



# 2009 ONTARIO BUDGET

**Confronting the Challenge**  
*Building Our Economic Future*

The Honourable Dwight Duncan  
Minister of Finance

Budget Speech





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Budget Speech

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# Introduction

Mr. Speaker, I rise to present Ontario's 2009 Budget.

Ontario is in the middle of a global economic and financial storm.

Our communities are caught in it.

Many of our families and our friends are hurt by it.

No place in the world is immune from it.

We need to confront this challenge head-on, and together build a stronger future.

We know that only a strong and growing economy will create the new jobs of the 21<sup>st</sup> century.

Only a strong and growing economy will allow us to maintain and enhance our public services.

Only a strong and growing economy will help create a green society.

Only a strong and growing economy will yield a better quality of life for all of us.

Building a powerful Ontario economy is our top priority — so Ontario will act.

Mr. Speaker, we are taking immediate steps to create jobs now and to prepare for future growth, future employment and future opportunity for all Ontarians.

Confronting the  
challenge

Immediate steps for  
future growth

# Fiscal Plan

Five-point economic plan

For the past five years, the McGuinty government has been strengthening Ontario's economy by investing in the skills and education of our people, creating partnerships with business, making investments in research and innovation, cutting taxes for business and investing in the infrastructure that keeps our economy moving.

This five-point economic plan has led to a stronger economy that supports stronger public services.

We have higher test scores, smaller class sizes and more students graduating from high school — all of which helps create one of the most advanced and competitive workforces in the world.

Ontario now has more doctors and nurses and shorter wait times — giving us a competitive advantage over much of the world.

Working together, Ontarians have built an economy and a quality of life that are second to none.

Higher test scores, smaller classes, shorter wait times

Mr. Speaker, like other governments around the world, Ontario has seen a serious deterioration in its fiscal position since last fall, caused by the biggest downturn in the global economy since the 1930s.

This has been accelerated by the devastating impact of the financial meltdown in the United States, our largest market.

Simply put, American consumers and businesses are not purchasing as many Ontario goods and services as they used to.

Devastating job losses are hitting many Ontario families hard.

Mr. Speaker, in my hometown, Windsor, I have witnessed, first-hand, friends and neighbours cope with job loss.

I know I speak for all members of this legislature when I say these are not just statistics.

When a family suffers a job loss or when a business closes, it affects all Ontarians.

And while no single industry or no individual government is responsible for this global crisis, each of us has a responsibility to act.

Responsibility to act

The global crisis has reduced our government's revenues significantly.

For 2008–09, Ontario forecasts a deficit of \$3.9 billion. This deficit reflects a \$2.6 billion revenue decline just since last fall.

Every private-sector forecast sees further contraction of the Ontario economy in 2009.

An economic decline of this nature, plus the need for an aggressive stimulus plan, means that we now project a deficit of \$14.1 billion in 2009–10.

Mr. Speaker, history has shown that governments cannot simply spend their way out of recession.

Returning Ontario to a balanced budget will take time and require difficult decisions.

Protecting public services

As we move back to balance, our government will be guided by a number of principles.

First, assumptions about revenues and expenditures will be cautious, prudent and transparent. We will provide quarterly updates to the public.

Second, our government will reduce the size of the deficit in each year subsequent to this. In 2009–10, we will ensure that Ontario's relative deficit and debt are in line with most provinces and our own historical performance. The 2009–10 deficit-to-GDP ratio, deficit-to-revenue ratio and debt-to-GDP ratio are all below those of the United States now and Ontario in the 1990s. And we are in line with Canada today.

Third, our government will control expenditures in a balanced and comprehensive way to protect and deliver services more efficiently. Going forward, the rate of growth in government expenditures will be contingent on growth in the economy. For the past five years, our government has worked hard to keep the rate of growth in expenditure below the rate of growth in revenue.

Leading by example

For the year just ending (2008–09), total tax revenues declined and will likely do the same in the coming year. In the years ahead, even the most optimistic forecasts do not project revenue growth to resume at the pace it did from 2005 to 2008.

Today, our government is introducing a number of restraint measures to build on previous efforts.

This Budget proposes that MPPs lead by example and that our pay be frozen for one year.

Our government is also planning to make OntarioBuys mandatory and permanent. This program will require our hospitals, schools and broader public-sector partners to leverage their buying power and save money on the products and services they buy.

Finally, our government will become more efficient by reducing the size of the Ontario Public Service by five per cent over the next three years through attrition and other measures.

Opportunity and potential

The final principle that will guide us as we return to balance is equity.

All Ontarians must have the opportunity to reach their full potential.

Ontario's strength comes from its people and so we need to ensure that all Ontarians can participate to the fullest in the new economy.

