

CHAPTER I

A STRONGER ONTARIO

SECTION A A STRONGER ONTARIO: BUILDING SKILLS AND CREATING JOBS

The skills and knowledge of Ontarians are key to the success of the province's economy. This Budget announces the government's new investments in the skills of Ontario's people.

This section describes how the government will continue to build on commitments made in the 2007 Throne Speech and Economic Outlook and Fiscal Review by encouraging economic growth and job creation through its five-point economic plan:

- Investing in Skills and Knowledge — A new \$1.5 billion Skills to Jobs Action Plan that helps workers train for new careers and advances Ontario's competitive edge in skills and postsecondary education. Combined with campus renewal capital investment included in the 2007 Economic Outlook and Fiscal Review, the government is investing \$2 billion in the Skills to Jobs Action Plan.
- Investing in Infrastructure for a Stronger Ontario — new investments of \$1 billion in municipal infrastructure in 2007–08.
- Lowering Business Costs — \$750 million in tax reductions to help businesses modernize, primarily benefiting the manufacturing and resource sectors, over four years starting in 2007–08.
- Strengthening the Environment for Innovation — nearly \$300 million in new investments to build on and support the province's innovation strengths.
- Forming Key Partnerships to Strengthen Ontario — moving forward with major new economic development initiatives such as the Next Generation of Jobs Fund, Investment Ontario Inc. and sector-specific support.

This economic plan will help Ontario's workers, families, businesses and communities make the transition to a new period of economic growth.

I. Investing in Skills and Knowledge

The first priority of the Province's five-point economic plan is investing in skills and knowledge. Ontario's skilled and highly educated workforce is a key economic advantage and enhances Ontario's position as a destination of choice for global investment.

Many high-growth industries — such as information technology, construction, energy and health care — face a shortage of people with the right skills. At the same time, workers who have been affected by job loss due to changing economic conditions are looking for new opportunities. The challenge is to ensure that workers with the right skills are available when growing industries need them, while also giving unemployed workers the retraining they need to get new jobs in expanding areas of the economy.

\$1.5 Billion Skills to Jobs Action Plan

To further enhance Ontario's skills and knowledge strategy and help workers get ahead, this Budget announces the Skills to Jobs Action Plan — a new \$1.5 billion investment over three years. Combined with campus renewal capital investment included in the 2007 Economic Outlook and Fiscal Review, the government is investing \$2 billion in the Skills to Jobs Action Plan.

This plan provides:

- \$560 million to support new skills for new careers
- \$465 million to expand postsecondary student aid and programs
- \$970 million to build places where students learn.

The Skills to Jobs Action Plan complements the government's strategy to promote the success of industries that will provide the high-paying jobs of tomorrow, through such initiatives as the Next Generation of Jobs Fund, the Ontario Automotive Investment Strategy (OAIS) and the Advanced Manufacturing Investment Strategy (AMIS). Details are provided later in this section, under Forming Key Partnerships to Strengthen Ontario.

New Skills for New Careers

This Budget announces \$560 million over three years for skills training to:

- introduce a new Second Career Strategy to help workers affected by job loss train for new careers
- expand apprenticeships and improve equipment for student training
- support effective integration of newcomers in the job market
- support workplace training.

This skills training investment builds on over \$1 billion in annual spending for Employment Ontario, the Province's training and job service, as well as over \$400 million in annual spending for employment supports for newcomers and social assistance recipients.

Second Career Strategy

This Budget introduces a new Second Career Strategy of \$355 million over three years to help unemployed workers make the transition to new careers and well-paying jobs in growing areas of the economy.

The strategy will offer one- or two-year skills training courses, related needs-based income supports and career planning services. The strategy will help 20,000 unemployed workers who commit to a long-term training plan.

The Second Career Strategy includes Ontario's Rapid Re-Employment and Training Service, which provides job counselling assistance to workers affected by large layoffs. In 2007, rapid re-employment teams provided 143 responses and assisted over 34,000 workers in communities such as London, Smiths Falls, Windsor, Nipigon, Hamilton, Tillsonburg, Guelph, Kenora, Dubreuilville and Dryden.

SECOND CAREER STRATEGY — EXAMPLES OF WORKERS IN TRANSITION TO NEW JOBS

The Second Career Strategy will provide long-term skills training opportunities for 20,000 unemployed workers, including financial support based on individual need.

A Forestry Worker Moves to a New Job in Mining

- age 40, has Grade 12 diploma
- Return-to-Work Action Plan identifies surveyor as long-term goal
- attends four-semester, two-year Mining Engineering Technician Program at a college
- Second Career Strategy provides \$28,000 towards tuition, and living and transportation allowances.

A Manufacturing Worker Successfully Moves to a Skilled-Trades Job

- age 28, completed one year of undergraduate studies
- Return-to-Work Action Plan identifies mechanical technician as long-term goal
- attends four-semester, two-year Mechanical Technician Program at a college
- Second Career Strategy provides \$25,000 towards tuition and living allowance.

An Assembly Worker Successfully Studies to Be a Pharmaceutical Technician

- age 35, has Bachelor of Science from India
- Return-to-Work Action Plan identifies pharmaceutical technician as long-term goal
- attends one-year Pharmaceutical Technician Program at a private career college
- Second Career Strategy provides \$20,000 towards tuition, and living and dependant care allowances.

A Cleaner Attains the Skills for a Job as a Gas and Oil Burner Technician

- age 25, has less than Grade 12 education
- Return-to-Work Action Plan identifies gas and oil burner technician as long-term goal
- attends two-semester, one-year Gas and Oil Burner Technician Program at a college
- Second Career Strategy provides \$16,500 towards tuition and living allowance.

A Labourer Successfully Moves to an Accounting Clerk Job

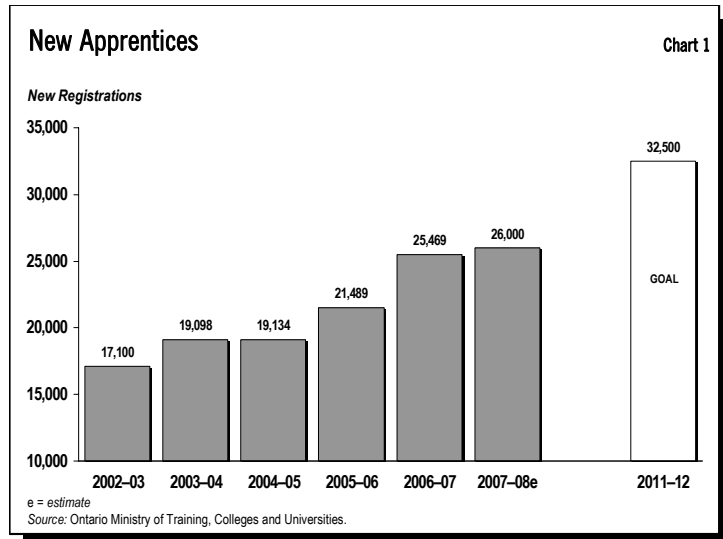
- age 37, has Diploma in Computerized Accounting from China
- Return-to-Work Action Plan identifies accounting clerk as long-term goal
- takes trainee position with local accountant to gain work experience and skills as an accounting clerk
- Second Career Strategy provides \$7,000 to employer, representing 50 per cent of the trainee wage for six months.

A Machine Operator Prepares to Write Industry-Wide IT Certification Exam

- age 45, has college diploma in computer studies
- Return-to-Work Action Plan identifies network technician as long-term goal
- has experience in computer networking but lacks IT certification required by employers to work as network technician
- attends courses at a college to prepare for IT certification exam
- Second Career Strategy provides \$3,000 towards tuition.

Expanding Apprenticeship

This Budget announces an investment of \$75 million over the next three years, rising to \$50 million annually by 2011–12, to further expand the number of Ontario apprentices. This will increase the supply of workers in critical trades that are facing shortages or high retirement rates in industries such as construction and mining. The new funding will support classroom training, expand pre-apprenticeship programs that prepare young people for their training and increase program completions.



