|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Ontario | 35e | 1re | Discours sur le budget | 29 avril 1991 | Floyd Laughren | Treasurer and Minister of Economics | Ontario New Democratic Party |

I am pleased to present the 1991 budget of the first social democratic government in Ontario.

I am conscious of the tremendous responsibility I have to the public and the great trust that has been placed in me by Premier Rae and this government.

This budget has not been an easy one to prepare. We took office in the midst of a recession that is proving to be the most severe Ontario has experienced in the last 50 years. This recession is unlike economic cycles of the past. It is more serious because of the economic restructuring that is altering many traditional assumptions about the nature of growth and competition.

In the last few months, I have listened to individuals and organizations from across the province. The message has been driven home for me that the world is changing and Ontario is having to change with it. L'Ontario doit avoir une nouvelle vision économique orientée vers le 21e siècle. Ontario must have a new economic vision to help us move forward into the next century.

We believe that government can and should be active in supporting positive economic change and in ensuring that the costs of adjustment are shared fairly. In this budget, we are putting in place the foundation of a new economic strategy, a strategy which has sustainable prosperity as its central goal and fairness as its guiding principle.

A prosperous and sustainable economy provides secure, well-paid jobs at high levels of employment. It is an economy where the quality, not just the quantity, of economic growth is important. Economic growth must be both environmentally and socially sustainable and all Ontarians must share fairly in prosperity.

Our economic strategy is based on social partnerships. Ontario's ability to increase productivity, adopt advanced technologies and managerial practices, enhance workers' skills and invest in emerging businesses depends on developing new working relationships.

Government has a leadership role to play in creating the conditions which allow labour, business and communities to work out co-operative responses to economic change.

To support our economic strategy, we are committed to managing the public sector in ways that help meet our social and economic priorities through effective fiscal management.

The Ontario economy has been in recession for a year. Job losses to date have already surpassed the levels in every recession since the Second World War. Since last spring, employment in Ontario has declined by about 0.25 million jobs.

This recession has reflected serious structural changes as well as cyclical forces. In 1990, 65% of major layoffs were due to permanent closures, compared to only 24% in the recession of 1982. Business bankruptcies were up 73% in 1990, compared to 24% in 1982.

A modest recovery is expected to begin later this year, with the resumption of growth in consumer spending and housing activity. However, we forecast that real output will decline by 3.3% in 1991 and the unemployment rate will average 10%. Interest rates have started to fall recently, but the decline has been too little, too late. The continuation of a relatively restrictive federal interest rate policy and a high dollar will slow the pace of recovery.

Over the next three years, we are forecasting that real growth in Ontario will average 3.7% annually. Inflation is forecast to remain below 4% throughout this period. The unemployment rate, however, is only expected to decline to 7.8% by 1994. The jobless outlook is unacceptable to this government and we are committed to pursuing policies to fight unemployment.

In 1991-92, provincial expenditures are projected to be $52.8 billion, an increase of 13.4% over last year. Revenues are expected to be $43 billion, which is actually $435 million less than last year. The deficit in our combined capital and operating accounts in this fiscal year is estimated to be $9.7 billion, up from $3 billion last year.

The government is convinced that allowing the deficit to rise to this level this year is not only justifiable, it is the most responsible choice we could make, given the economic and fiscal conditions we inherited as a new government.

The recession is causing tremendous hardship for people and families in communities across the province. Ontario has been the hardest hit of any province during this downturn.

We have not received help from our national government. On the contrary, the government of Canada has worsened the recession with its monetary policies and has unilaterally cut back on its commitments to fund such vital programs as social assistance, health and post-secondary education. As a result of measures introduced in 1990 and further extended this year, these federal transfers to Ontario in 1991-92 are projected to be $1.6 billion below previous commitments.

The federal government has not only abandoned previous funding commitments, it has abdicated its responsibility to promote economic growth during hard times. This government has not done that.

I think it is important for people to understand that we had a choice to make this year -- to fight the deficit or fight the recession. We are proud to be fighting the recession.

This budget picks up the slack in federal funding for social, health and educational programs. Social assistance costs alone this year are expected to increase by 40% to $4.9 billion in this fiscal year.

To reduce the deficit, we could have increased personal income taxes for ordinary working people or raised corporate income taxes across the board. We have not done that because we believe such moves would worsen the recession. And by not imposing the provincial sales tax on the GST, we are leaving $470 million in the pockets of consumers in 1991.

