



## STRENGTHENING KEY SECTORS OF ONTARIO'S ECONOMY

### MANUFACTURING AND PROCESSING

The McGuinty government has worked hard to increase the province's competitiveness during the global economic recession. This includes modernizing the province's tax system and making strategic tax cuts, while ensuring that the manufacturing sector has the support it needs to innovate and advance.

The government will continue to work with the manufacturing sector to make it stronger and more competitive and productive. Shifting the economy to higher value-added products and operations that employ advanced manufacturing systems will lead to more jobs and growth. In addition, clean technologies and green energy systems are growing parts of the manufacturing sector.

#### 2010 Ontario Budget

Ontario's 2010 Speech from the Throne set out a five-year plan to Open Ontario to new jobs and economic growth.

Through its Open Ontario plan, the McGuinty government will help open northern Ontario to new investment and jobs, while proposing relief from higher energy costs to low- to middle-income families and single people in the North.

As part of the plan, the 2010 Ontario Budget proposes initiatives that will enhance job creation and economic growth in northern Ontario, including:

- Providing \$150 million annually, on average, to create a three-year Northern Industrial Electricity Rate Program that would provide electricity price rebates of two cents per kilowatt-hour. This would, on average, reduce industrial electricity prices by about 25 per cent for large facilities, based on 2009 levels. The rebate would be available to qualifying large northern industrial facilities that commit to an electricity efficiency and sustainability plan, and will help protect and create jobs in the North.

#### Recent Achievements

The government continues to partner with key sectors to help Ontario's manufacturers preserve and create jobs and be well positioned to succeed in an increasingly competitive global economy.

## ***Investments in the Auto Sector***

A key component of Ontario's manufacturing industry is the auto sector. The government is committed to working with the auto industry to ensure the future global competitiveness of a sector that in 2008 directly and indirectly supported about 400,000 Ontario jobs.

The province provided about \$4.8 billion to General Motors and Chrysler to achieve long-term viability, while also supporting workers and communities through investments in manufacturing, research and development, and capital expenditure. Government support for the auto sector last year helped preserve at least 85,000 jobs in Ontario.

Supporting the auto sector will allow Ontario to retain its share of production in North America. In 2009, Ontario continued to build more vehicles than any other province or any state in North America.

Since April 2004, Ontario's strategic auto investments – including the \$500 million Ontario Automotive Investment Strategy – have attracted nearly \$7.8 billion in industry investments in Ontario.

## ***Ontario's Tax Plan for Jobs and Growth***

Once the Harmonized Sales Tax (HST) is fully implemented, the manufacturing sector will benefit from about \$510 million in sales tax relief annually. Manufacturers will also benefit from reduced compliance costs due to a single HST administration.

When the tax plan is fully implemented, the manufacturing sector will benefit from more than \$1.2 billion of business tax relief per year from the HST, the Corporate Income Tax (CIT) rate cuts and elimination of Capital Tax.

The forestry, fishing and hunting sector will receive \$15 million in tax relief per year, and the mining, utilities, and oil and gas sector will receive \$315 million in tax relief per year, when these measures are fully implemented.

This includes cutting the Manufacturing and Processing CIT rate from 12 per cent to 10 per cent, effective July 1, 2010.

Ontario's marginal effective tax rate on new business investment will be cut in half, falling from 32.8 per cent in 2009 to 16.2 per cent by 2018.

## ***Achievements Since 2003***

Since 2003, the government has undertaken strategic initiatives to help Ontario manufacturers in their transition to higher-value-added production and increased competitiveness.

From 2004-08, the province has made strategic tax cuts for businesses, including manufacturing, that, when fully implemented, will provide tax relief of nearly \$3 billion annually, including:

- Eliminating the Capital Tax, including the retroactive elimination to January 1, 2007, for businesses primarily engaged in manufacturing and resource activities
- Cutting Business Education Taxes by \$540 million by 2014

- Saving businesses in Ontario \$190 million annually from harmonization of the Ontario corporate income tax base with the federal base and the transfer of Ontario corporate income tax administration to the federal government.