In Ontario, about 110,000 apprentices are learning a trade today — nearly 50,000 more than in 2002–03. This number reflects a 52 per cent expansion in annual registrations, from 17,100 to 26,000, over the same period. The government’s new goal is to increase new apprenticeship registrations by another 25 per cent, to 32,500 annually, by 2011–12.

In addition, the Apprenticeship Enhancement Fund will provide \$45 million over the next three years to buy state-of-the-art equipment essential to the technical training of apprentices.

In Ontario, over 30,000 employers actively participate in apprenticeship training. Employers taking on qualifying apprentices will continue to benefit from the Apprenticeship Training Tax Credit, which provided an estimated \$70 million in 2007.

TAX SUPPORT FOR SKILLS TRAINING

Apprenticeship Training Tax Credit

In 2004, Ontario introduced a new Apprenticeship Training Tax Credit (ATTC) to encourage employers to hire and train apprentices in skilled trades. This 25 per cent refundable tax credit (30 per cent for small businesses) is available to businesses on wages and salaries paid to qualifying Ontario apprentices in the construction, industrial, motive power and certain service trades.

Cooperative Education Tax Credit

Ontario businesses are eligible for a 10 per cent (15 per cent for small businesses) refundable tax credit on the wages and salaries paid to qualifying students enrolled in a recognized postsecondary cooperative education program.

Tools Deduction for Tradespersons and Apprentice Vehicle Mechanics

For Ontario personal income tax purposes, tradespersons and registered apprentice vehicle mechanics may deduct up to \$500 from their employment income for the cost of eligible tools exceeding \$1,019. Registered apprentice vehicle mechanics may also, under certain circumstances, claim an additional tax deduction towards the total cost of eligible tools.

\$1.5 BILLION SKILLS TO JOBS ACTION PLAN

New investments of \$1.5 billion over the next three years will build on the government's strategies for training and postsecondary education. Combined with campus renewal capital investment included in the 2007 Economic Outlook and Fiscal Review, the government is investing \$2 billion in the Skills to Jobs Action Plan.

New Skills for New Careers — \$560 million over three years

- \$355 million over three years for a new Second Career Strategy to help 20,000 unemployed workers get long-term training for new careers
 - Includes Rapid Re-Employment and Training Service to respond to major layoffs
- \$75 million over next three years to expand apprenticeship
 - target of 32,500 new registrants annually — a 25 per cent increase — by 2011–12
 - expanded classroom training and pre-apprenticeship training
 - new efforts to increase program completions
 - support to employers to ensure job placements
- \$45 million over three years for the Apprenticeship Enhancement Fund for state-of-the-art training equipment
- almost \$30 million for English as a Second Language (ESL) enhancements and additional training services for new Canadians
- \$25 million in 2007–08 for employer-based training in the manufacturing sector through the Yves Landry Foundation
- \$22.1 million in 2007–08 for the Toyota training centre in Cambridge and \$700,000 for research
- \$5.6 million in 2007–08 for Chrysler Canada employee training in Etobicoke, Brampton and Windsor
- service delivery to be redesigned to improve access for Employment Ontario.

Student Access, Student Excellence — \$465 million over three years

- \$385 million over three years for a new Textbook and Technology Grant, or \$300 per full-time student when fully in place, benefiting about 550,000 full-time college and university students annually
- \$27 million over three years for a new Distance Grant to assist students in rural and remote areas with travel costs
- almost \$17 million in 2007–08 for a new research internship program for graduate students through business partners
- more than \$16 million in 2007–08 to expand Pathways to Education for at-risk youth
- more than \$7 million over three years for an International Ontario Strategy to attract international students
- more than \$1 million over three years for Global Edge to provide postsecondary students with international work placements to make connections abroad for successful entrepreneurship in the future
- \$3.5 million in 2007–08 for Youth Science Foundation Canada and \$1.5 million for Let's Talk Science to inspire young people to pursue science and technology careers.

Building Places to Learn — \$970 million over three years

- \$200 million for Strategic Skills Training Capital Investments to expand training centres and capacity
- \$200 million in 2007–08 for university campus renewal to maintain and upgrade facilities
- \$60 million over three years for the College Equipment and Renewal Fund
- \$25 million in 2007–08 to the University of Toronto to establish a new Munk School of International Studies
- \$10 million in 2007–08 to the University of Waterloo at Stratford for a new digital media institute
- \$9 million in 2007–08 to the Ontario College of Art and Design for a digital media lab
- \$464 million included in the 2007 Economic Outlook and Fiscal Review for postsecondary campus renewal and strategic capital projects.

Supports for New Canadians

Ontario is now spending about \$160 million each year through several ministries to help newcomers settle in their new home, improve their language skills and find jobs through training programs that bridge their credentials into Ontario qualifications. In addition, the government launched the pilot Provincial Nominee Program in May 2007 to nominate individuals for permanent residence based on skills shortages in the labour force.

This Budget provides almost \$30 million more over three years to enhance English as a Second Language (ESL) services for adult newcomers and support more bridge training.

Immigration has been a key factor in Ontario's highly educated workforce, and diversity is one of Ontario's great strengths. In 2006, Ontario welcomed 126,000 newcomers — half of all immigrants to Canada. Talented people from all over the world help make Ontario competitive in a global economy. Policies that promote faster and more effective integration of new Canadians will continue to be a priority.

Supporting Workplace Training

This Budget also provides new funding to promote workplace training:

- \$25 million in 2007–08 for the Yves Landry Foundation to encourage partnerships between industry and educators to train a world-class pool of manufacturing workers, with a focus on operating new technologies, software and machinery. About 500 firms and their workers will benefit.
- \$22.1 million in 2007–08 for training costs in a new Toyota Motor Manufacturing Canada training centre in Cambridge, plus \$700,000 for research.
- \$5.6 million in 2007–08 for Chrysler Canada to expand its Smart Training Program in its Brampton, Etobicoke and Windsor operations.

Enhancing Employment Ontario

Employment Ontario invests more than \$1 billion in jobs and training services for workers. The government continues to enhance program and service delivery so that Ontarians can get services in their local communities quickly and easily. Ontario will continue to integrate provincial and federal services, set clear performance measures and add new features such as local labour-market planning. The Skills to Jobs Action Plan adds \$475 million in new spending over three years to Employment Ontario, including more apprenticeships, equipment and a new Second Career Strategy.

Student Access, Student Excellence

An estimated 70 per cent of new jobs in the next decade will require postsecondary education, up from about 60 per cent in the last 10 years. That is why Ontario is continuing to implement the \$6.2 billion Reaching Higher plan for postsecondary education, which has created more opportunities, more student financial assistance and a higher-quality student experience.

This Budget announces a further \$465 million to expand postsecondary student aid and programs.

Building on major improvements to student financial assistance in the past three years, this Budget introduces three additional initiatives to help make college and university education more affordable. Together, these new investments will help about 550,000 full-time students annually.

- \$85 million in 2008–09, \$130 million in 2009–10, and \$170 million annually starting in 2010–11, for a new Textbook and Technology Grant. It will help lower costs for about 380,000 full-time university students and about 170,000 full-time college students annually with grants of \$150 per student this fall, \$225 in the fall of 2009 and \$300 in subsequent years.
- \$27 million over three years for a new, annual Distance Grant to assist with transportation costs for students from rural and remote areas attending college or university.
- Almost \$17 million in 2007–08 to support ACCELERATE Ontario, an initiative of the Mathematics of Information Technology and Complex Systems (MITACS) and other business partners. This group will establish a new research internship program to place promising graduate students in businesses and allow the private sector to benefit from leading-edge research. The investment will help provide 250 fellowships, growing to 550 by the third year.