# Confronting the Challenge

Mr. Speaker, to confront the current economic challenge, our government has designed a stimulus package that creates jobs today and enhances Ontario's future competitiveness.

Creating jobs today

Today's Budget commits \$32.5 billion over the next two years for new infrastructure that will support more than 300,000 jobs.

This Budget increases training support for the unemployed right now.

In addition to creating more than 100,000 summer jobs for students this year, we will expand training and literacy programs and propose to make the Apprenticeship Training Tax Credit the most generous in Canada.

At the same time, we recognize that average federal benefits for unemployed Ontarians are more than \$4,000 a year less than in other provinces.

Ontarians demand their fair share of Employment Insurance from the federal government so that the people of this province are treated the same as people right across Canada.

Summer jobs for  
students

Mr. Speaker, we are taking immediate steps to help manufacturing and small business. For example, we are extending the writeoff for new machinery and equipment and providing a 100 per cent writeoff for new computers.

This Budget also provides assistance to the agricultural sector and to northern communities, with investments to improve infrastructure, and supports the forest products and mining sectors with initiatives to help increase our exports.

Mr. Speaker, our Budget will create jobs now all around Ontario. The next task is to ensure we are ready for the jobs of tomorrow.

Ontario's economy must become even more competitive, innovative and sustainable.

The Green Energy and Green Economy Act, if passed, will make it easier to bring renewable energy projects to life and, most importantly, would create some 50,000 new jobs in the first three years.



Creating green jobs

To take advantage of Ontario's emerging green economy, this Budget proposes more than \$300 million in initiatives. These would include an Emerging Technologies Fund; enhancing the Innovation Demonstration Fund; a strategy to help prepare workers for tomorrow's green-collar jobs; and new research to promote green economic development.

Mr. Speaker, innovation is the key to unlocking tomorrow's jobs.

To build research infrastructure, support life science research, green technologies applied research and genomics research, we will invest more than \$700 million.

We will also invest in our successful creative and entertainment sector, helping with tax credits and support for digital media.

Mr. Speaker, Ontario is open for innovation and Ontario is also Open For Business.

Open for innovation  
and for business

Open For Business is the Ontario government's plan to make government faster and friendlier for families and businesses while at the same time protecting the safety of our communities.

Our plan is to reduce regulatory burden by 25 per cent over the next two years. We will continue to work towards a single securities regulator and promote the further development of Toronto as a global financial centre.

Mr. Speaker, Ontario can only move forward when all of us move forward together.

The McGuinty government has launched a comprehensive strategy to reduce poverty.

Today's economy makes the uphill trek to achieve that goal steeper and more rugged.

Accordingly, to ensure that each of us has the chance to reach his or her full potential, this Budget proposes investment in people, children and families, in social housing, in social services and in low-income tax relief.

As announced last week by my colleague, the Minister of Children and Youth Services, we are proposing to raise the Ontario Child Benefit to \$1,100 per child effective July 2009, fully two years ahead of schedule.

Helping Ontario families

The government is proposing to increase social assistance rates by two per cent in 2009–10. To help families, we have raised rates by 11 per cent since 2003.

The Budget also provides improved funding for rent banks — which will help thousands of families stay in their homes.

To help build new homes and improve existing housing for families, seniors and persons with disabilities, the government plans to invest over \$1 billion.

When we do return to growth, these investments will help ensure that every Ontarian has the opportunity to participate in the new economy.

# Building Our Economic Future

Next generation of growth

Mr. Speaker, as a government, as a province and as a people, our attention must turn to building the next generation of growth.

The generation of growth that will attract and create the jobs of the new economy.

The generation of growth that will preserve and enhance the public services we all value.

The generation of growth that allows Ontario to better leverage its enormous advantages to the benefit of all our people.

Mr. Speaker, getting through the challenges that face us will not be easy.

And returning to the economy that we had will not be enough to secure the future we want.

To maintain and enhance the public services that we need, we must build the next generation of growth.

This will not be easy.

Tax reform for a stronger economy

It will not happen overnight. And it is going to take all of us, working together.

Ontarians have a great track record of success when we work together to build a better future for our children.

Our goal is a better future powered by a stronger economy. The next step we must take to get there is tax reform.

Specifically, today we propose three significant tax changes.

First, a single value-added sales tax for Ontario.

Second, permanent personal tax relief and three direct payments to Ontarians as we transition to a single sales tax.

Third, comprehensive corporate tax reforms to permanently and significantly reduce business taxes for large and small enterprises across the province.

Mr. Speaker, more than 130 countries have adopted a value-added tax. Every other country in the Organisation for Economic Co-operation and Development (OECD), save the United States, has a value-added tax — as do four other Canadian provinces. It is the way modern, globally competitive jurisdictions do business.

