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| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Ontario | 34e | 1e | Discours sur le budget | 20 avril 1988 | Robert Nixon | Treasurer and Minister of Economics | Ontario Liberal Party |

I am pleased to report that Ontario's economy continues its strong performance. In building on that strength, this Budget presents a plan of action to meet the requirements of today while investing in opportunities for Ontario's future.

Under the leadership of Premier David Peterson, the Government has invested $7 billion in capital projects over the past three years -­investments which have only begun to redress the backlog of needed public capital facilities. We are proud of our record of accomplishment in addressing these and many other legitimate community needs.

The growth of private sector employment and wealth owes much to this kind of public support. Major investments in our community schools, hospitals, colleges, universities and highways have fostered record levels of new business expansion and modernization. With all this investment activity and a growing population, Ontario is taking its place on the world stage. We should be justly proud of this dynamic province.

This Budget strengthens Ontario's competitive position through support for manufacturing investment and for research and development. In addition, it clearly outlines and supports the Government's priorities for quality health care, excellence in education, more affordable housing and economic assistance for those in need. We are building in the public sector and we are investing in the private sector to keep Ontario competitive.

Ontario's planned net cash requirements are reduced to $4 73 million, the lowest level in 19 years. The Budget plan holds the increase in spending within the growth of the economy, ensures that we have the revenues to pay the bills for today's services and provides the fiscal flexibility for Ontario to meet its priority social, economic and community needs for tomorrow.

**The Ontario Economy**

**1987 Performance and 1988 Outlook**

The Ontario economy posted another year of very strong economic growth in 1987. Real output increased by 4.2 per cent, with substantial advances in consumer and business spending. The housing sector showed exceptional strength with 105,000 housing starts, the highest level since 1973.

More than 150,000 jobs were created last year, lowering the annual unemployment rate by almost a full percentage point to 6.1 per cent. It has steadily continued to improve. In March, the unemployment rate was 4.9 per cent.

Over the past three years, the Ontario economy has expanded by more than 16 per cent and created 463,000 jobs. Our economy is now in its sixth consecutive year of growth and, in recent years, has outpaced the economies of each of the Group of Seven industrialized countries.

The underlying momentum in the economy remains strong. Treasury staff estimate that in real terms the Ontario economy will expand at a rate of 3.7 per cent in 1988. This expansion will be more broadly based than in the recent past, benefitting all regions of the province.

Housing and consumer spending will continue to rise this year. Spending on new housing and renovation will reach $20 billion in 1988. Consumer spending on durables and home furnishings will continue to be a significant source of economic strength, partly as a result of the strong housing sector.

The economy has experienced very rapid increases in capital spending over the past three years. Investment spending is expected to continue at a strong pace in 1988. Spending on business plant and equipment should reach $28 billion this year

Major investments in the automotive industry, such as General Motors' investment of over $3 billion at its Autoplex facility in Oshawa, have introduced advanced production technologies and state-of-the-art facilities. As well, new capacity, such as Chrysler's plant in Bramalea and Toyota's plant in Cambridge, will be contributing to output this year.

Ontario's export performance is expected to strengthen in 1988. Sustained economic growth in other provinces and in the United States will result in increased Ontario sales to these jurisdictions.

Employment is expected to increase at a record pace this year, with the creation of an estimated 180,000 jobs. This record level of job creation will lower the Ontario unemployment rate to an average of 5.1 per cent in 1988, down a full percentage point from 6.1 percent in 198 7.

Ontario's inflation rate is expected to decelerate from 5.1 per cent in 1987 to 4.7 per cent in 1988. Further details on Ontario's economic outlook are provided in Budget Paper B.

*Impact on Ontario's Population*

An important effect of Ontario's strong economy has been an upsurge in international and interprovincial migration to Ontario. Over the past three years, net migration to Ontario totalled 236,000. In 1987 alone, net migration to Ontario was 110,000, or the equivalent of a city the size of Thunder Bay or the whole of Brant County including the city of Brantford.

Ontario's population growth is also highly concentrated. During the past three years, population growth in the four regions surrounding Metropolitan Toronto has been the equivalent of one-quarter of Canada's total population growth.

At the same time we are witnessing major changes in our social structure, with large increases in the number of one-parent families, and the number of people over 75 years of age, many of whom require special services. As well, the school-age population is increasing again.