This budget provides direct employment to thousands of people through the $700-million anti-recession program announced last December. It also provides direct support to people who have lost their jobs. My colleague the Minister of Labour has introduced legislation to establish the employee wage protection program. The government will commit $175 million in 1991-92 to pay claims retroactive to 1 October 1990. The minister has also announced a $32.5-million labour adjustment initiative to help workers re-enter the job market and improve their skills.

This is the most aggressive effort in all of Canada to fight the recession.

We are responding to the need for action in areas such as worker protection, pay equity, social assistance reform, affordable housing and the environment. At the same time, we have made some difficult decisions on program reallocations this year to ensure that these initiatives, which are essential for building equitable and sustainable prosperity, are funded.

We have increased provincial capital spending to $4.3 billion to support employment and to provide necessary investment in schools, roads and other public facilities that will be enduring assets in Ontario communities.

We believe government has a responsibility to support employment and economic growth in times of recession. As the economy begins to recover, we are committed to balancing the operating account, and this budget presents a fiscal plan to set us on that course.

This year, we are determined to alleviate some of the distressing human costs of recession and to prepare Ontario for recovery. By running a deficit in 1991-92 that is $6.7 billion higher than last year, we are providing stimulus to the economy and creating 70,000 jobs.

Increasing globalization of corporations, the emergence of trading blocs like the European Community and the spread of new technologies are changing our economy and way of life.

On the plant floor and in the office, the way we work is changing, causing demand for new skills and new approaches to industrial relations. Our workforce and our businesses will need to be flexible and adaptable in the years ahead. Management, labour and government must direct their efforts towards changes that will encourage productivity growth based on high-wage, high-value-added products and services.

Sustainable prosperity depends upon having a fair social and economic system. A dynamic economy requires workers, managers and investors who have the confidence and ability to promote needed changes.

Sustainable prosperity can only be achieved if everybody believes that they will be full participants in economic and social change and will benefit from it. People who are paid fairly, who have a sense of economic security and who feel they are respected partners in the process of change are better able to make a contribution to that process.

Governments have an important role to play in creating an environment of social and economic confidence. For example, our health care system ensures that no one is forced into bankruptcy because of an illness in the family; our social assistance system provides a safety net for people who are unable to work or find a job. We must provide that same sense of confidence and security in our economy.

Ontario has a sound and diversified economic base, with a highly educated, motivated workforce and a well-developed infrastructure. In 1989, the latest year for which data are available, the province had a higher absolute level of output per capita than any of the major industrialized nations. But we cannot be complacent.

I am keenly aware of the competitive challenges facing firms and workers in today's changing economic circumstances. The Canada-US free trade agreement accentuates the pressures for change and imposes limits on our ability to pursue national economic strategies. With this budget, I am tabling a discussion paper on Ontario's economy in the 1990s which explores the issues of productivity and competitiveness.

Over the coming year we will be moving on a number of fronts to secure and create well-paid jobs.

We will explore ways to increase access to the financial capital needed for future investment in jobs. We want to channel the capital resources of Ontario to finance restructuring and promote regional development.

We will make a major commitment to maintain and improve the infrastructure of Ontario with increased capital spending. Sound infrastructure creates a healthy climate for jobs and prosperity.

We will pursue new approaches to education and training that will encourage workplace flexibility. Ontario's jobs depend on a constant renewal of skills and access to training.

We will take further action to reduce economic disparities and make sure that the costs of economic adjustment are not borne by those least able to shoulder the burden.

I do not have instant answers for all our economic challenges. In a period of rapid change, prefabricated solutions based on old assumptions usually end up responding to yesterday's problems, not tomorrow's opportunities.

We know what our society can achieve when all of us work together. Government alone cannot create sustainable prosperity, but it can start providing the framework and stimulate the strategic investment, both public and private, that will be needed to achieve it. We will work to create the conditions where labour, business and members of the community will come together to find the solutions that work best for Ontario.

To move towards an economy in which workers and businesses are skilled and flexible in effecting change will require new approaches to training, industrial relations and income security. We believe that workers will accept and support economic change if they can be sure that their statutory rights will be protected and that they will have opportunities for training that will enable them to share the benefits of new economic circumstances. The success of an active labour market strategy will depend upon the direct participation of labour, business and government in new partnerships.

As part of our labour reform agenda, the government is committed to reviewing, in co-operation with labour, business and other governments, a range of workplace issues. These include future increases to the minimum wage, pension reform, amendments to the Pay Equity Act and the Ontario Labour Relations Act and reform of the Employment Standards Act, including improved notice of layoffs and severance pay provisions.

