

# SECTION F: EXPANDING OPPORTUNITIES FOR ECONOMIC GROWTH

## OVERVIEW

A strong economy is the foundation of Ontarians' quality of life. Well-paying jobs are key to the prosperity and health of the province's families and communities.

In 2003, Ontario needed to improve its global competitiveness and was not investing in the skills and knowledge of its people.

Since taking office, the McGuinty government has pursued a balanced economic plan, investing strategically to strengthen the capacity of Ontario's people and businesses to compete in the global economy. By managing its own resources prudently and making needed investments in health care, education and infrastructure, the government has positioned Ontario as an innovative economy.

This Budget's initiatives build on the government's accomplishments through:

- **fostering a strong business climate** by proposing to accelerate the elimination of the capital tax to July 1, 2010 and reduce high Business Education Tax (BET) rates, and by continuing to modernize business and financial regulation
- **enhancing research and innovation** by providing support to innovation centres in Durham region, Kingston, Sudbury, Thunder Bay and Toronto
- **building a skilled workforce** through \$390 million in additional investments to promote quality in postsecondary education; strengthening the recently launched nearly \$1 billion per year Employment Ontario strategy by proposing the extension of the Apprenticeship Training Tax Credit; and increasing funding for the integration of new Canadians
- **investing in communities** by continuing the government's commitment to the Provincial–Municipal Fiscal and Service Delivery Review; doubling the Rural Infrastructure Investment Initiative; investing in transit infrastructure and affordable housing; and encouraging brownfield development
- **strengthening key sectors** by expanding access to advanced manufacturing funding and creating a new Ontario Manufacturing Council; providing ongoing support for forestry and agriculture; increasing funding for key cultural and tourism initiatives; and increasing training funding for small businesses.

These initiatives build on the government's progress, which includes:

- phasing out of the capital tax
- a \$1.7 billion commitment to boost innovation and commercialization
- a 22 per cent increase in postsecondary enrolment since 2002–03
- Employment Ontario — a nearly \$1 billion annual investment to provide seamless and coordinated training, apprenticeship and employment services
- an annual investment of \$146 million to help new Canadians get settled and join the labour market
- an auto strategy that has attracted over \$7 billion in total new auto investments
- \$350 million leveraged from the private sector in advanced manufacturing investments
- ongoing support for key sectors such as forestry and agriculture.

## **A CHANGING GLOBAL CONTEXT: FOSTERING A STRONG BUSINESS ENVIRONMENT**

Maintaining a high standard of living in a world of increasing global competition is an ongoing challenge that will take the best efforts of the private sector, assisted by the government's contributions to a competitive business environment.

### **Competitiveness**

Strengthening Ontario's competitiveness means creating a positive climate for business investment while ensuring that the government has the resources to invest in the people and future of the province. The overall cost of doing business in Ontario (including taxes paid by business) is lower than in most other major centres in North America and industrialized countries.<sup>1</sup>

Ontario's competitiveness stems from the skills and education of its workforce; the quality of its public infrastructure and health care; the overall quality of life; and the health of the environment.

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<sup>1</sup> *Competitive Alternatives 2006, KPMG's Guide to International Business Costs*, [www.competitivealternatives.com](http://www.competitivealternatives.com).

## Expanding Trade Opportunities

To help promote trade and competitiveness, the Ontario Government has undertaken a number of important initiatives, including expanding the number of Ontario international marketing centres in other countries. Premier Dalton McGuinty led a trade mission to India and Pakistan in January 2007 that resulted in the signing of numerous cooperation agreements, including several by universities, colleges and research organizations.

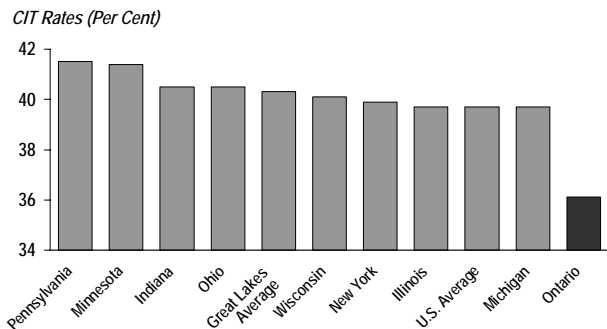
Ontario trade missions to Alberta are providing opportunities for Ontario manufacturers to build business relationships with the oil-sands sector.

## Eliminating the Capital Tax in 2010

The government is taking steps to further enhance the competitiveness of Ontario's tax system. In 2004, it legislated a plan to gradually phase out Ontario's capital tax by 2012. Recognizing the importance of attracting new investment to the province, in this Budget the government is proposing legislation that would eliminate the capital tax sooner — on July 1, 2010. See Chapter III: *Ontario's Tax System Supports Expanded Prosperity*.

**Ontario Has Competitive Corporate Income Tax Rates**

Chart 14



Note: Statutory combined general federal provincial/state corporate income tax rates for 2007. Averages weighted by manufacturing value added. Michigan CIT rate equivalent.  
Source: Ontario Ministry of Finance.

## Business Education Tax Reduction

The government is announcing a \$540 million cut to high BET rates over the next seven years. This initiative will significantly enhance the competitive position of many Ontario businesses and strengthen the provincial economy overall. See Section B: *A Fair Property Tax System* for further details.

## BUILDING ON ONTARIO'S INNOVATION ADVANTAGE

Ontario's future prosperity depends more than ever on investment in research and innovation. Whether created in public institutions or the private sector, it is critical that new innovative ideas achieve their commercial potential in a manner that is beneficial to the Ontario economy.

The government has made a strong commitment to research and commercialization by investing \$1.7 billion over five years to 2009–10, including \$527 million for the Ontario Research Fund and \$279 million for the Ontario Institute for Cancer Research. Highlights of new initiatives in this Budget include:

- \$21 million for Queen’s University, which is working with the private sector to build an advanced research and innovation centre specializing in bioprocessing and biomaterials
- \$18 million for the Canadian Institute for Advanced Research, which is strengthening Canada’s and Ontario’s reputation for collaborative international research
- \$15 million to the Ontario Centres of Excellence, whose Energy Centre is helping business and academia work together to bring energy innovation to market for a cleaner environment
- \$15 million to the University of Toronto, which is advancing research in structural genomics — the study of human proteins to treat diseases such as cancer
- \$6 million to Lakehead University in Thunder Bay, which is building its capacity to contribute to future innovation for the new northern economy and to the competitive and sustainable development of Ontario’s boreal forest
- \$3 million to the University of Ontario Institute of Technology, which is enhancing its ability to explore opportunities in hydrogen technology
- \$2 million to the Northern Centre for Advanced Technology in Sudbury, which has a solid track record for helping northern Ontario companies bring innovative products to market.

Ontario universities and research hospitals continue to perform cutting-edge research. The Province’s 24 colleges of applied arts and technology are also increasingly engaged in applied research and innovation activities. While their primary role is technical and applied education to meet industry needs, they have continued to expand their applied research and development (R&D) activity in collaboration with industry and community partners.

The government is committed to strengthening the conditions that support and reward innovation. Through its \$160 million Ideas to Market strategy — announced in the 2006 Budget — the government is helping innovative companies develop and implement cutting-edge technologies that will strengthen Ontario’s economic advantage.

The government is providing \$20 million in 2006–07 to the University of Toronto, which is working to develop its capacity for interdisciplinary research on the creation of jurisdictional economic advantage. The university’s efforts will also be supported by an additional \$6 million per year in each of the next five years.

