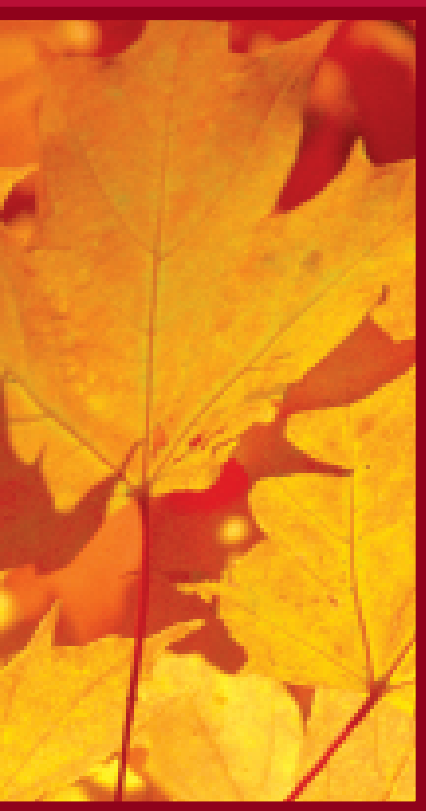




2010

ONTARIO ECONOMIC OUTLOOK AND FISCAL REVIEW



THE HONOURABLE **DWIGHT DUNCAN**
Minister of Finance

STATEMENT



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STATEMENT

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INTRODUCTION

Mr. Speaker, I rise today to present the *2010 Ontario Economic Outlook and Fiscal Review*.

Mr. Speaker, from 2003 to 2008, Ontario enjoyed job creation and economic growth.

As a result of that economic growth and our investments, our children are enjoying the benefits of a stronger education system and smaller class sizes.

Our parents are enjoying the benefits of the renewed attention paid to their health care.

It felt like Ontario's economy was firing on all cylinders and we felt secure in our ability to take on the world.

In 2008, the world changed — dramatically — and a global recession set in.

The world's financial system came to the brink of collapse.

Global brands — among them the titans of industry — faltered. Factories the world over closed and jobs across the globe were lost.

We took action with our Open Ontario plan — a plan to strengthen the economy, to grow a new clean energy industry, to protect the gains we've made in schools and hospitals, and to provide some tax relief to families and businesses.

So today, with the changes we've made, nine out of 10 taxpayers are paying less income tax than they did a year ago.

With the changes we've made, over 180,000 jobs have been created in this province since the end of the recession.

Mr. Speaker, this government was elected to bring change to the province of Ontario. Change from the previous years of neglect of schools, of health care, of the electricity system and of the public services that our families rely on.

We've taken action, and now we plan to do more.



Mr. Speaker, the good news is that Ontario's economy is emerging from the global recession.

Key economic indicators have improved since the recession, though many remain below pre-recession levels.

After declining for four consecutive quarters, our real gross domestic product (GDP) has increased for four consecutive quarters.

That is good news for Ontario.

Based on the best available advice, we project that Ontario's GDP growth will be 3.2 per cent in 2010, up from what we forecast in the *2010 Ontario Budget*.

The economy is growing.

Real GDP has recovered 71 per cent of its recessionary loss — and that is helping job creation.

While the United States has recovered just 10 per cent of the jobs lost due to the recession, Ontario has recovered 75 per cent of the jobs lost in the downturn.

It's a good sign, though our work is never done when it comes to strengthening our economy and creating jobs.

Economic growth, however, is going to be slower in the coming years — mostly due to slow growth in the U.S. economy.

In 2011, we expect real GDP to grow by 2.2 per cent and in 2012 by 2.5 per cent. Our planning assumptions are lower than the average private-sector forecast.

Though Ontario is emerging from this recession, families want to know that they can feel secure about their economic future.

Across the country, around the world and in the communities where we live, people are still feeling the impact of the recession. It feels like lean times and people are feeling the pinch.

So our government is taking action.

HELPING ONTARIO FAMILIES

Governments of every political stripe in this province failed to make crucial investments in electricity supply and transmission.

By 2003, people did not know if the lights would stay on.

Back then, about 25 per cent of Ontario's electricity came from dirty coal.

In 2003, there was no plan for conservation, no plan for supply to keep up with demand.

In 2003, the wires that bring power to homes were in critical disrepair.

At that time, while demand was going up, the electricity system lost 1,800 megawatts of power capacity. That's the equivalent of Niagara Falls running dry.

Moreover, in 2003, Ontario had to import U.S. coal-fired electricity just to keep the lights on.

The government of the day even had to set up emergency generators for fear of brownouts.

A brief market-deregulation experiment in 2002 saw electricity prices spike an average of over 30 per cent over seven months.

Clean reliable electricity should be part of our everyday lives — there's no compromise on clean air and reliable power.

In 2003, Ontario needed action and this government took action.

With the changes we've made, we've built enough new cleaner generation to power some two million homes — about a fifth of that is from renewables like wind and solar.

With the changes we've made, there are 5,000 kilometres of improved transmission lines.

With the changes we've made, conservation programs are back and can save families money.



We're on track to close Ontario's dirty coal plants — the equivalent of taking seven million cars off the road.

All of this is making Ontario a leader in clean energy. It means new investment in Ontario and new jobs including:

- the Sarnia Solar Project, the largest operating in the world, creating 800 construction jobs; and
- in partnership with the Moose Cree First Nation, the Lower Mattagami project, the largest northern hydro project in 40 years, which will employ 600 people in its construction.

The list goes on.