As a result of all these factors, governments have to cope with powerful pressures on health care, education, housing and social services.

**Ontario's Priority Investments**

Ontario's economic outlook for 1988 is favourable. However, to ensure the longer term strength of Ontario's economy, we must continue to invest in our competitive position.

Governments have a primary role in maintaining and improving the social infrastructure. Economic expansion cannot and will not take place unless governments continue to undertake the investments necessary to support economic development.

Within a rapidly expanding global market, Ontario has held a strong competitive edge. Our competitiveness is based on a range of important advantages as an investment location. We have a highly educated and skilled labour force. Our cost structures are competitive. Ontario is close to large markets, has a good transportation network and possesses a wealth of natural resources. Ontario's publicly-funded health care, education and social services are unparalleled.

Despite these advantages, research conducted for the Premier's Council on Technology suggests that there remain underlying structural elements of our economy which require attention. There continues to be a large productivity gap between Canada and other major industrialized countries. Part of the reason is a slower rate of technological innovation and commercialization of new, higher value-added products. As well, we need to increase shop-floor efficiency by encouraging the introduction of new production technologies in many of our smaller manufacturing operations. Even though Ontario raises a fair share of taxes from the business sector, we must maintain a competitive tax environment to encourage the establishment of new manufacturing activities in Ontario. This is especially important given the increasing integration of the world economy.

The Government is opposed to the Canada-U.S. trade deal. Whether or not further trade liberalization occurs, bilaterally or through the General Agreement on Tariffs and Trade, technological change and the increasing globalization of industry will involve difficult adjustments for Ontario industry and its employees. We expect the federal government to play a key role in providing special assistance to those who will be dislocated by these forces of change.

**Manufacturing Investment Incentive**

I remain concerned that certain aspects of federal corporate tax reform will discourage corporations from undertaking new investment in Canada. The longer time frames for depreciating the cost of manufacturing machinery and equipment will have an adverse effect on investments in new technology. Action is needed to ensure that Ontario's investment climate remains attractive to potential investors.

Today I am introducing a manufacturing investment program that will allow Ontario firms to deduct from income an additional 15 per cent of the cost of new manufacturing machinery and equipment. At maturity, this $120 million measure will support an annual investment of $6 billion by Ontario businesses. It will be phased in over two years, starting with investments undertaken after January 1, 1989.

**Technology Initiatives**

Ontario has called for a national strategy on research and development. Consistent with that call and on the advice of the Premier's Council on Technology, the Province has established seven Centres of Excellence to conduct advanced research and to stimulate industrial research and development. These centres are part of the Government's $1 billion commitment under the Technology Fund. To date, $275 million has been committed to programs and specific projects to be undertaken by business, universities, colleges and labour.

The Premier's Council recommended a stimulus to investment in industrial research and development (R&D). I am introducing a new Research and Development Super Allowance, which will provide an extra 25 per cent deduction for large firms and 35 per cent for small businesses for R&D expenditures. For qualifying incremental R&D expenditures, the Super Allowance will increase this deduction by 50 per cent. On the basis of $1.8 billion in R&D investment annually, this new allowance will be worth $45 million. It reinforces our existing support of R&D investment and, combined with the manufacturing investment measure, provides a powerful incentive to innovation and productivity improvement in Ontario.

The Premier's Council has recommended that the Province assist smaller manufacturing firms to hire staff who can take the best advantage of advanced technology and put it to work in our factories. I am allocating $38 million from the Technology Fund for a five-year Technology Personnel Program. This program will help smaller firms hire up to 1,000 new engineering and technical staff for Ontario industry.

The increasing pace of technological change and development requires a well-trained workforce to exploit fully emerging opportunities in the technology field. This Budget provides $4 million to the Ministry of Skills Development for the new Technicians and Technologists Skills Updating Program. This program will offer training and skills updating for individuals in rapidly changing work environments.

The Council has also recommended that the Government use its own buying power to help strengthen high-technology companies. A Strategic Procurement Program will be established to award research contracts to companies with the potential to become competitive suppliers of selected goods that the Province and its agencies will need to purchase in the years to come. The Technology Fund will provide $25 million over the next five years for this purpose.