The Ontario Research and Innovation Council (ORIC) is a group of business and academic leaders formed to advise the Premier on Ontario's innovation agenda. Based on ORIC's recommendations and input from the broader research community, the Ministry of Research and Innovation released for consultation a draft strategic plan to strengthen innovation in Ontario. The government intends to release the results of this consultation, an Ontario Innovation Strategy, this spring.

## **BUILDING AN INNOVATIVE ECONOMY THROUGH A SKILLED WORKFORCE**

Knowledge and skills are among Ontario's most important competitive advantages. An estimated 70 per cent of jobs in the future will require postsecondary education. The government's economic plan therefore focuses on strengthening Ontario's knowledge and skills advantage.

Ontario faces difficult labour-market challenges in the coming years. Rapid technological change is reshaping jobs in all sectors of the economy at an unprecedented pace. At the same time, mature workers are retiring in large numbers and labour-force growth will slow.

Ontario is meeting these challenges and nurturing the full potential of its citizens through effective postsecondary education, creative employment integration initiatives for new Canadians, and a responsive training and employment strategy.

Ontario's investments to date include:

- a historic \$6.2 billion investment in postsecondary education, through Reaching Higher; for further details on postsecondary education, see Section C: *Expanding Opportunities for Students*
- negotiating landmark federal–provincial agreements and new funding for employment, training and other services, including services for new Canadians
- modernizing and expanding the training system and launching Employment Ontario for easy access and more job opportunities
- improving training and job opportunities for new Canadians to help them use their skills in the labour market
- creating economic opportunity for at-risk youth, social assistance recipients and low-income workers through training and employment programs.

### **Modernizing and Expanding the Training System**

A prosperous, knowledge-based economy needs skilled workers, which requires a strategy for effective and relevant skills training and other labour-market services. Through its employment and training strategy, the government also aims to improve economic opportunities for vulnerable Ontarians,

including the unemployed, the underemployed, new Canadians, low-income workers and social assistance recipients.

The centrepiece of Ontario's new approach is Employment Ontario, launched in January 2007. It will provide seamless and coordinated training, apprenticeship and other employment services. The Province has increased funding for its services to nearly \$1 billion annually through the transfer of \$525 million in resources under the Canada–Ontario Labour Market Development Agreement.

Through Employment Ontario, the number of people and businesses receiving services this year will grow from 500,000 to 900,000, and the number of service providers will grow from 470 to 1,200 — reaching all parts of the province. Job-threatened or laid-off workers will benefit from better coordination through a special Rapid Re-employment and Training Service. Workers, new Canadians and youth will have access to more flexible programs that support lifelong learning to meet changing workplace demands. Employers will have access to expanded services to help find the workers they need and encourage their investment in skills development.

Although the federal government has been slow to come to the table with the full amount of funding previously committed for labour-market training, Ontario has moved forward to expand its services to new clients and has made a number of innovative investments in priority areas. These include the introduction and extension of a tax credit for hiring apprentices; significant investments in bridge training and other labour-market integration services for new Canadians; and measures to assist at-risk youth, Aboriginal Peoples and many other Ontarians who face barriers but are ineligible for Employment Insurance.

Apprenticeship helps ensure that Ontario has skilled tradespeople and gives young people more opportunity. Several government initiatives increase access to apprenticeship, including a 25 to 30 per cent refundable Apprenticeship Training Tax Credit (ATTC) to encourage businesses to hire and train apprentices, introduced in 2004. This Budget proposes to extend the ATTC to eligible apprentices who start employment before January 1, 2012 and adds six more qualifying skilled trades. See Chapter III: *Ontario's Tax System Supports Expanded Prosperity* for further details.

### **Expansion of Apprenticeship**

- \$100 million in annual funding for apprenticeship; on track to meet the annual goal of 26,000 new registered apprentices by 2007–08
- \$4.5 million for 1,500 scholarships of \$1,000 and employer signing bonuses of \$2,000 to help at-risk youth enter apprenticeships
- \$8.25 million for the Ontario Youth Apprenticeship Program, providing opportunity for 24,000 students in 2006–07, up from 12,700 in 2002–03
- proposed extension of the Apprenticeship Training Tax Credit and the addition of the following skilled trades: entertainment industry power technician; process operator–power; tractor-trailer commercial driver; exterior insulated finish systems mechanic; information technology call centre inside sales agent; and information technology call centre customer care agent.

The *2006 Economic Outlook and Fiscal Review* announced assistance to workers and communities most affected by slower growth in the economy through a targeted economic stimulus package. It includes over \$20 million in 2006–07 to assist laid-off workers with training, job placement and other employment services. Rapid re-employment services are helping laid-off workers in such communities as London, Windsor, Smiths Falls and Nipigon.

Through programs that improve skills and provide other employment supports, Ontario is also helping social assistance recipients find jobs and fully share in the province's prosperity. For additional information, see Section A: *Expanding Opportunities for Children and Families*.

Success for Students is a key education policy that will ensure more Ontario youth graduate from high school with improved future job prospects and earnings. See Section C: *Expanding Opportunities for Students* for further details. In addition, the government is providing community-driven safety and employment initiatives for at-risk youth. These are discussed in Section A: *Expanding Opportunities for Children and Families*.

## **Breaking Down Barriers for New Canadians**

New Canadians account for 29 per cent of Ontario's labour force. Their successful integration into the job market becomes increasingly important as they bring needed skills and international connections.

Ontario is investing \$146 million annually in services and new programs to help newcomers get established and speed up their successful integration into the labour market.

In November 2005, Ontario negotiated the first-ever Canada–Ontario Immigration Agreement, providing \$920 million over five years for settlement and language training. In 2006–07, the federal government committed \$182 million to jointly planned services in Ontario.

The government will implement a pilot Provincial Nominee Program allowing Ontario to nominate individuals for permanent residence, based on its labour-market priorities. The government will be proposing legislation to assist in the implementation of this pilot. The Province is also negotiating a Temporary Foreign Workers annex with the federal government, to identify workers required to fill short-term skills needs.

## Breaking Down Barriers: How Ontario Supports New Canadians

### Better Information and Settlement Support

- Global Experience Ontario, a new resource centre to help new Canadians enter regulated professions
- a new web portal, [www.ontarioimmigration.ca](http://www.ontarioimmigration.ca)
- three new sites providing Employment Ontario services in Brampton, Markham and Toronto
- an ongoing public awareness campaign to promote services for newcomers
- a 29 per cent increase in funding, reaching \$5.3 million, for the Newcomer Settlement Program, administered through 81 community settlement agencies.

### Training and Job Access

- a new *Fair Access to Regulated Professions Act, 2006*
- a new Office of the Fairness Commissioner established and Jean Augustine nominated as first-ever Commissioner
- \$53 million invested in over 90 innovative bridge-training programs
- \$53 million annually for English as a Second Language/French as a Second Language classes
- expansion of programs that connect employers with newcomers
- \$53 million in 2006–07 for the international medical graduates (IMG) program, up from \$16 million in 2003
- a new six-month internship program in the Ontario Public Service and Crown agencies
- new loans of up to \$5,000 to cover training, assessment, textbooks and exam costs.

## MODERN BUSINESS AND FINANCIAL REGULATION

Ontario is modernizing its business and financial regulation to maintain an attractive business climate, stay ahead of global markets and build on Ontario's economic advantage. A competitive regulatory framework protects consumers and investors, and supports a positive business climate and growing economy.