This Budget also announces four other new initiatives to increase participation in postsecondary education:

- more than \$7 million over three years for an International Ontario Strategy to attract talented postsecondary students from around the world, raising the level of research excellence in Ontario's universities and contributing to economic prosperity. This will include a new doctoral scholarship program for international students and a Registry of Approved Schools
- more than \$1 million over three years for Global Edge, a program that facilitates international work and learning opportunities for enterprising postsecondary students. It will help young Ontarians aged 19 to 29 discover the opportunities and challenges of conducting business in the international marketplace and will enhance long-term business relationships with other countries
- more than \$16 million in 2007–08, in addition to \$2.9 million committed previously, to enhance the successful Pathways to Education program and increase the number of at-risk youth finishing high school and proceeding to postsecondary education or directly to the workforce. New community projects in Ottawa and Kitchener and two in Toronto will benefit
- \$3.5 million in 2007–08 to the Youth Science Foundation Canada and \$1.5 million in 2007–08 to Let's Talk Science to inspire high school students to pursue careers in science and technology.

Building Places to Learn

This Budget provides capital investments of \$970 million to build and renew places where students learn.

It provides \$200 million in 2007–08 for the maintenance and renewal of university facilities and \$200 million for new and expanded skills training centres and facilities under the Strategic Skills Training Capital Investments program. It also provides \$60 million over the next three years for the College Equipment and Renewal Fund, to ensure colleges have up-to-date equipment.

The 2007 Economic Outlook and Fiscal Review included \$464 million in capital investments in Ontario's colleges and universities:

- \$264 million for strategic capital projects with clear links to economic growth and competitiveness. Investment details are outlined in the box below
- \$200 million for a Campus Renewal Strategy for safety, energy efficiency and facilities upgrades.

RECENT POSTSECONDARY CAPITAL INVESTMENTS

- \$45 million for Ryerson University's Student Learning Centre
- \$40 million for the University of Windsor's Centre for Engineering Innovation
- \$33.5 million for Brock University's Niagara Health and Biosciences Research Complex
- \$20 million for York University's (Glendon Campus) Centre of Excellence for French Language and Bilingual Postsecondary Education
- \$18 million for the Nipissing University and Canadore College E-Learning Resource Centre
- \$16.5 million for the McMaster University and Mohawk College Bachelor of Technology Partnership
- \$91 million for 15 other capital projects.

The Budget provides \$25 million in 2007–08 to lever private-sector support to establish a new Munk School of International Studies at the University of Toronto. The school will have a positive effect on the province's capacity to manage globalization and create new opportunities in a global economy.

The Budget also announces \$19 million in 2007–08 to encourage skills development and research capabilities in digital media — a knowledge-intensive industry that presents opportunities for Ontario to build on existing strengths and create new skilled jobs:

- \$10 million to the University of Waterloo at Stratford for a new digital media institute and convergence centre
- \$9 million to the Ontario College of Art and Design for a research and innovation laboratory in interactive design and digital media.

II. Investing in Infrastructure for a Stronger Ontario

Major Investments in Infrastructure

This Budget is announcing \$1 billion in new municipal infrastructure investments in 2007–08.

For Ontario to be competitive in the global economy and achieve its full potential, it must have modern infrastructure that makes business productive, helps move people and goods faster, and contributes to a high quality of life for all Ontarians. That is why investing in infrastructure is part of Ontario's five-point economic plan. For more details, see Section B: *Stronger Communities: Investing in Municipal Infrastructure and Communities*.

The government is modernizing Ontario's infrastructure through ReNew Ontario, its five-year, \$30 billion infrastructure investment plan. ReNew Ontario provides for major investments in areas that are of primary importance to Ontarians: transportation, health, education and economic prosperity. The government will implement a new \$60 billion infrastructure plan over 10 years, once ReNew Ontario is completed.

Infrastructure investments create jobs, improve access to markets, and support business investment. They deliver immediate benefits through job creation and form the foundation for long-term economic growth, as modern infrastructure is a major factor in attracting private investment and world-class businesses.

The Province, in cooperation with municipalities, calls on the federal government to invest in Ontario's infrastructure, specifically the government's \$17.5 billion MoveOntario 2020 plan, the Windsor border, the Ontario–Quebec Continental Gateway and Trade Corridor, and strong community infrastructure. For more details, see Section F: *Need for a Strong Federal Partner to Support Ontario Workers and Industries*.

Ontario's Electricity Infrastructure

Investments in New Electricity Supply

Investments in Ontario's electricity infrastructure support and enhance the province's economic competitiveness, environmental objectives and quality of life. The government's policies and 20-year energy plan are providing the foundation for ensuring a stable, affordable and reliable electricity supply for the next two decades.

Conservation and Building Greener, Cleaner Energy Sources

The 20-year plan begins with replacing coal-fired generation by 2014, reducing electricity demand by 6,300 megawatts (MW) or about 20 per cent of projected future peak demand, and doubling the use of renewable energy. When completed, the replacement of coal-fired plants will mean a reduction of up to 30 megatonnes of greenhouse gas (GHG) emissions, the single-largest emissions reduction in Canada.

To promote energy conservation, this Budget proposes to extend the Retail Sales Tax (RST) exemption for qualifying new ENERGY STAR® household appliances and light bulbs to the end of August 2009, resulting in tax savings for Ontarians of \$37 million in 2008–09 and \$22 million in 2009–10.

The Province is committed to a balanced and sustainable property assessment system for the renewable energy sector that provides certainty and ensures that residents are not deterred from taking steps to supply their own clean energy. The government will consult with municipalities, the Municipal Property Assessment Corporation (MPAC) and the energy generation sector to ensure that the property tax treatment of renewable energy facilities remains fair and consistent, and promotes the development of green energy. Consultations will conclude by the fall of 2008.

In November 2006, the government established a Renewable Energy Standard Offer Program to promote the development of small wind, water, solar and biomass power projects of less than 10 MW each. This program is the largest of its kind in North America and its reception from potential electricity generators has been remarkable, with contracts for 279 projects representing more than 1,100 MW as of February 2008.

Building on experience from the first 18 months of the program's operation, the government will work with Ontario's energy agencies and stakeholders to ensure that the efficiency, fairness and effectiveness of this leading-edge program's delivery make it a model for other jurisdictions. The government will also work with stakeholders to ensure these energy projects can proceed expeditiously and that approvals processes are timely and predictable.

In addition, the government will propose legislation to ensure clarity and fairness in the application of transmission standards in Ontario.

Renewing Ontario's Nuclear Fleet

Another key part of the government's 20-year energy plan is maintaining the province's nuclear capacity at 14,000 MW. In March 2008, the Honourable Gerry Phillips, Minister of Energy, announced the next step in this plan, with a competitive, transparent process to select a technology for new nuclear units. Four internationally recognized vendors have been invited to participate in this process. The decision will be based on the best technology offered at the best price that provides the greatest benefits and lowest risks to ratepayers over the lifetime of the new facilities, including the vendor's ability to deliver on time and on budget and to provide economic benefit to the province.

Following government direction in June 2006, Ontario Power Generation (OPG) is proceeding with feasibility studies on refurbishing its existing nuclear units and an application to the Canadian Nuclear Safety Commission (CNSC) for a Site Preparation Licence for new nuclear units at its Darlington site. Bruce Power Limited Partnership has filed its own site preparation application with the CNSC.

The nuclear industry's ability to respond to increased demand for skilled workers will be enhanced by Ontario's Skills to Jobs Action Plan, including the further expansion of apprenticeship by 25 per cent.

III. Enhancing Ontario's Competitiveness

A strong economy is one that is continuously renewing itself in the face of external challenges and changing environments. The Ontario economy has undergone profound changes in recent times, yet has remained resilient and continues to grow in the face of numerous external challenges.

This Budget is announcing that Premier McGuinty has asked Richard Florida, Professor of Business and Creativity at the Rotman School of Management, and Roger Martin, Dean of the Rotman School of Management at the University of Toronto, to undertake a study of the changing composition of Ontario's economy and workforce. Dr. Florida and Dr. Martin will examine historical changes and projected future trends affecting Ontario and provide recommendations to the Province on how to ensure Ontario's economy and people remain globally competitive and prosperous.

