



***ECONOMIC RENEWAL THROUGH BUSINESS COMPETITIVENESS AND
AFFORDABLE, EFFICIENT GOVERNMENT***

2010 Pre-budget Submission
Presented to William Short
Clerk, Standing Committee on Finance and Economic Affairs
Room 1405, Whitney Block, Queen's Park
Toronto, Ontario M7A 1A2

February 2, 2010

To: Mr. Pat Hoy, MPP, Chair of the Standing Committee on Finance and Economic Affairs

cc: The Honourable Dalton McGuinty, MPP, Premier of Ontario, Minister of Intergovernmental Affairs
The Honourable Dwight Duncan, MPP, Minister of Finance and Chair of the Management Board of Cabinet
Mr. Tim Hudak, MPP, Leader of the Progressive Conservative Party of Ontario
Mr. Norm Miller, MPP, Critic, Finance
Ms. Andrea Horwath, Leader of the New Democrat Party of Ontario
Mr. Michael Prue, MPP, Critic, Finance
OCC membership

Ontario Chamber of Commerce
180 Dundas Street West
Suite 505
Toronto, Ontario M5G 1Z8
Tel: (416) 482-5222
Email: info@occ.on.ca
Web: www.occ.on.ca



Dear Mr. Hoy:

The Ontario Chamber of Commerce (OCC) is a federation of 160 local chambers of commerce and boards of trade in the Province of Ontario, representing 60,000 businesses of all sizes, in all economic sectors and from every area of the province. In its mandate to advocate strong policies on issues affecting its members, the OCC is currently focused on economic renewal and business competitiveness. Its over-arching goal is to make Ontario the most competitive jurisdiction in North America and a Magnet for the World.

Ontario's economy contracted significantly in 2009 and is expected to experience a transition period before resuming the level of growth enjoyed in the past. There have been significant job losses in most sectors, which are expected to continue in some sectors as we move through the first half of 2010. Long standing difficulties faced by the manufacturing and forestry industries have been exacerbated by the global economic downturn—a contraction which has now impacted other key components of the Ontario economy.

Despite the large fiscal deficit faced by the province, we believe that the package of measures designed to improve business competitiveness announced in the 2009 budget is an essential first step towards economic renewal; they should be fully implemented along with continued reductions in taxation for both business and individuals.

As an organization with extensive interest in economic and business development, we understand the vital importance of the public sector's role to stimulate growth in these challenging times; however, we also recognize that there are difficult decisions which lie ahead in balancing the budget. To this effect, Ontario must embark on a bold course of action towards more affordable, efficient government.

As Ontario's Business Advocate, our comments reflect our members' interest in provincial issues and we are pleased to have this opportunity to present our recommendations to the Standing Committee on Finance and Economic Affairs for its 2010 provincial pre-budget consultations.

Sincerely,

A handwritten signature in black ink, appearing to read 'Len Crispino', with a stylized flourish at the end.

Len Crispino
President and CEO

TABLE OF CONTENTS

SUMMARY OF KEY RECOMMENDATIONS:	4
REBOUND IN CONFIDENCE: OCC MEMBER OUTLOOK	6
PRIORITIES OF OCC MEMBERS	7
OCC RECOMMENDATIONS:	11
COMPETITIVE BUSINESS CLIMATE: TAXATION	11
COMPETITIVE BUSINESS CLIMATE: SMARTER REGULATION & RED TAPE	13
AFFORDABLE & EFFICIENT GOVERNMENT: PLANNED SPENDING	14
AFFORDABLE & EFFICIENT GOVERNMENT: FISCAL EFFICIENCY	16

INTRODUCTION

In 2009, Ontario experienced its worst economic downturn since the great depression. The swift and steep decline followed trends in Ontario's trading partners as well as most of Canada. All sectors were impacted by lower international and domestic demand for Ontario goods and services. Nonetheless, there is consensus that Ontario's economy has 'bottomed out' with moderate growth currently underway. Most economists, however, predict larger growth to resume in mid- to late-2010.

Over the short and medium term businesses large and small across all regions in Ontario will continue to face difficult decisions—so too will the Ontario government.

The provincial government must continue to take both the short and long view as it determines the best course of action to successfully manage the challenges of our economy and its fiscal affairs. Given the unprecedented transition ahead for the economy and the record fiscal deficit faced by the province, Ontario must focus on economic renewal by:

1. *Improving Business Competitiveness* through continued tax reform and a smarter regulatory regime.
2. *Affordable & Efficient Government* through long-term planning; competitive, alternative delivery of public services; and judicious spending with disciplined targets.

In its 2009 Budget the provincial government took bold steps to improve Ontario's competitive position, and stimulate business investment and job growth in the long term. This submission builds on ideas presented by the OCC during the 2009 pre-budget consultation process as well as those measures that were subsequently adopted by government.

