



Ontario

*The Honourable* **CHARLES SOUSA**  
*Minister of Finance*

**STATEMENT**

**ONTARIO ECONOMIC OUTLOOK  
AND  
FISCAL REVIEW**

**2014**





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## Introduction

Mr. Speaker, I rise today to present the *2014 Ontario Economic Outlook and Fiscal Review*.

This statement shows how this government's economic plan is building Ontario up:

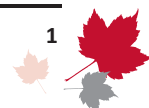
- By investing in people's talents and skills;
- By building modern infrastructure like roads and public transit;
- By creating a dynamic and supportive environment where business thrives; and
- By ensuring a strong pension system so everyone can retire with greater peace of mind.

The plan takes a deliberate and thoughtful approach to a balanced budget by 2017–18.

We are working towards that balance while ensuring that we provide the programs and services that Ontarians expect and rely on.

Mr. Speaker, the global economic environment remains challenging and contributed to a slower pace of economic growth last year.

However, there are positive signs the economy is gaining momentum this year, supported by resurgence in the United States. Major Ontario economic indicators, including real gross domestic product (GDP), exports and household consumption, have posted solid gains. And most significantly for many Ontarians, our unemployment rate declined to 6.5 per cent in October, down from 7.5 per cent at the beginning of the year and the lowest rate of unemployment since 2008.



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## Meeting Our Fiscal Targets

Our government is working to meet our fiscal targets, despite the challenges of relatively modest economic growth and lower-than-expected revenues.

Today, the Province's total revenue projection for 2014–15 is \$118.4 billion.

That is \$509 million lower than the 2014 Budget forecast.

This largely reflects a lower-than-anticipated level of taxes collected in 2013–14. That, in turn, translates into a lower outlook for revenues.

But Mr. Speaker, we have overachieved on our fiscal targets for five years in a row in spite of lower-than-expected revenues, thanks to sound management of program spending.

From 2010–11 through to 2013–14, growth in program spending was held to an average of 1.2 per cent per year.

This low growth rate was due to fiscal discipline.

We delivered public services more efficiently while making critical investments in the programs and services that people depend on, like health care and education.

Ontario has an efficient government, and it continues to become more efficient over time.

Indeed, Ontario consistently has the lowest per capita program spending among all Canadian provinces.



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## A Balanced Path to a Balanced Budget

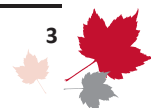
As I said, Mr. Speaker, our government is taking a balanced path to achieving a balanced budget by 2017–18.

We are taking a deliberate and thoughtful approach to the tough choices we face, making sure that each and every dollar goes further to achieve value for taxpayers' hard-earned money.

We are doing this by:

- Reviewing and transforming programs;
- Managing compensation costs;
- Ensuring everyone pays their fair share of taxes; and
- Unlocking the value of provincial assets.

We are committed to eliminating the deficit by 2017–18 while transforming and modernizing public services. Should economic conditions persist that result in the Province's revenue outlook falling further below the 2014 Budget projection, the government will consider other tools, as necessary, to balance the budget by 2017–18. This would be done while continuing to make critical investments in those programs and services that people depend on.



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## Reviewing Government Programs

My colleague, the Honourable Deb Matthews, President of the Treasury Board, is leading a careful review of every government program.

For each program, Minister Matthews and our Treasury Board colleagues will ask:

- Is it relevant?
- Is it effective?
- Is it efficient?
- And is it sustainable?

Focusing on evidence and results is critical to the review.

The objective?

Ensuring sustained funding goes to initiatives that work and deliver better results for people.

For the government, that means savings.

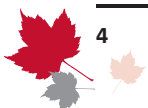
Those savings targets are set at \$250 million for 2014–15 and \$500 million for each of the next two years.

## Managing Compensation Costs

As well, we are working hard to manage compensation costs.

For example, in August the government reached a four-year collective agreement with the Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO).

This agreement includes a wage freeze in the first two years and a 1.4 per cent wage increase in each of the third and fourth years.



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It includes no new funding for compensation increases, sticking to the fiscal plan outlined in the *2014 Budget*.

The cost of wage increases in 2016 and 2017 is being offset over the four-year term through changes to benefits and entitlements, making it a net zero deal.

We are also working to manage compensation costs in the broader public sector.

To that end, the government introduced Bill 8, the Public Sector and MPP Accountability and Transparency Act, 2014.

If passed, the legislation would authorize the government to control the compensation of broader public-sector senior executives.

It would also authorize the Province to set compensation frameworks — including hard caps.

These are clear changes in how government operates that will yield clear benefits to all.

## **Ensuring Everyone Pays their Fair Share of Taxes**

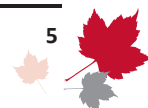
Mr. Speaker, over the past several years, our government has reduced taxes for businesses to encourage growth and investment.

Ontario now has a lower combined federal–provincial general corporate income tax rate than the combined federal–state tax rate in any of the U.S. states.