The Province looks forward to Dr. Florida and Dr. Martin's recommendations.

Lowering Ontario's Business Costs

Ontario's competitive strengths make it an attractive place for business to locate and create jobs. Businesses in Ontario benefit from a well-trained and highly educated workforce, a publicly funded health care system, proximity to major markets, and excellent infrastructure and public services.

The government has invested, and continues to invest, in tax cuts for business. However, simply lowering taxes is not enough to ensure that an economy can compete in global markets. According to a 2006 competitiveness study by KPMG, the combined total of all taxes imposed by all levels of government represents only 3 to 13 per cent of location-sensitive costs. As KPMG notes, "Selecting the best site for a business operation requires balanced consideration of many factors, including business costs, business environment, personnel costs, and quality of life issues."¹

"Competitiveness is much more than simple cost factors or tax rates. A great business climate is important. But so is a great people climate — a community needs to develop talent, retain talent and attract talent from all over the world — It's the key to competitiveness. And to do that a community needs to excel not just at the hard factors but the soft factors — culture, openness, tolerance and diversity to name just a few."

Richard Florida, Professor of Business and Creativity at the Rotman School of Management and author of *Rise of the Creative Class*.

¹ *Competitive Alternatives: KPMG's Guide to International Business Costs, 2006.*

While this Budget proposes business tax measures to further encourage economic growth, the province is gaining investments because Ontario's economic plan leverages Ontario's other competitive strengths:

- A highly skilled and educated workforce:
 - Ontario has an extensive network of postsecondary institutions, with 19 universities and 24 colleges across the province
 - about 60 per cent of Ontarians aged 25 to 64 have completed a postsecondary certificate, diploma or university degree program — a higher rate of postsecondary education than in any Organization for Economic Co-operation and Development (OECD) country
 - Ontario's universities grant more degrees than any other province. In 2005, approximately 40 per cent of Canada's undergraduate, masters and earned doctorates were granted in Ontario.
- Modern transportation infrastructure:
 - Through the ReNew Ontario infrastructure plan, the following results are expected by 2010:
 - 1,600 kilometres of highway repairs and 130 kilometres of new highways in southern Ontario
 - 264 repaired/new bridges in southern Ontario
 - 2,000 kilometres of highway repairs and 64 kilometres of new highways in northern Ontario
 - 254 repaired/new bridges in northern Ontario.
 - The \$17.5 billion MoveOntario 2020 rapid-transit action plan for the GTA and Hamilton will result in:
 - 902 kilometres of new or improved rapid transit
 - 800 million new transit trips per year and 300 million fewer car trips per year
 - cutting smog and reducing carbon dioxide emissions by 10 megatonnes by 2020.
- Innovative businesses:
 - Investing in innovation so that creative Ontarians turn ideas into the next generation of jobs.
 - In 2005–06, initiatives supported by the Ministry of Research and Innovation leveraged investments of \$314 million and helped create 33 spinoff firms. These initiatives also helped 10,500 individuals acquire higher levels of skills and knowledge for the new economy.
 - Ontario's investments in extending its public communications infrastructure mean businesses will be able to take advantage of the latest technologies and services. The \$10 million Rural Connections program announced in the 2007 Budget is expanding access to broadband internet in 18 municipalities.

- An effective and accessible universal health care system:
 - Ontario’s publicly funded health care system eases the cost pressure on firms to purchase many health benefits for their employees. This is a valuable advantage for Ontario in competing for jobs, especially in the manufacturing sector.
 - Through ReNew Ontario, the government is providing funding for over 100 major projects to upgrade and expand hospitals to provide better services in high-growth areas, as well as to modernize older hospitals, improve access to care and reduce wait times.
- A results-oriented, high-quality educational system:
 - Increased graduation rates translate into a more competitive skilled labour force and a stronger Ontario economy
 - Since 2003–04, the high school graduation rate increased by seven percentage points to 75 per cent, which means 10,500 more students every single year earn their high school diploma
 - Through the ReNew Ontario plan, the government is investing more than \$10 billion to renew and expand schools and postsecondary institutions, including \$600 million for a major expansion of medical and graduate school spaces, resulting in:
 - a 15 per cent increase in the number of doctors graduating each year, starting in 2011–12
 - 14,000 new places in graduate programs across Ontario by 2009–10.

By continuing to invest in all these areas of provincial strength, Ontario can maintain its high standard of living and quality of life, and compete successfully with any jurisdiction in the world.

Ontario’s Business Taxes

Maintaining a tax system that promotes investment and encourages economic growth supports Ontario’s fundamental strengths.

In this Budget, the government is proposing \$750 million in tax measures over four years that would provide support for businesses, including Ontario’s manufacturing sector. These investments, which start in 2007–08, include:

- eliminating the Capital Tax retroactive to January 1, 2007, for businesses primarily engaged in manufacturing and resource activities
- extending an accelerated Capital Cost Allowance (CCA) rate for manufacturing and processing machinery and equipment investments made before 2012 and paralleling other CCA measures announced in the 2008 federal budget

- accelerating Business Education Tax (BET) rate cuts for northern businesses
- providing a 10-year Ontario income tax exemption for new corporations that commercialize intellectual property developed by qualifying Canadian universities, colleges or research institutes.

For further details, see Chapter III: *Tax Support for Families and Business*.

These new measures would build on the \$1.1 billion in business tax reductions over three years proposed in the 2007 Economic Outlook and Fiscal Review as outlined in the box below.

BUSINESS TAX MEASURES PROPOSED IN THE 2007 ECONOMIC OUTLOOK AND FISCAL REVIEW

- Eliminating the Capital Tax on January 1, 2008, for corporations primarily engaged in manufacturing and resource activities.
 - Cutting Capital Tax rates for all businesses by 21 per cent, retroactive to January 1, 2007, on the way to full elimination in 2010.
 - Extending the lower Small Business Corporate Income Tax rate to more small businesses, retroactive to January 1, 2007.
 - Increasing film tax credit rates, effective January 1, 2008.
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These proposed tax measures are in addition to the government's plan to eliminate the Capital Tax for all business on July 1, 2010 and to reduce high BET rates across the province by \$540 million over seven years.

Ontario's current combined federal-provincial Corporate Income Tax (CIT) rates for general corporations and manufacturers are almost seven percentage points below the average rate of its main trading partners, the Great Lakes States. In fact, the combined CIT rate in Ontario for both general corporations and manufacturers is lower than the combined CIT rate in every one of the 50 U.S. states.

Modernizing Regulation

The government is modernizing its regulatory regime to strengthen Ontario's global competitiveness and respond to concerns raised by the business community. The Canadian Federation of Independent Business has indicated that a main concern for many small- and medium-sized businesses is their paper burden.

Ontario's goal is to lead all Canadian jurisdictions with its efforts to measure and reduce the regulatory burden. Ontario's regulatory modernization will start with an aggressive cap-and-trade initiative for government regulations, which means that when new regulations are enacted, others must be eliminated.

The government will also actively engage the business community and its key leaders to help improve Ontario's regulatory regime and deliver meaningful change. This partnership will address priority areas and sectors, with the goal to make government services simpler, faster, smarter and more connected.

MODERNIZING ONTARIO'S REGULATION

ONT-TAXS

ONT-TAXS (Ontario's Tax Services) is providing businesses with flexible, easier and more convenient ways to meet their tax obligations, including:

- new self-serve options over the Internet through ONT-TAXS online to file returns, make payments and view accounts
- one toll-free number that replaces 39 existing ones
- one integrated computer system to support "one-window" service delivery
- one business number for convenient access to multiple tax accounts
- user-friendly letters and forms.

In 2010, these modernization initiatives will be completed for all tax programs administered by Ontario.