These measures, pivotal in strengthening Ontario's prosperity before the recession, continue to be the cornerstone for economic renewal. Moreover, they are unique in that they not only address the current economic situation, but also lay a strong foundation for longer term competitive growth.

In addition, despite many short-run and difficult decisions with respect to eliminating the deficit, the Ontario government must undertake a fundamental transformation with regards to its annual fiscal plans, as judicious, planned and efficient spending is also central for a stronger Ontario.

SUMMARY OF KEY RECOMMENDATIONS:

OCC Recommendations for a Competitive Business Climate:

Taxation:

- *Stay the course*, with regards to harmonizing the retail sales tax with the federal goods and services tax. Where possible, accelerate full-implementation of input tax credits to further stimulate benefits across all sectors.
- *Stay the course*, with announced reductions to the general, manufacturing and small business *corporate income tax rates*. *Where possible, accelerate and/or further reduce personal and business taxes to stimulate the economy.*
- *Fully eliminate Ontario's minimum corporations tax.*
- *Increase the Capital Cost Allowance for all classes of assets.*

Smarter Regulation & Red Tape:

- Expedite the streamlining of regulatory reform by substantially reducing 'red tape' and committing to clear, meaningful annual benchmarks.
- Create a smarter regulatory regime through a mandatory five-year review of all regulations.
- Impose a statutory requirement for broad based consultations of at least 60 days with businesses/stakeholders likely to be affected by a regulation, prior to its adoption.
- Conduct a cost/benefit analysis on all new regulations which identifies and publicly discloses the actual cost of implementing, enforcing and maintaining the regulation and then ensures those costs do not outweigh any benefits garnered from the regulation.

OCC Recommendations for an Affordable & Efficient Government

Planned Spending:

- Stabilize public expenditures growth rate to below the real growth rate of the economy.
- The government should immediately lay the foundation to reduce overall public debt—not just the deficit.
- The Ontario government should immediately conduct an actuarial analysis and forecast of health care in order to provide a sound financial basis for long term planning.
- Ontario must address long-term demographic risks to its future health care costs.
- The Ontario Chamber of Commerce urges the province to develop a long-term transportation plan, integrated with regional growth plans and the work of regional transportation agencies. The plan should include short-, medium- and long-term planning and investment objectives for the next 30 years, as well as account for the movements of goods and people across Ontario.

Fiscal Efficiency:

- Smarter, more efficient spending must be applied to all programs - including health care, which is Ontario's fastest growing expense.
- Within a framework of a publically-funded, universally accessible health care, more specialized privately-run hospitals and clinics be permitted to operate in Ontario
- Continue to include alternative financing models, such as public-private partnerships,

as viable options to build and/or maintain public assets

- Throughout the government and the broader public sector, mandate a competitive bidding process - which includes the private sector - for the delivery of all public services and programs.
- Streamline the Environmental Assessment Process for the construction of necessary public infrastructure to reduce unnecessary direct and indirect cost overruns.

REBOUND IN CONFIDENCE: OCC MEMBER OUTLOOK

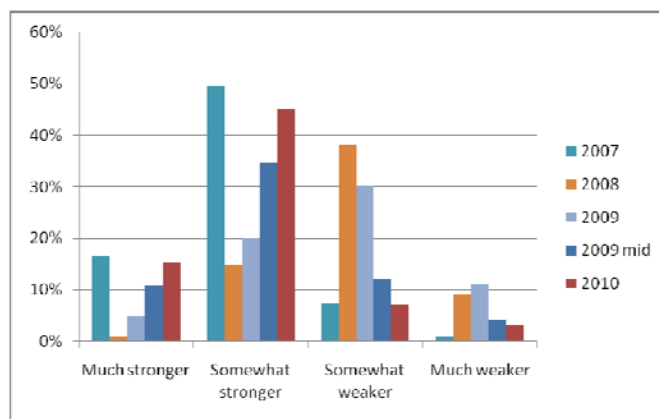
Ontario’s economy experienced a significant contraction in 2009 when compared to recent slowdowns. Similar to the United States and other economies around the world, Canada had officially entered into a recession. This was marked by the two consecutive quarters of gross domestic product (GDP) declines (4th quarter of 2008 and the 1st quarter of 2009).

The province’s economy, according to the latest estimates provided by the Ministry of Finance, is expected to have shrunk 0.3 per cent in 2009. However, expectations of growth have already taken traction. For 2010, the economy is expected to grow by 2 per cent, followed by an increase of 3 and 3.2 per cent in 2011 and 2012 respectively. Overall, economic news is expected to become less and less negative over the medium term. This is already being reflected in the views of OCC members.