Education in all its dimensions must be at the centre of our efforts to achieve sustainable prosperity. From the shop floor to the boardroom, learning is the key to success in finding new technological and organizational solutions. Innovation, made possible through education, will generate greater productivity. Our standard of living depends on it.

Currently, Ontario spends almost $10 billion a year on a broad range of public education services. This government intends to build on the strengths of the education system by pursuing a vision of lifelong learning whereby a factory or home worker, high school dropout or business executive can continue to learn throughout their lives and be recognized for those achievements. It is time to break down unnecessary barriers between different educational institutions and between our educators and the workplace. By building partnerships, in the context of long-term planning, we can begin to make this happen.

As a first step, the government is moving ahead with important reforms to our system of colleges of applied arts and technology. We will commit $3 million this year to begin implementation of three of the key recommendations of the recent Vision 2000 report on a renewed mandate for the college system.

First, a College Standards and Accreditation Council will be formed to ensure that college programs are of a consistently high quality across the province. Second, we will be moving forward on a system for fairly evaluating prior learning and experience as credit towards a post-secondary credential. Third, the Minister of Colleges and Universities will be undertaking a feasibility study to examine innovative ways for colleges and universities to co-operate in offering new credentials for advanced training. The minister will be announcing further details.

In addition, we are negotiating a new agreement on training with the federal government. Under the previous agreement, Ontario, with nearly 40% of Canada's labour force, received only about 24% of federal training dollars. This is not acceptable. The federal government must recognize the challenges facing Ontario workers as a result of the dislocation caused by high interest rates, an overvalued dollar, the free trade agreement and the absence of a national industrial strategy. A significant new federal investment in training is essential.

One of the fundamental premises of sustainable prosperity is environmental integrity. A clean and healthy environment is essential to the standard of living we want to preserve and enhance. We have learned the hard way that we are inhabitants of an ecologically fragile planet. We have learned that economic growth is ultimately unsustainable if it neglects the environment and the wise management of our resources.

We must all learn to live by the environmental 3Rs -- reduce, reuse and recycle. This year, the government is providing an additional $28 million to municipalities to help them establish enhanced programs to meet the provincial targets for waste diversion of at least 25% by 1992 and 50% by the year 2000. We are more than doubling provincial support for municipal 3Rs programs over last year.

The government is also establishing a three-year, $10-million program to assess abandoned mine hazards and to undertake remedial work on known high-risk sites. Regulations soon to be established under the Mining Act will give the province authority to enforce stricter protection and rehabilitation standards for current and future mines.

Using energy wisely is critical to our future prosperity. The government is giving priority to energy efficiency and conservation to protect the environment and to reduce the province's reliance on nuclear power. That is why we have directed Ontario Hydro to increase its conservation efforts partly by diverting $240 million it had planned to spend on future nuclear studies. Hydro's spending on demand management and conservation programs will increase from $102 million in 1990 to $232 million in 1991 and to an estimated $320 million in 1992. Hydro will spend more than $3 billion on energy conservation efforts in the 1990s.

The Ministry of Energy will also be launching a series of new and expanded energy efficiency initiatives that will address many forms of energy use. The ministry's activities in this area will be increased by almost 75% in 1991-92 through the allocation of an additional $10 million in funding.

To promote greater fuel conservation, we are increasing the rates of tax on gasoline and diesel fuel immediately, by 1.7 cents a litre and by an additional 1.7 cents on 1 January 1992. These measures will raise an estimated $250 million this fiscal year. We wish to be sensitive to the recession, which is why these increases are in two stages. But the message is clear: We want to encourage the efficient use of energy.

To reinforce the environmental message, I am announcing changes to the gas guzzler tax rates as of 1 July 1991. The current tax rates will be doubled and a greater number of fuel-inefficient vehicles, including sport utility vehicles, will now be included. These changes to the gas guzzler tax strengthen the message that fuel efficiency and environmental impact should be important considerations when purchasing a new vehicle. An additional $30 million will be generated this fiscal year.

Public capital expenditures contribute directly to building healthy, livable communities. Public capital projects make Ontario communities more productive and attractive to private sector investment.

The $4.3 billion for capital expenditures in 1991-92 includes transfer payments to help meet the capital needs of hospitals, school boards, universities, colleges and municipalities, as well as direct expenditures by the government on buildings, roads, public transit, bridges and water and sewer systems.

Provincial capital spending will play an important role in providing the infrastructure needed for both cyclical recovery and long-term structural change and will support 50,000 jobs in 1991-92.

As part of our emphasis on investing in sustainable prosperity, we are proceeding with the massive Let's Move transit program for the greater Toronto area and providing funding for the Toronto Transit Commission to improve system reliability and to purchase new subway cars.