With these initiatives, the Province is taking essential steps to keep Ontario competitive in the world market-place over the longer term.

**Housing**

Ontario needs more affordable housing. The magnitude of the challenge we face is formidable and exceeds the capacity of any one level of government. The Province has greatly increased its efforts and is making major commitments for the future. However, the federal government, municipalities and the private sector must do their part in meeting affordable housing needs.

Since 1984-85, the Government has dramatically increased the level of funding for housing in the province. Including Ministry of Housing programs, shelter subsidies, property tax credits and grants and the new initiatives I will announce in this Budget, support for housing will exceed $1.4 billion in 1988-89, an increase of 77 per cent over the amount in 1984-85. Last year alone, rent-geared-to-income assistance was provided to some 130,000 households, while a further 155,000 social assistance recipients received shelter subsidies.

*Non-Profit Housing*

Creative approaches are needed to supplement the traditional methods of enhancing the supply of more affordable housing. Many non-profit organizations have shown a willingness to help create lower cost housing. To assist them in securing access to financing, we will direct part of the Province's share of available Canada Pension Plan (CPP) funds to low-cost mortgage financing. This will assist non-profit organizations in creating more affordable housing for low-to-moderate income earners.

Through this initiative, the Government will make available $2 billion to the non-profit sector in the form of lower cost financing. We expect that, over the next three to five years, this initiative will add 30,000 non-profit rental units to the existing stock through construction, purchase or lease. In addition, $210 million will be provided annually to support the operation of these units, up to 70 per cent of which will be available on a rent-geared-to-income basis. A further $100 million in capital will be provided during this period to support the renovation of leased units.

*Fairer Shelter Subsidies for Social Assistance Recipients*

The Government attaches a high priority to helping the less-advantaged members of our society meet the high costs of housing. We have already taken a number of measures to improve social assistance provisions for shelter.

In this Budget, a further $20 million has been allocated to allow utility costs paid separately from rent to be incorporated in the calculation of shelter subsidies. This measure, which becomes effective September 1, 1988, is designed to make the system more equitable and fair. It will increase shelter allowances by an average of $50 per month for up to 32,000 recipients.

*Housing Development Fund*

The Government's Housing First policy encourages the construction of affordable housing on surplus Provincial lands. Some surplus lands are unsuitable for this purpose. Therefore, we have established a Housing Development Fund through which revenues from sales of such land will be made available to fund other affordable housing initiatives. It is expected that $150 million will be realized from such land sales over the next five years. Future budgets will report on the annual status of the Fund.

*Student Housing*

The Budget funds the Government's commitment for subsidies to universities to construct 5,000 new student residence spaces. Universities will also be eligible to apply for $100 million in CPP funds to obtain lower cost capital financing for these units.

*Ontario Home Ownership Savings Plan*

To assist low- and moderate-income people in saving for their first home, the Government is introducing the Ontario Home Ownership Savings Plan, starting with the 1988 taxation year. This plan, which the Premier first announced last August, will provide an annual tax credit of up to $500 for individuals and $1,000 for families, depending on household income. Prospective first-time home buyers can contribute a maximum of $2,000 annually for single persons and $4,000 per year for families, or as much as $20,000 over a five-year period. Participating individuals and families could be eligible for total credits of $2,500 and $5,000 respectively. Benefits are expected to average $50 million per year and will assist an estimated 150,000 families and individuals. Details of this program are set out in Budget Paper A.

**Elementary and Secondary Education**

The Government's top priorities for elementary and secondary education funding are to provide new schools for rapidly growing communities and to improve the quality of education, particularly in the early grades.

*School Construction*

As noted by the Standing Committee on Finance and Economic Affairs, many communities, particularly those surrounding Metro Toronto and within the Ottawa-Carleton region, require additional school facilities.

The Government has responded with substantial increases in the annual allocation for school capital. In 1988-89, the Ministry of Education will provide capital grants to school boards totalling $238 million, including funding for child care facilities in all new schools. Over three years, the Government has committed $519 million in grants to construct new schools and to repair and renovate existing facilities. In spite of this effort, more schools are needed.

To ensure that school boards can better meet their capital requirements, I am announcing a three-year, $900 million capital grant commitment that will support an estimated $1.3 billion in projects. The plan's focus will be the construction of 110,000 new pupil places. The $300 million annual grant commitment is more than four times the level provided in 1984-85. These new school facilities will be adaptable to other community uses.

