

# **ANNEX I: A STRONGER ONTARIO**

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# I NTRODUCTION

The Ontario economy has proven remarkably strong and resilient in the face of an increasingly challenging global economic environment. Since 2002, higher oil prices, a high Canadian dollar and increased competition from newly industrializing countries have tested Ontario businesses' ability to compete and thrive. More recently, businesses have felt further pressure due to a slowing U.S. economy.

Despite these adverse developments, Ontario has seen continued strong job creation and business investment. Incomes are on the rise and the standard of living is one of the highest in the world. Ontario's economic growth continues to exceed expectations. Private-sector forecasts of Ontario's 2007 real gross domestic product (GDP) growth now average 2.0 per cent, up from 1.7 per cent at the time of the 2007 Ontario Budget.

The clearest sign of the Ontario economy's resilience has been its job creation record. Since October 2003, 417,900 net new jobs have been created. Over 95 per cent of these jobs were in occupations that paid on average over \$19.50 per hour, including jobs in natural and applied sciences, management, social sciences, and education.

Still, challenges remain. This strong job creation has not occurred across all sectors of the economy, and many families and communities have been affected by job losses. While total service-sector jobs (private and broader public sectors) have expanded by 10.8 per cent since October 2003, employment in the goods-producing sector has contracted.

There are continued risks on the horizon. The weakened outlook for the U.S. economy, higher oil prices and the stronger Canadian dollar have reduced private-sector Ontario economic growth projections since the time of the 2007 Budget. This also means greater pressure on Ontario businesses over the next few years as they adapt to a much more challenging economic environment.



## INVESTMENTS FOR A STRONGER ONTARIO

The Ontario Government is taking immediate action to further strengthen Ontario's economic advantage and help the manufacturing, forestry, agriculture and tourism industries weather economic challenges. The government's investment strategy builds on its five-point economic plan set out in the 2007 campaign platform, *Moving Forward Together*. In particular, the government is taking immediate action to keep taxes competitive, support innovation and accelerate its investment in infrastructure.

Measures announced in the *2007 Ontario Economic Outlook and Fiscal Review* will boost Ontario's ability to compete in the global economy by:

1. enhancing competitiveness through immediate tax reductions
2. investing in people and communities
3. investing in infrastructure.

In this document, the government is announcing more than \$3 billion in new investments and tax reductions. These actions will boost Ontario employment by about 30,000 jobs over the next three years.

### **I. ENHANCING COMPETITIVENESS THROUGH IMMEDIATE TAX REDUCTIONS**

The Province is proposing important new tax measures that support manufacturers and other sectors in Ontario challenged by current economic conditions. They would help Ontario manufacturers invest in their own businesses, creating and preserving jobs.

These new measures, totalling \$1.1 billion in tax reductions over three years, include:

- eliminating Capital Tax on January 1, 2008 for corporations primarily engaged in manufacturing and resource activities
- providing a 21 per cent Capital Tax rate cut for all businesses retroactive to January 1, 2007, on the way to full elimination in 2010
- increasing the small business deduction threshold to \$500,000 from \$400,000, retroactive to January 1, 2007.

The measures proposed would provide immediate tax relief for businesses, particularly for Ontario's manufacturing and resource industries. This will help to further encourage business investment, strengthen manufacturing and enhance the province's competitive position. See Annex II: *Enhancing Ontario's Tax Competitiveness* for further details of these proposed tax cuts.