Initial funding of more than $48 million is being provided for these initiatives in 1991-92. About $11 million of this funding will be used for environmental assessments to ensure that our transit strategy proceeds on an environmentally sound basis. The Let's Move program will involve public and private sector funding of more than $5 billion over the next 10 to 15 years.

Increasing investment in the development and application of new technologies is integral to achieving sustainable prosperity. Product and process innovations are key elements of success in both domestic and international markets, and thus in securing high-value-added, high-wage employment.

Ontario's traditional emphasis has been on tax-based incentives for research and development. Currently, the combined federal-provincial incentives available to companies which operate in Ontario are more generous than those of other major industrial countries.

Even with favourable tax treatment, research and development in Ontario is well below the levels found in most other industrial economies. We must initiate a broader range of policies, from joint venture and sector-specific co-operation to research incentives and new forms of worker involvement. Technological change depends on introducing the partnerships which support a culture of innovation. It requires the hands-on participation of all economic players.

Ontario's technology fund will provide $131 million for research, development and technology diffusion in 1991-92. That includes $81 million for programs to support leading-edge research in such areas as robotics, telecommunications and biotechnology, and $50 million for the R&D superallowance to provide tax incentives for private sector research and development.

As suggested by the standing committee on finance and economic affairs, we will be addressing the critical shortage of investment capital for new high-technology firms. The annual funding for the Innovation Ontario Corp will be increased significantly to almost $21 million. The ceiling for individual investments by Innovation Ontario will be raised to $1 million from $350,000, enabling the corporation to invest in the continuing growth of high-technology firms.

There are some small and medium-sized manufacturing firms in Ontario which are fundamentally viable but which are having financial difficulties because of the recession and high interest rates. These are firms which provide quality jobs with solid future prospects. They have long-run strategic value to our economy.

To assist such firms, the government has initiated a manufacturing recovery program. Viable small and medium-sized manufacturing firms applying in 1991-92 will be eligible to participate. We will provide up to $57 million in financial assistance, mainly in the form of loans and loan guarantees. My colleague the Minister of Industry, Trade and Technology will be announcing details in the coming weeks.

There are few who would question that our farming community has been suffering. The hardships imposed by the recession are compounding the difficulties that were already being experienced as a result of structural adjustment, unstable commodity prices and high interest rates.

The future viability of our agricultural community is vital to the sustainable prosperity of Ontario. Farming is one of our core industries which must be maintained. It is also the mainstay of much of rural Ontario. When farmers are hurting financially, towns and villages across the province feel the burden too.

The Minister of Agriculture and Food has announced two programs to assist farmers. We have committed almost $40 million in 1991-92 to the gross revenue insurance program, an income stabilization program for grain, oilseed and horticulture producers. In addition, the farm interest assistance program will provide $50 million in interest rate relief this year for interest costs incurred by farmers during 1990.

Many people overlook the economic impact of our cultural industry. Culture is appreciated for its artistic value and for its capacity to help us understand ourselves. We should also recognize that it is an important and growing industry, employing more than 75,000 people in Ontario.

My colleague the Minister of Culture and Communications has announced $15.4 million for renewal of the Ontario film investment program and other film initiatives in 1991-92. In addition, this budget provides a further $7.5 million to the Ontario Arts Council for the support of artists and arts organizations, and an additional $5.4 million for a publishing strategy and support for community radio, which will particularly benefit aboriginal peoples and francophones. The minister will be providing further details.

Many northern communities, particularly single-industry towns, are under extreme pressure from long-term structural challenges. The north has the highest unemployment rate of any region in the province. In recognition of the difficult economic conditions in the north, 30% of the anti-recession program has been allocated to northern Ontario. We have also responded to the special needs of northern communities by supporting local diversification initiatives, relocating provincial jobs and giving priority consideration under existing provincial programs to local projects.

The government recognizes the importance of the mining industry to the future prosperity of the north. We anticipate the signing of a new $30-million, five-year, federal-provincial minerals development agreement to enhance mining development and research.

A long-standing source of concern in the north is the high price of gasoline. There is a significant differential between gasoline prices in northern and southern Ontario. Delivery costs are higher to the north and the northern market is not as competitive, due in part to lower population densities and fewer gasoline stations. In recognition of this differential, the motor vehicle registration fee for residents of northern Ontario will be eliminated effective 1 May 1991. This will save northern motorists $15 million this year.