To help support a growth-oriented business environment, the Ontario Government:

- has passed the *Mortgage Brokerages, Lenders and Administrators Act, 2006*, which replaces the *Mortgage Brokers Act*, and has asked the Financial Services Commission of Ontario to develop new educational requirements in consultation with stakeholders
- is proposing amendments to the *Credit Unions and Caisses Populaires Act, 1994*, to modernize the regulatory framework so the sector can continue to compete effectively in the financial services marketplace; consequential amendments to other statutes are also proposed
- is proposing amendments to the *Pension Benefits Act* to permit categories of multi-employer pension plans to be established to, among other things, parallel certain categories of pension plans in the *Income Tax Act* (Canada)

- has established an Expert Commission on Pensions to review pension plan funding requirements, consult with Ontarians and make recommendations to ensure the Province’s employment pension system remains sustainable
- has passed legislation to allow Ontario farm mutuals and other Ontario-incorporated insurers to operate under investment and corporate governance rules similar to those at the federal level and is proposing to implement these changes this year; as a result of changes made to the *Insurance Act*, consequential and technical amendments are proposed for several statutes
- is investing \$0.5 million annually starting in 2007–08 through the Ministry of Economic Development and Trade, to streamline approval processes and modernize the regulatory regime, making it more efficient and effective for business
- has implemented the *Securities Transfer Act, 2006* to update Ontario’s laws on the transfer of securities held in electronic form
- has signed a memorandum of agreement with the federal government that would transfer administration of Ontario’s corporate income tax and capital tax to the Canada Revenue Agency, effective for taxation years ending after 2008. Enabling legislation, if approved, would lead to one tax form, one tax administration and one set of tax rules. Corporations would save \$90 million annually in Ontario corporate income tax and up to an additional \$100 million annually in compliance costs. See Chapter III: *Ontario’s Tax System Supports Expanded Prosperity* for additional information
- is working with its partners to offer a wide range of government information for business through ServiceOntario — improving access to important information, government forms and services, including registering, changing and searching for information; see Section H: *Expanding Opportunities through a Modern and Efficient Government*
- is engaging other jurisdictions to move to a common securities regulator
- is streamlining securities regulation by working to expand harmonized approaches across jurisdictions, pending a common securities regulator; the government is proposing measured reforms to the *Securities Act* in relation to the regulation of takeover bids and issuer bids, prospectus disclosure requirements and other technical changes
- is protecting investors through implementing civil liability for secondary-market disclosure, more robust corporate and investment fund governance, and enhanced financial reporting
- has approved new securities rules to ensure more timely processing of securities trades in our capital markets. Completing trades in a tighter timeframe will mean more efficient markets and reduced financial system risk.

## **Sharpening Canada's Competitive Edge through a Common Securities Regulator**

Efficient capital markets are critical to underpin strong economic performance in today's global economy.

In Canada's relatively small equity market, only 16 per cent of public companies benefit from access to investors in all provinces. Fragmented regulation makes it unduly difficult and costly for the rest, including many small companies, to raise money.

Canada's current framework of 13 provincial and territorial securities regulators administering 13 sets of securities laws fosters duplicative, inconsistent and burdensome regulation.

Recent reports have noted the success of principles-based regulation in the United Kingdom. Calls for a similar regulatory approach in U.S. capital markets underscore Canada's need for a responsive regulation framework that can keep pace with the competitive global economy. A common securities regulator would help drive change and develop a coherent Canadian response to providing sound investor protection while facilitating the raising of capital.

Canada needs a common securities regulator to fully realize its economic growth opportunities. Gerry Phillips, as the Minister responsible for securities regulation, will continue to spearhead Ontario's leadership role in moving towards a common securities regulator.

The government is committed to strengthening Canada's economic union by eliminating barriers to interprovincial economic activity, and is studying the merits of the 2006 Alberta–British Columbia Trade, Investment and Labour Mobility Agreement.

## **INVESTING IN STRONG COMMUNITIES**

Ontario's ability to provide a high quality of life and seize opportunities for prosperity depends on diverse communities where individuals, businesses and governments interact. The government is promoting strong and adaptable communities by investing in strategic infrastructure projects, improving health and education resources, fostering a positive business climate, and working with them to address unique local challenges.

The government will continue to make investments in local communities and regions across the province and work with municipal partners to determine the best approach to funding and delivery of high-quality programs and services for citizens.

### **Provincial–Municipal Fiscal and Service Delivery Review**

The Province and municipalities are undertaking a review of the provincial–municipal relationship aimed at identifying a new fiscal and service delivery partnership for the 21<sup>st</sup> century.

A report will be released in the spring of 2008, and will include recommendations for next steps and implementation. The government is committed to the Review, which will set the stage for a sustainable approach for both orders of government to deliver and fund services in Ontario in the 21<sup>st</sup> century.

A website outlining the Review's progress and seeking public input can be accessed through the Ministry of Municipal Affairs and Housing at [www.mah.gov.on.ca](http://www.mah.gov.on.ca).

## **Support for Communities**

The government is announcing a plan to cut high BET rates by \$540 million. The economic benefits of these cuts will be widespread and result in increased investment, jobs and productivity. See Section B: *A Fair Property Tax System* for further information.

The government is also announcing a plan to phase out Greater Toronto Area pooling, which will eliminate the \$200 million burden that this program places on the municipal property tax bases of contributing municipalities. For more details, see Section B: *A Fair Property Tax System*.

In 2006–07, Ontario will invest \$277 million for transit infrastructure, distributed to municipalities on the basis of transit ridership. Ontario will also provide \$75 million to municipalities, also to be distributed on the basis of transit ridership, for public transit capital.

To assist low-income families, the government proposes to immediately provide \$127 million to municipalities for new affordable housing or to rehabilitate existing housing.

Municipalities would also benefit from the proposed Ontario Child Benefit (OCB). The Province would pay the entire cost of the OCB, including its administration. This will save municipalities \$15 million annually in social assistance costs when the OCB is fully implemented in July 2011. Moreover, enhancements to the OCB in the future would not create new costs for municipalities.

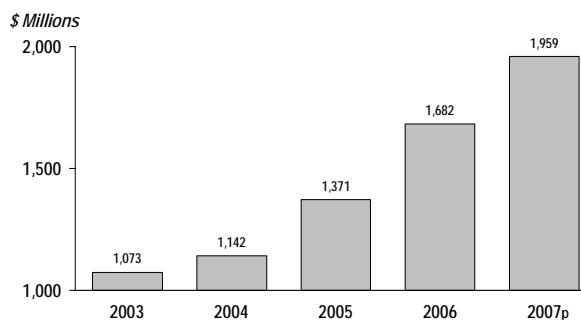
The government is announcing a comprehensive reform package that would, if passed, address the regulatory and liability barriers to brownfields redevelopment and help protect the public interest. The government is providing \$11 million to Hamilton, Cornwall, Brantford, St. Catharines and the University of Ottawa. See Section E: *Expanding Opportunities for a Greener Ontario* for further details.

In 2007, through the following initiatives, the government is investing more than \$1.9 billion in ongoing operating support to municipalities:

- the Ontario Municipal Partnership Fund (OMPF), which will transfer \$843 million in 2007, or \$225 million more than 2004 transfers under its predecessor program, the Community Reinvestment Fund (CRF)

**Ongoing Operating Support to Municipalities Is Increasing**

**Chart 15**



Includes funding provided to municipalities through: OMPF/CRF, provincial gasoline tax, land ambulance and public health.

p = projected.

Sources: Ontario Ministries of Finance, Transportation, and Health and Long-Term Care.

- making two cents per litre of provincial gasoline tax available for public transit. In 2007, \$313 million is being distributed to 86 transit systems that provide service in 104 communities across the province, for a total of more than \$1.6 billion by 2010
- increasing the Province's share of public health funding from 50 per cent in 2004 to 75 per cent in 2007
- moving towards a 50:50 sharing of the cost of municipal land ambulance services by 2008.