*Operating Funds*

Provincial support to school board operating expenditures will rise by $249 million to a total of $3.9 billion for 1988-89. Approximately 80 per cent of total spending by boards goes to pay salaries and benefits. Budget Paper D provides more information on education spending.

The Government has focussed its operating assistance on improving the quality of the educational system through special initiatives. New funding is made available to meet our commitment to reduce class sizes in grades 1 and 2, to provide for additional textbooks and other learning materials, and to improve the availability and teaching of computer technology to students. The Government will spend a total of $430 million on these initiatives over the next three years.

**Post-Secondary Education**

In 1988-89, support for post-secondary education will reach $2.6 billion, 41 per cent higher than in 1984-85.

Changing enrolment patterns are exerting pressure on our post-secondary institutions. Universities are experiencing a sizeable increase in enrolment, due to higher participation rates and changes in the Ontario secondary school curriculum which allow students to complete high school more quickly. This Budget provides grants of $38 million this year to meet the Government's commitment to accessibility. For 1989-90, up to $88 million will be provided for accessibility, more than double the amount provided this year. This supplementary funding will help universities to accommodate the demand for greater access and higher levels of enrolment.

The challenge for the future is to put more permanent measures in place to accommodate enrolment at the new levels in a fair and cost-effective way, while maintaining excellence in teaching and research. A new longer term approach will be developed in consultation with the university community.

The Government's new long-term capital commitments provide extended planning horizons to both school boards and post-secondary institutions, and complement the multi-year funding approach initiated in my earlier Budgets for hospitals and roads.

**Health Care**

The Ministry of Health will spend $12.7 billion on health care this year, an increase of $1.2 billion from 1987-88. This amount is $2.1 billion greater than the total yield from Ontario's personal income tax and represents spending of approximately $1,350 for every Ontario resident. Over the past ten years, Ontario Health Insurance Plan payments for physicians and other practitioners have grown from 24 per cent to 32 per cent of total health care spending, while the share for operation of hospitals has declined from 52 per cent to 44 per cent. The $850 million multi-year capital plan announced in the 1986 Budget addresses the need to expand the network of health services, particularly for chronic care. Legislation will be introduced to make Provincial expenditures on the operation of hospitals eligible for funding from lottery profits.

Because of the magnitude of health care expenditures and their growing share of overall spending, we must continue to look for productivity improvements and lower cost alternatives without sacrificing the quality of care or reducing accessibility to necessary services. This will require the assistance and cooperative effort of all participants in the health care sector.

If health care costs continue to escalate at rates experienced in the recent past, other social and economic priorities will be placed at risk. Members will be aware of several important reviews recently undertaken, in addition to the innovative work underway by the Premier's Council on Health Strategy, that signal the Government's determination to keep quality health care affordable and accessible to all. Budget Paper D provides a detailed profile of health care spending.

**Roads, Highways and Transit**

We enjoy an excellent system of roads and highways. However, as the Standing Committee on Finance and Economic Affairs has recommended, we must continue to take action to relieve existing highway congestion and to improve transportation links in response to rapid growth. This task of upgrading and developing the transportation network is extremely costly.

In the 1987 Budget, an enrichment of $290 million was provided, through to 1990, for spending on roads and high ways, and for ongoing service improvements and capital expansions of the provincial and municipal transit systems.

For this fiscal year, additional capital funding has been allocated to the Ministries of Transportation and Northern Development and Mines. In total, funding for expansion and rehabilitation of roads and highways will be $100 million higher than in 1987-88. This will support construction on several projects, such as Highway 407, the extension of Highway 403, and preliminary work on Highway 416 near Ottawa. Twelve per cent of this increase will be designated for northern roads, bringing the 1988-89 northern transportation allocation to $118 million.

To fund these improvements to Ontario's transportation network and to support future growth and development, I propose to increase the rate of tax on gasoline by one cent per litre, effective midnight tonight. This measure will generate an additional $100 million this fiscal year.

The 1988-89 allocation for GO Transit includes an increase of $33 million for expansion and improvement of rail service in selected areas, including Burlington, Milton and Whitby.