## SMALL AND MEDIUM-SIZED BUSINESSES

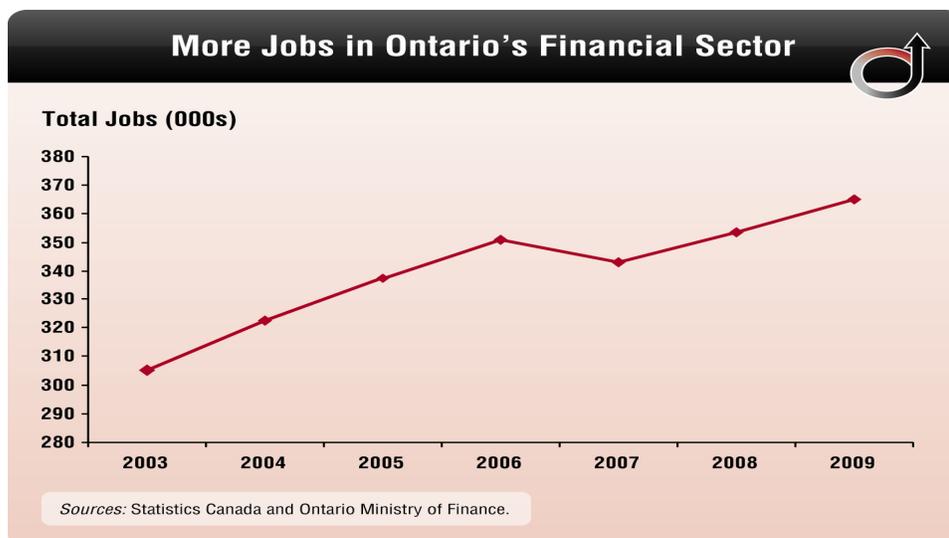
A strong small business sector is important to Ontario's economic success. The 2009 Budget also announced targeted tax measures that, together with the tax plan, will provide more than \$1 billion of tax relief over three years, beginning in 2010-11, to support Ontario's small businesses, including:

- Cutting the small business CIT rate from 5.5 per cent to 4.5 per cent on July 1, 2010
- Eliminating the small business deduction surtax to help growing small businesses
- Exempting more small and medium-sized businesses from the Corporate Minimum Tax and cutting the rate from four per cent to 2.7 per cent effective July 1, 2010.
- Providing one-time transitional assistance of about \$400 million to help small businesses convert to the new HST system
- Providing enhanced refundable tax credit rates for small businesses that hire apprentices and co-op students
- Proposing to extend the refundable Ontario Innovation Tax Credit to more small and medium-sized businesses.

Since the creation of the Eastern Ontario Development Fund in 2008, the government has approved more than \$30 million in funding. This will help attract investment and help companies in the region invest in new technologies, new equipment and skills training for their employees.

## FINANCIAL SERVICES

Ontario's financial services sector is a world leader and critical part of the province's economy. The financial services sector employed 365,000 people in Ontario in 2009 – an increase of 60,000 jobs over 2003. In addition, the sector supports an estimated 280,000 ancillary jobs, including in high-paying business service jobs (such as software design).



Toronto is home to globally successful insurance companies and investment and pension funds. Canada's banks – largely based in Ontario – enjoy a global reputation as the soundest in the world. Toronto is home to five of the 13 largest banks in North America by market capitalization and is the third-largest financial centre in North America.

The McGuinty government is supporting the growth and expansion of this major sector of Ontario's economy by investing in education and public infrastructure. It is also establishing a more competitive tax system and a more modern and efficient provincial regulatory climate.

## **2010 Budget**

The government is laying the foundation for the financial services sector to remain a growth engine for Ontarians that will create thousands of high-paying jobs.

The government is providing the financial services sector with support and flexibility to stimulate future growth while also protecting the interests of consumers and investors, including:

- Partnering with the industry and other levels of government to establish a Financial Services Leadership Council consisting of major financial sector CEOs and government leaders. This Council will guide the work of the Toronto Financial Services Alliance (TFSA) as it implements a plan to improve the sector's competitiveness, create thousands of high-paying jobs and make Toronto one of the top 10 financial centres in the world
- Supporting the work of the Council and the TFSA to create opportunities by leveraging Ontario's excellent record in the financial services sector and its highly skilled and diverse workforce. Projects such as the TFSA's Global Integrative Risk Management Institute provide a unique opportunity to capitalize on the financial sector's reputation for safety and soundness
- Actively working with the federal government and other interested provinces and territories to put in place a Canadian Securities Regulator. The province is committed to the establishment of a strong national regulator that will reflect Ontario's economic interests, enhance investor protection and improve the industry's international competitiveness. The government believes the new regulator should locate its principal operations in Toronto and will continue to press the federal government to that end
- Continuing to pursue important measures to enhance the regulation of Ontario's capital markets. In particular, the government plans to propose reforms to the Securities Act and the Commodity Futures Act, including changes to update them, strengthen the oversight of credit-rating agencies and bolster capital markets enforcement
- Working with the credit union sector, Deposit Insurance Corporation of Ontario and Financial Services Commission of Ontario on an ongoing basis to address emerging issues and support the sector's growth and competitiveness. This follows the successful implementation on October 1, 2009, of a multi-year legislative project to modernize regulatory requirements, update investment and lending powers and strengthen consumer protection.

