



# Ontario Economic Outlook and Fiscal Review

# 2007



The Honourable Dwight Duncan  
Minister of Finance

*Statement*

General inquiries regarding the *2007 Ontario Economic Outlook and Fiscal Review, Statement* should be directed to:

Ministry of Finance  
95 Grosvenor Street, Queen's Park  
Frost Building North, 3<sup>rd</sup> Floor  
Toronto, Ontario M7A 1Z1

or call:

Ministry of Finance Information Centre  
Toll-free English & French inquiries: 1-800-337-7222  
Teletypewriter (TTY): 1-800-263-7776

For electronic copies of this document, visit our website at  
[www.fin.gov.on.ca](http://www.fin.gov.on.ca)

Printed copies are available from:  
ServiceOntario Publications  
777 Bay Street, Market Level  
Toronto, Ontario M5G 2C8  
Telephone: (416) 326-5300  
Toll-free: 1-800-668-9938  
TTY Toll-free: 1-800-268-7095  
Website: [www.publications.serviceontario.ca](http://www.publications.serviceontario.ca)

© Queen's Printer for Ontario, 2007  
ISSN 1499-5557 (Print)  
ISSN 1499-5565 (PDF/HTML)

Ce document est disponible en français sous le titre :  
*Perspectives économiques et revue financière de l'Ontario de 2007, Allocution*





## Introduction

Mr. Speaker, I rise today to present the 2007 Ontario Economic Outlook and Fiscal Review — the next phase in our plan to move Ontario forward.

*Strong and resilient economy*

Our economy is as strong and resilient as Ontarians themselves.

In fact, so far this year, the province's economic performance has exceeded expectations.

The fundamentals of our economy are vital and strong.

We do, however, face some challenges, including the state of the U.S. economy, the value of our dollar and the price of oil.

These external forces are having an immediate impact on the manufacturing, forestry, agriculture and tourism sectors — and the families that depend on them.

This is our immediate priority, and today I will announce immediate action that builds on our previous initiatives.

*Continued growth*

The government's plan, at its core, is about investing in our people and in our infrastructure, so that, working together, we can foster the next generation of economic growth.

## Economic Outlook and Fiscal Update

Mr. Speaker, Ontario's highly diversified economy and highly skilled workforce are key to continued growth in the short and medium term.

Stronger-than-expected growth this year will be followed by continued growth in each of the next two years, though private-sector analysts have revised their expectations downward since the 2007–08 Budget.

Growth this year has been revised upward to 2.0 per cent, with growth next year expected to be 1.9 per cent and 2.5 per cent for 2009.

*External challenges*

Underlying these revised projections are greater uncertainty in the U.S. economy resulting from recent developments in the housing market, the stronger-than-expected performance of the Canadian dollar and the higher-than-anticipated world price of oil.

In spite of these very real external challenges, growth is up, employment is up and wages continue to improve.

This year's Budget will be balanced.



If the reserve is not required, we will have a \$750 million surplus — \$400 million more than we projected in the March Budget.

*Balanced budget*

And we will meet our commitments over the next two fiscal years with no deficits or tax increases.

Our plan is balanced, it's prudent and it's the right plan for Ontario.

## The Plan

Mr. Speaker, the McGuinty government is moving forward today with a \$3 billion strategy to boost competitiveness, which targets immediate investments to those sectors, communities and families not sharing in Ontario's prosperity.

*Plan for  
stronger Ontario*

The success of our plan, to date, gives us the flexibility to do more now.

Building on past initiatives, we are now moving forward on our five-point plan for economic competitiveness, outlined earlier this fall.

Our government is taking unprecedented action.

First, effective January 1, 2008, we propose eliminating the Capital Tax for the manufacturing and resource sectors — including forestry.

Further, we are proposing to cut the Capital Tax rate for all businesses by 21 per cent, retroactive to January 1, 2007.

In so doing, we accelerate the plan we established in 2004, which will help foster investment and job growth across the province.

*Boosting Ontario's  
manufacturing*

Mr. Speaker, small businesses create jobs and they are the economic backbone of our communities.

Our government will help small business by proposing to increase the small business deduction threshold to \$500,000 from \$400,000 — retroactive to January 1, 2007.

Over four years, thousands of businesses across Ontario would benefit from this \$100 million initiative. More than 20 per cent of them are in the manufacturing and resource sectors.

