2001 Ontario Economic Outlook and Fiscal Review

Statement to the Legislature

Presented to the
Members of the Legislative Assembly of Ontario by
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Statement to the Legislature

Preserving Our Core Values

Mr. Speaker, the appalling events of September 11 have reminded us that our most cherished values and our very way of life cannot be taken for granted. In the aftermath of these horrifying tragedies, we have gained a deeper sense of the values that define our society—values such as:

- respect for the individual;
- economic opportunity;
- justice;
- compassion; and
- the free flow of people, goods and ideas.

Today, as I discuss the outlook for our economy and the state of our finances, my focus is on preserving and defending our core values.

Guiding Principles

I believe we can remain true to our values by following the key principles that have guided our economic and fiscal policies since 1995. These principles include:

- A commitment to economic growth to create jobs.
- Confidence that the people of Ontario are in the best position to decide how to spend and invest their own money.
- Fiscal responsibility—which means spending tax dollars wisely and giving taxpayers the best value at the lowest cost.
- Responsible choices—since government, in facing competing demands, has an obligation to set priorities and make responsible decisions.
- Accountability—because the citizens of the province are entitled to know how their money is being spent.

- Protecting the most vulnerable—since, as a caring society, we have a duty to reach out to those who need our help. It is by fostering growth, spending wisely and making responsible choices that we are able to help those who are most vulnerable.

- Finally, looking to the future—so that while dealing with immediate concerns, we also plan for tomorrow.

These guiding principles have stood us in good stead. We will stay the course.

Staying the Course

Staying the course requires strong leadership and tough decisions.

Since 1995 Premier Mike Harris has provided the decisive leadership we need. Under his leadership, Ontario has prospered as never before.

- 824,200 net new jobs have been created.

- Take-home pay is up 20 per cent.

- 602,000 people have broken the cycle of welfare dependency.

Staying the course requires strong leadership and tough decisions.

- We are expecting a third consecutive balanced budget for the first time in nearly 100 years.

- With the end of deficits, the Province's credit rating has been upgraded.

Prudent fiscal management, low taxes and more jobs are only half of our success story. The other half is that, as a result, we are able to provide the services people rely on and help the most vulnerable.

For example, we have delivered on our commitment to increase services for people with developmental disabilities. Over $50 million has been provided this year to expand community services and to allow agencies to hire front-line staff. As well, we are investing $67 million over five years to build new places for people with developmental disabilities to live in the community.

Like many members of the House, I have met with aging parents who worry about the future of their adult children with developmental disabilities. These investments, I hope, will help to ease these concerns.

We are able to provide the services people rely on and help the most vulnerable.

But our economic climate in Ontario is changing. Now, private-sector forecasters, on average, expect Ontario's economy to grow only 1.1 per cent this year and 1.3 per cent next year. This is a substantial change from the 2.3 per cent they predicted for this year and the 3.6 per cent predicted for next year at the time of our spring Budget. Although private-sector forecasters expect Ontario's growth to pick up in mid-2002 and accelerate to 4.3 per cent in 2003, we know that serious economic and financial challenges lie ahead.

At this point we have two options: we can let ourselves slip back into the days of deficits, high taxes and high unemployment, or we can build on the Premier's legacy of strong leadership and renew our commitment to fiscal responsibility. We believe that the answer is obvious.

This government will not surrender the hard-won gains that have restored Ontario to prosperity. Today, I want to assure the people of Ontario that, because of the Premier's leadership and their hard work, Ontario is better prepared than ever to weather a period of economic uncertainty.

Fiscal Update

We remain on track for a balanced budget for 2001-02. As a cushion against the unexpected, we included a reserve of $1 billion in the spring Budget. We will use $300 million to balance the budget this year, leaving us with a $700 million reserve.

Next spring, we plan to table Ontario's fourth consecutive balanced budget.

However, a slowing economy means slower growth in government revenues. And our commitment to fiscal responsibility means that our spending can increase only as fast as our revenues increase. We are not a government that plans for deficits.

We remain on track for a balanced budget for 2001-02.

Currently, our revenue projections are down. Yet pressures for more spending on priorities like health care, education and infrastructure are up.

Health care is the biggest item in the Ontario budget.