In addition, the following initiatives implemented since 2003 exemplify the Province's commitment to building strong communities through new, more effective partnerships with municipalities:

- investing \$1.2 billion in public transit, roads and bridges through Move Ontario, which includes \$400 million in 2006 for municipal roads and bridges, with an emphasis on rural and northern communities; see Section G: *Investing in Ontario's Infrastructure*
- providing a predictable source of funding for the renewal of municipal bus fleets
- contributing \$298 million towards the \$900 million Canada–Ontario Municipal Rural Infrastructure Fund (COMRIF); see Section G: *Investing in Ontario's Infrastructure*
- the *City of Toronto Act, 2006*, which sets out a broad, permissive legislative framework for Toronto
- the *Municipal Statute Law Amendment Act, 2006* — providing local governments with broad new powers and legislative freedoms that allow municipalities to better deliver services to their communities
- the *Planning and Conservation Land Statute Law Amendment Act, 2006*, which reforms the Ontario Municipal Board and enhances community participation in local planning.

Healthy and vibrant urban areas are key to the Province's global competitiveness and, increasingly, are also where most Ontarians live and work. They offer large markets and populations, institutions, facilities and infrastructure that support diversification, efficient knowledge transfers, and a large and diversified workforce.

## Community Justice

The government is committed to making Ontario's communities safer and is providing more than \$3 billion annually for the Justice Sector, primarily for prosecuting crime and for court services, legal aid, policing and correctional facilities. This funding will continue to strengthen communities, increase access to frontline services and enhance community safety.

In this Budget, the government is also announcing additional funding, starting in 2007–08, of \$27 million for key initiatives that include:

- \$15 million for Legal Aid Ontario, primarily to provide additional legal services for vulnerable Ontarians, including women and children, to increase the legal aid tariff rate and address the impact of guns/gangs cases
- \$4 million to promote a healthier and more diversified correctional services workplace
- \$4 million for 30 new justices of the peace to assist municipalities in addressing backlogs relating to *Provincial Offences Act* matters
- \$3 million to modernize the human rights system, including additional funding for legal services through a new Human Rights Legal Support Centre and funding for public education, public advocacy and research
- \$1 million for a one-year pilot project in Stratford to target producers and traffickers of methamphetamine (crystal meth) and dismantle their labs.

Justice Sector spending will continue to be focused on strengthening communities, improving frontline services and building stronger, safer communities.

This new funding builds on the \$51 million announced in 2006 for the Enhanced Anti-Gun and Gang Violence Strategy, which included funding to help police and prosecutors investigate and prosecute gun crimes.

## Strong Rural Communities

The government is making strategic investments that will help rural communities foster partnerships and pursue innovative approaches to challenges and opportunities. These investments promote vibrant rural communities through better health, a greener environment, success for rural students, improved infrastructure and support for key sectors. For example, Ontario recognizes the important role of the farming and food processing sector through investments in market development, skills training and farm income stabilization.

In the 2007–08 fiscal year, base expenditures by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) will reach a new high of \$876 million.

New initiatives announced in this Budget include:

- investments in rural infrastructure, such as an additional \$70 million for the Rural Infrastructure Investment Initiative — doubling the \$70 million announced in September 2006 — and \$10 million to help expand broadband coverage in rural southern Ontario by leveraging community and private-sector investments; see Section G: *Investing in Ontario's Infrastructure*
- the \$540 million plan to cut high BET rates. Businesses in rural municipalities will benefit from an average 26 per cent reduction in provincial business education taxes by 2014.

In 2007, rural municipalities will receive \$472 million through the Ontario Municipal Partnership Fund (OMPF).

Ontario's Rural Plan, "Strong Rural Communities: Working Together for Success," first published in 2004, outlines a framework under which the Province and rural municipalities can partner to support sustainable rural economies. On February 26, 2007, Ontario released its second progress report on the Rural Plan. It highlighted examples of recent investments, such as:

- investments in rural youth through the Rural Summer Jobs Service program; in 2006, more than 3,600 students, aged 14 to 24, gained valuable experience and work skills from community employers with the help of this program
- \$28.2 million, since 2004, through the Rural Economic Development Program to help communities complete local economic development projects
- significant investments in rural infrastructure in 2006, with \$188 million under Move Ontario for roads and bridges; and \$85 million for repairs and renovations in schools under the Good Places to Learn renewal initiative.

## A Strong Northern Economy

The government is working with northerners to create a dynamic future for the region by investing in initiatives that build on its rich resource base; and in health, education, youth, infrastructure and northern businesses.

Northern communities and businesses are committed to transforming the region's economy and realizing its potential. This Budget announces strategic investments to support these efforts and build the foundation for the region's new economy, including:

- \$2 million to the Northern Centre for Advanced Technology in Sudbury
- \$6 million to Lakehead University, which is building expertise in the bioeconomy related to the boreal forest and is positioned to make even more significant contributions to the new northern economy; see Section E: *Expanding Opportunities for a Greener Ontario*
- providing an additional \$3.6 million in 2007–08 to increase the operating subsidy of the Ontario Northland Transportation Commission (ONTC) to \$19.7 million; this will allow ONTC to improve rail service
- the \$540 million plan to cut high Business Education Tax (BET) rates. Businesses in northern municipalities will benefit from an average 32 per cent reduction in provincial business education taxes by 2014.

In addition, Ontario will continue to work with the federal government, the Northern Ontario Heritage Fund Corporation (NOHFC) and other partners to establish the Molecular Medicine Research Centre in Thunder Bay.

Northwestern Ontario business and community organizations are working together to build a prosperous future in the face of restructuring in key sectors. The government will appoint an economic facilitator to engage in discussions with local stakeholders and governments at all levels to help the northwest find solutions to their challenges and build a successful future.

These investments build on existing government initiatives in northern Ontario, such as:

- \$1.8 billion, through ReNew Ontario, for the renewal and expansion of highways in northern Ontario; key projects include the widening of Highways 11 and 69 to North Bay and Sudbury

### Northern Employment on the Rise

Over the past year (February 2007 compared to February 2006), employment in northern Ontario increased by 12,900 jobs despite the negative effects of the high Canadian dollar and restructuring in the forest products sector.

*Sources: Statistics Canada and Ontario Ministry of Finance.*

- respectively; building a new Highway 11/17 corridor west of Thunder Bay; and widening Highway 17 to four lanes east of Sault Ste. Marie
- \$283 million through the Ontario Municipal Partnership Fund in 2007 to support northern communities
  - ongoing investments of the NOHFC, which works with northern entrepreneurs and businesses to foster private-sector job creation
    - in January 2007, the NOHFC announced a renewed focus for its Emerging Technology Program to encourage investment in projects aimed at bringing broadband Internet and cellular service to most of the north within three years
  - the Northern Ontario School of Medicine, which opened in 2005 and is the first new medical school to open in Canada in over 30 years
  - \$15 million to support geological mapping, which will help open the mining potential of the Far North
  - \$10 million to support the launch of the new Centre for Excellence in Mining Innovation at Sudbury's Laurentian University
  - \$4 million to establish a Bio-Energy Research Centre in Atikokan
  - \$2.2 million funded by the NOHFC towards the development of the Thunder Bay Cancer and Cardiac Research Centre
  - Go North's Communities Investment Readiness program, which has provided funding to 31 initiatives for the development of community tools to attract investors. Participating municipalities include North Bay, Timmins, Sault Ste. Marie, Thunder Bay and Sudbury.