**Northern and Eastern Ontario**

The continuing resurgence of Northern Ontario resource industries is clearly reflected in the fact that today there are 27 ,000 more jobs in that region than a year ago. Investment activity reflects growing confidence in the North's future. Capital investment in the mining industry is expected to climb by a further 19 per cent this year, following an impressive increase of almost 14 per cent in 1987. The outlook for the forest industry is even stronger, with planned investment spending more than 50 per cent higher than last year.

To assist Northern communities, particularly single industry communities, and to strengthen and to diversify their economies, the Government is proceeding with the Heritage Fund, through which $360 million will be provided over the next 12 years.

The Government has recognized that some Northern communities experience major cost pressures in accommodating and servicing employees of large mining operations outside their boundaries. The Hemlo gold mining area is the most extreme case and special grants and advances have been provided to Marathon and Manitouwadge. During this Session, the Government will be introducing legislation to provide these communities with access to the property tax assessment base of the Hemlo mining development.

I would also like to report on the progress of our Northern Relocation initiative. In last year's Budget, I indicated that 1,200 jobs would be moved to four Northern communities. We have since accelerated these moves and increased the number of staff to be relocated to 1,600, bringing with them an annual payroll of $48 million. To provide office accommodation for these employees, $200 million will be spent on the construction of new buildings and facilities over the next three years.

Economic conditions in Eastern Ontario also continue to improve. Between the first quarter of 1987 and the first quarter of this year, the number of jobs increased by 47,000, exceeding the rate of job creation for the province as a whole. Major new investments and plant expansions occurred in Cornwall, Smiths Falls, Nepean and Arnprior. The region as a whole is benefitting from considerable growth in the service sector, a high level of construction activity and a growing interest in Eastern Ontario as a location for investment.

During the past year, Provincial assistance resulted in new industrial activity in Bancroft and Belleville. This year, we are confident that we will see construction started on a new, state-of-the-art tire plant in Napanee as well as a number of plant modernizations and expansions in Eastern Ontario.

**Agriculture**

Prospects for the agricultural community are improving. Realized net farm income in Ontario increased by 19 per cent in 1987. For 1988, it is expected that prices for farm commodities will stabilize and costs, including debt servicing, will decline slightly.

Over the past three years, the Government has increased substantially the level of support provided to the agricultural community. Budgetary spending by the Ministry of Agriculture and Food will reach $567 million, an increase of 86 per cent since 1984-85.

For 1988-89, the Government is allocating an additional $15 million to stabilization programs for a number of commodities currently covered by separate federal and provincial arrangements. These programs will also involve the participation of the federal government and the farmers themselves. Over the next two years, tripartite programs will be put in place for most commercial farm commodities produced in Ontario, with the exception of those covered by formal marketing arrangements.

To assist tobacco growers who want to leave the industry, financial assistance will continue to be provided through the Federal-Provincial Tobacco Assistance Program. This three-year, $30 million program was introduced last year to encourage an orderly downsizing of the tobacco industry in Ontario. Recently, the Province and the federal government enriched benefits under this program for exiting growers.

First-year funding will also be provided for two Government commitments: the FarmStart program, which provides cash grants to assist farmers entering the industry, and Food Systems 2002, designed to assist farmers in reducing the use of pesticides by 50 per cent over the next 15 years.

**Province of Ontario Savings Office**

As a service to small investors, the Province of Ontario Savings Office will introduce a new Ontario Guaranteed Investment Certificate. As well, the Government will provide Province of Ontario Savings Office service in certain communities in Northern Ontario.

**Other Priority Programs**

To meet our commitment, we are proceeding with the implementation of Ontario's New Directions for Child Care. This year, $289 million is being provided for these programs through the Ministry of Community and Social Services. This spending includes $43 million in direct operating grants for non-profit centres, with the costs shared by the federal government. Ontario will also provide its share of direct operating grants for commercial centres while awaiting the federal contribution promised but not yet available under the National Child Care Strategy. In addition, $11 million of the 1988-89 school capital allocation has been dedicated to the construction of child care facilities in new and expanding schools. In total, child care spending will increase by 68 per cent over 1987-88.