Since the spring, we have increased funding to hospitals by $300 million. This year we are spending more than $23.7 billion on health care—an increase of 6.9 per cent from one year ago.

We have increased our investment in health care by more than $6 billion since we came to office. But the federal government continues to provide less to health care than it did in 1994-95. To maintain its 1994-95 share, the federal government should be providing $2 billion more for Ontario health care in 2002-03—rising to $3 billion by 2005-06.

To date, we have been able to pick up the slack for Ottawa. But, in a slowing economy, we can no longer afford to do so.

To be blunt, I hold out little hope that the federal Minister of Finance will make the necessary financial commitment to Ontario health care. We will soon begin consultations leading up to the 2002 Ontario Budget on how we can make up the federal shortfall.

This government will make the tough choices needed to secure Ontario's future. There is no question that this is the right government to lead Ontario in uncertain times.

Some people would argue that in times like these we should not move forward with our tax cuts. Others would even advocate raising taxes. But we believe that sticking to our tax-cutting plan is more important than ever. Low taxes attract business. More business means more jobs and higher government revenues. Since we started cutting taxes, our annual tax revenues have increased nearly $15 billion.

With this government at the helm, Ontario has weathered heavy storms before. The public can be confident we will do it again.

Strengthening Ontario's Economic Security

September 11 made it clearer than ever that safe communities are fundamental to a strong economy. That's why, in the aftermath of the tragic events, the government acted quickly to make Ontario safer:

- The Premier appointed two distinguished security advisers to the provincial government, retired RCMP Commissioner Norman Inkster and retired Major-General Lewis MacKenzie.

- We are moving ahead with a comprehensive review of Ontario's emergency readiness.

- We have also provided funding for an Ontario Provincial Police rapid-response unit to combat terrorist threats, as well as an anti-terrorism unit to investigate and track down terrorists and their supporters.

Today, I am announcing three more anti-terrorism and emergency management measures, bringing our recent investments in Ontario's security to more than $30 million. This new funding will:

- enable Emergency Measures Ontario to offer municipalities more help with community emergency planning;

- build an anti-terrorism training facility for local police; and

- build an emergency management training centre for firefighters and ambulance personnel.

The free movement of goods and services across a secure border must be preserved.

Border security issues are also critical for the economy. One-quarter of Ontario's output is exported to the United States. Half of our manufacturing shipments go to the United States. And many Ontario factories depend on just-in-time delivery of imported parts. The free movement of goods and services across a secure border must be preserved.

The Premiers of Ontario, Quebec and British Columbia have all called for a common North America-wide security perimeter. Business leaders tell me that Ontario must be inside, not outside, the perimeter if we expect to remain an attractive place to invest or do business.

I challenge the federal government to commit to a North America-wide security perimeter. We need to work with our American neighbours to remove barriers between us and build a secure boundary around us.

Borders are a federal responsibility, but all provinces have an enormous economic stake in these issues. We need a joint approach to finding a solution.

Following the September 11 tragedies, we expressed our confidence in the people and businesses of this province by proposing to accelerate planned tax cuts. Today, I am tabling legislation to advance to October 1 the reductions in personal income, corporate income and capital taxes originally scheduled for January 1. I am pleased to announce that this bill would also accelerate the application of the lower small business tax rate to more businesses. These tax changes would inject an additional $176 million into the economy for this year.

Mr. Speaker, we know that September 11 has also had a severe impact on tourism. The industry has told us about lost business, lost hours and lost jobs in the restaurant and accommodation sectors. Last month, in response, the Ministry of Tourism, Culture and Recreation launched a $4-million tourism marketing strategy. Today, I am announcing a further investment of $10 million to support a more aggressive multi-pronged campaign. This campaign has two parts:

- the first, “Come Stay with Friends,” is aimed at our neighbouring states; and
- the second, “Pride in Ontario,” is designed to encourage Ontario residents to help make up for the drop in

international visits by travelling in our own attractive and exciting province.

So I would ask families that might be thinking of a winter break to consider events right here in Ontario. We have the Festival of Lights at Cullen Gardens in Whitby, Handel's *Messiah* in Stratford and the Old Fashioned Christmas Walk in North Bay, to mention only a few.