## **Recent Achievements**

The measures announced in the 2010 Budget to enhance the financial services sector in Ontario build on recent government initiatives.

- Ontario has established the Centre of Excellence for Financial Services Education, and is working with the financial services sector and postsecondary institutions to attract foreign students and develop the best financial sector talent
- Ontario has brought into force recent changes to the Credit Unions and Caisses Populaires Act, 1994 and its regulations. These changes have enhanced this sector's competitiveness, streamlined regulatory requirements and strengthened consumer protection

- The government has implemented changes to the Securities Act and Commodity Futures Act to ensure that the province and the Ontario Securities Commission (OSC) have the necessary tools to take immediate action to protect the public interest in the event of extraordinary circumstances involving a major market disruption
- The government has also implemented Securities Act changes and approved new OSC rules to update securities registration requirements, and registration and prospectus exemptions.

### **Achievements Since 2003**

Since 2003, the McGuinty government has worked to promote a strong and stable future for the financial services sector, including:

- Granting the OSC more flexibility to take action based on an enforcement order issued in another jurisdiction, including orders made by courts and securities regulators in other provinces.
- Passing the Mortgage Brokerages, Lenders and Administrators Act, 2006, which increases consumer protection while modernizing the regulatory framework for these financial services providers
- Protecting investors through Securities Act provisions and rule changes that implement:
  - Civil liability for secondary-market disclosure, which provides investors with broader rights to sue public companies for false or misleading disclosure
  - Clearer offences for market manipulation, fraud and misrepresentations
  - More robust corporate and investment fund governance
  - Enhanced financial reporting by public companies
- Eliminating key inconsistencies and duplication between Ontario's securities and corporate laws
- Implementing Securities Act changes and new securities rules to harmonize the regulation of takeover and issuer bids and mutual fund prospectus disclosure requirements across Canada
- Updating standards for information that companies and investment funds in Ontario's capital markets are required to disclose to investors on an ongoing basis
- Updating securities rules to protect minority investors and ensure the fair treatment of all shareholders in corporate transactions, such as takeover bids made by a controlling shareholder.

### **INNOVATION**

From the discovery of insulin to the BlackBerry ®, the impact of Ontario inventions has reached around the world.

Today, Ontario's economic and social prosperity has come to depend on its ability to innovate and compete in the global marketplace. Recognizing this, the McGuinty government is investing in an aggressive innovation agenda to ensure the province is one of the winning economies in the 21st century.

### **Recent Achievements**

The Ministry of Research and Innovation will continue to support the Ontario Innovation Agenda (OIA) by:

- Committing more than \$1.3 billion over the next three years for research and innovation
- Strengthening state-of-the-art research infrastructure in the province's universities, colleges, hospitals and research institutions through the Ontario Research Fund (ORF). Support for more than 200 research infrastructure projects was announced in 2009

- Investing in innovative research areas at public institutions through the Research Excellence component of the ORF. In 2009, new Research Excellence funding was committed to 253 researchers at 10 research institutions
- In 2009, the Ontario Institute for Cancer Research and the ORF announced joint support for new cancer research projects involving more than 300 Ontario researchers
- Helping companies in their efforts to commercialize innovative technologies in Ontario through programs like the Innovation Demonstration Fund and the Investment Accelerator Fund, which together provided funding to 13 companies in 2009
- Enhancing the commercialization of research in Ontario by announcing the creation of the Ontario Network of Excellence, which will ensure:
  - Great ideas from across the province get the full support of an integrated network
  - Strengthened partnerships between researchers and industry to turn ideas into commercial products and services
- Announced 82 research projects through the Early Researcher Awards program. This will support the work of 338 researchers.