Residents of northern Ontario often have to travel a considerable distance to receive medical treatment or to see a specialist. The Ontario government will provide $3.4 million over current spending to improve the northern health travel grant program. The government is reducing the minimum distance to 100 kilometres from 250 kilometres for travel within northern Ontario or to Manitoba. In addition, the travel grant program will now include the district of Parry Sound and all of the district of Nipissing.

This government believes that all our citizens must share in the benefits of economic growth and social progress. The investment that we as taxpayers make in social equity contributes to a healthy society and a strong economy. In this budget, we are starting to reduce social deficits caused by inequity, poverty and lack of access in our society. There is a real connection between our social infrastructure and our economy. Our social programs help give people the confidence to meet the challenge of economic change and participate fully in our economy.

The social assistance system is an essential part of this province's social safety net. Tens of thousands of people who have lost their jobs in the past year are relying on social assistance for the basics of life: food and shelter. This system is of vital support to the stability and security of our economy. It is also an investment in Ontario's future -- approximately 40% of those who depend on social assistance are children.

We will commit $215 million on a full-year basis to reform of the social assistance system.

Reform of the system has been a major issue since the Transitions report of the Social Assistance Review Committee was released in 1988. The Advisory Group on New Social Assistance Legislation, an independent working group reporting to the Minister of Community and Social Services, said in its recent report, Back on Track, that the momentum for reform had been lost since initial changes to the system were made in 1989.

This government is committed to putting the reform process back on track. This $215 million reform package, which will be described in more detail by the minister, is designed to provide benefits for those who are in greatest need, to help people get into the labour force, to increase fairness and accessibility and to assist municipalities with their funding responsibilities.

This is a major commitment, particularly in a year in which social assistance costs are expected to reach $4.9 billion, up from $2.5 billion just two years ago.

This government is committed to greater equity in the tax system. To provide advice on how to make the system fairer, we have established the Fair Tax Commission. This is the first major review of Ontario's tax system in 25 years. As members are aware, the commission will be examining a number of specific tax issues that are high on the government's agenda. Two issues in particular require immediate attention.

I have asked the commission to accelerate its consultations on a corporate minimum tax for Ontario. I realize that this is a complex subject; however, it is my intention to move in this area to ensure that corporations reporting profits but paying little or no income tax pay their fair share.

I have also asked for early advice on an Ontario land speculation tax. I believe that appropriate action should be taken soon before speculation can again become a problem in a recovering housing market.

But the work of making our tax system fairer has already started. Today I am announcing the largest enrichment in the history of the Ontario tax reduction program. This program benefits people at the low end of the income scale. Effective for the 1991 tax year, the $200 supplements now provided for each dependent child or dependant with a disability will be raised to $350. This means that a single parent with two dependent children and who is earning $22,500 will no longer pay any Ontario personal income tax.

This $50 million tax cut brings to 700,000 the number of low-income taxpayers whose Ontario income tax will now be reduced or eliminated for the 1991 tax year.

In addition, I am proposing an increase in the personal income surtax rate. This is intended to make the tax system more progressive by ensuring that those at the upper end of the income scale pay a greater share. Effective 1 July 1991, the surtax rate will increase from 10% to 14% of Ontario income tax in excess of $10,000. The surtax only affects taxpayers with incomes of $84,000 or higher. This action will add $60 million to revenues in 1991-92.

Affordable housing is a key priority of this government. Housing is the main non-discretionary expense for families on low and moderate incomes. We are committed to increasing the supply of affordable housing to respond to the need and to contribute to the vitality of our communities.

The government intends to go forward with an unprecedented level of provincially supported housing activity in this fiscal year. By refining programs, speeding up approvals and reallocating units, we will have close to 35,000 units of co-operative and non-profit housing under development. We expect people will be moving into about 13,000 of these units this year. This activity will inject some $1.3 billion into the construction industry in 1991-92, with associated employment of about 20,000 jobs.

In addition, we are announcing the provision of another 10,000 non-profit units, which will cost the province approximately $150 million in annual operating subsidies when completed. My colleague the Minister of Housing will be announcing further details. For 1991-92 the Ministry of Housing will be allocated more than $764 million to meet its operating expenditures, representing an increase of more than 39% in its funding.

For many women, home is not a safe haven. We are committing an additional $12 million for new beds and enhanced services in emergency shelters and other improvements to services for women who are victims of domestic violence.

Violence against women is a major social problem which we must work resolutely to eliminate. In this budget, the government significantly expands its commitment to address the issues of wife assault and sexual assault. Funding for these two programs will increase by more than 33% over last year.

Additional funds to eliminate wife assault will focus not only on emergency shelters for women and their children, but on counselling and prevention programs, services for racial minorities and women with disabilities and on development of local responses to aboriginal family violence.