Taxes Administration Act

A Taxes Administration Act would combine provincial tax administration rules common to various tax statutes into one statute with an accompanying reduction in regulations.

This would result in regulatory simplification for taxpayers by providing:

- a single point of reference
- an expected overall reduction in tax legislation of up to 25 per cent
- consistency of administration rules
- an opportunity to simplify legislative language.

Work on the initiative is commencing and is expected to be completed in late 2009.

Corporate Taxes

Federal administration of Ontario Corporate Taxes will make tax compliance simpler and less costly.

- Transferring the administration of Ontario corporate taxes to the federal government for taxation years ending after 2008 will save Ontario businesses up to \$100 million a year in administrative costs.
 - Businesses will save a further \$90 million a year in Ontario CIT from a harmonized CIT base.
 - Ontario businesses will benefit from one tax return, one set of rules, one audit and one appeals process.
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IV. Strengthening the Environment for Innovation

Innovation is key to Ontario's future prosperity and is a catalyst for growth across all sectors of the economy. Innovation is a vital component of Ontario's five-point economic plan.

In this Budget the government is proposing tax incentives to support the startup and growth of innovative firms (for further details, see Chapter III: *Tax Support for Families and Business*):

- a 10-year Ontario income tax exemption for new corporations that commercialize intellectual property developed by qualifying Canadian universities, colleges or research institutes
- enhancements to the Ontario Innovation Tax Credit, which is available to small and medium-sized corporations performing eligible Scientific Research and Experimental Development in Ontario.

This Budget also includes nearly \$300 million in new investments by the Ministry of Research and Innovation that will build on and support the Province's innovation strengths:

- \$250 million over the next five years to the Ontario Research Fund for investment in research infrastructure, such as laboratories and equipment, at Ontario institutions. This will help institutions leverage at least \$375 million from the federal government, private sector and other sources, and attract and retain talented researchers. Funding for research infrastructure will be guided by Ontario's investment priorities, such as bio-economy/clean technology, advanced health technologies and creative industries (e.g., digital media).
- \$42.5 million in strategic investments to boost innovation in Ontario's economy, including:
 - investments to develop skills and research capacity in digital media: \$10 million to the University of Waterloo at Stratford and \$9 million to the Ontario College of Art and Design
 - \$7.5 million to the University of Western Ontario to support interdisciplinary research into chemicals and fuels made from agricultural resources, which will help Ontario transition to a low-carbon economy
 - \$3.5 million to the Youth Science Foundation Canada and \$1.5 million to Let's Talk Science
 - \$5 million to the MaRS discovery district to support its initiatives in commercialization
 - \$6 million to expand the Innovation Demonstration Fund, which supports the commercialization and initial demonstration of innovative technologies, processes and/or products

These investments build on the recently announced five-year, \$150 million Biopharmaceutical Investment Program, a component of the \$1.15 billion Next Generation of Jobs Fund aimed at attracting biopharmaceutical investment to Ontario.

In addition, the Ministry of Research and Innovation is implementing the Strategic Opportunities component of the Next Generation of Jobs Fund to support industry-led collaborations of Ontario-based companies, researchers, universities and not-for-profit organizations in targeted areas of strength for Ontario. One of the focus areas of this component is the bio-economy and clean technology. The creation of new green products, processes, technologies and industries will generate new employment across a broad range of skills, occupations and professions.

V. Forming Key Partnerships to Strengthen Ontario

Another key component of the government's five-point economic plan is promoting and supporting new business investment through strategic partnerships with industry, other levels of government, other jurisdictions and Aboriginal peoples.

To respond to intensifying global competition for new business investment and jobs, the government will establish Investment Ontario Inc., an independent agency, that will provide business with fast and effective access to economic development services and assistance. This will help the government become more strategic in targeting markets and sectors on which to focus its investment and trade activities, improving Ontario's international recognition.

Characterized by strong public–private cooperation, the agency's key functions will be to attract international investment, promote exports by small and medium-sized enterprises, attract business immigrants, and advise the Minister of Economic Development and Trade on global investment intentions, trends and opportunities for Ontario.

The government is also moving forward on the Next Generation of Jobs Fund, a five-year, \$1.15 billion strategy to help innovative companies:

- secure new knowledge-based jobs and investment in Ontario
- build Ontario's strengths in sectors where the province is, or has the potential to be, a global leader
- support the growth and success of value-added businesses through the development and expansion of their global markets and exports
- support public–private partnerships that will build Ontario's expertise for innovation and commercialization
- support Ontario's Go Green Plan by reducing energy consumption and carbon emissions
- improve Ontario's reputation as a globally competitive jurisdiction that can compete and win international investment.

The fund has three components:

- Biopharmaceutical Investment Program — supports the expansion of research and advanced manufacturing by pharmaceutical and biotechnology firms
- Jobs and Investment Program — helps companies in a wide range of sectors to expand in Ontario and develop innovative products for global markets

- Strategic Opportunities Program — supports industry-led, public–private collaborations focused on increasing Ontario’s innovation expertise in three key sectors: the bio-economy and clean technologies, advanced health technologies, and creative industries such as digital media and information and communications technologies.

To help companies get their projects off the ground sooner, companies are guaranteed a decision within 45 days of submitting a complete proposal.

Working for a Greener Economy

In June 2007, the Premier announced strict greenhouse gas (GHG) emission targets that will reduce Ontario emissions to six per cent below 1990 levels by 2014, 15 per cent below 1990 levels by 2020 and 80 per cent below 1990 levels by 2050.

Two initiatives will make a significant contribution towards achieving these targets. First, the closure of the Lakeview coal-fired generating station in 2005 and the enactment of a regulation prohibiting the use of coal to generate electricity at Nanticoke, Atikokan, Lambton and Thunder Bay after December 31, 2014 are expected to reduce GHG emissions by up to 30 megatonnes. Second, the government’s \$17.5 billion MoveOntario 2020, which will bring 902 kilometres of rapid or improved transit to the Greater Toronto and Hamilton Area (GTHA), will deliver another 10 megatonnes of GHG emission reductions.

The Next Generation of Jobs Fund is one of many Ontario programs that reflect a view that all economic players — government, industries and individuals — have a role to play in fighting and adapting to climate change while taking advantage of significant economic opportunities. The government is doing its part.

Building on previous investments, this Budget is:

- providing \$100 million to rehabilitate social housing units in communities across the province. Housing providers could use this funding towards energy-efficiency improvements
- allocating \$30 million over four years to support consultations via the Northern Table on substantial land use planning and resource management in the Far North, a vital carbon sink
- proposing an RST exemption on qualifying new ENERGY STAR® household appliances and light bulbs to the end of August 2009
- contributing \$25 million towards a centre of research and innovation in the bio-economy to be located in Thunder Bay
- providing \$14 million per year for the Pick Ontario Freshness strategy and the Ontario Farmers’ Market Initiative, which help encourage Ontarians to buy locally
- contributing \$7.5 million to the University of Western Ontario to support interdisciplinary research into chemicals and fuels made from agricultural resources

- providing nearly \$4 million over four years to enhance modelling, monitoring and research capacity at the Ministry of the Environment into the effects of climate change
- consulting with municipalities, the Municipal Property Assessment Corporation (MPAC) and the energy generation sector on the property tax treatment of renewable energy.

Ontario will work closely with other provinces, the federal government and U.S. state governments to reduce GHG emissions. Ontario will also work with industry because, in the long term, innovation and transformation of key sectors will be critical to moving to a prosperous low-carbon economy.

The government will continue to take action through its policies and initiatives on reducing GHG emissions created by buildings, land use, transportation and industry. Ontario will facilitate action by individual citizens to reduce their carbon footprint through the Community Go Green Fund and public education initiatives.