According to the OCC’s Business Climate survey, businesses continue to expect greater performance in the next 12 months. Fully, 60 per cent of respondents indicated that they expected a better business performance in the next 12 months when compared to the previous 12 months. This is in stark contrast to the record low of 16 per cent in 2008, at the height of the world credit crisis, and represents a return to pre-recession business confidence (see *Figure 1*).¹

Figure 1: OCC Member Expectations over the next 12 Months

“Ontario business confidence for the next 12 months has surged nearly back to 2007 levels”



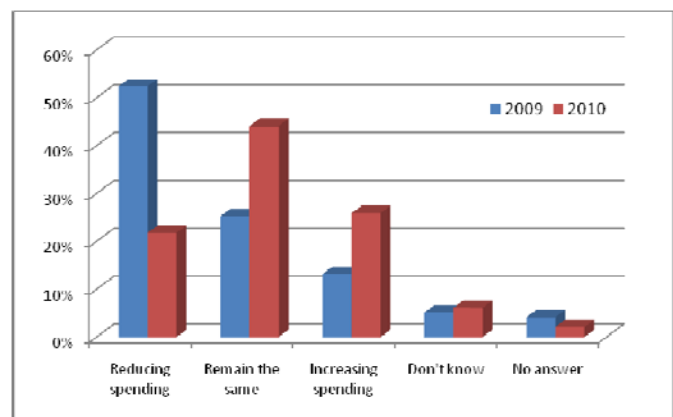
In addition, the degree of optimism also reflects a return to pre-recession confidence. For example, the 2007 Business Climate Survey showed nearly 17 per cent of respondents expected much stronger performance in 2008 relative to 2007; while almost 50 per cent expected stronger performance. These figures dramatically fell to 1 per cent and 15 per cent respectively when asked about performance in 2009 relative to 2008. However, as seen in *Figure 1*, the growing trend back to 2007 optimism levels is in sight. Fully, over 15 per cent of respondents believe that their performance will be much stronger in the next 12 months relative to the previous 12 months; while 45 per cent expect stronger performance.

¹ *Figure 1* includes results from the OCC’s mid-2009 survey of business confidence, which sought member expectations midway thru the year.

The increase in business confidence is also reflected in the investment intentions of respondents (see *Figure 2*). Last year, 52 per cent of respondents indicated that they expected to scale back or eliminate investment plans for 2009; while this figure dropped to less than 22 per cent for the next 12 months. Given the turmoil experienced in the last year, as well as the gloomy expectations for investment throughout 2009, the increase in the proportion of respondents - 44 per cent up from 25 per cent last year - who indicated that they plan to keep investment steady, is welcomed. Nearly 26 per cent of respondents indicated plans to increase investments in the next 12 months—double the proportion from last year.

Figure 2: Business Investment Intentions over the next 12 months

“Business confidence is also translating into greater investments in Ontario”



Among the items cited for investments in the next twelve months is the hiring new staff (49 per cent); followed by overall business expansions (39 per cent), capital investments (33 per cent), training and development (33 per cent), and investments in computers, software and telecommunications (31 per cent). Those planning to reduce investment cite general expenses (53 per cent), hiring freezes (38 per cent), wage and salary cuts (28 per cent) and layoffs (20 per cent) among areas to reduce.

PRIORITIES OF OCC MEMBERS

This year’s budget must include continued progress towards a more competitive business climate, as well as bold actions towards affordable government spending to address the deficit and ensure a strong, stable fiscal position. Our recommendations, therefore, call for smart policies for taxation and regulation, long term fiscal planning by government, as well as a transformation of government that ensures efficient spending and program delivery.

(1) COMPETITIVE BUSINESS CLIMATE:

SMARTER REGULATION & RED TAPE: OCC members continue to cite streamlining business regulations and tax reform as their top priorities, with a majority noting that high compliance costs of business regulation negatively affect their competitiveness. Specifically, members cite the following regulatory areas as most affecting their competitiveness:

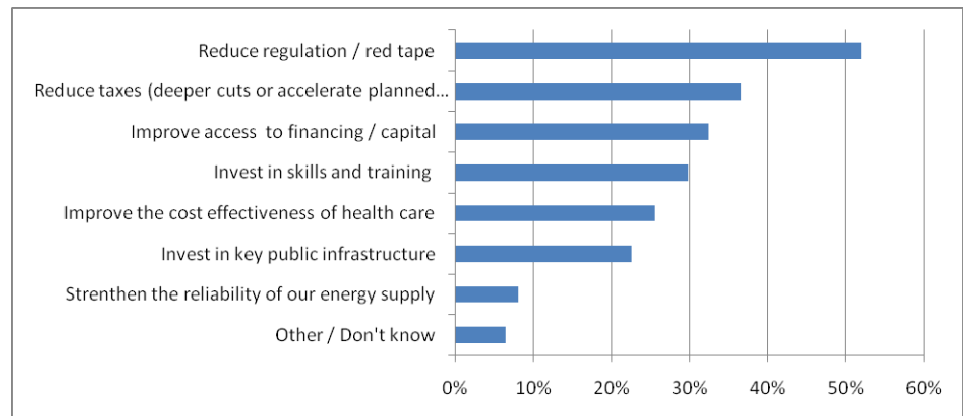
- Employment Standards Rules and Regulations

- Workplace Safety Regulation compliance (WSIB)
- Municipal operating licences/permits
- Environmental Compliance
- Tax Auditing
- Other Government Inspections

Addressing the regulatory burden, our members had hoped, would occur through the “Open for Business Strategy”, which was announced last year with great expectations and eagerness for public-private cooperation. Progress has started with the announced *Twice Annual Effective Dates* policy, but our members are concerned that this initiative will not be seen as a government priority due in part to current economic challenges.