Increased expenditures of more than $8 million will significantly expand and enhance services to women and children who are victims of sexual assault. This new funding will extend services for rural, francophone, disabled, immigrant and racial minority women.

We cannot have an economy which flourishes at the expense of certain parts of the workforce. It is unfair and unacceptable to undervalue certain occupations and sectors based on systemic discrimination. The Minister of Labour has announced amendments to the Pay Equity Act which will allow an additional 420,000 women to benefit from pay equity.

This government will make available $100 million to assist our major transfer partners, including municipalities, school boards, hospitals and universities and colleges, with the cost of pay equity adjustments due in 1991-92. This funding is above and beyond what is normally provided for day-to-day operations. A further $25 million will be provided in 1991-92 to assist other transfer agencies in meeting their pay equity obligations. In addition to the $125 million, the Minister of Community and Social Services previously announced an initial step towards pay equity for child care workers by providing $30 million to improve salaries.

The government's financial commitment to pay equity is not limited to this fiscal year. We will contribute almost $1 billion annually at maturity towards pay equity adjustments in the broad public sector.

Employment equity involves a comprehensive process to ensure equitable representation and to reduce systemic barriers to the recruitment, retention and promotion of underrepresented groups of people. The groups designated in the Ontario public service program are aboriginal peoples, persons with disabilities, francophones, racial minorities and women. These groups represent 60% of Ontario's population and more than half the labour force. We must make the most of the potential of all our citizens to help us meet social and economic challenges.

This government intends to be a model employer and to lead both the broad public sector and the private sector in achieving employment equity. We have committed $24 million in 1991-92 to employment equity initiatives in the Ontario public service. This is more than double previous funding levels. The government has also appointed a commissioner to conduct consultations on proposed employment equity legislation.

The government of Ontario is taking tangible steps towards equity for aboriginal peoples. We will commit more than $48 million in 1991-92 towards an improved quality of life that is long overdue for the aboriginal peoples of this land. Part of this funding will be used to help lay the groundwork for self-government and resolution of long-standing land claims through support for research and negotiations.

Also included in this year's funding are $20 million in expenditures on community infrastructure to improve living conditions in aboriginal communities through support for water and sewer systems, housing and electrical power. Social service improvements for first nations communities will include $5 million in capital funding this year to create 400 new spaces for child care on reserves. Other funding for aboriginal peoples will be used for economic development programs and education initiatives at all levels.

First nations will also benefit from funds allocated for social assistance reform which will respond to the proposals put forward by these communities.

The government is acutely aware that we are responsible for the effective fiscal management of the broad Ontario public sector. We must ensure that the people of Ontario are getting the highest-quality services for their tax dollars. This government is convinced that the only way we will achieve effective fiscal management is through a comprehensive review and evaluation of existing programs with the participation of the people who use the services and the people who provide them. We must respond to the social and economic needs of this province by making what the public sector does and how it does it more efficient and more effective.

I indicated at the outset of this statement that we have made a concerted effort in this budget to ensure that the government does what it can to fight the recession and to prepare the economy for recovery. As the economy recovers, however, I believe it is essential to reduce the deficit significantly. Today I am putting forward a three-year fiscal plan that shows the consolidated deficit declining from $9.7 billion this year to $7.8 billion in 1994-95.

The clear fiscal targets set out in this plan are expected to reduce the deficit as a proportion of gross domestic product and total revenue. We anticipate that by 1995 the deficit will fall from 3.4% to 2.2% of gross domestic product and from 22.6% to 13.7% of revenue.

Our fiscal plan is also intended to stabilize the important debt-servicing portion of our budget. As total debt rises, our fiscal plan shows servicing costs moving from 11.6 cents per revenue dollar to a steady 12.3 cents. Contrast this with the situation of the federal government, where about 34 cents of every revenue dollar now go to service the national debt. This government will not let Ontario slip into that kind of fiscal trap.

The deficit is not an issue that is simply of concern to the bond markets and rating agencies. It is a concern of ordinary working people in Ontario, because they do not want an ever-increasing share of their hard-earned tax dollars going to pay the interest on a huge public debt. By 1994-95 we plan to bring the operating portion of the deficit down from $5.4 billion to $3 billion. Looking beyond the medium-term forecast, we plan to eliminate the operating deficit within a further three years. After the last recession it took from 1982 to 1987 to balance the operating budget during a period of strong and rapid growth. Although the outlook for economic growth is more modest in the years ahead, we still expect to meet our objectives of balancing the operating budget by 1997.