Ontario's participation in a broad North American emissions trading (cap-and-trade) system is critical to facilitate its transition to a low-carbon economy, but so far no single North American system has emerged. As a result, Ontario is pursuing partnerships with like-minded provinces and states to develop regional initiatives such as the Western Climate Initiative (WCI), Regional Greenhouse Gas Initiative (RGGI) and Midwestern Greenhouse Gas Accord (MGGA). Ontario has engaged in discussions with Quebec to set up a cap-and-trade system, is an observer at both the WCI and RGGI, and may also seek observer status at MGGA.

Supporting Opportunities for the Aboriginal Peoples of Ontario

The creation of the Ministry of Aboriginal Affairs, with a dedicated minister and deputy minister, is an important step in building a stronger relationship with Aboriginal peoples.

The government will spend approximately \$600 million on average annually on initiatives across government to improve quality of life for Aboriginal peoples. Examples include:

- \$300 million for children and social services
- \$85 million for health services
- \$80 million for justice and policing initiatives
- \$45 million for education and training programs.

As part of this, the government will:

- increase funding to the Akwe:go program by \$4 million annually. This program provides at-risk urban Aboriginal children and their families with culturally relevant and community-based supports such as support circles, individual counselling and after-school activities.
- provide \$5 million more in the 2008–09 school year for Aboriginal education. This funding increase will support learning and achievement for Aboriginal students and help raise awareness about First Nations,

Métis and Inuit cultures, histories and perspectives in schools. This initiative builds on the \$13 million investment in the Aboriginal Education Strategy to improve achievement by First Nations, Inuit and Métis students, launched in January 2007.

- provide \$1.5 million, to be matched by the Heart and Stroke Foundation of Ontario, to establish a Research Chair in Aboriginal and Rural Health at the Northern Ontario School of Medicine. The Chair will be the first of its kind in Canada.

The government is committed to working with Aboriginal peoples in Ontario, both on and off reserve, to expand economic development opportunities and improve their quality of life. This includes the opportunity to engage Aboriginal peoples in advancing the long-term sustainability of the Far North's communities, economy and environment; developing the Northern Growth Plan; and identifying proposals for sharing in the benefits of natural resource development.

The government, through the Ministry of Aboriginal Affairs, will explore ways to partner strategically with First Nations communities in Ontario on potential renewable-energy projects. For example, the Province will consider the feasibility of providing loan guarantees to help First Nations businesses develop renewable-electricity generation projects in Ontario.

PROGRESS TOWARDS THE NEW RELATIONSHIP

As announced by the Premier in June 2007, the Ministry of Aboriginal Affairs' mandate includes working with the federal government to expedite land claims; launching a New Relationship Fund to help Aboriginal communities strengthen their skills and resources to work more seamlessly with governments; and working towards resolving the future use of Ipperwash Provincial Park.

- Led by the Ministry of Aboriginal Affairs, the government is responding to the recommendations of the May 2007 Linden Report by announcing co-management of the Ipperwash Provincial Park lands with the Chippewas of Kettle and Stony Point First Nation and by establishing the Ipperwash Inquiry Priorities and Action Committee to work with First Nations and Métis to assess the report's recommendations.

In February 2008, the Ontario First Nations and the government ratified the Gaming Revenue Sharing and Financial Agreement. This agreement provides more than \$3 billion over 25 years.

- Funding started with an immediate \$201 million payment in February 2008 and will provide Ontario First Nations with 1.7 per cent of Provincial gaming revenues beginning in 2011. These funds will provide a stable revenue source to Ontario First Nations and will support health, education, community, economic and cultural development.
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New Investments in Key Ontario Sectors

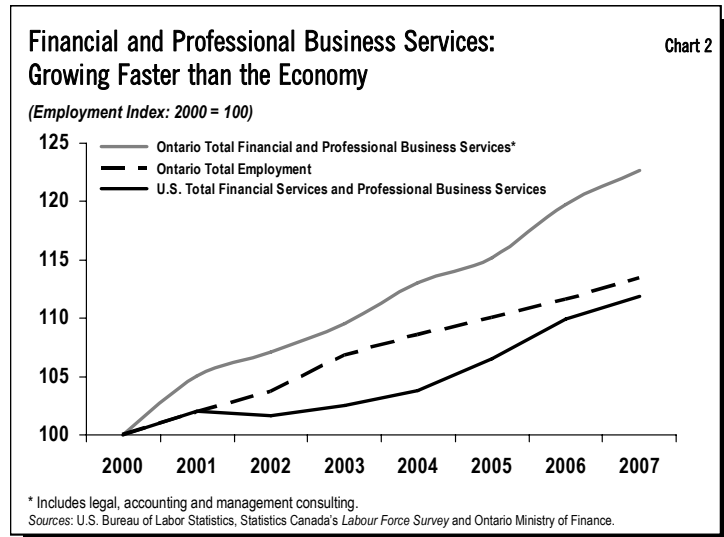
Financial and Business Services

Financial and professional business services are major sectors of the economy, contributing greatly to Ontario's growth and competitiveness. These two key sectors together represent more than 10 per cent of total employment. Their employment has grown almost twice as fast as Ontario's economy as a whole from 2000 to 2007, reaching over 700,000 jobs.

Toronto is the leading location for business and financial head offices in Canada and is the third-largest financial centre in North America based on employment.

The government will:

- implement an updated “prudent portfolio” framework for Ontario insurance companies’ investments. This will give mutual insurance companies, which serve rural communities, and other Ontario insurers, greater flexibility in the types of investments they can make, supporting their ability to compete
- complete the development of regulations to implement the modernization and streamlining of the *Credit Unions and Caisses Populaires Act* to enhance industry competitiveness
- propose legislative changes to further expand harmonized approaches across jurisdictions for regulating securities dealers and advisers, and investment fund managers
- appoint a committee to conduct the next review of Ontario's *Securities Act*, to ensure a high-quality regulatory system that enhances enforcement and investor protection, and increases the competitive position of Ontario's securities markets
- provide all seniors receiving income from Ontario locked-in accounts with greater flexibility and enhanced access to their locked-in funds. The existing rules for locked-in accounts under the *Pension Benefits Act* Regulation will be harmonized by extending the enhanced annual withdrawal and 25 per cent unlocking features of the new life income fund (LIF) to any remaining old LIFs or locked-in retirement income funds (LRIFs).



Toronto's financial services sector created over 50,000 net new jobs over the past 10 years — more than in any other North American city. Financial services is a key knowledge-based sector, as over 70 per cent of financial services employees in Toronto hold postsecondary credentials. Average earnings for workers in the financial services sector are 30 per cent higher than the all-industry Ontario average.

Financial and professional business services are also critical to growth in other sectors of the economy. They provide business and financial advisory services and financing for companies of all sizes. It is important to the economy that these key sectors further strengthen their international competitiveness by building on their knowledge-based capabilities in innovation, education and skills. It is equally important that the government work with the financial sector to help ensure it continues to move forward and grow, attracting the best and brightest people and financial firms from around the world.

The government continues to champion a common securities regulator to improve the efficiency, integrity and competitiveness of Canadian capital markets. A common securities regulator would help Canada realize its full economic potential.

The Entertainment and Creative Cluster

Ontario's entertainment and creative cluster is a cornerstone of Ontario's new innovative economy. It is the third largest in North America by employment after California and New York.

In this Budget the government is increasing the Ministry of Culture's funding by \$63 million over the next four years.

In this Budget the government is proposing the following tax measures to help support the entertainment and creative cluster (see Chapter III: *Tax Support for Families and Business* for further details):

- enhancements to the Ontario Interactive Digital Media Tax Credit
- making permanent the Retail Sales Tax (RST) exemption on admissions to live theatres of not more than 3,200 seats

In this Budget, the government is investing:

- \$2.5 million in 2007–08 in the Canadian Film Centre, to help the Centre undertake critical capital repairs and provide an improved training facility
- \$7 million over the next four years to increase the market share of Ontario-produced digital content and support new content production for mobile and online use, by expanding Ontario Media Development Corporation's Interactive Digital Media Fund
- \$4 million over the next four years in the International Fund, to support international marketing and touring initiatives, co-productions and cultural participation in trade missions and fairs to increase the profile of Ontario's artists and cultural industries on the world stage.