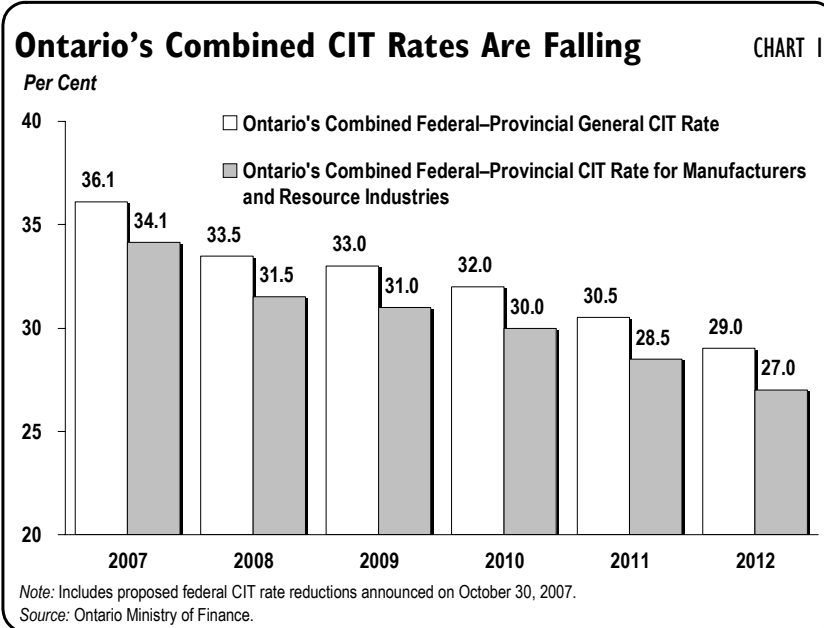
To assist manufacturers in acquiring new and advanced equipment and technologies, Ontario is paralleling the 2007 federal budget incentives related to accelerated capital cost allowances (CCA). A key incentive for manufacturers is the 50 per cent accelerated tax writeoff for investments in manufacturing and processing (M&P) machinery and equipment from March 19, 2007 until December 31, 2008. By paralleling the federal CCA measures, the Ontario Government will provide more than \$400 million in tax relief over three years to manufacturers investing in the province. Ontario urges the federal government to quickly commit to extend this incentive for three more years to 2012.

The government has worked steadily to enhance the competitiveness of Ontario's tax system. Since 2004, it has implemented or announced more than \$2 billion a year in tax cuts for business when fully phased in. This support includes accelerating Capital Tax elimination to July 1, 2010 and reducing high Business Education Tax (BET) rates by \$540 million when fully implemented in 2014.

Ontario's current combined federal–provincial CIT<sup>1</sup> rate for manufacturers and resource industries of 34.12 per cent is more than four percentage points below the average federal–state rate among its main trading partners, the U.S. Great Lakes States. Ontario's rate is also lower than the current corporate tax rates in Japan, Germany and Italy.<sup>1</sup> Once the proposed federal tax measures are fully implemented in 2012, Ontario's combined CIT rate for manufacturers and resource industries will be even lower at 27 per cent.

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<sup>1</sup> International tax rates as reported in *KPMG's Corporate and Indirect Tax Rate Survey 2007*.



Successful economies rely on a competitive tax and regulatory climate that supports innovation and economic growth. Modern and flexible regulation that promotes public policy goals while reducing compliance burdens can unleash the growth potential of Ontario businesses of all sizes. Ontario will continue to bring forward ways to reduce the regulatory burden on businesses to help them thrive in today's competitive global economy.

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## RECENT ONTARIO TAX INITIATIVES TO LOWER BUSINESS COSTS

Since 2004, the government has introduced initiatives to reduce business costs and enhance the competitiveness of Ontario's tax system. They include:

- eliminating more than \$1.3 billion in Capital Tax on July 1, 2010
  - reducing high Business Education Tax rates by \$540 million, when fully implemented in 2014
  - providing over \$400 million in tax relief with a temporary two-year accelerated CCA incentive for manufacturers and enhanced CCA for computer equipment, certain buildings, pipelines and clean energy generation
  - moving towards federal administration of Ontario corporate taxes, which will save businesses up to \$100 million per year in compliance costs and a further \$90 million per year in Ontario corporate income tax
  - introducing a new Apprenticeship Training Tax Credit (ATTC) that provides a 25 per cent (30 per cent for small businesses) refundable tax credit for new apprentices in designated trades.
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## **Investing in Tourism and Film**

Ontario's tourism industry has been challenged by the strong dollar. To meet this challenge, the McGuinty government will invest an additional \$30 million this fiscal year to expand the Ministry of Tourism's successful promotion and marketing campaign in the domestic and international markets. This new funding will also more than double the funding available for economy-boosting festivals and special events to promote tourism in every corner of the province.

