



BUILDING ONTARIO UP

PROGRESS FOR PROSPERITY

ONTARIO ECONOMIC OUTLOOK AND FISCAL REVIEW

The Honourable
CHARLES SOUSA
Minister of Finance

2015
STATEMENT



BUILDING ONTARIO UP

PROGRESS FOR PROSPERITY

ONTARIO ECONOMIC OUTLOOK AND FISCAL REVIEW

The Honourable
CHARLES SOUSA
Minister of Finance

Check Against Delivery

2015
STATEMENT

For general inquiries regarding the *Building Ontario Up – Progress for Prosperity: 2015 Ontario Economic Outlook and Fiscal Review, Statement*, please call:

Toll-free English & French inquiries: 1-800-337-7222
Teletypewriter (TTY): 1-800-263-7776

For electronic copies of this document, visit our website at
www.fin.gov.on.ca

© Queen's Printer for Ontario, 2015
ISSN 1499-5557 (Print)
ISSN 1499-5565 (PDF/HTML)

Ce document est disponible en français sous le titre :
Favoriser l'essor de l'Ontario – Progrès vers la prospérité : Perspectives économiques et revue financière de l'Ontario 2015, Allocution

Introduction

Mr. Speaker, I rise today to present the *2015 Ontario Economic Outlook and Fiscal Review*.

The purpose of this report is to update the status of our fiscal and economic plan since the *2015 Ontario Budget*.

To provide a snapshot of the progress made in building Ontario up.

In the *2014 Budget* and *2015 Budget*, we laid out a comprehensive plan to enhance greater prosperity for Ontarians by:

- ◆ Creating an innovative and dynamic business environment;
- ◆ Building modern public infrastructure such as roads, bridges and transit;
- ◆ Investing in people's talents and skills; and
- ◆ Strengthening retirement security.

We have taken major action on all these fronts to achieve positive results.

Mr. Speaker, Ontario is in the midst of fundamental change. Our government is not only embracing change — we are driving it.

Moreover, we are investing in our economy and in our people. And all the while taking deliberate steps to exceed our targets by reducing the deficit and balancing the budget. We have put forward a positive plan to achieve prosperity, and we are sticking to our plan.

And we are making progress.

Mr. Speaker, Ontario's economy continues to grow in a challenging global environment.

Key economic indicators, such as real gross domestic product (GDP) per capita and employment, show the province continues to advance and has more than recovered from the 2008–09 global recession. Private-sector economists expect Ontario's growth to average 2.3 per cent annually in the 2016 to 2018 period.

Ontario employers continue to hire, with 559,600 jobs created since the recessionary low in June 2009. The majority of these new jobs are full-time positions and in industries that pay above-average wages.

Additionally, the unemployment rate in Ontario has improved steadily over the past six years and reached 6.8 per cent in October 2015, beating the national average.

Economic forces, such as increasing global competition and technological change, provide new opportunities for the province's businesses and workers.

Ontario continues to be a leader in economic growth, and economists expect that to continue over the next two years. This is helping make Ontario the top destination for foreign direct investment in North America.

Fostering a More Innovative and Dynamic Business Environment

Mr. Speaker, in the *2015 Budget*, we committed to helping ensure an innovative and dynamic business climate to foster greater competitiveness.

To help grow our economy and create rewarding, high-paying jobs for our families, we have:

- ◆ Lowered Ontario's general Corporate Income Tax rate so that the combined federal-provincial rate is lower than the comparable rate in any U.S. state;
- ◆ Reduced red tape for businesses, resulting in \$50 million in savings and 2.4 million saved hours for companies over the past four years; and
- ◆ Promoted Ontario businesses internationally through our trade missions.

Our government recognizes that Ontario's economy is evolving to a knowledge-based, innovation economy, and we are looking for ways to bolster competitiveness.

In a recent paper, Glen Hodgson and Daniel Muzyka of the Conference Board of Canada stated that, "Innovation is linked to productivity because constantly increasing the value of products and services and improving processes are key to boosting productivity growth."¹

We will be working to devise bold new strategies to make Ontario a world leader in smart manufacturing and in the service economy.