## **Aboriginal Peoples**

The government is working on initiatives to close the socioeconomic gap between Aboriginal Peoples and other Ontarians.

- In June 2006, the government released draft guidelines for ministries on consultation with Aboriginal Peoples related to rights and treaty. This Budget includes \$7 million to support the government's capacity to engage in productive consultations with Aboriginal Peoples.
- The government launched the Aboriginal Education Strategy, investing \$13 million to improve achievement by First Nations, Inuit and Métis students.

- The government is allocating \$80 million to housing for Aboriginal Peoples living off reserve; see Section A: *Expanding Opportunities for Children and Families*.
- The Province is investing \$2 million to support the implementation of “Keeping the Land, a Land Use Strategy” for the Whitefeather Forest in Ontario’s Far North, in collaboration with the Pikangikum community. Keeping the Land has been created in good faith between Pikangikum First Nation and the Government of Ontario. Rooted in mutual respect for the aspirations of both partners, this strategy provides guidance for future land use activities in the Whitefeather Forest and adjacent areas.

The First Nation community of Attawapiskat will benefit from the construction of Ontario’s first diamond mine and from the creation of 375 full-time jobs once the facility begins operations in the spring of 2008.

## A STRATEGY TO FURTHER BOOST JOBS AND ECONOMIC RENEWAL

The slowdown in economic growth in the second half of 2006 prompted the government to provide additional assistance to laid-off workers and accelerate infrastructure investments to promote job creation in areas of the province most affected. In its *2006 Economic Outlook and Fiscal Review*, the government allocated over \$190 million in new funding to strengthen the economy in four areas.

### **Economic Stimulus in the 2006 Economic Outlook and Fiscal Review**

#### **Providing Focused Training and Job Services – over \$20 million**

- sending special rapid re-employment teams into communities where plants have closed to help develop action plans for affected workers
- providing customized training, skills upgrading, job placement and job relocation services
- providing workplace literacy programs to help workers learn new processes and technologies
- helping laid-off apprentices find new placements and accelerate their in-school learning
- funding additional bridge training programs for new Canadians.

#### **Fast-Tracking Infrastructure Investments – nearly \$150 million**

- fast-tracking a number of infrastructure investments, generating immediate economic activity and job creation.

#### **Encouraging Ontario Tourism – \$22 million**

- supporting conventions, festivals and events in the province, and introducing a new campaign to encourage Ontarians to travel and vacation in Ontario, boosting economic activity and tourism-related jobs.

#### **Strengthening Interprovincial Trade**

- strengthening interprovincial trade links to match industrial needs in Alberta with industrial capacity in Ontario, and exploring the merits of the Trade, Investment and Labour Mobility Agreement (TILMA) between British Columbia and Alberta.

While these investments were designed to target affected families and communities, the initiatives have bolstered the province's overall economic performance and fast-tracked social, community and economic capital investments to deliver immediate jobs and build vital infrastructure.

Through this strategy, the government has funded over 3,000 social infrastructure projects that benefit vulnerable populations. Capital investments also included funding for over 20 courthouse and coroner's offices, over 10 citizenship organizations, and nearly 35 municipal organizations such as community recreation facilities, heritage facilities, art galleries, museums, libraries, and water and wastewater treatment facilities. Fifteen colleges, including nine located in northern and eastern Ontario, have benefited from funding to improve their facilities while creating local jobs. Rapid re-employment teams have stepped in to help laid-off workers in communities such as London, Windsor, Smiths Falls and Nipigon.

New funding has supported Ontario festivals and events and a new campaign to market Ontario travel destinations to Ontarians.

In this Budget, the government is further supporting the infrastructure needs of the province, accelerating capital investments, building on Ontario's economic strengths and addressing government priorities. For more details, see Section G: *Investing in Ontario's Infrastructure* and for investments in vulnerable populations, see Section A: *Expanding Opportunities for Children and Families*.

## **ENHANCING GROWTH IN ONTARIO'S INDUSTRIAL SECTORS**

The composition of Ontario's economy continues to evolve, responding to changes in technology, demand and competition, and reflecting long-term trends similar to other developed economies. While employment and output have grown on the goods-producing side of the economy, the services sector has experienced much faster growth — increasing its role and contribution to Ontario's employment and output.

Ontario's investments in infrastructure, postsecondary education and training, and innovation form the critical foundation on which all sectors can build capacity to add value and improve competitiveness. The government has also undertaken strategic initiatives to help Ontario sectors in their transition to higher-value-added production and increased competitiveness.

### **Supporting Ontario's Small Business Sector**

Small and medium-sized businesses are an important part of the Ontario economy, accounting for nearly 60 per cent of employment in the province. The government is committed to encouraging a dynamic and entrepreneurial small business sector.

Over 500,000 businesses across the province will benefit from the reductions in high BET rates. Ninety-seven per cent of these are small businesses.

By 2008, capital tax will be eliminated entirely for more than 14,000 additional small and medium-sized businesses.

In 2006–07, the government is providing \$2.2 million to the Canadian Youth Business Foundation — an organization that helps provide start-up mentoring, financing and business resources to young Canadians, ages 18 to 34, to create their own successful businesses.

To help reduce tax compliance costs for business, Ontario and the federal government have signed an agreement that would transfer administration of Ontario's corporate income tax and capital tax to the Canada Revenue Agency. See Chapter III: *Ontario's Tax System Supports Expanded Prosperity* for additional information.

### **Tax Measures to Help Small Business**

- the \$540 million plan to cut high Business Education Tax (BET) rates
- the small business deduction, which reduces Ontario's general corporate income tax rate for small Canadian-controlled private corporations (2006): \$900 million
- the Employer Health Tax exemption for businesses with fewer than 50 employees (2006): \$590 million
- Ontario's capital tax deduction and an exemption from capital tax for credit unions, caisses populaires, family farm corporations and family fishing corporations (2006): \$300 million
- a 10 per cent refundable tax credit for small corporations performing R&D in Ontario (2006): \$180 million.

The Province's array of apprenticeship and skills training programs address potential skills shortages, and it is taking further measures to expand Ontario's skilled labour supply. The new Ministry of Small Business and Entrepreneurship, created in May 2006, is helping to promote the success of small and medium-sized businesses in Ontario. It will also help encourage and promote the entrepreneurial spirit and skills that are vital to the future prosperity of the province.

## **Manufacturing**

Ontario's manufacturing sector is the second largest in North America after California. At present, some of Ontario's manufacturing industries face serious competitive challenges from lower labour-cost jurisdictions while adjusting to a stronger Canadian dollar and higher energy costs.

To expand the economic benefits leveraged through the Advanced Manufacturing Investment Strategy (AMIS), the Ontario Government will lower the investment project-size threshold for loan applications to a minimum of \$25 million or 100 jobs created or retained. This will enable more small and medium-sized manufacturers to participate.

The government recognizes that predictable and stable electricity prices enhance the competitiveness of Ontario's manufacturing sector as well as other sectors. This includes initiatives to secure the province's electricity supply as well as pricing measures such as the price regulation of Ontario Power Generation's

(OPG) nuclear and large hydroelectric assets and a transitional revenue limit on most of OPG's output from the rest of its generating stations. See Section G: *Investing in Ontario's Infrastructure* for further details.

The government appreciates the challenges that manufacturers face and how difficult it has been for employees facing job loss or uncertainty. In response, it is providing support for affected workers including retraining, job search assistance and vocational counselling.