Notwithstanding this and other challenges, businesses across Ontario continue to cite regulatory costs as their greatest impediment. Fully, 52 per cent of surveyed OCC members cite the reduction of regulation and red tape as the most impactful initiative that government can undertake in encouraging economic prosperity and improve competitiveness in the province (see *Figure 3*). A more prosperous, competitive Ontario, therefore, requires that government act decisively to enact timely and meaningful reforms through the Open for Business Initiative.

Figure 3: Key Initiatives that would encourage economic prosperity and improve competitiveness in Ontario



“The Cost of Red Tape is the single largest obstacle to improving competitiveness in Ontario”

TAXATION: The Task Force for Competitiveness and Prosperity found in its most recent annual report that Ontario ranks 15th among its 16 competing peer jurisdictions in the US and Canada in terms of GDP per capita², just one notch up from Michigan. The comprehensive tax reforms announced in the 2009 Budget will dramatically improve our competitiveness as they will reduce Ontario’s marginal effective tax rate (METR) on capital to 16.2 per cent—significantly lower from the current 32.8 per cent.³

However, further reductions in taxes or the acceleration of announced cuts in the 2009 Budget is the second most important initiative (36.6 per cent) that government can undertake

² Task Force on Competitiveness, Productivity, and Economic Performance, Eight Annual Report, *Navigating through the recovery*, November 2009, p. 12.

³ Ontario Ministry of Finance, 2009 Budget, *Confronting the Challenge: Building Our Economic Future*, March 2009, p. 118

in encouraging economic prosperity and improve competitiveness in the province (see *Figure 3*). As such, fully implementing the comprehensive tax reforms announced last year—on time or ahead of schedule—is essential for future growth in the province. These measures include lower business and personal income taxes and a move away from taxing investment in Ontario.

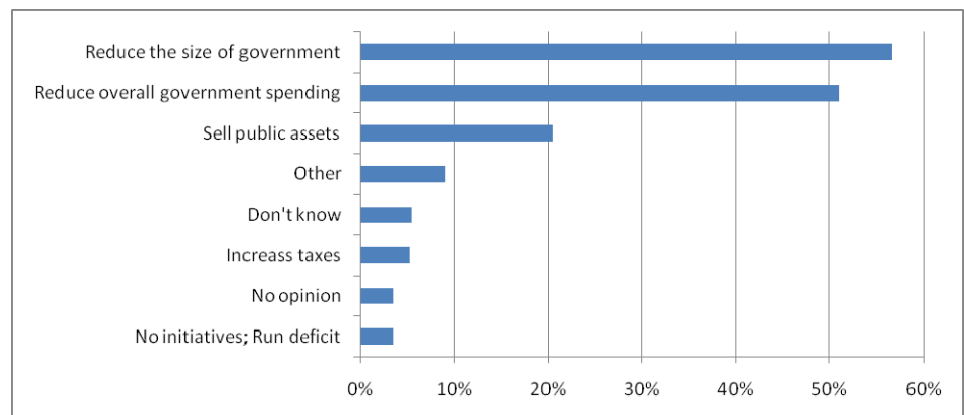
(2) AFFORDABLE & EFFICIENT GOVERNMENT

OCC members are cognizant of the impacts of large fiscal deficits. In last year’s Business Climate Survey, more than half of respondents did not object to temporary budget deficits as long as investments were made to stimulate the economy and that government should have a plan to return to balanced budgets. Moreover, the survey results show that the deficit should be reduced through less government spending.

At the time of the latest survey, the provincial deficit was estimated at \$18.5 billion for the 2009/2010 fiscal year.⁴ Faced with the reality of such a deficit, OCC members believe that its size will have impacts on their business in the long-term. To address this fiscal imbalance, 57 per cent of respondents in this year’s survey indicate that the size of government should be reduced; while 52 per cent cite a need to reduce government spending as a whole (*Figure 4*).

Figure 4: How should the provincial government eliminate the fiscal deficit?