The Ontario Chamber of Commerce, many experts, research groups and sector associations have called on us to reform our tax system and create a single provincial–federal sales tax.

Significant tax relief

Over the next 15 months, we are planning to implement a single provincial–federal sales tax of 13 per cent.

The single sales tax would begin July 1, 2010.

Let's be clear, Mr. Speaker: overall Provincial government revenue would not increase as a result of this reform package.

Let me also be clear: this reform package provides significant tax relief for Ontarians.

We need to take this step forward.

It is fundamental to building a powerful economy capable of supporting strong public services and a good quality of life for all of us.

Direct payments  
to Ontarians

During difficult times, Mr. Speaker, Ontarians expect their governments to work together. This single tax is a result of the provincial and federal government working together to foster job creation and economic growth. To support this arrangement, the federal government is providing Ontario with \$4.3 billion over two years, as well as considerable flexibility in the construct of the single tax.

We know that, for some items and for some people, it will mean price increases and that is why we will help Ontario families with the transition to a single sales tax.

Today, I am introducing a \$10.6 billion package of tax relief for people that includes permanent personal tax cuts and direct payments to Ontarians.

We plan to cut the tax rate on Ontario's lowest tax bracket from 6.05 per cent to 5.05 per cent — a decrease of 17 per cent.

This means Ontarians would pay less on the first \$36,848 of taxable income and Ontarians with modest incomes would now pay the lowest income tax rate in Canada.

Permanent income tax reductions

Ontario families and individuals earning less than \$80,000 would see an average 10 per cent cut in personal income tax.

In addition, to protect low- and middle-income families, the Province would also introduce a permanent value-added sales tax credit of up to \$260 for every adult and child. This sales tax credit would be one of the most generous in Canada.

Taken together, these initiatives would provide an ongoing, permanent tax reduction for people of more than \$2.3 billion a year.

In addition to this tax relief, we would exempt a variety of goods from the provincial portion of the single sales tax: children's clothing and footwear, all infant and child car seats, diapers, books and feminine hygiene products.

Finally, to help with the transition to a single sales tax, every eligible family in Ontario with an income below \$160,000 would receive three cheques from the Provincial government totalling \$1,000. The first cheque would arrive in June 2010, the second just before Christmas that year and the third in June 2011.

Exemptions for Ontario families

Single Ontarians earning less than \$80,000 a year would receive three cheques totalling \$300.

Mr. Speaker, competing in a globalized economy demands that Ontario businesses be more competitive than ever. We need our businesses to grow stronger and hire more Ontarians.

The single tax would make Ontario more competitive and cut paperwork costs for business by more than \$500 million a year.

While our proposed single sales tax will do much to increase business productivity, we need to do much more.

And we will.

Mr. Speaker, small businesses are the backbone of this economy, so we propose an 18 per cent cut to the corporate tax rate for small businesses effective July 1, 2010 — taking the rate from 5.5 per cent to 4.5 per cent.

We also plan to eliminate the small business surtax. This clawback is a barrier to growth. Ontario would be the only jurisdiction in Canada to end this barrier to growing businesses.

Strengthening  
small business

We also propose to strengthen our businesses by reducing Ontario's corporate income tax rate.

Starting on July 1, 2010, Ontario's general corporate income tax rate would be reduced to 12 per cent — a 14.3 per cent reduction. The general rate would be reduced to 10 per cent in 2013 — which is a further 16.7 per cent reduction.

Ontario's manufacturing and processing rate — which includes all manufacturers as well as forestry, farming, fishing and mining — would be reduced to 10 per cent starting July 1, 2010 — a 16.7 per cent cut in taxes.

This unprecedented business tax reform will make Ontario businesses better able to compete and succeed in the global economy.

Reform for a competitive  
economy

Once fully implemented, the reform would cut Ontario's tax rate on new business investment in half, making Ontario one of the most competitive jurisdictions in the industrialized world for new investment.

Overall, this is the most important tax reform we can make to inspire growth across all sectors and kick-start the rebuilding of our manufacturing and resource industries.