Of course, all businesses need to pay their fair share of taxes.

When businesses don't pay their fair share, they compromise our revenues and disadvantage other businesses that do follow the rules, allowing the underground economy to grow.

The underground economy impacts everyone.



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The underground economy will be forced above ground — and brought into the light.

The government is taking action.

We are strengthening compliance in high-risk sectors.

We are making sure that anyone who wants to do business with the Ontario government has paid their taxes before being awarded a government contract.

We are improving the way government ministries and agencies share information so there can be better enforcement.

We are taking further measures to address the supply of contraband tobacco.

Fair is fair, and these steps will help ensure that everyone plays by the rules.

## **Unlocking the Value of Provincial Assets**

Continuous improvement is also a guiding principle in managing provincial assets.

Unlocking the value of those assets will help our economy grow while creating jobs and sustaining government services.

It will also create new revenue that will be put towards improving infrastructure, including public transit.

As stated in the *2014 Budget*, the government will not simply sell public assets for the purpose of meeting operating budget shortfalls.

Rather, the additional revenue generated from public assets will help fund a new generation of public infrastructure.

The Premier's Advisory Council on Government Assets was asked to find ways to increase efficiencies and unlock the full value of Hydro One Inc., Ontario Power Generation Inc. (OPG) and the Liquor Control Board of



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Ontario (LCBO), including other aspects of Ontario's beverage alcohol retail system.

Mr. Speaker, the Council has many findings. Let's be clear. It recommends that the government retain all three core Crown corporations and still significantly improve their performance.

At the LCBO, we want consumers to have more choice, convenience and enhanced customer experience, while providing greater returns for the Province.

The Council has reviewed the key elements of our electricity system. Ontario Power Generation's generation business should be retained, with a focus on the Darlington refurbishment. Hydro One's core transmission business should also be retained at this time.

But the Council says local distribution is fragmented and can be inefficient. That is why the Council is recommending that the system of about 70 local electricity distributors be improved through consolidation and innovation.

Facilitating such consolidation is good energy policy and will also lead to a more efficient, adaptive and lower-cost system in the future.

Our government supports the Council's initial findings and we look forward to receiving its final recommendations, which will help inform the *2015 Budget*.

## Employment Is Up

Mr. Speaker, Ontario's economy is continuing to create jobs and our unemployment rate is down to 6.5 per cent.

Since the recessionary low in June 2009, Ontario has gained over half a million net new jobs, nearly all in full-time positions, and most are high-paying, rewarding jobs.

More needs to be done, and more is being done.



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## Investing in Ontarians' Skills and Talents

That is why we are taking steps to ensure that people, particularly young people, have the skills and training required for those high-paying, rewarding jobs.

To that end, we are launching initiatives and enhancing established programs so that high school students reach their full potential.

Set to launch next year, Experience Ontario will allow high school graduates to gain work experience before they choose their career path.

This and other initiatives build on the \$295 million Ontario Youth Jobs Strategy rolled out in 2013.

A key element of that strategy, the Ontario Youth Employment Fund, has already helped more than 23,000 young people gain work experience and find jobs.

And we are strengthening our skills training system, including conducting a review of the College of Trades, because skilled trades are fundamental to ensuring Ontario's economy grows.

## Building Up Ontario's Modern Infrastructure

Mr. Speaker, for Ontario to create better jobs, the province needs better infrastructure.

Ontario is planning to invest more than \$130 billion over the next 10 years in infrastructure. This includes \$12.8 billion in 2014–15.

Through our plan, Moving Ontario Forward, over the next 10 years we will be investing \$15 billion in transit and transportation projects in the Greater Toronto and Hamilton Area. We will also be investing nearly \$14 billion in critical infrastructure projects elsewhere in Ontario.

By investing in infrastructure today, we are creating jobs and growing our economy to meet the needs of tomorrow.



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## Strengthening Ontario's Business Sector

We are also modernizing and strengthening Ontario's business sector.

Key initiatives under our plan include maintaining a competitive tax environment, reducing regulations, and helping businesses manage their electricity costs so that they can invest and grow.

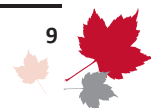
We are fostering strategic business partnerships through the \$2.5 billion Jobs and Prosperity Fund, and supporting growth in our key sectors, such as advanced manufacturing.

We are also fostering economic growth in all parts of the province, through regional economic development funds like RED — the Rural Economic Development Program. Recently, RED provided support to the Hensall District Co-operative in Huron County. This co-operative processes and markets high-value field crops for over 2,000 farmers, thereby creating jobs and generating \$4.3 million in private investment.

As part of the Province's Going Global Trade Strategy, designed to encourage international trade with Ontario, Premier Kathleen Wynne recently led a trade mission to China that attracted almost \$1 billion in new investments. Those investments by Chinese companies will create more than 1,800 jobs across Ontario.

