Draft 18
Minister Charles Sousa
Empire Club Pre-Budget Speech
April 13, 2017
Word Count: 3,166

Thank you, Paul [Fogolin] for the introduction.

I’m delighted to be back at the Empire Club.

We have leaders from many industries…

From business…

Academia …

The broader public sector.

You all have many demands on your time

And it means a lot to me that you are here.

It means a lot to me to have [placeholder to name audience members]

Okay, let me begin by saying that … Ontario's 2017…

…Balanced…

….Budget…

….will be presented to the Legislative Assembly of Ontario on April 27th.

We'll have to wait 2 weeks…for full details…

But today, I'd like to talk…

…about…the principles that have guided us … in preparing our fiscal plan …

About the choices that we are making …

And … more importantly … about what this Balanced budget will mean for the people of Ontario.

(1) **GUIDING PRINCIPLE**

First, let's talk about the key principle that guided us to balance.

To do that, we have to go back…to the start of the global recession.

It was a hard time.

It tested people.

And countries around the world.

Some estimates put the total loss at $15 trillion worldwide.

It had a devastating effect on global revenues…

…including Ontario.

Ontario lost more than 270,000 jobs.

The government was faced with hard choices.

Difficult choices.

But from the beginning, we chose to **take** a balanced approach.

What does this mean?

Well, some wanted us to make massive cuts across the board to eliminate the deficit … ultimately harming our recovery.

Others wanted us to borrow more…

Commented [TG(1]: Just wondering if this message contradicts what we've been saying on hydro a bit too much?

Instead, we responded…by controlling spending, making strategic investments and ensuring we supported what mattered most to Ontarians, priorities like health care and education.

I know some to the right of the political spectrum thought it as Keynesian [Keensian] and those to the left saw it as still too Freidman.

By the way…there are now those in my office who owe me a large Tim Hortons coffee after betting I couldn't crowbar the words "Keynesian" [Keensian] and "Freidman" into my speech.

Some would rather it have been solely based on monetary policy while others believed **<u>we</u>** should have taxed more and spent more.

For our government, it was **<u>not</u>** about economic theory…it was about keeping people working … keeping services running …

So that families could get through the recession without losing their homes …

So that kids could continue to get a great education … and prepare for future jobs …

So … that when we needed to go to the hospital …we would receive proper care.

Families mattered most.

In the end … what we did was not only the right thing to do…ethically…

But also the right thing to do…economically.

But we did more than that …. We also addressed expenses.

We did what many people do with their household budgets.

We looked for areas where we could find savings.

We froze salaries across the public sector…and for elected officials.

We transformed programs and services to make them even more efficient.

We took a hard look at measures and policies that were no longer effective…

…and ultimately… we saved the people of Ontario a half a billion dollars a year.

We remain the leanest government, with the lowest per-capita spending of any province.

On the health care front alone…our government enhanced delivery of services and reduced wait times… while holding growth in healthcare spending to around 2 per cent.

But as we found savings and improved services – some still suggested that we should tax more…

Without regard for businesses that create jobs.

Instead, we knew we needed to foster growth in the economy.

Increasing taxes during this time would have made it worse.

So we cut taxes, to help businesses.

We stimulated growth.

During those turbulent times we made historic investments in…roads, bridges, public transit, schools and hospitals…

…much of which is helping move goods to market faster and lowering costs in our just-in-time economy.

Creating good jobs for our construction trades…

…who did…and continue to do great work…in building Ontario up.

We're continuing to invest more than 160 billion dollars over 12 years...

Our enhanced GO Transit will provide faster, more frequent service.

It's one of the largest regional express rail systems in North America.

When it is fully operational, it will quadruple the amount of trips.

Adding more rapid transit in the GTA, including Hamilton, Mississauga, and here in Toronto, with the Eglinton Crosstown and the Finch West LRT.

These are smart investments.

For every dollar invested today, GDP increases by up to $6 in the long run.

What this means is…

When more infrastructure is built, private sector investment increases, businesses are more productive, and wages rise.

Those choices positioned us to do better.

It’s the same principled approach we took to protecting workers … and jobs in the automotive sector …

So that today … jobs are back.

We have gained back all of the jobs lost in the recession…and since the recession have added nearly 700,000 more.