The government is proposing further steps to support growth and increase jobs in Ontario's film and television sector. Effective for labour expenditures incurred after December 31, 2007, the Ontario Film and Television Tax Credit would increase to 35 per cent from 30 per cent and the Ontario Production Services Tax Credit would increase to 25 per cent from 18 per cent. These proposed enhancements would provide an additional \$50 million in financial support in 2008–09. The government will also be working with the film industry to explore ways of advancing financial support for producers to the start of a production.

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## **CONTINUING INVESTMENTS FOR STRONG INDUSTRIES**

More and more, global competitive challenges have prompted important sectors of Ontario's economy to boost their competitiveness through a transition to higher-value-added activities.

Ontario manufacturing, for instance, must continue to move to more technology-intensive and higher-value-added activities, and the service sector must continue to advance its higher-knowledge content.

Ontario has introduced strategic initiatives to help manufacturing and other key sectors make the transition to higher-value-added production, which leads to a greater ability to compete.

- The Ontario Government's auto strategy has helped leverage over \$7 billion in total new automotive investments to strengthen Ontario as a leading-edge manufacturer.
- The Advanced Manufacturing Investment Strategy so far has generated over \$600 million in additional new investments.
- Ontario has made available over \$1 billion in support to help forest-products manufacturing transition to a more competitive position.
- Ontario is strengthening industries by helping them transition to green products and processes.
- Dr. Robert Rosehart was recently appointed as Northwestern Ontario Economic Facilitator to work with local stakeholders and governments at all levels to help this region build a successful future.
- On December 4, 2007, the Ontario Government announced the appointment of Jayson Myers, President of Canadian Manufacturers and Exporters, and Jim Stanford, Economist with the Canadian Auto Workers, as vice-chairs of the new Ontario Manufacturing Council. The council will advise the government on approaches to sustaining growth and increasing global competitiveness.
- On November 30, 2007, the Premier announced that David Ramsay, MPP for Timiskaming–Cochrane, will review the current competitive challenges and drivers facing Ontario's manufacturers, particularly small and medium-sized businesses.

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## **Encouraging Innovation**

Global competition and current market economic factors also make it imperative to encourage ideas to reach the marketplace so that Ontario's firms can grow and compete in the new global economy.

The Ontario Venture Capital Fund will help attract the capital and investment expertise needed to bring new discoveries to market faster so they can create high-value jobs in the knowledge economy.

- The government is investing \$90 million in this fund and has signed a letter of intent with leading Canadian corporate and institutional investors for the \$165 million first round of the fund.
- The government will seek additional private-sector investors to grow the fund in the future.

The economy of tomorrow will also be built on the foundations of Ontario's strengths in research and the ability of its knowledge workers to bring ideas to market. The Ministry of Research and Innovation will be making \$50 million in additional strategic investments in 2007–08 to further strengthen Ontario's environment for world-class scientific research that leads to new discoveries, higher quality of life and new jobs. These investments will support opportunities for future growth in the knowledge economy.

As well, the government is proposing to extend the phase-out of the Labour-Sponsored Investment Fund (LSIF) tax credit to the end of the 2011 tax year, and increase the maximum qualifying investment from \$5,000 to \$7,500. These proposed measures will provide an estimated \$38 million in additional financial support to the industry over three years.