In recognition of the importance of a clean environment, the Ministry of the Environment's budgetary expenditures have increased by 51 per cent since 1984-85 to $426 million this year. Recent initiatives include an expansion of the Municipal-Industrial Strategy for Abatement, cleanup of beaches, and a Lifelines program to assist municipalities in undertaking improvements to water and sewage infrastructure. To reinforce the Government's commitment to environmental protection, a special levy of 3 cents per litre on leaded gasoline will be introduced, effective midnight tonight. It is anticipated that revenue from this extra tax on leaded gasoline will amount to $39 million this fiscal year.

Expenditure Estimates will soon be tabled in the Legislature setting out details of the full range of other priority programs funded by the Budget.

**Ontario Tax Assistance Programs**

Federal tax reform changed several key definitions used in calculating the benefits from Ontario's tax credit program, tax reduction program and OHIP premium assistance.

As the Ontario Government wishes to maintain and enhance its assistance and to ensure that low-income people can continue to rely on the important protection under these programs, I am proposing to introduce revisions to compensate for the effects of federal tax reform and to enrich benefits. The significant support that these programs will provide to people who most need it will help to improve the fairness of Ontario's tax system.

•The new Property and Sales Tax Credit programs will deliver $444 million in tax credit benefits to over 1.8 million low-income Ontarians to ensure fairer property and sales tax burdens.

•Sales tax credits will be set at $100 per adult and $50 per child, more than doubling the total benefits for low-income households under this program.

•Under the new $40 million Ontario Tax Reduction program, 350,000 low-income taxfilers will pay no Ontario income tax.

•In 1989, another 30,000 individuals and families will no longer pay OHIP premiums. Since 1986, 105,000 individuals and families have been exempted from paying OHIP premiums by the Government's actions. In addition to the $770 million in OHIP premium assistance provided to senior citizens, low-income families and individuals, the Government is forgoing $480 million in revenue this year due to the freeze of OHIP premiums since 1985.

Full details of the tax assistance programs are provided in Budget Paper A.

**Federal-Provincial Fiscal Relations**

Federal actions that shift program costs and responsibilities to the provinces merely move the deficit burden from one level of government to another and do nothing to improve the combined federal and provincial fiscal position.

Federal limitations on the growth of Established Programs Financing transfers for health care and post-secondary education have diminished the Province's fiscal flexibility and will reduce Ontario's revenue by almost $1 billion in 1988-89 alone. Federal restraints on cost sharing have reduced Ottawa's share of these program costs from a high of 51.8 per cent in 1979-80 to 39.3 per cent in 1987-88.

Despite the increasing erosion of federal support for health and post-secondary education, spending on these important public programs in Ontario increased by 37 per cent between 1984-85 and 1987-88. Federal transfers increased by 24 per cent over the same period.

Federal actions have also significantly affected the Provincial tax system. Ontario is a partner with the federal government in a personal income tax collection agreement. Federal tax reform alters the personal income tax base and tax rates in such a way that the fairness and equity of the tax are reduced.

These reforms also lower the yield to Ontario from this revenue source by $510 million this fiscal year. In response, I am proposing to adjust the rate of personal income tax by one percentage point for 1988 and another one percentage point for 1989. This change will generate an estimated $265 million this fiscal year. The Ontario surtax rate for 1988 will be increased to 10 per cent and will apply only to individuals with incomes in excess of $85,000, raising an additional $52 million this fiscal year. Taken together with our new tax reduction program, these changes will improve the overall fairness and equity of the personal income tax and Ontario taxpayers will benefit by $238 million this fiscal year.

Federal tax reform introduces major changes to corporate income tax. I have already announced tax measures that are necessary to help Ontario secure new investments to keep the Province competitive in the future. At the same time, I support the principle that more of the income of profitable corporations should be brought to tax. As a result, Ontario will parallel the federal corporate tax reform base changes, except for minor areas noted in Budget Paper A. In addition, Ontario's tax base will be further aligned with that of the federal government by moving from automatic depletion to a mining profits resource allowance and by phasing out the three-year corporate income tax exemption for new firms.

**Ontario's Expenditure and Revenue Needs**

When the Government of David Peterson came into office in 1985, it was clear that strong measures would have to be taken to redress the many inequities and funding imbalances inherited from the past. The Government set out immediately to address these problems with a wide range of initiatives and program enrichments during its first three years. At the same time, the Government was firmly determined to operate within a framework of fiscal responsibility to bring the Province's finances under control and to reduce the planned $2.2 billion net cash requirements it inherited. In setting priorities we de-emphasized outdated programs and activities, achieved greater efficiencies within government and reallocated resources.