Finally, we propose an increase in the tax credit rate for the Ontario Film and Television Tax Credit from 30 to 35 per cent, and for the Ontario Production Services Tax Credit from 18 per cent to 25 per cent, lending further support to this burgeoning sector of our economy.



Altogether, this \$1.1 billion tax package targets those sectors and communities under the most pressure. It would help protect existing jobs, stimulate investment in new jobs and provide immediate cash flow to those industries most in need of working capital.

*Help for  
homebuyers*

Mr. Speaker, we are also proposing to expand our Land Transfer Tax refund to resale homes to help out first-time homebuyers. Effective today, newly constructed and resale homes would be eligible for a refund of up to \$2,000.

The McGuinty government has been pursuing an ambitious plan of infrastructure renewal since taking office in 2003.

To create jobs and boost competitiveness, we will invest an additional \$1.4 billion in public infrastructure.

Every community has infrastructure priorities and we want to get those projects started now. The Ministers of Public Infrastructure Renewal, Transportation, and Municipal Affairs and Housing will be providing details on how our municipal partners can access \$900 million in funding shortly.

*Investing in  
infrastructure*

The most critical infrastructure investment for the Ontario economy is a new border crossing at Windsor. Stakeholders are unanimous: we need that crossing now.

The Detroit River International Crossing study team will soon present its preferred alternative for the new access road, plaza and crossing.

The Government of Ontario will fully fund its share of the costs associated with that new access road, subject to the successful completion of all approval processes.

As we make these investments, while respecting trade agreements, we will strive to ensure Ontario businesses benefit.

Mr. Speaker, many Ontario farmers have faced particular challenges related to the Canadian dollar. The McGuinty government will provide \$150 million in new dollars to strengthen competitiveness and to help cattle, hog and horticulture farmers manage the current market conditions. The Minister of Agriculture will work with the farming community to get this help to our farming families quickly.

*Supporting tourism  
in Ontario*

Tourism is a key sector in our economy that is being buffeted by external events. Today, we are investing an additional \$30 million to extend our Travel Ontario campaign and support economy-boosting cultural festivals.



In addressing today's pressing challenges, we need to continue investing in research, innovation and commercialization — the foundation of tomorrow's jobs. The Minister of Research and Innovation will soon announce details of \$50 million in new investments.

When we speak of sectors, Mr. Speaker, we are really talking about Ontario families.

When even one of us is out of work, Mr. Speaker, all of us feel a responsibility.

*Expanding  
Employment Ontario*

We will expand and improve the nearly \$1 billion Employment Ontario program with \$40 million in new resources.

This new investment will focus on a timely Rapid Re-employment and Training Service — to deliver immediate career counselling and retraining for people facing layoffs.

Mr. Speaker, this province is taking strong action to build on the strength of our economy.

But we could do even more with the help of the federal government.

Half of the manufacturing jobs in Canada are right here in Ontario.

It's clear that taking action is more than a provincial concern — it's a national imperative.

*Encouraging growth*

Corporate income tax rates in Ontario are already lower than the rate the federal government plans to reach in 2012.

We're doing our part to encourage growth, and now it's time for Ottawa to do more by extending the accelerated capital cost allowance for manufacturers by three years.

Most Ontario workers work longer hours than workers in other parts of Canada in order to qualify for less Employment Insurance support. This is wrong.

If the plan worked fairly, on average, an unemployed Ontario worker would see an additional \$4,000 in annual benefits.

And it's time for the federal government to do its part for our cities and towns, by providing municipalities with \$1.9 billion in additional funding for infrastructure and public transit.



Finally, Ontario will not support a free trade agreement with South Korea that does not give Ontario businesses equal access to the South Korean market.

And we call on all members of this House to join us in urging the federal government to be a full partner in building a stronger Ontario for a stronger Canada.

## Conclusion

Mr. Speaker, the people of Ontario are counting on us to move Ontario forward.

They want us to be prudent fiscal managers and pursue real progress — at the same time.

Mr. Speaker: working together, Ontarians can overcome the challenges before us, and win opportunities — not just for a few, but for all.

*Moving forward  
together*

That is what our plan is all about.

That is what the McGuinty government is all about.

And the people of Ontario deserve nothing less.

Thank you, Mr. Speaker.