Over the next 12 months, the Ministries of Culture, Health Promotion, and Citizenship and Immigration will consult with key stakeholders on the design and criteria for a new capital program to strengthen the cultural and recreational assets of Ontario communities and improve their economic and social health.

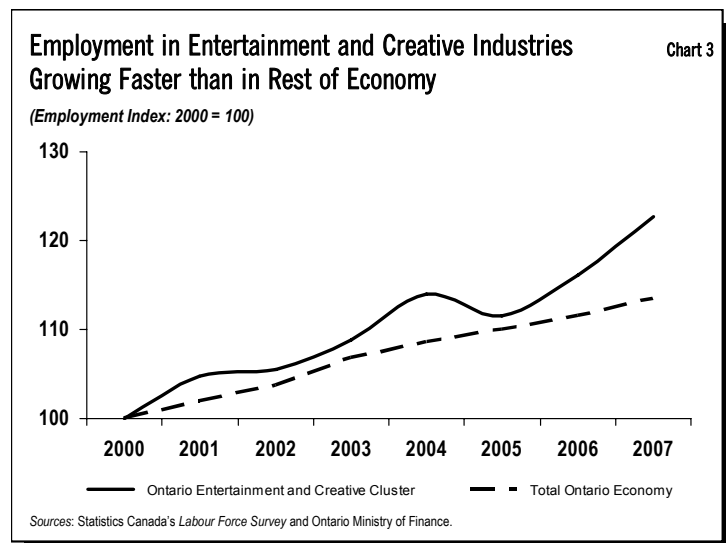
FILM AND TELEVISION TAX ENHANCEMENTS PROPOSED IN THE 2007 ECONOMIC OUTLOOK AND FISCAL REVIEW

- The Ontario Film and Television Tax Credit (OFTTC) rate for domestic productions would be increased from 30 per cent to 35 per cent for labour expenditures incurred after December 31, 2007, and before January 1, 2010.
 - The 10 per cent regional bonus would continue to be available for filming outside the GTA, and first-time producers would remain eligible for an enhanced rate of 40 per cent on the first \$240,000 of labour expenditures.
- The Ontario Production Services Tax Credit (OPSTC) rate for foreign productions would be increased from 18 per cent to 25 per cent for labour expenditures incurred after December 31, 2007, and before January 1, 2010.

The OFTTC provided an estimated \$120 million and the OPSTC provided an estimated \$37 million in 2007 to help support growth and job creation in the Ontario film and television industry.

The government is working with the film industry to explore ways of advancing financial support for producers to the start of a production.

Ontario's entertainment and creative cluster 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 economic health of this cluster enhances creativity and innovation in the province, while in turn boosting economic growth by attracting businesses, skilled workers and highly mobile professionals and investors.



Between 1999 and 2007, Ontario's entertainment and creative cluster created over 80,000 net new jobs in Ontario, or an increase of 38.3 per cent, compared with 17 per cent in the overall Ontario economy. In 2007, Ontario employment in the cluster totalled approximately 292,000 people — 43 per cent of Canada's total workforce in this cluster.

Tourism

To support tourism in Ontario, this Budget announces new investments and a proposed tax measure totalling \$92 million over five years starting in 2007–08. The government is:

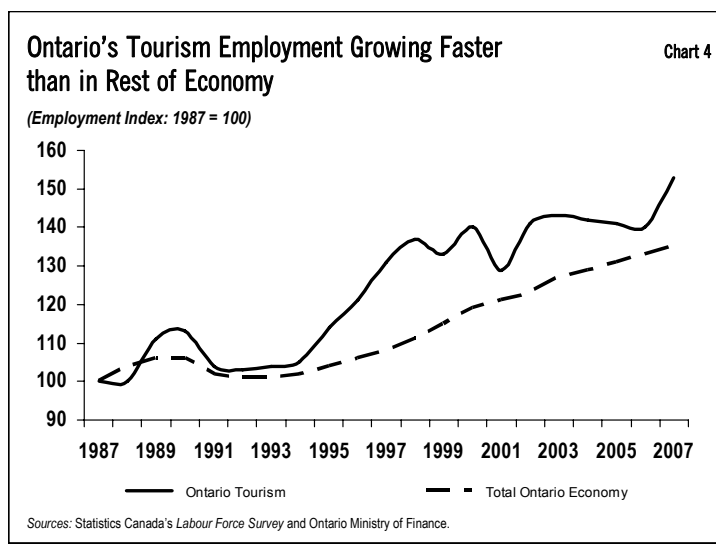
- proposing to extend the RST exemption for Destination Marketing Fees — \$6 million over two years ending June 30, 2010 (see Chapter III: *Tax Support for Families and Business* for further details)
- investing \$8 million over the next two years to conduct research on new tourism markets, inform Ontario’s tourism strategy and investments, and determine the steps necessary to attract and increase tourists to Ontario. On March 10, 2008, the government announced that Vaughan MPP Greg Sorbara will chair this new study to strengthen the competitiveness of Ontario’s tourism industry
- investing \$50 million over the next four years in tourism marketing and the Festival and Events Attraction and Support Program, to support Ontario festivals and events, and promote Ontario as a major tourist destination.

Tourism is an important component of Ontario’s economy. In 2007, the industry employed over 185,000 workers across the province, representing 2.8 per cent of total Ontario employment, and 37 per cent of Canada’s total tourism workforce.

The stronger Canadian dollar and increased border security have created significant challenges for the sector. International travel to Ontario, as well as to other provinces, has steadily decreased since 2001, mainly due to a drop in visitors

from the United States. However, Canadian travel to Ontario during this same period grew by 2.3 per cent. Ontarians vacationing in their own province, with 6.7 per cent growth between 2005 and 2007, are vital to the tourism industry. Preliminary data in the Ontario Ministry of Tourism’s *Ontario Tourism Outlook 2007–2011* estimated visits by Ontarians within the province at 93 million, and expenditures at \$9.5 billion in 2007, accounting for 79 per cent of total visits and 52 per cent of total expenditures in Ontario last year.

Employment in Ontario tourism continues to grow despite challenges from the stronger Canadian dollar and lower international inbound travel. Thanks in part to government support, tourism employment grew by 16.7 per cent in the past decade, gaining approximately 15,000 jobs in 2007. From 2006 to 2007, Ontario tourism employment rose by nine per cent, versus 5.21 per cent in the rest of Canada.



Manufacturing

To help Ontario's businesses — including the manufacturing sector — modernize, the government is proposing \$750 million in tax measures over four years, starting in 2007–08:

- eliminating the Capital Tax retroactive to January 1, 2007, for businesses primarily engaged in manufacturing and resource activities
- extending an accelerated Capital Cost Allowance (CCA) rate for manufacturing and processing machinery and equipment investments made before 2012 and paralleling other CCA measures announced in the 2008 federal budget
- accelerating Business Education Tax (BET) rate cuts for northern businesses.

These measures are in addition to the \$1.1 billion in support over three years proposed in the 2007 Economic Outlook and Fiscal Review.

In 2007–08 the government is providing:

- \$25 million to the manufacturing sector for productivity improvements and energy conservation projects. This is to be delivered through the Canadian Manufacturers and Exporters with assistance from partners including energy providers and the Information Technology Association of Canada.
- significant investments in training with new funding of \$25 million to the Yves Landry Foundation, \$22.1 million to Toyota Motor Manufacturing Canada in Cambridge and \$5.6 million to Chrysler Canada in Brampton, Etobicoke and Windsor
- \$5 million to the Ontario Chamber of Commerce for a Global Expansion Program to help companies increase access to export markets
- \$500,000 to support the activities of the Ontario Manufacturing Council, including facilitation, studies, logistics and outreach.