The progress we have made to date leaves Ontario's per capita spending below that of six other provinces.

The Government's budgetary spending will be $37.9 billion this year. Approximately one-third of total spending will be directed to health care services alone. Operating and capital grants for elementary, secondary and post-secondary education will account for $6.5 billion. This year's $1.4 billion in housing support will assist more than two million people with their shelter needs. Social assistance benefits will total over $1.9 billion, an increase of 58 per cent since 1984-85.

Over the next few weeks, Ministers will be making detailed announcements on the implementation of programs and Government commitments funded in this Budget. Of the increased expenditure it provides, more than 80 per cent is dedicated to health care, education, housing and social services.

**Spending Control**

This is a fiscally responsible Budget that incorporates expenditure controls and introduces necessary revenue measures.

In the course of preparing each of my four Budgets, I have been mindful of the level of interdependence that exists between the Government and those providers of essential programs, who are not directly accountable to the Government.

The boards that manage our hospitals and universities, the school trustees and teachers who run our schools, and the physicians who provide medical services under OHIP have the important responsibility to act in as cost-effective a manner as possible. Provincial payments to hospitals, schools, universities and doctors represent almost 40 per cent of our budgetary spending.

The key to holding down tax burdens, while continuing to provide quality services to Ontarians, is for both the Government and those groups directly responsible for the conduct of these programs to recognize their shared responsibility for effective control of spending.

For our part, in the 1987 Budget I announced a target for expenditure savings and constraints of $350 million. This target has been met. Details of these savings are given in Budget Paper C.

The process of review and reallocation implemented last year is essential to obtaining better value for the taxpayer's dollar. For 1988-89, I have increased the savings and constraints target to $500 million.

Reflecting this approach, the increase in 1988-89 planned expenditures is again below the rate of growth of the economy.

**Revenue Measures**

In addition to these expenditure control actions, revenue measures are necessary to maintain a steady and responsible fiscal course. Ontario must ensure that funds are available to pay the bills for and to invest in better health care, enriched education and improved social programs over the next few years.

*Retail Sales Tax*

I am proposing to increase the general retail sales tax rate by one percentage point to 8 per cent, effective May 2, 1988. This increase will yield an estimated $750 million this fiscal year.

To ensure that this tax measure treats low-income families and individuals fairly, we have more than doubled the benefits provided by sales tax credits.

*Tobacco Tax*

The tobacco tax will be increased by 1 cent per cigarette and by 0.6 cents per gram of cut tobacco, effective midnight tonight. This measure will raise $158 million in additional revenue in this fiscal year. To improve compliance, a system of marking taxable tobacco products will be introduced by the Minister of Revenue later this year.

*Alcohol*

Levies will be increased on spirits, wine and beer, effective May 24, 1988, to generate an additional $62 million this fiscal year.

*Capital Tax*

To help small businesses deal with the financial and paper burdens associated with the capital tax, I am proposing to expand substantially the eligibility criteria for the low, flat rates of capital tax, and to eliminate the tax for firms with gross revenue and assets both under $1 million.

Details of this Budget's revenue measures are found in Budget Paper A.

**The 1988-89 Fiscal Plan**

The planned net cash requirements for 1988-89 are $473 million, a reduction of $720 million from last year's level. This is the lowest level in 19 years.

**Conclusion**

We are investing in both the public and private sectors to keep Ontario dynamic, compassionate and competitive. The Budget builds on our record of responding to legitimate community needs for quality health care, excellence in education, social assistance and affordable housing. At the same time, Ontario's per capita spending remains lower than that of six other Canadian provinces.

The Budget responds to federal tax reform and ensures that people and corporations continue to be treated fairly and equitably in the tax system. High-income people will pay their fair share. Low-income individuals and families will benefit from Ontario's substantially enriched tax assistance programs.

Our program of continued reduction in net cash requirements and the pay-as-you-go approach to fiscal management will enable the Government to prepare for the economic challenges of the future.

The Budget I have placed before you today sets out a clear plan for this year and a challenging direction for the future. We are funding our priorities and meeting our commitments in a fiscally responsible manner.