We are also strengthening our financial services sector, which accounts for almost 10 per cent of Ontario's GDP and has created jobs almost twice as fast as the overall Ontario economy. Toronto recently moved up to eighth place in the Global Financial Centres Index and is now ranked second in North America, behind only New York.²

To bolster our leading international position and further leverage the sector's economic contribution, the government is modernizing regulation, strengthening consumer and investor protection, and promoting Toronto as a global financial services hub.

Ontario is also embracing new technologies, with consumers using their handheld devices to conduct transactions more quickly and easily. Our government recognizes that the sharing economy and the use of these technologies are here to stay.

To harness the exciting opportunities that are emerging, we have set up the Sharing Economy Advisory Committee to oversee the development and coordination of the sector's potential, while protecting consumers and promoting a level playing field for businesses.

Ontario's economy is facing an increasingly competitive global economic environment. These new challenges also offer new opportunities. Opportunities to be seized. And our government will not be complacent. Ontario businesses are evolving among these new phenomena. To stay ahead, our government is devising a bold strategy to accelerate Ontario's economic growth by:

- ◆ Promoting the scaling up and growth of successful firms;
- ◆ Spurring an innovation-driven, knowledge-based economy; and
- ◆ Modernizing the regulatory system.

Improving competitiveness also means lowering costs, including reducing the cost of electricity for business. That is why we are proposing to remove the Debt Retirement Charge for commercial, industrial and other non-residential electricity users on April 1, 2018 — nine months earlier than previously estimated — which would provide them with greater certainty on their electricity costs.

This will save a typical large industrial company about seven per cent, a large northern industrial company more than eight per cent, and a small business about four per cent on their electricity bills.

Building and Revitalizing Public Infrastructure

This government is making the largest public infrastructure investment in our province's history.

We are investing more than \$134 billion over 10 years in priorities such as roads, bridges, public transit, hospitals and schools. In fact, a September 2015 report by the Broadbent Institute and Centre for Spatial Economics showed that, on average, for every dollar of public infrastructure spending in Canada, our GDP is raised by \$1.43 in the short term and up to \$3.83 in the long term.³

Investing in infrastructure will not only make our province work better — it will grow our economy.

Since the *2015 Budget*, the Province has announced support for more than 200 infrastructure projects that will keep people and goods moving, connect communities and improve quality of life. Recent progress includes:

- ◆ Building the Eglinton Crosstown light rail transit (LRT) line, with a provincial investment of \$5.3 billion in capital costs;
- ◆ Widening stretches of Highway 7 in Kitchener;
- ◆ Expanding Highway 69 between Sudbury and Parry Sound;
- ◆ Continuing work on the Confederation Line, Ottawa's 12.5-kilometre LRT project; and
- ◆ All across Ontario, investing \$25 million over three years to improve routes for cyclists.

That's building Ontario up!

Asset Optimization

Mr. Speaker, by unlocking the value of certain provincial assets, we are able to reinvest more funds in new assets to generate economic benefits. We are realizing value from Hydro One and GM shares, selling head office buildings of the LCBO and Ontario Power Generation, as well as repurposing the Seaton and Lakeview lands.

The net revenue gains from these sales will help the government generate billions to invest in roads, bridges, transit and other priority infrastructure throughout the province.

Mr. Speaker, as you are aware, we have moved forward to broaden ownership of Hydro One and completed the initial public offering of approximately 15 per cent. The net revenue gains would be dedicated to the Trillium Trust and earmarked to invest in Moving Ontario Forward projects. We are on track to achieve our 2015 Budget asset optimization target, which will help fund priority projects without corresponding increases in borrowing.

As well, Mr. Speaker, Ontario has made significant progress on creating more convenience and choice for beer consumers. This includes moving forward with the sale of beer in grocery stores.

We have further negotiated a level playing field for smaller brewers, while keeping Ontario consumer beer prices below the Canadian average.

This is the largest shake-up in beverage alcohol in Ontario since the end of Prohibition.

Investing in Tomorrow's Workforce

Building Ontario up means planning for the future.

Building on our knowledge, innovation and creativity is key. Our advantage is promoting a highly skilled workforce to drive the province's economic growth and competitiveness.

That is why we are committed to investing in people's talents and skills.

From the earliest days through to postsecondary education, we are helping people gain the education and skills required to flourish in the province's evolving economy.