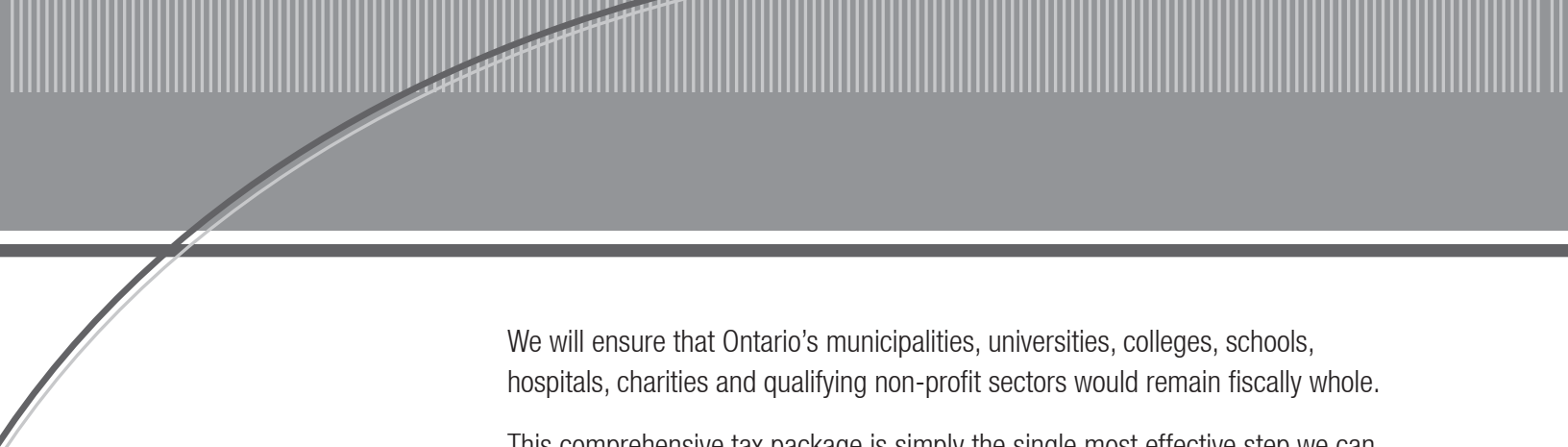
The result of all this will be a stronger economy to spur job growth, create a green economy and provide us with quality public services as we come out of the global recession.

And make no mistake, Mr. Speaker: we will come out of this recession.

Finally, Mr. Speaker, I need to address three key features of the single sales tax.

To support new housing, homebuyers would receive a rebate on this tax on homes up to \$500,000.

To help ensure that our tourism sector has the resources it needs to attract more visitors, and alleviate the impact of the single tax, we will also provide \$40 million annually for destination marketing to Ontario tourism regions, once they are established.



Essential step to a  
powerful economy

We will ensure that Ontario's municipalities, universities, colleges, schools, hospitals, charities and qualifying non-profit sectors would remain fiscally whole.

This comprehensive tax package is simply the single most effective step we can take to create jobs in Ontario and position our economy for future growth.

The tax reforms proposed in this Budget are an essential step towards a powerful Ontario economy — one that will thrive in a global economy.

This reform will help Ontario create the wealth we need to support the best publicly funded schools for all our children and the best public health care for all our families. It will help ensure we have the strongest environmental protection for all our communities and the most compassionate support for our most vulnerable.

Mr. Speaker, now is the right time to do this.

Now is the right time to signal to Ontario businesses that they have a bright future.

Right time for action

Now is the right time to signal to the international investment community that Ontario is a great place to do business.

Now is the right time to signal to Ontarians that stronger businesses will create more jobs — and more jobs help fund quality schools and hospitals.

This tax reform is a step we must take.

Infrastructure is important for jobs now and it will increase our productivity over the long term.

It is not enough.

We need to go further.

We need to move forward.

And today, we are doing just that.

# Conclusion

Mr. Speaker, after the recession of the mid-1890s, the harnessing of Ontario's rich water resources for hydroelectric power and the discovery of significant mineral resources helped create a new, more vital economy in this province.

Ontarians rise to  
the challenge

After the Great Depression of the 1930s, the Ontario economy became more diversified and manufacturing grew exponentially after a long slump.

A Canada-wide recession hit Ontario in the early 1980s and Ontario bounced back faster than the other provinces — we saw GDP rise from recession in 1981 to 7.9 per cent growth in 1984.

After the sharp recession in the early 1990s, Ontario entered a long era of solid economic growth and high employment.

Each generation of Ontarians has risen to the challenge of its day.

I am confident, Mr. Speaker, that our generation will rise to this challenge too.

Building a powerful  
economy

Because I am confident in Ontarians.

We have seen economic setbacks and, on every occasion, we have risen above them.

Once an outpost of a distant empire, Ontario has become one of the largest sub-national economies of the world.

The task of leading Ontario through this recession — and beyond — to the next generation of growth falls to all of us.

The task of ensuring that the next generation of Ontarians — our children — goes further and reaches higher falls to all of us.

The task of building a powerful Ontario economy falls to all of us.

We will take up that challenge confidently, and with determination, just as those who came before us did.

We are Ontario

Much is at stake.

We can do this.

We have much going for us: we are diverse and strong in every meaningful way.

We have the skills. We have the expertise and we have the drive.

We can do this.

We're Ontario.

Thank you, Mr. Speaker.



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