… these jobs are good jobs –with the vast majority being full-time, in the private sector, and in industries paying above average wages.

Our unemployment rate has been below the national average for two straight years...

..it is the lowest since 2007.

And exports are up.

We have seen gains in manufacturing, retail sales and financial services.

Household incomes are up.

Just this morning, we announced that real GDP increased by 2.7 per cent in 2016….

That means…

…we beat private sector forecasts.

That's twice the rate of growth for Canada.

It's better than Germany's 1.9 per cent.

It's better than the U.S. at 1.6 per cent.

It's better than all the G7 countries.

I want to be clear: this is not just a Toronto economic recovery story.

Across Ontario, we are seeing more growth and more jobs.

Windsor's unemployment rate dropped **from** 9.8 per cent in 2015 to 6.0 per cent in 2016. That's in one year!

Reflecting the resurgence in manufacturing.

In Guelph, the unemployment rate fell to 4.8 per cent in 2016.

And in Oshawa, the rate fell to 5.9 per cent.

Driven by growth in services and construction.

More people are working…and there is more still to be done.

---

(2) CHOICES WE ARE MAKING

Which brings me to my second point.

To the choices…we are making in this budget.

The world has changed considerably since 2008.

But the principles that guide our government have not.

When we look out over the economic landscape …

Each and every day…our focus as a government..

…is to keep building opportunity for the people of this province.

And to continue supporting the vital services that our families depend on.

For example … We heard…loud and clear…that hydro rates are too high.

That's because … for decades, successive governments … of all stripes ... failed to make investments in the grid.

It was the worst of all possible worlds …

A system that didn't produce enough power…

…and much of what it did produce was dirty.

And we had transmission that couldn't keep up.

We had brown-outs…

We had smog days…

and we were falling behind in the race to lead in cleantech.

So … we decided to fix it… and today we have a green-power grid that is the envy of North America …

We supported investments of $50 billion to **build** cleaner power and 15,000 kilometers of new transmission and distribution infrastructure.

One that supports thousands of new jobs.

Building integrity and reliability.

No more brown outs.

No more smog days.

But fixing all this…ahead of the rust belt states and neighbouring provinces…has come at a price.

Although these are long term assets…people are seeing more upfront costs on their bills … today.

So … … we're financing these assets over a longer period, and cutting people's household electricity bills by 25 per cent on average.

And we are capping rate increases to no more than inflation for the next four years.

This proposed cut would provide real, substantial relief for families …

… and it is fairer, because it doesn't ask today's generation alone to pay the freight for everyone before and after.

[pause]

We also continue to look at ways to provide for more secure retirement.

Let's not forget

We led the fight to enhance the CPP.

This historic agreement between the Feds and the provinces…will significantly improve retirement for too many who do not have a workplace pension.

Without …our efforts on the Ontario Retirement Pension Plan…

…**<u>and</u>** our leadership in getting buy-in from other provinces…

…this agreement would never have occurred.

However … the question … remains:

How do we make sure that more people … more families …benefit from Ontario's growing economy?

We know that right now not everyone is feeling this growth in their everyday lives.

People are feeling insecure and uncertain about the future and the rising cost of living

So our solution is this:

we will continue investing in our people.

Because when government makes sure people can get ahead, that helps our economy stay ahead too.

And that's why we're helping 100,000 more kids access (affordable, licensed) child care…

…so that more parents and especially women can have the ability to go back to work

Commented [TG(2]: Do parents ever really choose between "caring" for their kids and working?

That's why we're making average tuition free for more than 210,000 students this fall…

So that more young people can get a higher education … and get ahead.

That's why we're creating better supports for families caring for aging parents …

So that the people who raised us … get proper care when they need it most.

But we are also asking ourselves, "How do we respond to new challenges as a result of a strong economy?

Take housing affordability and rising prices in the GTA.

I'm sure many of you are talking about it.

I'm asked about it every day.

On the one hand, strong housing is a reflection of Ontario's strong economy.

People are moving to Ontario.

We are attracting more people from across the country…and the world.

It's the highest rate of growth in 29 years.

It's a reflection of Toronto's world-class status.

People want to be here.

We have growing employment and higher incomes.