The task ahead would be much simpler if the federal government had not begun a deliberate campaign in the 1980s to dismantle its commitments to social programs. These cumulative federal reductions in the established programs financing and payments under the Canada assistance plan will cost Ontario some $3.6 billion in 1991-92 alone, enough to wipe out almost two thirds of our operating deficit. What is more, the federal government has announced its intentions to continue to restrict its contribution to essential social programs for a further three years, with serious consequences for the wellbeing of our nation.

The fiscal plan will not be easy to implement, but it is realistic. I want to emphasize that it will allow the government to move forward with its priorities.

The budget control system we inherited from previous administrations simply cannot do the job in the circumstances we face. We found there was no effective mechanism for examining the structure of entire programs. We are therefore establishing a Treasury Board, which I will chair, with clear responsibility for expenditure management. Critical to its functioning will be the development of budget planning that looks beyond a single year and the introduction of an expenditure review and evaluation process that integrates the policy priorities of the government into allocation decisions.

The task of evaluating programs and reallocating government spending will entail redesigning programs and taking new approaches to service delivery. For example, my colleague the Minister of Education has been reviewing the planning for educational facilities as part of a change in direction towards community-based multi-use schools. The $300 million in school capital funding that I am announcing today for 1994-95 will incorporate this new approach.

We will also be asking the people who work in the public service to help us meet the targets of our fiscal plan. Working in partnership, we will find the best ways to make services more responsive to needs and to reduce costs.

We have not followed the lead of some other governments which have reduced public service jobs at a time of high unemployment and have imposed arbitrary wage limits. Instead, we intend to work co-operatively with the public service unions to meet our targets in ways that support new workplace co-operation and innovation.

It is important that we look for new ways to involve members of the Legislature and the general public, as well as our employees, in contributing to the solutions needed to address these challenges. The province funds a range of services, like health care, education and many social services, which are basic to our way of life. It is important that the public, which uses these services and pays for them through their taxes, participates in the process of identifying where we can improve effectiveness.

We are committed to major changes in the budget process in this province. Bringing the process into the 1990s is a major challenge and, given its scale, I fully expect changes to continue throughout the mandate of this government. As a first step, I intend to ask for the views of the standing committee on finance and economic affairs on ways to open up the budget process to involve more public participation.

One of the most crucial areas requiring effective management is our health care system. This is a priority for two major reasons: because publicly funded health care is so essential to our way of life, and because the costs of our health care system are threatening to overwhelm all other government expenditures.

We must maintain the quality of health services while reducing the rate of expenditure growth in the system. Health care costs currently account for approximately one third of total provincial spending. Health expenditures have increased by an average of more than 12% per year for the past 10 years.

This government is committed to managing health care expenditures more effectively while maintaining or improving standards of care and upholding the principles of medicare, including universality and accessibility. We believe the best way to accomplish this is in partnership with health care providers. We are therefore encouraged by the tentative agreement that has been reached through negotiations with the Ontario Medical Association.

If this landmark agreement is ratified by members of the OMA next month, we will be embarking on a new era in our health care system. It will involve a constructive and co-operative relationship between the government and the Ontario Medical Association. It will introduce a management system that emphasizes quality and cost-effectiveness. This system will manage payments to physicians and will not limit patient access to health services. It will allow us to plan better for the future and to allocate resources where they are most needed.

I cannot prejudge the results of the upcoming ratification vote. I can only say that the government hopes to join with physicians in managing our quality health care system in the interests of all the people of Ontario.

The Minister of Health will be providing further information to members of the House once the ratification vote has been held.

Today I can inform the House of two aspects of the government's overall strategy to manage our health care system more effectively. These are not part of the tentative agreement. They affect out-of-country health services and the Ontario drug benefit plan.

OHIP payments for out-of-country health services, primarily in the United States, have increased dramatically from $100 million in 1988-89 to $225 million in 1990-91, a 125% increase in only three years. The province is enacting a series of modifications to the current OHIP policy to ensure that payments for out-of-country health services reflect the cost of services in Ontario. We will also establish service registries and information systems to identify available services within the province so that fewer people will have to use outside services.

Measures to manage the Ontario drug benefit plan more effectively are being pursued as well. Expenditures in this area have increased by an average of 19% over the past 10 years. The government intends to implement tighter controls on reimbursement for drugs, establish more comprehensive guidelines for prescribing drugs and require more objective evaluations in order for a new drug to gain coverage.

The Minister of Health will be announcing details of these measures soon. These actions are part of our continuing efforts to manage our $17-billion health care system better.