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## **SUPPORT FOR THE DEVELOPMENT AND GROWTH OF INNOVATIVE FIRMS**

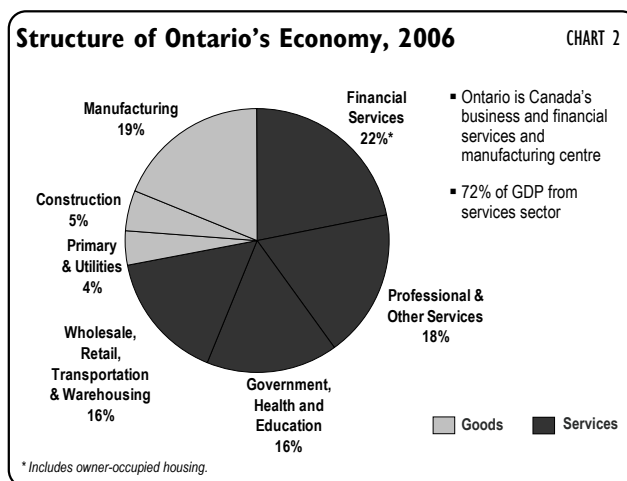
Through the Ministry of Research and Innovation, the government is already investing \$1.7 billion over five years to 2009–10 in programs that will help place Ontario on the leading edge of the knowledge economy. This includes:

- \$160 million for the Ideas to Market Strategy
  - \$90 million for the new Ontario Venture Capital Fund
  - \$46 million for the Market Readiness program to help startups become more “investor ready” by acquiring business management and entrepreneurial skills
  - \$24 million for the Innovation Demonstration Fund to provide seed capital for bio-based environmental and alternative energy technologies
- \$25 million for the Ontario Research Commercialization Program and \$171 million for Ontario Centres of Excellence to accelerate commercialization of university research and innovative startups
- strategic investments in regional innovation centres across the province, including in Sarnia, Waterloo, Hamilton, Toronto, Kingston and Sudbury.

Ontario also provides over \$400 million per year in tax relief for firms conducting research and development (R&D) in Ontario.

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## ONTARIO'S ECONOMY IS HIGHLY DIVERSIFIED AND INNOVATIVE



Ontario's diversified economy — led by a wide range of high-value-added services and manufacturing — helps provide underlying resilience to global economic challenges. In a competitive global environment, the future prosperity of any economy will also depend on its ability to innovate. Ontario accounts for more than 50 per cent of the expenditures on R&D performed by Canadian industry.

Seventy-two per cent of Ontario's GDP is generated by the services sector, which includes financial services and professional services. Among North American cities, Toronto ranks third in financial-services employment, after New York and Chicago, and Ontario as a whole employs around 350,000 people.

Professional and other services on their own account for 18 per cent of the Ontario economy. This group, which involves well-paid, high-skill activities, includes professionals in engineering, legal, accounting and management consulting. It also includes information and communications services and entertainment and creative services — two sectors in which Ontario ranks as the third-largest jurisdiction in North America in terms of employment.

The province's manufacturing employment level ranks second in North America, after California. Ontario is the largest motor-vehicle assembler in North America, surpassing Michigan in each of the past three years, and is a base of North American auto manufacturing for U.S. and Asian auto companies. Ontario also benefits from a vibrant pharmaceutical industry that employed over 22,000 people in 2006.

In recent years, biotechnology has emerged as a strong player in Ontario's knowledge economy, with strengths in the biomedical, pharmaceutical, medical devices, agricultural-biotechnology and bioproducts fields. The Province leads the country in biotechnology revenues, employees and R&D spending. In 2005, about 5,200 people worked in biotechnology-related activities in Ontario, and innovative biotechnology firms generated revenues of \$2.8 billion and invested about \$650 million in R&D.

## 2. INVESTING IN PEOPLE AND COMMUNITIES

### Helping Workers and Communities Adjust to Competitive Challenges

The manufacturing, forestry, agriculture and tourism sectors are facing competitive challenges, as are the families and communities that depend on them. Assisting workers and communities is a key part of the immediate plan for competitiveness.

Employment Ontario — the Province’s nearly \$1 billion annual jobs and training strategy launched in 2007 — provides coordinated training, apprenticeship and other labour market services.

As part of the Employment Ontario strategy, the Province will invest an additional \$40 million this year in skills development. This focuses on help for Ontario workers and communities adjusting to current competitive challenges through additional funding for the Rapid Re-employment and Training Service. The new investment will assist workers in sectors such as manufacturing with training and other employment supports so they can move to growing sectors of the economy. It will also help increase the availability of skilled workers.