We continue to create jobs and spur economic growth through support for our tourism and culture industries. For example, in September, we announced funding of \$5.9 million for a wide range of commemorative events for the 400th anniversary of the Francophone presence in Ontario.

I am very proud to report that the governments of Quebec and Ontario are working more closely together. For example, we will be holding a joint Quebec–Ontario cabinet meeting later this week. Increased cooperation will mean stronger economies for both Quebec and Ontario.



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Our Premier, Kathleen Wynne, who has played a leadership role as chairperson of the Council of the Federation, is working hard to increase cooperation among all provinces and territories across Canada, which can only mean good things for the Canadian economy.

## **Modernizing Ontario's Financial Services**

As well, we are working with provincial and federal partners to establish a Cooperative Capital Markets Regulatory System.

That means Canadian securities markets will be more competitive on the global stage and safer for individual investors.

In other words, it is better for both the securities industry and for consumers.

We are also reviewing the mandates of the Financial Services Commission of Ontario and the Deposit Insurance Corporation of Ontario, and reviewing the legislative framework for credit unions and caisses populaires as well as the regulation of financial planning in Ontario.

Having appropriate oversight in these important sectors is crucial.

We are also working with other jurisdictions, domestic and global, on new initiatives such as the recently announced trading hub in the Chinese currency in Canada. This will be unique because it will be the first such hub in North America, putting us at a competitive advantage over other financial centres such as New York and Chicago. It will support greater trade with one of the biggest economies in the world. We are doing so in collaboration with the government of China, as well as the federal and British Columbia governments.



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## A Strong and Secure Retirement

Mr. Speaker, the government is working hard to ensure a strong and secure retirement income system.

We are doing this so that the people of Ontario are better able to enjoy their retirement years.

As announced in the *2014 Budget*, we are moving to create a new mandatory, made-in-Ontario pension. It's called the Ontario Retirement Pension Plan (ORPP).

This is integral to the government's plan to invest in people and to help working families build a more secure retirement future.

My colleague, the Honourable Mitzie Hunter, Associate Minister of Finance responsible for the ORPP, has begun work towards the pension plan's launch in 2017.

## A Strong Ontario within a Strong Canada

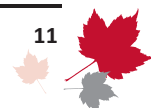
Mr. Speaker, when the global economic recession struck, the federal and Ontario governments worked together to ease the downturn's worst effects on people.

Collaboration between our two governments is still much needed.

We need to work together today to secure long-term productivity and prosperity and to build a strong Ontario within a strong Canada tomorrow.

It is critical that the federal government avoid further unilateral actions that hurt the people of Ontario, and actions that put the Province's fiscal plan at risk.

As the federal government begins realizing meaningful surpluses starting in 2015–16, it will have an opportunity to invest in partnerships that create Ontario jobs and grow our economy.



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It's not that we are asking the federal government to invest its money. We are saying that more of the money collected from Ontario should be invested in Ontario.

In many respects, the federal government collects a bucket of water from Ontario and returns a thimble. We need some of that water to flow back to us.

Ontarians contribute to federal coffers \$11 billion more than they receive back.

That gap amounts to \$850 for every person in Ontario, or \$3,400 per family of four.

It is true that Ontario has consistently been a net contributor to the federation, and that is how it should be. But now is the time for greater federal investments in projects that will benefit the Ontario economy, and, in turn, the economy of all of Canada.

To that end, we call on the federal government to match Ontario's investments in the Ring of Fire region.

We also call on the federal government to significantly increase its overall investments in infrastructure, such as public transit.

The time for these investments is now, so we can grow our economy now and for tomorrow.



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## **A Fairer, Healthier Ontario**

Mr. Speaker, we are determined to build a fairer and healthier Ontario.

To that end, the Province is taking action on its Poverty Reduction Strategy.

It is aimed at tackling chronic homelessness, as well as supporting people to find meaningful employment at a fair wage.

Allowing people to realize their full potential reduces poverty and makes good economic sense.

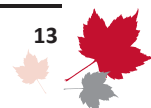
To help low-wage workers, the government has again raised the minimum wage to the highest of any province, \$11 per hour, and has indexed increases for the future.

## **More Affordable Auto Insurance**

For many in Ontario, driving a car to and from work is a necessity.

That is why government reforms aimed at fighting fraud and abuse are making auto insurance more affordable for Ontarians. More needs to be done, and we are doing more. We have introduced legislation that, if passed, should bring rates down even more.

Rates are going down. They have gone down by more than six per cent on average from August 2013 to August 2014.



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## Conclusion

Mr. Speaker, from now until our next budget, this government is pursuing its mandate for action.

The basis for what we are doing is four pillars.

We are investing in people's skills and talents. We are building modern infrastructure and transportation networks. We are creating a supportive and dynamic business climate. We are ensuring retirement security for everyone in Ontario.

These targeted investments, plus our determined effort to make every dollar count, will help eliminate the deficit by 2017–18.

In short, we are creating opportunity and security for all.

We are building Ontario up.

Thank you, Mr. Speaker.