It begins with investing \$120 million over three years to create about 4,000 more licensed child care spaces to give the best start to our earliest learners. It means helping more high school students graduate and turn their passions into career opportunities. So we have once again expanded the Specialist High Skills Major program, in addition to launching Experience Ontario.

And by strengthening and transforming the postsecondary education system, we can enable more students to enter universities and colleges — and graduate. To accomplish that, we have increased support for students and modernized the Ontario Student Assistance Program. We have also expanded access to eCampus Ontario and are supporting the establishment of a York University–Markham Centre campus, in partnership with Seneca College. This new campus will enable about 4,000 more students to pursue their postsecondary dreams closer to home.

Investing in tomorrow's workforce also includes providing intensive support and training to young people facing multiple barriers to employment, to help them find good jobs. That is why we launched Youth Job Connection.

Strengthening Retirement Income Security

Mr. Speaker, today in Ontario, only one-third of workers have a workplace pension plan. In the *2015 Budget*, our government committed to strengthening retirement security for Ontarians.

With adequate retirement income, people can enjoy a higher standard of living, better health outcomes and higher levels of spending — all of which promote economic growth.

We are creating the new, mandatory Ontario Retirement Pension Plan (ORPP); focusing on new retirement savings vehicles such as pooled registered pension plans; and strengthening and modernizing workplace pension plans.

We are moving forward on all three fronts, Mr. Speaker.

But Ontario has also played a leadership role in advocating for a Canada Pension Plan (CPP) enhancement and we welcome the opportunity to resume discussions with our federal and provincial partners.

Ontario will support a CPP enhancement that is consistent with the ORPP's objectives regarding adequacy and coverage.

Implementing a CPP enhancement would take considerable time and requires the agreement of governments across the country. In light of the pressing need to address retirement security, Ontario is moving forward with implementing the ORPP in 2017.

Our goal is clear: by 2020, every eligible Ontario employee would be covered by the ORPP or a comparable workplace pension plan.

Building a Fair Society

Mr. Speaker, we believe that all Ontarians should have the opportunity to achieve their full potential.

In the *2015 Budget*, the government committed to supporting people in a changing labour market and helping those in poverty, so all Ontarians can lead healthy and prosperous lives.

That is why we have increased social assistance benefits, indexed the minimum wage to inflation, increased funding to support children through indexing the Ontario Child Benefit, and enhanced inclusion of people with disabilities in the workforce.

In addition, we are taking steps to help close the wage gap between men and women by hosting consultations on this issue to develop a strategy.

We are transforming our universal public health care system to ensure all Ontarians have access to better and more coordinated care now and in the future.

Mr. Speaker, we are taking action to combat sexual violence and harassment and improve supports for survivors. Our plan, *It's Never Okay: An Action Plan to Stop Sexual Violence and Harassment*, will help build a province where everyone is free from the threat of sexual violence and harassment.

Addressing Climate Change

Mr. Speaker, good environmental policy is good economic policy — when done right.

We are building Ontario up by looking to the future. That is why, in the *2015 Budget*, this government committed to a cap-and-trade program with partner jurisdictions in the Western Climate Initiative, such as Quebec and California.

We have honoured that commitment, Mr. Speaker, by setting a mid-term greenhouse gas (GHG) emissions reduction target for 2030.

In the *2015 Budget*, we said that proceeds from the cap-and-trade program would go towards priorities that reduce GHG emissions and support sustainable prosperity.

As a next step, the government proposes a down payment of \$325 million in 2015–16 through a Green Investment Fund that will be targeted at reducing GHG emissions while strengthening the economy. Through this initial investment, the fund will support energy retrofits in homes (including affordable housing); energy-efficiency investments in small and medium-sized businesses and industry; support for Aboriginal communities; and new investments in electric vehicle infrastructure.

Our government recognizes that strong environmental policies present an opportunity for businesses to drive technological innovation and find new, low-cost solutions to reduce emissions and become more competitive in a global economy.

We are home to most of Canada’s environmental and clean technology businesses in areas such as power generation, transportation, energy efficiency, recycling, and water and wastewater solutions. Indeed, for the second consecutive year, Ontario is the top jurisdiction in North America for green investment, according to fDi Intelligence.⁴

And, Mr. Speaker, last year we launched our first Ontario Green Bond. Demand greatly exceeded the size of the bond issue — with orders of \$2.4 billion. Given that the program was so successful, I am pleased to announce that we will be issuing a second Ontario Green Bond before the end of March 2016.