The Rapid Re-employment and Training Service provides immediate assistance to workers affected by large layoffs with:

- special teams to help individual workers develop re-employment action plans including skills assessment, resumé preparation, job search planning and identification of training required to take on a new career
- customized training, skills upgrading, literacy, job placement and job relocation services
- new placements and accelerated in-school learning for laid-off apprentices.

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#### THE GOVERNMENT’S RAPID RE-EMPLOYMENT THREE-PART SERVICE PROMISE

This service:

- makes initial contact with the workers and employer within one hour of a public announcement of major downsizing or closure
- develops individual action plans, including training where appropriate, within 15 days of each initial assessment
- develops a Service Action Plan within 30 days of the initial response detailing the government’s response and outlining the roles of local service providers.

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Rapid re-employment teams have already provided immediate assistance in such communities as London, Smiths Falls, Windsor, Nipigon and Hamilton.

The government will provide an additional \$5 million in 2007–08 to the Communities in Transition program. Through this program, the Ministry of Economic Development and Trade works with communities facing significant challenges, such as the loss of a major employer, to help them build a successful future.

Some segments of agriculture currently face challenges that hinder industry transformation to a more competitive state. Ontario is providing \$150 million in new funding for cattle, hog and horticulture farmers to help them manage the effects of lower returns due to higher input costs, the stronger Canadian dollar and lower market prices. This funding will also support transitional and transformational initiatives to help strengthen competitiveness.

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## **EMPLOYMENT ONTARIO**

This program provides:

- nearly \$1 billion annually for a comprehensive jobs and training strategy
- training, apprenticeship, employment counselling, job search supports and subsidized job placements
- 1,200 service providers in nearly 900 locations across the province
- services for newcomers in multiple languages.

In addition to Employment Ontario, Ontario is investing \$160 million in 2007–08 to help newcomers settle, improve their language skills and find jobs through training programs.

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## **Ontario's Skilled and Highly Educated Workforce: A Key Advantage**

Ontario's skilled and highly educated workforce is a key economic advantage.

Ontario has a higher proportion of adults aged 25 to 64 with university, college or college-based apprenticeship credentials than any of the 30 OECD (Organization for Economic Co-operation and Development) countries, at 59 per cent in 2005.

Between 1997 and 2006, more than 90 per cent of the 1.2 million net new jobs gained by Ontarians went to those with a university or college education. Those with university degrees had an average annual employment growth rate of 5.1 per cent, followed by those with a postsecondary certificate or diploma at 3.1 per cent. The average annual employment growth rate for high school graduates was significantly lower, at 2.3 per cent.

The importance of a strong training system to competitiveness was underscored by a recent report by Colleges Ontario and a broad coalition of business associations, unions and students. The report stated that Ontario must make a concerted effort to address potential skills shortages as competitive pressures grow and a wave of retirements begins.

To build on this advantage, Ontario is continuing to implement the \$6.2 billion Reaching Higher plan for postsecondary education.

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## **REACHING HIGHER**

The \$6.2 billion Reaching Higher plan for postsecondary education has created more opportunities, more student financial assistance and greater quality in education:

- Increased grants for operating costs by over 40 per cent between 2003–04 and 2007–08, supporting the hiring of new faculty, increased student-faculty interaction and improved student services and libraries.
  - 86,000 more students enrolled in colleges and universities since 2002–03, a 22 per cent increase.
  - Graduate spaces to be expanded by 14,000 by 2009–10.
  - The number of grants increased threefold — now assisting 120,000 students compared to 2003–04, including 60,000 upfront tuition grants for low- to middle-income students.
  - Student debt capped — Ontario Student Opportunity Grants assist 80,000 students by forgiving student loans over \$7,000 a year.
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## **3. INVESTING IN INFRASTRUCTURE**

To encourage economic activity, help municipalities and enhance Ontario’s competitiveness, the government is investing an additional \$1.4 billion to build critical infrastructure.

