build a stronger, brighter, more confident future for Ontario.

Our Ontario.

The greatest province ... in the best country in the world.

Thank you, Mr. Speaker.



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