“Government should focus on reducing its size as well as its spending to address the deficit”

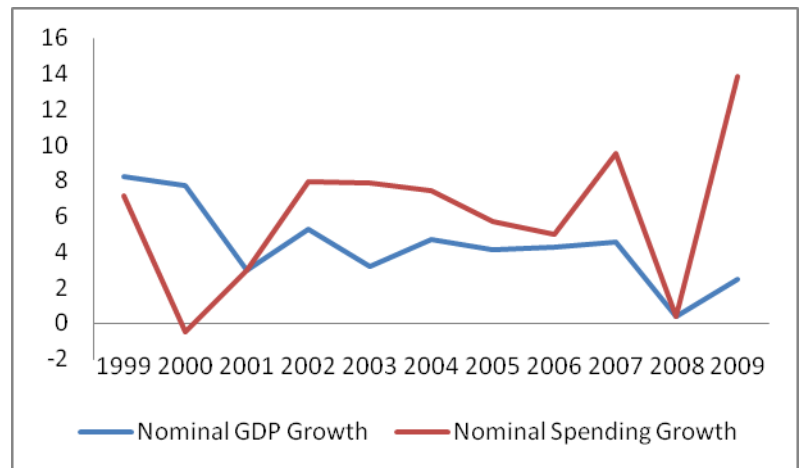


Fundamental to addressing the current fiscal deficit is a having a detailed plan by government which improves our current fiscal position, builds checks and balances to minimize future risks, and strengthens the province’s ability to meet future challenges. As such, members of the Ontario Chamber of Commerce believe that government must commit to long-term, sustainable fiscal solutions to address the budget deficit, rather than short term “quick fixes”.

⁴ The deficit currently stands at \$24.7 billion, according to the Ministry of Finance’s fall economic statement.

Figure 5: % Spending Growth Vs. % GDP Growth (Nominal, Ontario)

“Government spending has outpaced Ontario’s economic growth since 2001”



Although some may believe there are quick, simple measures to reduce the current deficit (such as the selling of public assets), they are not substitutes for addressing inefficiencies or over-spending. Government, therefore, should embark on a continuous process to review spending efficiency and lower overall costs to the public.

In addition, a more competitive environment for business is vital to generating revenues—in the form of income and consumption taxes—for government in the short and long term. Central to improving Ontario’s fiscal position, therefore, is the need to stimulate economic renewal and business competitiveness.

The comprehensive tax reforms announced in the 2009 budget is a significant, positive first step. The Ontario government should, at the very least, remain committed to the principles and timelines of these reforms. However, more can be done in the form of reducing the regulatory burden on business which, as indicated in the OCC’s recent survey (*Figure 3*, page 6), is the greatest issue impacting business competitiveness in Ontario.

OCC RECOMMENDATIONS:

Competitive Business Climate: Taxation

- The Ontario Chamber of Commerce urges the Government of Ontario stay the course, with regards to harmonizing the Retail Sales Tax with the federal Goods and Services Tax. Where possible, accelerate full-implementation of input tax credits to further stimulate benefits across all sectors.

One of the greatest changes to Ontario's tax system - to improve its competitiveness - is harmonizing its provincial sales tax with the federal goods and services tax (GST). The current, archaic and inefficient provincial sales tax severely impacts Ontario's ability to compete with other jurisdictions for investments; investments that maintain and create employment, as well as facilitate our much needed economic transition.

The government's commitment to harmonize its sales tax with the GST, therefore, is a significant milestone to improving Ontario's economic productivity. Moreover, harmonization will reduce complexities in the tax system as well as distortions within the value chain. However, the 2009 provincial budget temporarily restricts input tax credits to businesses with taxable sales in excess of \$10 million and financial institutions in certain areas. Full input tax credits will be phased in over a three year period, but only after 2015.

To achieve the full benefits of harmonization, which include lowering business costs during a time of economic transition, the Ontario Chamber of Commerce urges the Government of Ontario to accelerate input tax credits to all businesses in Ontario. The increased economic activity arising from an accelerated sales tax reform ensures that *total provincial government revenues are stronger. This is pivotal for a government faced with a \$24.7 billion deficit.*

- The Ontario Chamber of Commerce urges the Government of Ontario to stay the course, with announced reductions to the general, manufacturing and small business corporate income tax rates. *Where possible, accelerate and/or further reduce personal and business taxes to stimulate the economy.*

Ontario currently has one the highest corporate income tax rates (14 per cent) relative to its competing jurisdictions. Recent steps by the Ontario government to reduce its corporate tax burden on business, therefore, are substantial steps in the right direction.⁵

Although these commitments bring Ontario to a competitive level with competing jurisdictions, over time, the Ontario Chamber of Commerce recognizes that these jurisdictions are also adapting today to a changing economic landscape. As such, the Ontario Chamber of Commerce urges the Government of Ontario to continuously revise its corporate income tax rate reduction while balancing its fiscal constraints with the need to

⁵ The government committed to reduce its general corporate tax rate and manufacturing and processing tax rate to 12 and 10 percent, respectively, on July 1, 2010. The general corporate tax rate will gradually decrease to 10 percent by 2013.

remain competitive.

