



Ontario

# 2011

## ONTARIO ECONOMIC OUTLOOK AND FISCAL REVIEW



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*Minister of Finance*

STATEMENT

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## INTRODUCTION

Mr. Speaker, I rise to present the *2011 Ontario Economic Outlook and Fiscal Review*.

I do so at a time when the global economy is uncertain.

In some cases, that uncertainty comes from real, pressing challenges facing our trading partners.

In Europe, the situation remains volatile — which, for Ontario's strong financial sector, remains a concern.

In Japan, the economic impacts of the tragic tsunami continue to be dire — which, for Ontario's manufacturing sector, has meant disruptions to the supply chain.

And slower growth in the United States — our largest trading partner — affects Ontario's growth, too.

In other cases, global economic uncertainty is born out of nothing more than nervousness and rumours that ripple through the stock markets, wiping out savings in the process.

These are uncertain times, Mr. Speaker.

And people are anxious.

And that is understandable.

Our job, as a government, is to speak to that.

Which is why, Mr. Speaker, our government's priority will be Ontario's economy and job creation.

In the past eight years, we have made great progress — together with Ontarians — in building the foundation of a strong economy.





We built stronger schools, together.

As a result, we have one of the best-educated workforces in the world.

Now, we have to work together to make sure more of those workers find the good, high-paying jobs they have earned.

We built a better health care system, together.

As a result, wait times are down, some 1.3 million more Ontarians have access to a family doctor, and we have more doctors and nurses.

Now, we need to use our health care advantage to attract more investment.

And we have reformed our tax system, together.

As a result, we are one of the most competitive places in the world for new business investment.

Now, we are redoubling our efforts to leverage that advantage.

Growth in the last two years has been moderate — which is more than many places in the world can say — but there is still more to do.

Mr. Speaker, these are serious times.

They require a serious plan.

Steady leadership.

And all of us, working together.

We have that, here in Ontario.

Which is why I believe there is no place that is better prepared to weather the storm — and better positioned to grow and take advantage of new opportunities — than Ontario.

## SLOWER GLOBAL ECONOMIC GROWTH

Over the last eight months, private-sector economists have lowered their projections for Ontario's economic growth by about 25 per cent for this year and next.

Our economy is still growing, but neither as quickly as earlier forecasts predicted, nor as quickly as we would like.

Since our *Budget* was based on those earlier predictions, we will be facing some additional pressure as we protect the gains we have made in our schools and hospitals while also reducing the deficit.

Mr. Speaker, in spite of these lower forecasts, we remain committed to meeting the targets in our balanced budget plan.

The *2011 Budget* laid out additional details about how we would achieve that balance.

And, more recently, the Premier has laid out the principles our government will follow as we balance the budget.

We will protect health care and education as the most important public services.

Any reforms we undertake will not compromise those services.


We will reject across-the-board reductions because they would mean deep cuts to health care and education.

Any reforms that we adopt must lead to better value for money through improved efficiencies and greater productivity.

We will not consider tax increases or privatize public health care.

And finally, we will not pursue austerity measures that harm our economy.





Mr. Speaker, by adhering to these principles we will continue to provide Ontarians with the public services they depend upon, deliver the reforms necessary to meet our goals and remain on the path to balance set by our *2010 Budget*.

Our greatest opportunity for reform and renewal will be found in health care.

With health care consuming an ever-increasing part of the budget, and with the growing pressures created by our aging population, many Ontarians fear for the future of health care.

Mr. Speaker, our government will tackle this challenge. We will work to guarantee a strong health care system — not only for ourselves, but for our children and grandchildren.

## ACHIEVING OUR GOALS

Mr. Speaker, as we return Ontario's budget to balance and lead our province through this time of global uncertainty, we will do so with the same energy and fervour that characterized our previous efforts.

In 2003, Ontario was confronted with deteriorating public services.

Our government took action and, today, Ontario is recognized around the world for its high-quality schools.

And we have the shortest surgical wait times in Canada.

In 2008, the global economy fell into one of the deepest recessions in generations.

Our government, like many others, invested heavily in stimulus — building roads, bridges and other important infrastructure.