### **Advanced Manufacturing Investment Strategy: Supporting Modernization, Innovation and Energy Efficiency**

The Advanced Manufacturing Investment Strategy (AMIS) is providing \$500 million in loans to encourage manufacturers to invest in leading-edge technology and processes that will attract investment; reduce waste, energy and environmental emissions; and create jobs.

To date, about \$34 million in AMIS loans have leveraged almost \$350 million in private-sector investment, creating and retaining 2,700 jobs.

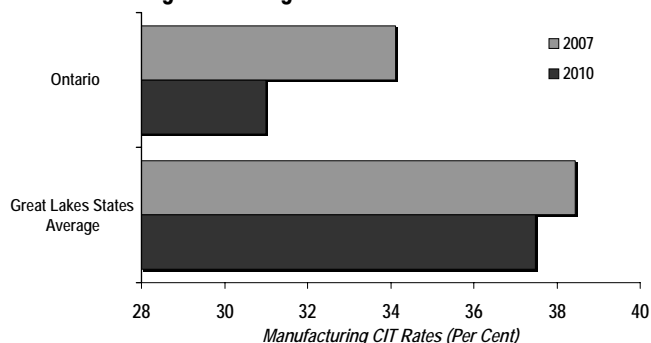
Manufacturers receiving AMIS funding to date include various industries and areas of the province:

- Diamond Aircraft Industries in London; Messier-Dowty Inc. in Ajax; Procter and Gamble Inc. in Brockville; FAG Aerospace Inc. in Stratford; Flakeboard in Sault Ste. Marie; Koolatron in Brantford; and Roxul in Milton.

The third round of calls for proposals from manufacturers for AMIS funding will close on April 12, 2007.

Low corporate income tax rates (CIT) for manufacturers keep Ontario competitive with neighbouring jurisdictions, offering additional support for the sector. Ontario's combined federal-provincial CIT rate for manufacturers is currently more than four percentage points below the average combined federal-state rate in the U.S. Great Lakes States. As well, once the phased-in federal income tax rate cuts in both Canada and the United States are fully implemented, the combined CIT rate for manufacturers in Ontario will be over six percentage points lower than the combined average rate for manufacturers in the U.S. Great Lakes States. That, together with the proposed accelerated elimination of the capital tax and the \$540 million cut in high BET rates, would make for a tax system that contributes to a positive investment climate for the manufacturing sector. The agreement to transfer administration of Ontario's corporate income tax and capital tax to the Canada Revenue Agency would also benefit the manufacturing sector. See Chapter III: *Ontario's Tax System Supports Expanded Prosperity* for further details.

**Ontario's Tax-Rate Advantage for Manufacturing Is Growing** Chart 16



*Notes:* Statutory combined federal-provincial/state corporate income tax rates. Averages weighted by manufacturing value added.

*Source:* Ontario Ministry of Finance.

This Budget is announcing the creation of a new Ontario Manufacturing Council that will provide regular updates to the Minister of Economic Development and Trade on the state of this key economic sector.

### **Tax Measures that Benefit Ontario's Manufacturing Sector**

- a \$540 million plan to cut high Business Education Tax (BET) rates
- a five per cent rate cut in Ontario's capital tax beginning in 2007
- a proposal to accelerate the elimination of the capital tax to July 1, 2010
- a doubling of the non-capital loss carry-forward period from 10 to 20 years
- a corporate income tax (CIT) rate that is two percentage points below the general CIT rate
- a 25 per cent refundable tax credit for hiring apprentices; 30 per cent for small businesses
- corporate tax incentives for R&D, including a proposed 4.5 per cent non-refundable tax credit for taxation years ending after 2008
- a retail sales tax (RST) exemption for production machinery and equipment, reinforced concrete used to make production machinery and equipment, and materials incorporated into goods for sale.

The need for advanced manufacturing and innovation is particularly important in the auto sector. The Province recognizes it must continue to work with key auto industry players to develop the automotive products of the future.

### **Ontario Automotive Investment Strategy (OAIS)**

Ontario's strategic investments, including the \$500 million Ontario Automotive Investment Strategy (OAIS), have attracted over \$7 billion in investments supporting skilled, high-paying jobs:

- General Motors: Oshawa, St. Catharines, Ingersoll — \$2.5 billion
- Linamar: Guelph — \$1.1 billion
- Toyota: Woodstock — \$1.1 billion (first Ontario greenfield auto plant in almost 20 years)
- Ford: Oakville — \$1 billion
- DaimlerChrysler: Windsor, Brampton — \$768 million
- Navistar: Chatham, Windsor — \$270 million
- Honda: Alliston — \$154 million
- NemaK: Windsor — \$100 million
- Valiant: Windsor — \$93 million.

## Resource Industries

### Mining

Ontario's dynamic mining industry is recognized throughout the world. Some of the earth's richest deposits of nickel, gold, copper and silver have been discovered in the province. Recently, De Beers Canada started construction towards opening Ontario's first diamond mine near Attawapiskat, with a planned total capital investment of \$982 million.

This Budget proposes to introduce a royalty on diamonds that will be competitive with other Canadian diamond-mining jurisdictions. See Chapter III: *Ontario's Tax System Supports Expanded Prosperity*.

The mining industry is enjoying an exceptional boom and has a bright future, owing to robust global demand. In 2006, Ontario produced roughly \$9.4 billion in metals, non-metallic minerals and aggregates.

In addition, Toronto is one of the world's premier centres of mining finance, with over 1,200 mining companies listed on the TSX Group's Toronto-based stock exchanges.

Mineral exploration in Ontario roughly tripled between 2001 and 2006, helping to identify new reserves and extend the life of existing mines.

Since 2003, the Ontario Government has worked to support the mineral sector through initiatives to attract investment in exploration and mining, including:

- launching Ontario's Mineral Development Strategy to enhance the sector's global competitiveness, while creating new opportunities for Ontarians
- investing \$60 million over six years for the cleanup of abandoned mines to protect the public and the environment
- committing \$15 million, over three years, for geological mapping in the Far North

### Competitive Tax Regime Supports Ontario's Mining Sector

- a three-year mining tax holiday on the first \$10 million of profits generated by a new mine or a major expansion of an existing mine
- a 10-year mining tax holiday on the first \$10 million of profits generated by a new mine opened in a remote Ontario location
- a reduction in the Ontario mining tax rate from 10 to 5 per cent for new remote mines in Ontario
- a 25 per cent "resource allowance" deduction for corporate income tax purposes
- to help mineral exploration companies raise capital, Ontario offers a 100 per cent flow-through share deduction for personal income tax purposes
- a five per cent refundable Ontario tax credit for eligible mineral exploration expenses.

- investing \$10 million to help establish the Centre for Excellence in Mining Innovation at Laurentian University in Sudbury
- helping create the Ontario Mineral Industry Cluster Council.

### **Forest Products Sector**

Ontario’s forest products sector is vital to the province’s economy, particularly in northern Ontario, where it provides employment for close to 25,000 people and is the mainstay of many communities.

Global demand for wood and paper products continues to grow at a healthy rate and Ontario has many experienced workers, close proximity to key markets and a large resource base. Nevertheless, the industry is restructuring in the face of a number of challenges: a strong Canadian dollar; increasing supplies of low-cost plantation-grown fibre abroad; a slowing U.S. housing market; and weakening North American demand for newsprint and office papers.

Since 2005, the government has announced more than \$1 billion in assistance for the forest products sector, to help lever investments and improve its competitiveness.

As well, the refund of softwood lumber duties under the Canada–U.S. Softwood Lumber Agreement should help improve the situation of mills that were affected negatively by the softwood dispute.