Moreover, it is essential that the government stays the course with regards to lowering corporate income tax rates. *The greater investment and economic activity which results from these cuts will yield long term dividends by means of greater employment and stronger government tax revenues which are very much needed to address the current deficit and ongoing debt load of the province.*

- **The Ontario Chamber of Commerce urges the government to fully eliminate Ontario's minimum corporation tax.**

The Ontario corporate minimum tax (CMT) generates a relatively small amount of revenue for the province, yet imposes a significant regulatory burden on business. Despite positive changes made in Budget 2009 - which eliminated the CMT for the vast majority of businesses - it will continue imposing a disproportionately large compliance burden for the remaining businesses still subjected to the tax.

Given the marginal revenue impacts and the significant regulatory costs (which runs contrary to the government's 'Open for Business Strategy") now is the time to fully eliminate the CMT.

- **The Ontario Chamber of Commerce urges the Government of Ontario to increase the Capital Cost Allowance for all classes of assets.**

In the past, the government had extended accelerated depreciation of capital assets for companies in the manufacturing sector. Accelerating depreciation of assets reduces the costs for business and encourages upgrades that improve productivity.

Expanding accelerated depreciation to other sectors would offer them the same opportunity to invest in new and better machinery, equipment, and software. This, in turn, would help to narrow the gap in productivity that has been identified between Ontario and other similar jurisdictions.⁶

Moreover, this measure is particularly important for those businesses which seek to transition their operations to compete in a changing global economic landscape as well as meet growing demands to lower carbon emissions.

⁶ Task Force on Competitiveness, Productivity, and Economic Performance, Eight Annual Report, *Navigating through the recovery*, November 2009, p. 12.

Competitive Business Climate: Smarter Regulation & Red Tape

- **Expedite the streamlining of regulatory reform by substantially reducing 'red tape' and committing to clear, meaningful annual benchmarks.**

A competitive business climate goes hand in hand with lower regulatory burdens on business and Ontarians. As such, an improved regulatory regime continues to be ranked by OCC members as their top priority.

Examples of red tape that hinder business include regulations, registration, licenses, permits, approvals, standards, guidelines, procedures, reporting, filing, and certification requirements. Red Tape also includes investigation, inspection, enforcement practices or other measures that are not measurably necessary - or effective - in protecting public health, safety, or the environment.

Through the Open for Business Initiative, the Ontario government is taking encouraging steps in effecting a shift toward a smart regulatory regime. Such steps include the newly enhanced Ontario Business Program Guide and the *Twice Annual Effective Dates* policy.

However, guides on existing regulations can only do so much in reducing any regulatory burden, as government must also eliminate unnecessary or ineffective regulations. Moreover, to ensure lasting economic benefits, benchmarks on regulatory reductions must also be implemented as a means to measure progress and ensure ongoing accountability.

- **Create a smarter regulatory regime through a mandatory five-year review of all regulations.**

A smart regulatory regime focuses on measures to protect public health, safety, and the environment, while at the same time enhancing economic efficiency. A smart regulatory regime also has checks and balances that ensure regulations adequately reflect the changing realities of businesses and Ontarians.

Regulatory streamlining, through the reduction or elimination of ineffective regulations, therefore, must be accompanied with an ongoing review of existing regulations every five years such as will be done with the Accessibility for Ontarians with Disabilities Act regulations. Without such reviews, smart regulations can become themselves obsolete, ineffective for the public and/or costly to business.

- **The Ontario Chamber of Commerce urges the government to impose a statutory requirement for broad based consultations of at least 60 days with businesses/stakeholders likely to be affected by a regulation, prior to its adoption.**

Another encouraging step in reducing the regulatory burden on business is the recently announced *Twice Annual Effective Dates* policy, whereby regulation affecting businesses only come into effect twice a year. This measure is long overdue. Its effectiveness will be enhanced if the regulations are first measured for their impacts on business. Consultations with businesses and stakeholders prior to adopting new regulations, therefore, can minimize unnecessary burdens on business - regardless of when new regulations take effect.

- **Conduct a cost/benefit analysis on all new regulations which identifies and publicly discloses the actual cost of implementing, enforcing and maintaining the regulation and then ensures those costs do not outweigh any benefits garnered from the regulation.**

New regulations invoked by the Ontario Government that effect many sectors of business can be unnecessarily costly and place many businesses in jeopardy of survival. Presently many regulations imposed are precautionary rather than based on science.

For example, such an approach to regulations is causing the closure of a small automotive repair shop in Southern Ontario. This small business owner employs four mechanics, and has used his professional experience and good stewardship to maintain, and promote, a safe workplace during an unblemished 40 years in business. However, because the owner's spouse maintains the business' books on the premise once a month, regulations stipulate that the owner is required to appoint a 'safety officer', as the number of employees exceeds the stipulated number of five. The owner must train this employee (at his expense) to be certified, maintain his certification and be subjected to additional red tape by government. This alone is not causing the business to close, but it is part of a series of red tape burdens that the owner can no longer endure.

This is a common example of the precautionary principle. A well-intended regulation is placed, yet an arbitrary trigger (having more than 5 employees on the premise) imposes significant cost to the business - regardless of whether there is no history of workplace injury.