Clean energy manufacturing plants are opening in communities like Guelph and Windsor to serve the Ontario market and to export made-in-Ontario solar panels and wind turbines.

The previous government gave us dirty coal. We are eliminating coal entirely and cleaning our air.

They left us with 10 wind turbines. We brought in 700.

These investments cost money.

We had to invest. These were necessary, unavoidable costs.

We are *all* paying for decades of neglect by governments of all political stripes.

Around the world, residential and business consumers are feeling the impact of electricity prices.

And, if people tell you they can deliver clean reliable electricity at a lower price, don't believe them.

People want clean air and reliable electricity and they are also looking for a bit of help paying some of this additional cost until prices stabilize.

That's why today we are introducing the Ontario Clean Energy Benefit.

The Ontario Clean Energy Benefit would give Ontario families, farms and small businesses a 10 per cent benefit on their bills for five years.

That would be 10 per cent off your electricity bill every month, effective January 1, 2011.

This would help families, it would help hard-working small business owners, and it would make a difference for Ontario's farms.

The McGuinty government is doing this to help those who are feeling the pinch from the rising cost of living and, especially, rising electricity prices.

Every little bit helps during lean times.



Mr. Speaker, the people of Ontario deserve more and higher-paying jobs.

Since May 2009, the Ontario economy has created over 180,000 new jobs.

Improving provincial job numbers are one thing but they don't mean much if you don't have one. And even when you do get a new job, six or 12 months out of the workforce can have a big impact on family finances.

That's why this government trains more than one million people annually — through skills development and assistance at Employment Ontario.

Our Second Career program has helped over 36,000 laid-off workers get training. Over 60 per cent of Second Career participants get new jobs within three months of graduation.

Mr. Speaker, just as we needed to retrain workers, and just as we had to rebuild our electricity system, we needed to modernize a tax system that penalized business for investing in job creation.

Ontario's Tax Plan for Jobs and Growth is cutting taxes for people, cutting taxes for businesses and brings our tax system into the 21st century.

With the changes we've made so far, people in Ontario will see almost 600,000 new jobs within 10 years.

The Open Ontario plan moved forward with a group of tax breaks specifically designed to help families — like breaks on energy costs, on property tax or on children's activities.

With the changes we've made, nine out of 10 taxpayers pay less income tax than they did a year ago.



SECURING OUR RETIREMENT FUTURE

Mr. Speaker, everywhere I go people tell me they are worried that they haven't been able to save enough for retirement.

Future retirees should take comfort in knowing that we're taking meaningful steps to secure their retirement income.

We have introduced two bills on pension reform — the most significant reform to pension law in a generation.

The McGuinty government will also continue to fight for affordable enhancements to the Canada Pension Plan for Ontarians and indeed all Canadians.





MANAGING RESPONSIBLY: FISCAL UPDATE

Mr. Speaker, we made the decision at the beginning of this recession to protect jobs and sustain schools, hospitals and vital public services.

Our government is reducing the size of the deficit each and every year.

As economies return to growth, governments must return to balance — and our government is doing that.

We have a responsible plan to eliminate the deficit.

I'm pleased to announce that the projected deficit for 2010–11 has been cut by almost 25 per cent — compared to the forecast a year ago for 2009–10.

At this time, we are projecting that the deficit for 2010–11 will be \$18.7 billion.

The reason for this decline is twofold: stronger economic growth and responsible management.

We will continue to be prudent and efficient managers and invest tax dollars wisely.

We've taken action on our biggest spending line: compensation.

About half of the negotiated settlements since the *2010 Budget* have resulted in two years of no compensation increases.

To those unions and employers who have responded to our request for help, we say thank you.

Mr. Speaker, I will be providing periodic updates on the choices we are making to manage responsibly and to focus on the priorities of Ontario families.

We take this responsibility very seriously.

The previous government held a fire sale for made-in-Ontario assets like Highway 407. Instead, we're taking a thoughtful and responsible approach. We are negotiating the terms of a deal to renew our long-standing partnership in electronic land registration.

We are proposing to extend Teranet's licences to provide electronic land registration and writs services — while retaining control over fees. This proposed agreement would provide a \$1 billion payment to be used to reduce our debt. This would save up to \$50 million in annual interest costs. It would also provide annual royalty payments of an additional \$50 million starting in 2017.

When added to the \$1 billion reduction in the deficit, this means we are borrowing \$2 billion less than forecasted.





CONCLUSION

Mr. Speaker, our task is to encourage a competitive economy that creates jobs, to manage down the deficit and the debt, and to help Ontario families.

We cannot — we will not — turn back the clock to an outdated tax system that discourages investment and costs us jobs.

We will move forward with our plan to make Ontario a better place to invest so that jobs are created for our families.

We cannot — we will not — turn back the clock to coal-burning pollution.

With the changes we've made, we'll be leaders in clean air and clean energy.

We will not turn back to crumbling schools and closing hospitals.

Instead, we'll be moving forward with full-day kindergarten and educating our students so that they have the skills they need to get good jobs.

We will not allow this great province to fall back.

We've heard what people said about rising electricity costs.

We will deliver clean air, clean energy and a 10 per cent clean energy benefit on your bill.

Ontarians told us to help with jobs — we are taking action.

Ontarians said to help with their pocketbooks — we are taking action.

Ontarians said to protect schools and health care — we are taking action.

Mr. Speaker, we will continue to make investments that help grow the economy and create jobs. We will keep moving Ontario forward.

The people of Ontario deserve nothing less.

Thank you, Mr. Speaker.