### **Agriculture**

Ontario has the largest agriculture sector in Canada, employing about 100,000 people in 2006. The sector is highly diversified and benefits from proximity to markets, a favourable climate and good soils.

Like other sectors, farming is adapting to competitive challenges in a rapidly changing global marketplace.

### **Over \$1 Billion in Forest Products Sector Support Announced by Ontario**

- \$350 million in loan guarantees to stimulate new investments in value-added manufacturing, energy conservation and energy co-generation
- \$150 million in Forest Sector Prosperity Fund grants to leverage new capital investments in various areas
- \$140 million in electricity price rebates for northern Ontario pulp and paper mills that purchase a minimum of 50,000 megawatt hours annually and commit to increased energy efficiency
- \$75 million annually for the construction and maintenance costs of primary and secondary forest access roads
- \$70 million in a one-time stumpage fee refund for 2005–06
- \$10 million annually by 2007–08 to enhance the Forest Resource Inventory
- \$3 million annually for three years in reduced stumpage fees for poplar veneer and white birch
- \$1 million annually beginning in 2006–07 for an Ontario Wood Promotion program to enhance value-added manufacturing.

The Province is therefore working to maintain a strong, sustainable farm sector. In the 2007–08 fiscal year, base expenditures by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) will reach a new high of \$876 million.

Ontario is helping farmers open new markets and enhance their presence in existing markets.

The use of farm and forest products in the auto sector is an emerging area of opportunity in the bioeconomy. The government is providing \$6 million in 2006–07 to the Ontario BioAuto Council, a multi-industry initiative to position the province as a global leader in manufacturing auto parts and other materials from agricultural and forestry feedstocks. This builds on the Premier’s announcement on March 8, 2007, of an investment of over \$5.9 million in the Ontario BioCar Initiative, a research project to turn Ontario’s harvest into viable materials for the auto industry.

The government is also providing \$2.5 million to a number of Ontario agri-food organizations that fund marketing initiatives for Ontario farm products, and \$200,000 to the Organic Council of Ontario, which promotes industry development activities. Going forward, Ontario will provide \$10 million for a strategy to raise consumer awareness and promote consumption of food produced in the province.

The Premier’s announcement in 2006 of a \$185 million investment in rural Ontario included new funding for the Canadian Agricultural Income Stabilization program, which will bring total OMAFRA expenditures for farm income stabilization and support to more than \$1 billion over the 2003–04 to 2006–07 fiscal years. Ontario farmers also receive favourable treatment under a number of taxes.

As well, as part of the broader rural community, the farm sector benefits from a number of other government programs. Ontario’s efforts to encourage ethanol production is one example. On January 1, 2007, Ontario’s Renewable Fuels Standard came into effect, requiring an average of five per cent ethanol in gasoline. To complement this initiative, the government is providing \$520 million over 12 years in capital and operating assistance to encourage increased ethanol production in Ontario.

Another example is the government’s commitment to the development of renewable sources of electricity generation and efforts to encourage renewable energy production through programs such as net metering and the standard offer program. See Section D: *Expanding Opportunities for a Greener Ontario* for further details.

The first recipients of the Premier’s Award for Agri-Food Innovation Excellence — reported in the 2006 Ontario Budget to recognize innovation in agriculture with awards totalling \$2.5 million over five years — were announced at the Premier’s Agri-Food Summit on March 8, 2007.

- The \$100,000 Premier’s Award of Excellence for Agri-Food Innovation went to David VanderDussen. Mr. VanderDussen developed Mite-Away II, an environmentally friendly product, which is exported around the world, to protect honeybees from mite infestations.

- The \$50,000 Minister’s Award was presented to Fritz and Paul Klaesi, who pioneered the use of technology that generates electricity from manure.

### Highlights of Ontario Support for Farmers

- OMAFRA Expenditures for Farm Income Stabilization and Support<sup>1</sup> (2003–04 to 2006–07): \$1.12 billion
- Farm Property Class Tax Rate Reduction<sup>2</sup> (2006): \$300 million
- Retail Sales Tax Exemption for Agricultural Goods (2006): \$250 million
- Fuel Tax Exemption for Coloured Fuel Used in Farm Equipment (2004): \$43 million
- \$500,000 Lifetime Capital Gains Exemption (2006): \$45 million
- Value to Farm Corporations of Small Business Corporate Income Tax Rate (2006): \$27 million
- Expected OMAFRA Expenditures for Agricultural Drainage Infrastructure Management (2006–07): \$6.5 million
- Expected OMAFRA Expenditures for Nutrient Management Assistance (2006–07): \$5.6 million
- Land Transfer Tax Exemption for Transfers of Farm Land between Family Members (2006): \$5 million.

<sup>1</sup> Four-year total for the 2003–04 to 2006–07 fiscal years using expected expenditures for 2006–07.

<sup>2</sup> Includes both municipal and education portions.

Sources: *Public Accounts of Ontario 2003–04 to 2005–06*; *2005 Ontario Economic Outlook and Fiscal Review, Background Papers*; Tax Expenditures and Evaluations 2005, Department of Finance Canada; Statistics Canada data and Ontario Ministry of Finance estimates.

## Ontario’s Knowledge-Based Service Sectors

When it comes to creating high-value-added jobs that contribute to Ontario as a knowledge economy, services industries continue to grow in importance and account for over half of all private-sector jobs. A broad range of services industry jobs in the private sector generate higher wages than in manufacturing. They include high-value-added sectors such as professional business services, financial services, information and communications technology (ICT) services, and entertainment and creative industries.

### Business and Financial Services

Business services and financial services are Ontario’s two largest internationally competing sectors when measured by employment, followed by auto manufacturing, according to the Institute for Competitiveness and Prosperity. These fast-growing sectors employ almost one million Ontarians.

- Toronto led all North American cities in the creation of financial-sector jobs over the past five years, growing on average by over five per cent annually. Toronto is the third-largest financial services centre in North America after New York City and Chicago, based on employment.

- The Toronto region is home to just under 1,000 business head offices — almost twice as many as in Montreal and almost three times as many as in Calgary. Its position as the nation's business and financial capital is helping support strong job growth in these sectors.
- Employment in professional business services, such as advertising and accounting, grew strongly in 2006, and generated high wages.

Ontario continues to support the growth of business and financial services in many ways, including public investments in skills, education, modern infrastructure, and a competitive tax and regulatory climate.

### **Information and Communications Technology**

The information and communications technology (ICT) services sector, led by computer software and telecommunications, plays a major role in supporting a new generation of economic growth. It includes many leading technology companies, and is a major source of innovation and new information technologies for other sectors.

Access to broadband and other telecommunications services is fundamental to allowing Ontario's businesses to become more efficient and reach new markets, and indeed to transform their operations and move to the next level. Broadband access is fundamental to enabling citizens to access government services, buy goods and services efficiently, do online banking, or simply reach out to family and friends. The ICT sector has already brought high-speed Internet access to 93 per cent of Ontario's population.

The government is investing to bring broadband access into more communities in northern and rural areas. It is investing \$10 million in 2007–08 to help expand broadband coverage in rural southern Ontario by leveraging community and private-sector investments. In January 2007, the NOHFC announced that it will be encouraging investments in projects aimed at completing broadband Internet and cellular service coverage for most of the north within three years.

Ontario continues to support the ICT services sector through a wide range of investments and policies that further develop the knowledge economy. These include postsecondary education and skills development; support for R&D and innovation; and a modern and competitive business, tax and regulatory climate.