The "precautionary principle", therefore, allows for implementation of regulation on the basis that a situation "may be" present or "may be" harmful, without any true science to back up the fear. Moreover, the cost of implementing and enforcing the resulting regulation can often outweigh the intended benefits. As a result, unnecessary financial and fiscal burden is placed on business, as well as on the public to address problems that may not even exist.

Discussions with industry and the use of science-based, cost-benefit analysis in developing regulations can minimize the unnecessary costs to both businesses and government.

Affordable & Efficient Government: Planned Spending

- **Stabilize public expenditure growth rate to below the growth rate of the economy.**

A healthy and strong economy requires substantial public investments in infrastructure, health care, and education. Achieving a balance between spending and revenue priorities capable of guaranteeing an appropriate level and quality of public services without harming economic prosperity is paramount for sound fiscal policy. More importantly, in times of need, judicious spending greatly minimizes the immediate and future cost of fiscal stimulus.

Provincial government spending growth in Ontario, however, has long exceeded economic

growth (see *Figure 5*) and represents expenditure pressures throughout the broader public sector – not just Queen’s Park. Spending beyond the means to pay for any public good or service inevitably results in deficits, higher taxes, user fees and/or program cuts in the future. The cost of the current deficit will itself be felt for years. Ontarians, therefore, can ill-afford greater costs in the form of future taxes and debt payments.

Government must set expectations now, with regards to spending growth throughout the entire broader public sector, once the economy rebounds. This can be accomplished by mandating firm, annual expenditure targets linked to economic growth and prosperity in the Province. Doing so will help tackle the current deficit, improve the management of existing public funds, as well as minimize significant, long-term financial risks to Ontarians.

- **The government should immediately lay the foundation to reduce overall public debt—not just the deficit.**

Eliminating the deficit is an important milestone in restoring Ontario’s fiscal strength, but it is not the end. As the government incurs deficits, the debt grows and imposes greater costs to the public in the form of interest payments—even with balanced budgets. It is essential that government mandates a long term plan to reduce its overall debt, not just the current deficit.

Debt reduction is an important strategy to reduce the overall cost of government to the public and goes hand-in-and with setting dedicated debt payments on an annual basis.

- **The Ontario government should immediately conduct an actuarial analysis and forecast of health care in order to provide a sound financial basis for long term planning.**

Given the magnitude of Ontario’s health care spending as a proportion of overall public spending in the province, as well as the growing demand on the health care system, it is essential that government invest in a rigorous, objective analysis process that guides its spending. This can be best achieved through an actuarial forecast similar to what is used in the private sector and the Canadian Pension Plan.

A financial analysis of this nature would enable the government to implement sound, predictable and long term initiatives rather than what is commonly viewed as band-aid reactive solutions. Moreover, such analysis would create greater accountability and transparency in the health care system, as well as much needed predictability in overall provincial spending.

- **Ontario must address long-term demographic risks to its future health care costs.**

The challenges posed by our aging population have long been presented to government. More than ever addressing the future costs of supporting our population, aging work force, as well as new constraints on our health care system is pivotal. In addition, demographic challenges are no longer confined to our aging population, as they also extend to the health and well-being of youth in all communities. These pose significant risks to any deficit-reducing initiatives in the short and long term.

Our demographic challenges, therefore, have significant fiscal implications for both

government and business—minimizing future costs requires action today.

- **The Ontario Chamber of Commerce urges the province to develop a long-term transportation plan, integrated with regional growth plans and the work of regional transportation agencies. The plan should include short-, medium- and long-term planning and investment objectives for the next 30 years, as well as account for the movements of goods and people across Ontario.**

While significant investment in infrastructure is imperative - and those investments announced in the 2009 Budget welcomed - they come at significant costs without an integrated, long-term transportation plan.

Developing a long-range transportation plan will bring together already-completed work on regional growth and provide a useful framework for further planning. It will also ensure that Ontario develops a comprehensive, well-designed transportation network that will support economic growth in the future.

In-depth analysis of how transportation infrastructure is used will provide a solid basis for a long-range transportation plan. All decisions can then be based on concrete data about where goods and people go and where demand is likely to develop in the future. Capturing this data will also highlight where blockages at the border occur so that priority can be given to improving infrastructure at the border crossings that are most heavily travelled.

A key step to optimizing existing corridors and planning future transportation capacity is to accurately assess the existing flow of goods and the movement of people within the province and across the border. Such an assessment, when completed, should be integrated within a comprehensive, long-term transportation plan.

A long term transportation plan will facilitate much needed coordination of actions by all levels of government, as well as by municipalities across Ontario. *Such coordination is essential in not only meeting future needs, but also making best use of public funds as they are allocated.* Specifically, planning for - and understanding the economic benefits of - transportation infrastructure investments well in advance will play a central role in determining the allocation of public funds in the future.