Ontario's new leading-edge Investment and Trade Centre — a partnership between Ontario, other levels of government, economic development organizations and business associations that was officially opened February 4, 2008 — will bring together the information investors need and will help the Province market itself as the best place for international businesses to invest, grow and create good jobs.

The government continues to support and stand up for Ontario manufacturers as they face economic challenges. To further expand the benefits leveraged through the Advanced Manufacturing Investment Strategy (AMIS), the government will lower the investment project-size threshold for loan applications to a minimum of \$10 million and 50 jobs created or retained. Also, the program's incentive will be increased from a 10 to a 30 per cent loan. These enhancements will increase access to more projects from small and medium-sized manufacturers in Ontario.

Existing initiatives have helped Ontario's manufacturing sector respond to these challenges in the most effective way — by continuing to invest in new products, facilities and equipment to improve competitiveness.

These significant new supports will deliver real and immediate help to manufacturers across the province.

RAMSAY REPORT ON INITIATIVES FOR ONTARIO'S MANUFACTURING

In November 2007, Premier McGuinty asked David Ramsay, Parliamentary Assistant to the Premier and MPP, Timiskaming-Cochrane, to investigate the challenges and opportunities facing Ontario's manufacturing sector and to provide advice on short-term actions the government could provide to help this vital sector expand and thrive in the global economy.

Following consultations with industry, Mr. Ramsay has provided advice to the Premier and the Minister of Finance in the following areas:

- provide tax relief for both profitable and currently non-profitable small and medium enterprises (SMEs) in the manufacturing sector
- provide resources for increased innovation and productivity including lean manufacturing activities.
- enhance skills, including workplace and apprenticeship training
- amend the Advanced Manufacturing Investment Strategy to reduce thresholds for eligible projects to allow greater access from SMEs
- expand the presence of Ontario's manufacturers in world markets, with particular focus on SMEs.

Mr. Ramsay also notes the importance of federal partnership in helping the Ontario manufacturing sector. The federal government should:

- significantly increase its funding commitment in the Automotive Innovation Fund to help support large-scale research and development projects in the automotive sector
- extend the 50 per cent straight-line write-off on manufacturing equipment to 2014
- extend its 10 per cent Atlantic Investment Tax Credit to all manufacturing activity across Canada to encourage new investment and to help level the playing field for businesses operating in Canada.

The government is looking forward to Mr. Ramsay's full report in the coming months.

Small and Medium-Sized Businesses and Entrepreneurship

Small and medium-sized businesses are vital to Ontario's economy. Many of the new manufacturing initiatives and tax measures proposed in this Budget will benefit this sector. The government is also providing direct assistance to support the small and medium-sized business sector. This Budget announces the following:

- The Global Edge program, with funding of \$1.7 million over four years, to facilitate international work and learning opportunities for enterprising postsecondary students. This will also help ensure strong international business relationships in the future.

- A \$1 million additional investment in Ontario's Small Business Enterprise Centres, which provide support for startup and small enterprises during their initial years of development and operation.

Small and medium-sized businesses would benefit from the proposed extension of the lower small business Corporate Income Tax rate, retroactive to January 1, 2007, as announced in the 2007 Economic Outlook and Fiscal Review. Other proposed tax relief benefiting small and medium-sized businesses includes enhanced capital cost allowance rates, the enhanced refundable Ontario Innovation Tax Credit, and accelerated Business Education Tax reductions.

Mining

To help foster the continued success of Ontario's mining industry, this Budget is announcing:

- \$20 million over four years for geological mapping to help Ontario's mineral exploration sector identify areas of economic opportunity
- close to \$7 million over four years to implement Ontario's Mineral Development Strategy, which will include modernization of the *Mining Act*.

The global mining industry is enjoying an exceptional boom, due to continuing robust demand. In 2007, Ontario produced roughly \$11 billion in metals, non-metallic minerals and aggregates, up more than \$1 billion from 2006. In addition, Toronto is one of the world's premier centres of mining finance, with over 1,200 mining companies listed on the Toronto-based TSX Group's stock exchanges.

Industry exploration and deposit appraisal expenditures surged in 2007 to an estimated \$502 million from \$347 million in 2006, helping to identify new reserves and extend the life of existing mines. Spending intentions indicate a further 25 per cent increase to \$629 million in 2008, leading all other Canadian jurisdictions.

Forest Sector

The government is committed to helping Ontario's forest industry transform and compete successfully in the marketplace.

- As one of Ontario's most capital-intensive sectors, forest-products companies would benefit from the tax initiatives proposed in this Budget such as the elimination of capital tax for manufacturing and resource activities effective January 1, 2007, enhanced capital cost allowance rates for manufacturing and processing machinery and equipment, and the acceleration in the Business Education Tax rate cuts for northern business.
- To encourage new investment and greater use of the underutilized poplar species and support existing users, the government proposes to reduce the stumpage rate for poplar hardwood by \$2.76 per cubic metre, to make it consistent with the white birch rate effective April 1, 2008. The estimated value of this initiative is \$6 million in 2008–09. Forest renewal and forestry futures charges will remain in effect.

- The government will implement forest biofibre pricing that will encourage greater use of this underused resource for the production of energy and other value-added bioproducts, and spur the development of new technologies, while ensuring that users continue to contribute to the renewal and protection of Ontario's forests. Forest biofibre includes tree tops, cull or salvaged trees, and other portions of trees that are unmarketable or unsuitable for use in conventional forest products.
- The government will contribute \$25 million towards a centre for research and innovation in the bio-economy, to be located in Thunder Bay, which will undertake frontier research in the next generation of higher-value forestry products, such as supercalendared paper used in advertising inserts in newspapers.
- The government will provide \$15 million over four years for a centre for invasive species management in Sault Ste. Marie.

Ontario's forest sector employs almost 67,000 people and is the mainstay of many communities, particularly in northern Ontario. It is being challenged by increasing global competition, a slumping U.S. housing market and a sharp rise in the Canadian dollar.

With help from existing Ontario programs, the industry is making progress in reducing purchased-energy costs and harnessing new sources of value from wood fibre through investments in co-generation facilities and the development of biofuels such as wood pellets.

Ontario will continue to facilitate the sector's move to a more competitive position, while working with the sector and forest-dependent communities to better manage this transition during current market weakness.

Since 2005, the government has announced more than \$1 billion in assistance for the forest sector. The resulting programs have stimulated new investments in value-added manufacturing and co-generation, helping the industry reposition itself in the global marketplace.

Agriculture

The government is helping farmers stay competitive in a rapidly changing global marketplace and move towards a more sustainable future. In this Budget, the government is:

- providing \$56 million over four years for the Pick Ontario Freshness strategy and the Ontario Farmers' Markets Initiative, which will help encourage Ontarians to buy locally
- supporting research, animal health and the Ontario Veterinary College by providing \$56 million in 2007–08 to the University of Guelph
- supporting the Vineland Research and Innovation Centre with \$12.5 million in 2007–08, which builds on the support provided in 2006–07 — in total, the government has provided \$25 million to the Centre

- proposing to expand the Land Transfer Tax exemption for transfers of the family farm to include transfers from family farm corporations to individual family members
- supporting interdisciplinary research into chemicals and fuels made from agricultural resources by providing \$7.5 million in 2007–08 to the University of Western Ontario
- enhancing broadband access in rural southern Ontario with funding of \$7.5 million annually for four years.

Ontario has the largest agriculture sector in Canada, accounting for 25 per cent of national crop and livestock receipts in 2006. It is highly diversified and benefits from proximity to major markets, a favourable climate and good soils. Farming employed about 96,000 people in Ontario in 2007.

Recently, some agriculture sectors have faced special challenges, such as higher fuel costs. The government responded with new support announced in 2007. The Risk Management Program and support for horticultural and livestock farmers assist the sector in the face of immediate challenges.

Ontario Ministry of Agriculture, Food and Rural Affairs expenditures are expected to total more than \$1.2 billion in the 2007–08 fiscal year.