The people of this province can play a role in boosting the economy. If we pull together, our individual actions can make a big difference. Some things people across the province could do are:

- start your holiday shopping right now;
- give an extra present this year to someone less fortunate, through one of the many charity drives in Ontario communities;
- go ahead with that home improvement project you've been putting off; or
- treat the family to a dinner out.

In short, the economy will benefit if everyone gets back to normal.

We know that a slowing economy is especially hard on lower-income parents. We value their hard work and their dedication to raising their families.

The tax cuts in the spring Budget will remove 75,000 lower-income earners from the tax rolls, so they can keep more of their hard-earned money. Today, we are thinking about families again. We understand that an economic slowdown is tough for them. For this reason, I am announcing a one-time payment of $100 to low- and middle-income working families for each child under age seven.

It is our goal to get these payments in the hands of families in time for December holiday shopping. This would give these parents some extra help to do what they do best—care for their children. About 367,000 children would benefit from this initiative. The average payment would be about $165 per family.

Building for the Future

One of our economic advantages is the unparalleled commitment this government has made to invest in Ontario's highways, hospitals, colleges and universities. These investments will support an increasing population and a growing economy.

By the end of this fiscal year, the government will have invested nearly $9 billion through the Ontario SuperBuild Corporation, and committed further funding to municipal infrastructure. Through public- and private-sector partnerships, the total invested will reach over $13 billion.

Moreover, we have committed $3 billion to a $9-billion transit investment plan. The aim is to renew and expand transit services in the Golden Horseshoe and in communities across the province. Ontario's municipalities have responded favourably. We are still waiting for the federal government to match our commitment.

SuperBuild's projects are coming on stream at the right time. They will help keep our economy steady in this period of uncertainty.

Cranes and work crews can be seen in communities across Ontario. Among the hundreds of SuperBuild projects underway are:

- $560 million in improvements to the provincial highway network in the Greater Toronto Area since 1999.
- A major project to modernize St. Joseph's Health Centre in Toronto.
- Construction of the Bahen Centre for Information Technology at the University of Toronto.
- Building of new student spaces at the Oshawa campus of Durham College, a new Chemistry Building at Queen's University and the Advanced Technology and Academic Centre at Lakehead University.

Today, it is my pleasure to announce a further series of SuperBuild investments:

These investments will help position Ontario for long-term economic success.

- $13.4 million towards a Research and Technology Park, located on the campus of the University of Waterloo, to provide high-tech firms and research companies with space to grow.
- $6.6 million towards an upgrade of the David Street Water Treatment Plant, ensuring that 40,000 residents of Sudbury can count on clean, safe drinking water.

- $32 million in priority projects to enable the City of London to take advantage of its strategic location in the Highway 401 trade corridor—such as the widening of Airport Road and the servicing of Skyway Industrial Park.

- $70 million towards a package of transportation and tourism investments in the City of Ottawa that will improve access to business parks, promote local tourism, and support the city's Smart Growth plans.

Details on these initiatives—as well as hundreds of other sport, culture, tourism, transportation and clean water projects—will be announced by year end. All these investments will help position Ontario for long-term economic success. They will also get capital dollars working for communities here and now.

Accountability to the Taxpayers

Government is the servant of the people, and the people have a right to know how their money is being spent. Today, I am pleased to announce that we are moving ahead with our Budget commitment to perform a value-for-money review of provincial government services and activities. The purpose is to ensure that government dollars are focused on the core services that people count on—not on areas where government does not belong. The value-for-money review will complement improved accountability measures in recent years including:

- annual ministry Business Plans;

- the *Taxpayer Protection Act*; and

- the *Balanced Budget Act*.

An Eye on the Future

The performance of our economy and the quality of our lives are connected. It is a prosperous economy that creates the wealth to support essential public services such as health care and education and to assist those who need our help. And it is a prosperous economy that offers hard-working families the promise of a brighter future.

We have the fundamentals in place for long-term growth and we will not stray from this path. The people of Ontario can have confidence in the long-term future of the economy.

A prosperous economy that offers hard-working families the promise of a brighter future.

When I entered politics, I was thinking not about my own prospects but about the kind of world my three sons would live in. I think that is how most parents look at things. We make decisions not just for today, but for tomorrow.

Government must do the same. And this government is.