These investments reduced the impact of the recession on our families by protecting and creating jobs.

Now we have a new challenge: we must provide world-class public services and return to a balanced budget in a time of slow economic growth.


So, we have taken action once again.

We have saved money through generic drug reforms, reduced the number of government agencies by five per cent and we are reducing the size of the public service.

And, in the *2011 Budget*, we announced the Commission on the Reform of Ontario's Public Services, chaired by economist Don Drummond.

In a few months, we will receive the commission's recommendations on ways to reform public services.





Mr. Drummond's report will help launch a thoughtful conversation and debate on the best ways to meet Ontario's goals of eliminating the deficit while protecting schools and hospitals.

A conversation about meaningful reform to the way government delivers services to taxpayers ...

A more meaningful debate than simply calling for deep, arbitrary, across-the-board cuts.

Such cuts do not deliver long-term results in lowering growth in spending.

They merely cause delays, passing on decisions and responsibility to future governments ...

And they would unravel the progress Ontarians have made in improving schools and hospitals.

A far more demanding — and far more rewarding — approach is to examine everything the government does, piece by piece, to find creative, efficient and effective ways to deliver public services.

A smarter, more strategic approach is to look at what sort of decisions we must make today to produce more value for taxpayers while still delivering the best results to Ontario families.

Facing lower forecasts for economic growth, Ontario will meet the challenge by building on its track record of reforming the way government works.

We know that Mr. Drummond's preliminary advice is to hold growth in program spending to one per cent per year.

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That is something we will be consulting Ontarians and the legislature about when the commission's report is finalized.

We also know that any new spending or unforeseen expenditures must come from savings realized elsewhere.

Governments of all political stripes over the last generation have accumulated debt.

As all Ontarians know, continuing to borrow without curbing spending is simply not sustainable.

Mr. Speaker, earlier this fall, all the political parties represented in this legislature presented the same timeline to eliminate the deficit.

All three parties projected very low rates of growth in program spending.

So, I am pleased to announce that, this past year, the rate of spending growth has been cut almost in half.

And, in keeping with the reduced deficit targets laid out in our *2010 Budget*, we are projecting a deficit of \$16.0 billion for this fiscal year.

In fact, this puts us slightly ahead of the *Budget* forecast despite the global economic uncertainty and volatility.

However, we all know there is more work ahead of us.

And our government will continue to meet its targets.



As we continue to move Ontario forward, Mr. Speaker, we will give priority to the parts of our plan that both address the needs of Ontario families and strengthen our economy.

We will propose a Healthy Homes Renovation Tax Credit.

The credit would help seniors stay in their homes longer ...

Support over 10,000 jobs and about \$800 million in economic activity ...

And benefit taxpayers by relieving pressures on long-term care costs.

Given the need to balance new spending aimed at helping families with the need to lower spending growth, the cost of this program would be offset by savings in other areas.

Mr. Speaker, this is our new reality.

New policies considered by this government and by the legislature must not stand in the way of eliminating the deficit.

## CONCLUSION

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Mr. Speaker, Ontarians have always risen to challenges that confront us.

When our government was confronted with failing public services and an electricity system unequal to the task of driving economic growth, we responded.

When the global economy tumbled into the recession, we responded.

When Ontario's tax system needed reform to increase investment and create jobs, we responded.

And while the challenges facing us today are new, how we choose to face them is not.

We will respond as Ontarians have always responded.

With determination.

With hard work.


And by working together.

Our government will be prudent in our planning, relentless in our reforms and put good ideas ahead of ideology.

We will work with this House ... and where there are ideas that are consistent with the principles we have laid out ... and that serve to strengthen Ontario's economy ... we will gladly use them.

Because we know that is what Ontarians expect of us.





And, Mr. Speaker, I know that Ontarians will recognize our current challenges as an opportunity to come together ...

To move forward, together, and build on the tremendous accomplishments we have already achieved, together.

Our government stands with Ontarians.

We are inspired by Ontarians.

And our priorities are — and will remain — the priorities of all Ontarians.

A great quality of life for our families.

The security and confidence that come with a good job.

And a bright future for our children.

Thank you, Mr. Speaker.