### **Achievements Since 2003**

Government investments by the Ministry of Research and Innovation have achieved the following:

- Since 2005, the Research Infrastructure component of the ORF has retained or recruited 4,000 researchers and created almost 100 private-sector jobs from spin-off companies
- Since 2005, the Research Excellence component of the ORF has trained nearly 1,100 Ontario researchers
- Since 2005, the ORF has leveraged \$1.6 billion in investments
- The Investment Accelerator Fund, delivered by the Ontario Centres of Excellence and MaRS, has assisted 20 companies, with more than 50 proposals being considered for support
- The Innovation Demonstration Fund, which helps fund the initial demonstration of innovative technologies, has supported 14 companies resulting in a total investment of almost \$110 million
- The Biopharmaceutical Investment Program, a component of the Next Generation of Jobs Fund, has leveraged \$120 million in investments from pharmaceutical companies
- The Ontario Venture Capital Fund and the Ontario Emerging Technologies Fund have invested in five companies and four underlying funds to make early-stage funding more available to Ontario entrepreneurs.

Since 2003, the government has also increased tax support for research and development in Ontario. The Ontario Research and Development Tax Credit provided \$200 million of tax relief in 2009 and enhancements to the Ontario Innovation Tax Credit would provide almost \$20 million of additional tax relief per year when fully implemented.

### **TOURISM**

Ontario's tourism industry possesses strong economic growth potential. Faced with a rapidly changing tourism market — increased global travel, shifting demographics, and emerging markets — the opportunities for job creation and enhanced prosperity for communities are substantial.

In February 2009, the government released *Discovering Ontario: A Report on the Future of Tourism*, prepared by the Ontario Tourism Competitiveness Study, and chaired by MPP Greg Sorbara. The report lays out a long-term strategy to strengthen tourism competitiveness in Ontario. The government has worked with the industry to move forward with several of the report's recommendations including the creation of 13 new tourism regions. As announced in November 2009, to help the industry transition to this new system, the government is providing \$25 million in each of the next two years in addition to the \$40 million in ongoing annual funding announced in the 2009 Budget.

## **2010 Budget**

In keeping with the recommendations of the Ontario Tourism Competitiveness Study, legislation was introduced in November 2009 providing for the collection of a regional tourism levy on a date to be proclaimed. Amendments are proposed to the Ministry of Tourism and Recreation Act that would authorize the revenue collected from the regional tourism levy in a particular tourism region to be paid out to that region's tourism organization. The amount would be limited to the amount collected from the region, less any costs related to the provincial administration of the levy.

## **Recent Achievements**

Ontarians across the province took part in the Olympic Torch Relay over a 21-day period in December 2009 and January 2010. The Olympic Flame passed within less than a one-hour drive of 92 per cent of the Ontario population, and was carried by more than 2,900 people, through 232 communities. The Ontario government supported celebrations in 42 communities and Flame Blessing ceremonies in 20 Aboriginal communities.

The government invested \$27 million over four years to promote Ontario investment, trade and tourism at the 2010 Winter Olympic Games and Paralympic Games in Vancouver.

In November 2009, Ontario won the rights to host the 2015 Pan/Parapan American Games in Toronto and the surrounding region, which will be the first major international multi-sport games hosted in the province since the 1930s. The Games are expected to attract 10,000 participants and 250,000 visitors from 42 participating countries, and will lead to an investment of more than \$700 million in new infrastructure.

The government will provide \$10 million to help bring the Red Bull Air Race back to Windsor in the summers of 2010 and 2011. Last year, the event was a resounding success for the city, attracting 300,000 spectators.

## **Achievements Since 2003**

Since 2003, significant investments in tourism by this government include:

- Approximately \$50 million over four years to support enhanced marketing and the Festival and Events Attraction and Support Program, announced in the 2008 Budget
  - \$11 million was provided in 2009 to support 224 festivals and events across the province through Celebrate Ontario 2009
  - An additional \$11 million has been announced for Celebrate Ontario 2010, to help festivals and events of all sizes reach new audiences and invigorate local economies
- \$30 million, announced in the 2007 Ontario Economic Outlook and Fiscal Review, to expand the Ministry of Tourism's promotion and marketing campaign in Canadian and international markets, consisting of \$20 million for tourism marketing initiatives and \$10 million for festivals and special events

- An additional \$2 million annually, announced in the 2007 Budget, to the St. Lawrence Parks Commission to support Ontario's tourism industry and preserve heritage sites at Fort Henry and Upper Canada Village
- An additional investment of \$41 million announced in 2009 to enhance Ontario attractions, including:
  - \$33 million for revitalization projects associated with Huronia Historical Parks and the St. Lawrence Parks Commission
  - \$8 million for infrastructure improvements at Fort William Historical Park.