The Province will allocate some \$500 million for transit projects and to assist municipal transit systems across Ontario in dealing with immediate demands. This will help increase ridership, address state of good repair, manage congestion and support the efficient movement of people and goods.

A \$300 million investment will be provided for municipal infrastructure priorities — for projects that stimulate local economies such as roads, bridges, community facilities and water systems. Projects to be funded will be chosen through a competitive application process. Some of the available funding will be geared specifically to small, northern and rural communities to help bolster their local economies.

In addition, \$100 million will be dedicated to priority MoveOntario 2020 projects — the \$17.5 billion transit and transportation plan for the Greater Toronto Area (GTA). This will help municipal transit projects such as the purchase of railcars and buses and track expansion at GO Transit that have been identified as priorities by Metrolinx, formerly the Greater Toronto Transportation Authority.

Manufacturers and other business investors cite the quality of infrastructure as one of the most important factors in where to locate and where to invest. Investing in transit and transportation infrastructure helps communities and companies move products to markets and people to work. These investments also have the added benefit of decreasing congestion and reducing greenhouse gases and air pollutants.

These new investments are in addition to other funding support for municipalities, including the gas tax and the Canada–Ontario Municipal Rural Infrastructure Fund (COMRIF). The Ministry of Transportation will soon be announcing the allocation of the gas tax. In the near future, the Ontario Government, along with its federal and municipal partners, expects to announce the final round of funding under COMRIF. Municipal infrastructure investments represent another significant step forward in the Provincial-Municipal Fiscal and Service Delivery Review.

The government will continue to make progress on the Highway 407 East extension and the Windsor border because they are particularly important to the manufacturing sector.

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## CONTINUING INVESTMENTS IN INFRASTRUCTURE

Investment in Ontario by all levels of government increased by more than 50 per cent in real terms in 2006 compared to 1997. The most important factor behind this growth is the Ontario Government's ReNew Ontario infrastructure plan, the Province's comprehensive, long-term strategy that deals with infrastructure planning and investment.

- ReNew Ontario is a five-year strategic plan of over \$30 billion in infrastructure investment, introduced in 2005, to upgrade and transform Ontario's infrastructure to meet the needs of the 21<sup>st</sup> century.
- ReNew Ontario makes a significant direct contribution to employment during the time the infrastructure is being built — some 400,000 jobs.

Ontario is also investing in rural infrastructure, with:

- \$188 million in 2005–06 provided under Move Ontario for roads and bridges
- \$85 million in the 2006–07 school year for school repairs and renovations under the Good Places to Learn initiative
- \$140 million in 2006–07 for key investments identified by local communities under the Rural Infrastructure Investment Initiative.
- The Ontario Government recently launched the MoveOntario 2020 initiative to continue to address transportation infrastructure challenges and further advance Ontario's priorities in reducing greenhouse gases and air pollutants.
  - This multi-year, \$17.5 billion rapid transit action plan for the GTA and Hamilton will reduce congestion and make the region a more attractive place to invest.
  - The federal government is also encouraged to collaborate with the Ontario Government in funding MoveOntario 2020.
- Investments in Ontario's electricity infrastructure support and enhance the province's competitiveness and quality of life. The government's policies have initiated or supported one of the most ambitious near-term building programs in North America for new electricity generation.
  - About \$13 billion in investments are being made in projects in progress for new and refurbished generation.
- The 2007 Budget provided an additional \$390 million for infrastructure investments in higher education, supporting quality improvements that will provide students with the best possible learning environments. This supplemented significant ongoing investments under the Reaching Higher plan for postsecondary education.
- The Ontario Government reaffirms its commitment to moving forward on the Windsor border gateway project and building on the progress it has made so far.

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The Province will announce further investments early in the new year.



## FEDERAL GOVERNMENT HAS A ROLE TO PLAY

Ontario is doing its share. But Ottawa certainly has the financial means to do more.