Affordable & Efficient Government: Fiscal Efficiency

- **Smarter, more efficient spending must be applied to all programs - including health care, which is Ontario's fastest growing expense.**

While the government has embarked on key program reviews to seek efficiencies and/or determine what programs or services it should deliver, it is important that the scope of such an exercise include health care and education. Currently, 55 per cent of the government's budget is attributed to these two program areas. Finding 5 per cent efficiencies in these programs will be far more impactful than a 5 per cent savings in a program area with a lower budget. Moreover, given the importance of these two spending areas, improving public outcomes for every dollar invested will be more beneficial to Ontarians.

- **Within a framework of a publically-funded, universally accessible health care, more specialized privately-run hospitals and clinics be permitted to operate in Ontario**

Ontario currently has privately-run clinics that offer CT scans and MRI services—the majority of which have contracts with and are paid by the province. These clinics alleviate the strain placed on hospitals by the backlog of patients waiting for such procedures. But more importantly, they can often deliver the service at a much lower cost relative to the public sector.

Such findings were presented in the OCC's 2008 report "A Second Opinion"⁷, which reported on key findings within Ontario's health care system. An example of lower cost health care while maintaining the quality service Ontarians have come to expect is Shouldice Hospital, a private hospital that opened in Toronto in 1945. The hospital is renowned for repairing hernias and for its three day admission-to-release process that assists patients in getting back on their feet and work as soon as possible.

Fully licensed by the college of Physicians and Surgeons of Ontario, the hospital is not only renowned for its care and service, but for its cost effectiveness: the cost of repairing a hernia at Shouldice is \$918 - significantly lower than the \$2,200 in a public hospital.

Privately delivered procedures can in fact yield greater service, care and lower costs to taxpayers.

- **Continue to include alternative financing models, such as public-private partnerships, as viable options to build and/or maintain public assets.**

Alternative financing models are another way in which greater service at lower costs can be delivered to taxpayers. Also known as public-private partnerships (P3s), they are an effective means to containing costs for major public projects. Most P3s involve a competitive bidding process, a long-term contract between the private sector partner and the government, a fee schedule and quality-control measures. The benefit is that taxpayers are protected from cost overruns, while the private sector assumes the risks.

Faced with a significant deficit and a growing demand for public health infrastructure, long-term partnerships between government and the private sector should be employed to meet the needs of Ontarians.

- **Throughout the government and the broader public sector, mandate a competitive bidding process - which includes the private sector - for the delivery of all public services and programs.**

Ontarians deserve the best publically funded programs and service for their investments of tax dollars. Currently, most publically funded programs and services are delivered by government and the greater public sector. However, significant efficiencies and increased

⁷ A Second Opinion, 2008, November 2008, pp. 10-11.

service can be achieved by delivering publically funded programs and services through the private sector—while maintaining standards set by government.

For example, the OCC's 2008 report "A Second Opinion"⁸ found that taxpayers significantly benefit from greater delivery of publically funded health care services through the private sector. In 2005, for example, Alberta reported that a pilot project involving private clinics had achieved significant reductions in wait times for hip and knee replacement surgery.

The contracting out of health services to the private sector - while still publically funded and governed - currently exists in Ontario and other provinces. In doing so, taxpayers receive greater publically funded health care.

Similar to health care services such as MRIs, government should consider expanding the delivery of publically funded programs and services - including health care -- in partnership with the private sector. The Ontario Chamber of Commerce believes that government should support competition in the marketplace for the delivery of publically-funded services—provincial and municipal. Such services can include, but are not limited to:

- a. Health Care;
- b. Waste diversion and pickup;
- c. Registration and processing of permits and licenses; and,
- d. Application and processing of support programs for businesses and individuals.

Competition, flexibility and choice for taxpayers are the hallmarks of a public service delivery system which ensures high quality, accountability and value-for-money. The private sector has demonstrated (such as in the case of private health care delivery) that it can deliver, and exceed, standards set by government on behalf of the public; but so too has the public sector. A competitive process, therefore, can ensure that funds allocated to public programs and services delivered through the public or private sector are judiciously invested on behalf of Ontarians.

➤ **Streamline the Environmental Assessment Process for the construction of necessary public infrastructure to reduce unnecessary direct and indirect cost overruns.**

The cost of public infrastructure is significantly increased—directly and indirectly—due to the lack of an efficient environmental assessment (EA) process. Directly, project costs increase when they are held up due to the lack of federal and/or inter-ministry coordination; advance agreement on project rules; the public involvement process is confused and derailed by a few individuals; or incomplete planning before projects begin.

⁸ A Second Opinion, 2008, November 2008, pp. 10-11.

In short, project delays result in increased costs which are ultimately absorbed by taxpayers.

Indirectly, project delays due to inefficient EAs result in increased economic costs. Increased traffic congestion or the lack of proper infrastructure for economic development, for example, cripples business activity. As a result, much needed government revenues from business profits fail to be realized and project costs soar.