But this **<u>hot</u>** market has made it more difficult for many to buy their first home.

We want families and first time buyers to be able to pursue their dreams of home ownership.

We're working with all levels of government to try to find remedies.

Commented [BB(3]: Should include a reference to rentals here.

Last fall, our government took concrete steps to help.

We doubled the refund on the Land Transfer Tax for eligible first-time home buyers… to $4000.

To help them pursue their dream of home ownership.

At the same time, we want to protect homeowners…and avoid unintended consequences of new policy decisions.

For many, a house is their biggest asset.

We need to protect that investment.

So we need to take a thoughtful approach.

However, I am concerned about speculators playing the market…limiting supply.

I call them property scalpers.

They go into new developments, buy up a slew of new properties, crowding out families looking to buy, and then selling after construction at high profits.

And worse … these scalpers take advantage of a capital gains exemption instead of paying full freight as income.

A recent report by TD Economics confirmed this practice and it is why I asked Minister Morneau to close the loophole.

We also hear concerns about vacant properties that sit empty and limit supply.

Commented [TG(4]: Think we need to add something here about making sure that we have the right “mix” of housing. Rentals/condos/single family etc.

It`s unfair that deep pockets are driving up the cost of homes…making it tough for working families …to realize their dreams of owning a home to raise their kids …

I`ve said before and I’ll say it again: there is no silver bullet to solve this complex issue.

But in the coming days, you will hear more of what we plan to do.

---

(3) WHAT DOES THIS BALANCE BUDGET MEAN FOR ONTARIANS?

That brings me to my third point.

What does this balanced budget mean for Ontario families?

This budget is more than the government’s fiscal plan … its Ontario’s plan.

A plan to make sure everyone in Ontario has the opportunity to benefit from our changing economy…and our economic growth.

A plan to help those…still not feeling better off.

In a sense, the 2017 Budget represents the start of a new era.

We're no longer working to eliminate the deficit.

Our principles remain the same….build Ontario up…in balanced way:

- To protect our economy … and our environment

- To promote jobs … and security

- To enable our youth … and our seniors

- To foster prosperity … and fairness

We'll continue to create opportunity for Ontarians.

We'll continue to protect workers and consumers.

We will continue to protect our air, water and habitat … even when some are threatening to rip up agreements to cap carbon emissions and pave the Green Belt.

We'll continue to build on what matters most to families.

Eliminating the deficit … allows us to redouble our efforts.

to make lives a little more affordable

A balanced Budget means … <u>there</u> will be new investments….

…important investments:

- Because of a balanced budget- There will be new investments in public education … …promoting a highly skilled workforce …

- Because of our balanced Budget…

  …there will continue to be more resources through gas tax funding for communities to build transit and infrastructure …

- Because of **<u>our</u>** Balanced approach there will be significant investments in our universal health care…

  …providing us with an economic advantage over most of the world.

Let me reinforce this…

Ontarians are proud of our highly-valued universal health care, which makes sure people get the care they need…

….when they need it…

…where they need it.

But changing demographics are putting a strain on the system.

With a growing population…an aging population.

I have travelled across Ontario in the lead-up to this Budget.

Spoken to people from all walks of life.

And asked them what is most important to them.

Where they think we should make further investments, now that we have balanced the budget.

And everywhere I went, Ontarians told me:

Invest more in our Health Care.

Invest more in our Hospitals.

So please know that we have heard this advice.

And we have taken that advice very seriously.

So stay tuned for the Budget. We will be making a major injection into healthcare.

One that will make Ontarians even more proud!

As well, we are proposing to help more seniors take advantage of expanded transit across the province.

I am pleased to announce today that we will propose a new refundable public transit tax credit for seniors age 65 and over. This would lower their costs to ride public transit.

This is just another example of how we are making things more affordable and supporting a better quality of life for seniors.

Coming to balance also provides flexibility...to compete.

Coming to balance builds confidence.

Coming to balance helps businesses expand to new markets.

Ontario’s combined federal-provincial general Corporate Income Tax rate of 26.5 per cent is lower than the comparable rate in any of the U.S. states…

…and the corporate tax measures being proposed in the U.S. are an attempt to catch up.

Where we see uncertainty.