Since 1997–98, the federal government has consistently reported budgetary surpluses and, in 2006–07, its surplus amounted to \$13.8 billion. In its most recent *2007 Economic Statement*, the federal government projected that budgetary surpluses will continue for at least the next five years and forecast an underlying surplus for 2007–08 of \$11.6 billion.

### **Supporting Business Investment in Ontario**

While Ontario supports the federal government's efforts to phase in lower tax rates for businesses by 2012, Ottawa must do more now to support the manufacturing sector in Ontario.

Building on the success in attaining greater fairness for Ontarians from the federal government in immigration and social service funding, the Province will continue to fight for fairness by aggressively calling on the federal government to match Ontario's strategic investments — in particular, the \$1.15 billion Next Generation Jobs Fund and the Advanced Manufacturing Investment Strategy.

Ontario is already providing immediate benefits to manufacturers by speeding up the elimination of the Capital Tax, as well as continuing to reduce high BET rates, investing in education and making strategic investments in the auto fund.

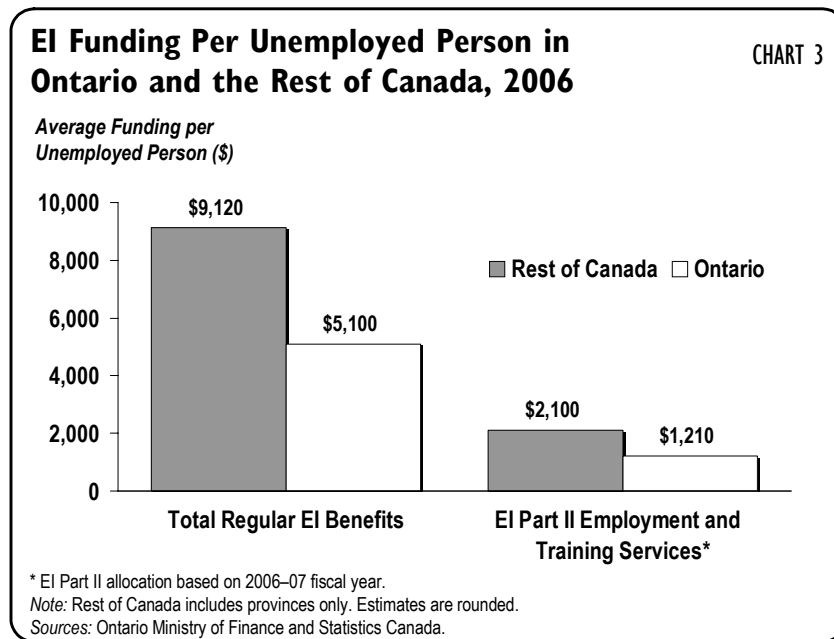
While the federal accelerated writeoff for M&P machinery equipment is a positive initiative, its short time frame limits the potential for substantial investment, as decisions to expand and invest are often planned years in advance. The federal government can further support investments in manufacturing by extending the temporary CCA incentive, which Ontario will parallel.

Ontario urges the federal government to quickly announce its intention to extend this incentive. Extending this incentive by three more years, to 2012, would provide manufacturers with a significant incentive to increase productivity and contribute to job creation.

## Supporting Ontario's Workers

Ottawa can do more to assist workers in Ontario.

Ontario is also pressing for the federal government to address the inequities within the Employment Insurance (EI) program. The EI program has serious shortcomings that result in a significant share of Ontario's unemployed not receiving EI assistance when they need it most. If Ontario's unemployed workers received the average of EI benefits paid to unemployed workers in the rest of Canada, they would each get an additional \$4,000 annually.



Employment Insurance should play a crucial role in helping workers cope with temporary and involuntary unemployment, as well as providing assistance to people as they move from industries facing challenges to industries with growing opportunities. However, the current EI system is not fulfilling this role for Ontario workers.

Employment Insurance regular benefits are inaccessible to many of Ontario's unemployed workers. As a result, many Ontario workers cannot depend on EI to provide them with the temporary income support they would need to search or train for new jobs if they became unemployed.