Capital expenditures represent another important area where improved public sector fiscal management is needed. Governments often reduce capital spending as a short-term restraint measure. Such cuts are at the expense of our capacity to respond to, and lead, social and economic change.

In order to recognize the importance of capital and to focus on the strategic planning of capital expenditures, Ontario is establishing a capital fund and an operating fund. Starting in the 1991-92 fiscal year, there will be separate budgets for capital and operating expenditures. We will continue to show the consolidated deficit or surplus position of the province.

Tax policy has a critical role to play in effective fiscal management. Central to the role of tax policy is ensuring that tax expenditures are cost-effective. The Fair Tax Commission has a major responsibility to provide advice in this area.

In this budget, I am proceeding with three measures that will tighten up the tax base and contribute to better tax expenditure management.

First, I am announcing the capping of the three-year mining tax exemption to target the incentive more effectively. The exemption will be limited to the first $10 million of profits from qualifying mines earned from 30 April 1991.

Second, because of its structure, the small business deduction in Ontario's corporate income tax system is currently available to corporations regardless of their size or profitability. I will therefore be introducing measures, to be effective 1 January 1992, to focus the benefits on small Canadian-controlled private corporations.

Third, the Ontario motorist protection plan, introduced by the previous government, created an inequity by exempting insurance companies from the tax on certain auto insurance premiums. As of midnight tonight, this inequity will be removed by eliminating the exemption.

Together, these tax changes will generate $70 million this fiscal year.

I am also concerned about the potential for non-resident companies to shift income outside the country. Income earned in Canada should be subject to Canadian income tax. I have asked the federal Minister of Finance to examine, in consultation with the provinces, the rules regarding thin capitalization and transfer pricing.

Responsible management also requires some changes to tax rates.

First, the capital tax on banks and loan and trust companies will increase from 0.8% to 1%, effective midnight tonight. This is still the lowest provincial rate on banks and loan and trust companies in the country.

Second, as of midnight tonight the tax per cigarette will be increased by 1.67 cents to 6.5 cents, with an equivalent increase on cut tobacco. It has been estimated that each year tobacco-induced diseases cause 13,000 premature deaths in Ontario. My colleague the Minister of Health will be announcing details of the provincial tobacco control strategy. This tobacco tax increase will play a key role in this strategy, particularly in discouraging young people from smoking. It is expected that this tax increase, when combined with the federal three-cent increase, will result in a decline of tobacco consumption by Ontario smokers of close to 15%.

Finally, levies on all alcohol products will increase by five cents per litre effective 27 May 1991.

The total revenue impact of these tax rate changes is estimated at $280 million this fiscal year.

This budget sets out our vision of the future of this province. I want to add a few words about our vision of the future of this country.

As the Premier has said many times, we have a long history together as Canadians, a history that binds us in many real and intangible ways. Today, every province in Canada is facing serious economic and social challenges. We are stronger if we face them together.

Our vision of sustainable prosperity for Ontario embraces a renewed and revitalized Confederation. We believe there is an important role for national leadership to secure the Canadian economic union.

We must find a new consensus for the future. Canada must be made to work in the interests of all parts of the country and all parts of society. Ontario is prepared to play a constructive and positive role in this endeavour.

The budget I am tabling in the Legislature this afternoon is one which puts a strategic focus on sustainable prosperity and fairness.

This budget contributes to recovery at a time of serious recession. We will not cut back on the delivery of basic services to the people of Ontario when so many families are hurting.

We are creating some 70,000 jobs through our investment in the economy. We are helping unemployed workers re-enter the workforce. We are expanding our commitments to technology and innovation with renewed emphasis on training.

We are providing tax relief for the working poor. We are making a substantial commitment to reforming our social assistance system. We are significantly expanding government commitments to affordable housing. We are making a major contribution to a healthy environment.

We are providing assistance for farmers. We are addressing the special needs of aboriginal peoples and the north. We are improving and expanding pay equity for women and employment equity initiatives.

We are committed to managing the deficit through effective fiscal management based on an open process that involves participation by the people who use public services and those who provide them.

We are putting forward a multi-year fiscal plan. We are proposing a new management system in health care, in partnership with health care providers.

We are committed to developing other partnerships with labour, business and communities so that we may work together to meet the challenges of social and economic change.

We made a choice in this budget to fight the recession, not this year's deficit, because we believe that is the priority for the people of Ontario. We will not sacrifice the essential services that Ontarians need. We are dedicated to maintaining quality health care and education. We will invest in the future and in jobs to help strengthen our province. We are laying the foundation for a sound recovery and working towards a more productive, equitable and sustainable economy.