We see instability…to the south.

A strong relationship with Ontario supports good jobs on both sides of the border…and we are making sure our partners to the south know that.

New York State's recent decision to drop Buy American provisions from its budget…shows that US leaders understand and appreciate our ongoing partnership.

It also reflects our government's extensive engagement with state legislators…and the importance of our Premier's ongoing outreach to governors of 28 states who rely on Ontario as their biggest buyer.

Now I know critics will try to take away from the hard work that Ontarians have done to bring us to balance.

They never believed we could come to balance…

…so now they will focus **<u>only</u>** on Ontario debt… failing again to recognize how it helped us get here… failing to recognize … that ….

Ontario represents a very large economy, with $800 billion in GDP.

Our plan to return to balance was done in a fiscally responsible way.

We wisely took advantage of locking in low interest rates.

We have kept interest on debt payments low.

To put this in perspective....

In the year 2000, the previous Harris government was spending 15 ½ cents of every revenue dollar on interest.

Today, we are spending 8.4 cents – and it will be even lower next year and the year after that.

More importantly … our net debt to GDP is improving. And In fact our accumulated deficit to GDP, at 27%, is the same as it was 25 years ago.

All that to say…

Last year, 80 cents of every dollar borrowed went to invest in long term capital assets, with 20 cents going to programs and services.

This year, with a balanced Budget, every dollar we borrow will completely go to investment in capital.

Let me remind you: this is capital for new hospitals, new schools, new roads and new public transportation in your community.

This makes us more competitive long term.

That's a strong legacy…to leave for future generations.

So when critics tell you that our debt, used for capital investments will be a burden on our kids, they miss the point.

I have three wonderful adult children…all in their twenties.

And as their father, I feel an obligation to them.

To give them a better life…just as my dad did for me.

I strongly believe that…

…<u>not making</u> these investments would have placed a greater burden on them.

It would have slowed economic growth…

….and created fewer jobs….

…and saddled them with a much higher cost of making those necessary investments in the future.

Back in 2009 … we had major challenges…the deficit just over 19 billion.

We made a promise then, to chip away … … at the deficit carefully.

And we did.

In 2011 … the deficit went down to 13 billion …

In 2014 … it was 10 billion …

Last year it was 2…

It was a principled approach and we never wavered from it.

Because we believed then … and we believe now … in balancing the books.

In fact … the Liberal government achieved three balanced budgets before the recession.

The path to balance has not been easy.

There have been challenges … no doubt … and there will be new ones.

But what we've never done … what we will never do … is take Ontario backwards.

Some people like to reminisce about times past…when in their mind, Ontario was leading the way.

It was also a time of coal power and low-skill jobs.

Make no mistake, Ontario leads today.

Some would have us go back to compete with China or Mexico for low wage jobs. We know that is not realistic – and ignores the fact that Ontario is succeeding and leading today in value added manufacturing.

We are seizing the opportunities of the future, instead of indulging in nostalgia.

I understand that it makes some of us anxious and uncomfortable, but Ontario's advantage lies both in its people and our diversified economy.

The Ontario of today – and the Ontario of the future – is so much more than what it was in the past.

So…what is driving our economy?

Sectors like the creative cluster, including film and art, in agrifood processing, ICT, life sciences as well as advanced manufacturing such as auto and aerospace, and important resource industries like chemicals, forestry and mining.

Supported by our world-class colleges and universities.

We are tops in financial services in North America, second only to NYC… and we're tops in IT, second only to Silicon Valley.

It’s imperative we take advantage of our lead positions to marry them into greater fintech solutions.

Our engagement with MaRs research, Perimeter Institute, Communitech in Waterloo and DMZ in Toronto, new commercialization in Ottawa, gives Ontario the edge.

That is why we are investing in businesses of the future.

And you should expect more on this…in the Budget.

We know we must embrace new, potentially disruptive technologies.

While helping people manage change.

[Conclusion]

This Budget is the beginning of a new chapter for our province.

Over the next two weeks….

…as we take the final steps on our Path to Balance...

… my colleagues and I will be making a series of important announcements…

…to help you and your family…and my kids, too.

We will build on what we have accomplished…together.

A stronger, healthier Ontario.

Thank you.