Employment Insurance Part II, the labour-market support and training component of the EI program, is also failing to meet the needs of Ontario workers. This is a particular problem for workers in Ontario's manufacturing sector, where some are experiencing layoffs due to economic challenges such as the high dollar and global competition.

Employment Insurance contributions by Ontarians largely exceed the benefits they receive. The EI Account had a cumulative surplus of \$54 billion in 2006–07, which is largely due to excess contributions by Ontarians. Annual EI surpluses go directly into the federal Consolidated Revenue Fund. This practice clearly indicates that the EI program has not been managed in the interests of unemployed persons. The considerable cumulative EI surplus should be used to fund new programs for sectors experiencing challenges, such as the manufacturing sector.

The most recent federal Speech from the Throne committed the federal government to taking measures to improve the governance and management of the EI Account. Ontario welcomes this commitment and encourages the federal government to quickly address the shortcomings of the EI program.

The Ontario Government calls on the federal government to immediately:

- implement a new income-support program, funded from the \$54 billion EI Account surplus, to provide long-tenure, permanently laid-off workers in the manufacturing and other challenged sectors with the support they need while they search or train for new jobs
- provide targeted resources for training and other employment supports that supplement the EI program for workers who are laid off in the manufacturing sector
- establish an arm's-length EI Account that is managed by a body independent of the federal government. This change would ensure that any surpluses in the EI Account are available to benefit workers instead of being consolidated with general revenues and spent by the federal government on other initiatives.

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## **KEY FACTS ABOUT EMPLOYMENT INSURANCE**

- In 2006, only 30 per cent of unemployed persons in Ontario received regular EI benefits, compared with an average of 54 per cent in other provinces.
  - Ontario's workers and employers contributed about 40 per cent of all EI premiums in 2006, but its unemployed were paid only 26 per cent of total regular EI benefits.
  - In 2006, unemployed Ontarians accounted for 39 per cent of Canada's unemployed, but Ontarians received only 27 per cent of the national funding allocation for EI Part II.
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## **Supporting Municipal Investment in Infrastructure and Public Transit**

Ottawa can do more to assist Ontario municipalities to make much-needed investments in public transit and infrastructure.

Ontario believes that the federal government has missed an opportunity to support investments in infrastructure and transit systems by ignoring repeated requests to provide \$1.9 billion a year to municipalities in Ontario.

In June 2007, the Province launched the MoveOntario 2020 initiative to continue to address transportation infrastructure challenges and further advance Ontario's priorities in reducing greenhouse gases and air pollutants. This multi-year, \$17.5 billion rapid transit action plan for the GTA and Hamilton will deliver jobs and investment by reducing congestion.

While Ontario continues to invest substantially in the quality of its infrastructure, it is imperative that the federal government invest in it as well. One example of a successful collaboration between the federal and Ontario governments is the joint commitment with U.S. partners to build a new border crossing at Windsor–Detroit.

Ontario is committed to improving its infrastructure, and encourages the federal government to fulfil its commitments to public transit and such projects as the Windsor border gateway as soon as possible.

## **Fulfilling Ontario's Fair Share**

Since 2005, with the support of Ontarians across the province, the government has worked with the federal government to achieve greater fiscal fairness for Ontario. In its 2007 Budget, the federal government responded to these efforts by taking some measures to address fairness.

However, this work is not complete as issues remain that affect the fairness of federal transfers to Ontario.

The 2007 federal budget announced that the Canada Health Transfer (CHT) will be placed on an equal per-capita cash basis, but not until 2014. It is unacceptable that Ontarians should wait until 2014 for fairness in health transfers, when Ottawa clearly has the fiscal room to address the issue immediately. The delay in implementation will cost Ontarians \$819 million in 2007–08 alone.

Accordingly, Ontario calls on the federal government to put the CHT on an equal per-capita basis immediately.

## **CONCLUSION**

Ontario's economy has remained strong in the face of increasing global economic challenges. Its resilience is largely due to its highly skilled workforce, its diversified economy and the government's sound investments for a strong Ontario.