### **Entertainment and Creative Cluster**

Ontario's entertainment and creative cluster has also experienced significant employment growth. Between 1996 and 2006, this sector created almost 76,200 net new jobs in Ontario, or an increase of 38 per cent, compared with 25.7 per cent in the overall Ontario economy. It includes such industries as film and television production, sound recording, book and magazine publishing, and new media (for example, digital special effects and interactive products such as video and computer games). It also includes independent artists, authors, musicians and filmmakers. The vibrancy and economic health of these industries and artists help make Ontario an attractive place to live, work and invest.

To help Ontario's entertainment and creative industries take advantage of growing market opportunities, the government offers numerous tax incentives and is investing in several initiatives.

To recognize the contributions that artists make to Ontario's economy and quality of life, the government proposes to introduce new legislation: the Status of Ontario's Artists Act, 2007. This will be an important step towards bringing artists the profile and recognition that they deserve at the provincial level as well as in their local communities. This legislation will help us retain the skills and talents of Ontario's artists, while empowering them to continue transforming our cultural industries, economy and society into innovation-based world leaders.

### **Tax Incentives for Ontario's Entertainment and Creative Cluster**

- 30 per cent tax credit for domestic film and television productions
- 18 per cent tax credit for foreign and non-certified domestic film and television productions
- 20 per cent tax credit for creating computer animation and special effects for film and television productions
- 20 to 30 per cent tax credit for creating, marketing and distributing interactive digital media products
- 30 per cent tax credit for publishing and promoting literary works by new Canadian authors
- 20 per cent tax credit for producing and marketing sound recordings by emerging Canadian artists or groups.

The government will increase its annual funding to the Ontario Trillium Foundation by \$20 million by 2009–10, an increase of about 20 per cent. The foundation helps finance community-based initiatives in the arts and culture, environment, human and social services, and sports and recreation sectors.

The government will increase its annual funding to the Ontario Arts Council (OAC) by \$15 million by 2009–10, an increase of nearly 38 per cent. Since 1963, OAC has promoted the arts and assisted artists for the benefit of all Ontarians. In 2005–06, OAC provided \$35.7 million to nearly 1,300 individual artists and 836 organizations in 253 communities across Ontario.

The government is making a one-time investment in 2006–07 of \$10 million to enhance the Arts Endowment Fund, which provides steady income to about 260 organizations for use in their operations.

The Ontario Media Development Corporation (OMDC) promotes and leverages investment, jobs and content creation on behalf of the province's cultural media cluster, including the screen-based industries. Concept development and cash-flow financing are useful support tools for the screen-based industries. The government is providing an additional \$5 million to OMDC in 2006–07.

Ontario's public libraries play a key role in supporting literacy and learning; fostering an appreciation of literature and culture; and providing information resources to newcomers, job seekers, small businesses and entrepreneurs. The government is providing \$5 million to Ontario public libraries in 2006–07.

## **Government Investments in Ontario's Cultural Sector**

Ontario's cultural sector is benefiting from several capital investments that the government is undertaking as part of the stimulus package announced in the *2006 Economic Outlook and Fiscal Review*, including:

- \$2.4 million in capital grants to the West Lincoln Public Library, Fort Frances Public Library, Sault Ste. Marie Public Library, Nipigon Public Library and West Perth Public Library
- \$1.9 million in capital grants to the Cobalt Mining Museum, Bonnechere Museum (Eganville), Iron Bridge Museum (Huron Shores), Paipoonge Museum (Oliver-Paipoonge), Oil Springs Museum (Petrolia), Red Lake Museum, Battlefield House Museum Park (Stoney Creek), Thunder Bay Historical Museum Society, Timmins Museum and Royal Canadian Regiment Museum (London)
- \$2.6 million for additional cultural capital projects, including arts and heritage facilities in Bracebridge, Cornwall, Guelph, Hamilton, Minto, Napanee, Sault Ste. Marie and Thunder Bay.

On January 30, 2007, the government announced a \$3 million investment in the Artscape Green Arts Barns. The barns will include artists' live/work studios and offices for non-profit arts and environmental organizations.

These investments complement those announced in the 2006 Budget, including:

- \$49 million to support Ontario's major cultural agencies and attractions: Royal Ontario Museum, Art Gallery of Ontario, Canadian Opera Company, National Ballet School, Royal Conservatory of Music and Gardiner Museum of Ceramic Art
- \$10 million to the Ontario Heritage Trust
- \$7.5 million to the Entertainment and Creative Cluster Partnerships Fund (launched in September 2006)
- \$1 million to support Luminato — Toronto Festival of Arts and Creativity.

To support Ontario's cultural heritage, the government will increase annual funding of the Community Museum Operating Grants (CMOG) program by \$2.3 million starting in 2007–08. This initiative is also in line with the government's efforts to support tourism in the province, and will help museums across Ontario cope with a recent cut to the Department of Canadian Heritage's Museum Assistance Program.

Also in support of Ontario's cultural heritage, the government is providing \$1.2 million to the McMichael Canadian Art Collection in 2006–07.

The first Luminato — Toronto Festival of Arts and Creativity — will take place from June 1 to 10, 2007, showcasing local, regional and international artists. Luminato is currently marketing this new Ontario event, and planning for the following years. In 2006–07, the government is providing \$5.5 million to Luminato. This is in addition to \$2 million previously provided.

The government is also investing \$12.5 million in 2006–07 to support the Toronto International Film Festival (TIFF), completing the government's commitment. Each year, the TIFF presents numerous world premieres of Canadian and international films — allowing filmmakers, producers, investors, distributors, artists and journalists to connect. The TIFF is building a new Festival Centre.

To further support cultural diversity in Ontario, the government is investing \$4.9 million in 25 citizenship and cultural centres across the province in 2006–07. These projects will benefit a broad range of ethnic groups in Ontario.

## **Tourism**

Tourism is another important component of Ontario's economy. It contributed \$6.3 billion to Ontario's real GDP (1997\$) in 2005. In 2006, the industry employed 170,500 workers across the province, representing 2.6 per cent of total employment.

Ontarians vacationing in their own province are vital to the tourism industry. In 2005, Ontarians made over 90 million visits within the province and spent almost \$9.2 billion. In the same year, Ontario received 27.4 million visits from other provinces, the United States and overseas. Their expenditures totalled almost \$8.2 billion.<sup>2</sup>

Since 2003, the government has consistently demonstrated its commitment to promoting the tourism industry. Initiatives include \$49 million in 2006–07 to support Ontario's major cultural agencies and attractions, \$5 million in 2005–06 for the Cultural Tourism Marketing campaign, and \$30 million in 2004 to revitalize Ontario tourism.

In 2006–07, the government is providing \$17.5 million to the City of Niagara Falls, and will provide an additional \$17.5 million in 2007–08. The city is planning to build a 230,000-square-foot conference and convention facility that will help address the challenges of seasonality in the Niagara region.

Starting in 2007–08, the Province is committing an additional \$2 million annually to the St. Lawrence Parks Commission to support Ontario's Tourism industry and preserve the valuable heritage sites at Fort Henry and Upper Canada Village.

The government is proposing to extend the RST exemption for Destination Marketing Fees for one year to June 30, 2008. This would continue to support Ontario's tourism industry and the hotel industry's initiative in funding tourism marketing.

As part of the government's over \$190 million economic stimulus package announced in December 2006, the Ministry of Tourism received \$22 million to advance initiatives to boost economic activity and tourism-related jobs. These initiatives include a marketing campaign to encourage Ontarians to travel in the province, as well as support for conventions, festivals and events in Ontario.

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<sup>2</sup> Global Insight report prepared for Ministry of Tourism, "The Ontario Tourism Outlook: 2006–2010 — May 2006 Forecast," May 2006.