It’s further proof that good environmental policy is good economic policy, Mr. Speaker.

Building Partnerships for a Stronger Canada

Ontario and our country face challenges that require greater intergovernmental collaboration. These challenges cannot be tackled by one order of government alone.

A strong federation needs a strong partnership to build an even stronger economic union.

Ontario is ready to work with the federal government on shared priorities such as building infrastructure, improving retirement security, tackling climate change, sustaining health care and creating new jobs.

We look forward to working collaboratively with all provinces, territories and Aboriginal partners to deliver better results for all Canadians.

A Track Record of Strong Fiscal Management

Mr. Speaker, our government is committed to balancing the budget by 2017–18.

The government backs this commitment with an ongoing focus on managing and controlling program spending and working to achieve the best possible value for every dollar spent.

Over the last four years, the Province has held average annual program spending growth to 1.4 per cent — less than the rate of inflation.

In fact, Ontario consistently has the lowest per capita program spending among all Canadian provinces, while continuing to invest in priorities like health care and education.

The government's Program Review, Renewal and Transformation, led by Deputy Premier and President of the Treasury Board Deb Matthews, is controlling spending and finding smarter, better ways to deliver the best possible outcomes and value for every dollar spent.

Managing public-sector compensation costs remains critical to balancing the budget, since more than half of government spending goes to salaries and benefits. This means any modest increases are offset by savings to create a net-zero outcome. Our public-sector partners are doing their part by achieving net-zero compensation agreements. The government will continue to do its part by conducting a line-by-line review of major programs to keep costs down.

Mr. Speaker, Ontario is committed to eliminating the deficit by also addressing the underground economy to ensure everyone pays their fair share of taxes. To date, the Province's achievements in combating the underground economy have generated a \$225 million revenue increase above what was reported in the *2015 Budget*. We have introduced legislative measures to combat electronic sales suppression technology as well.

Path to Balance

Mr. Speaker, for the last six years, Ontario has managed spending growth to offset softer revenues to beat the annual deficit target.

The Province is now projecting a lower deficit of \$7.5 billion in 2015–16, reducing further to \$4.5 billion in 2016–17, and a balanced budget in 2017–18. This marks an improvement of \$1.0 billion in 2015–16 and \$0.3 billion in 2016–17.

We remain committed to balancing the budget by 2017–18 in a way that is fair and responsible, and supports the vital services that Ontarians depend on.

Conclusion

Our plan for building Ontario up is bold, Mr. Speaker.

Like in the West Don Lands.

For decades, governments hesitated to invest in revitalizing this precious waterfront site. But through foresight and planning, this site has been transformed, first as the Athletes' Village for the most successful Pan/Parapan American Games in their history.

And now, as a LEED gold-designed community, with over 1,000 housing units, including affordable and accessible housing.

It is a multi-purpose destination, with a student residence for George Brown College and a YMCA for families.

This former derelict industrial site is being transformed into a thriving new neighbourhood where families can live, work and grow.

It is a lasting legacy of the 2015 Pan/Parapan American Games — it is also an example of our vision for communities across our great province.

To make strategic investments for the benefit of generations to come.

To build necessary roads, transit, community facilities, pipes and sewers, hospitals and schools.

To partner with the private sector to create a dynamic, innovative business environment to help businesses succeed.

To invest in tomorrow's workforce by helping them gain the education and skills required for a knowledge-based economy.

To strengthen retirement security to help Ontarians maintain their standard of living in retirement.

To create jobs and seize opportunities to grow our economy.

We are embracing change.

We are making progress.

We are leading.

Mr. Speaker, we are building Ontario up!

Thank you.

¹ Daniel Muzyka and Glen Hodgson, "Executive Briefing: Economic Advice to a New Federal Government," Conference Board of Canada, (November 9, 2015).

² Mark Yeandle, "Global Financial Centres Index 18," Z/Yen Group, (September 2015).

³ The Broadbent Institute and the Centre for Spatial Economics, "The Economic Benefits of Public Infrastructure Spending in Canada," (2015).

⁴ fDi Intelligence, "The fDi Report 2015: Global Greenfield Investment Trends," (2015).