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| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Ontario | Discours énoncé en dehors de la législature | | Economic statement | 21 juillet 1995 | Ernie Eves | Minister of Finance | Progressive Conservative Party of Ontario |

**INTRODUCTION**

Today my colleagues and I, under Premier Harris leadership, are taking major steps to bring Ontario's spending under control.

The former Government left the province with a spending crisis which is just that: a spending crisis.

The deficit outlook is significantly worse than the former Government indicated in April. Revenues are lower. And expenditures are much higher than the former Government indicated.

Today we are taking swift and decisive action to cut government spending immediately. We are cancelling programs and projects we simply cannot afford.

**CURRENT OUTLOOK**

Since taking office on June 26, I have been briefed by staff of the Ministry of Finance on the outlook for Ontario's finances.

Based on this initial review of the Province's books, it appears that, without further action, total spending this year would be about $1.4 billion higher than in the former Government's April Budget Plan.

The reason for this, in my opinion, is that the former Government did not take the tough decisions to keep spending under control. For example:

* Without the actions we are taking today, capital spending would be $344 million higher than budgeted for in April.
* Without the actions we are taking today, our social assistance costs this year would be $600 million higher than budgeted for in April.
* And some known expenses, like $63 million in additional costs for the long-term care program, were not included in the April Budget Plan at all.

In addition, revenues this year will be about $1.4 billion lower than the former Government projected. Clearly the economy weakened earlier in 1995. The economic assumptions underlying the previous Government's Budget Plan were overly optimistic. In fact, Ontario's real GDP declined in the first quarter of 1995.

The slowdown of the U.S. economy hampered Ontario's export industries, and the impact of higher interest rates in 1994 has weakened consumer spending.

As well, the former Government's plan assumed $100 million in new non-tax revenues from measures to be decided after the election.

There are signs that economic growth will resume in the third and fourth quarters of this year. Housing activity has picked up, manufacturing is expanding once more, and interest rates are down from 1994. Yet we cannot realistically expect revenues to be as high as the former Government projected in April.

The bottom line is that, if we do not act immediately, the Province's deficit this year will be $10.6 billion. This is unacceptable.

**CUTTING SPENDING**

Even in the face of a slower economy, governments must stop acting as though the problem is one of insufficient revenues. Based on the briefings I have received, I am convinced that our Government has inherited a severe spending problem. We are taking immediate action.

* We have begun by putting our house in order. This Government has fewer ministers and fewer ministries than its predecessors.
* All programs offering grants, loans or guarantees to business have been frozen. This measure will save $71 million in 1995-96. This includes $5 million from the Ontario Network Infrastructure Program to support the telecommunications sector. It also includes $23 million from the Sector Partnership Fund, which is being phased out.
* Social assistance rates will be reduced by 21.6 per cent effective October 1, so that they are on average 10 per cent higher than the average of the other nine provinces. This measure will save $469 million in 1995-96 and $938 million in 1996-97. Recipients who work will be allowed to earn back the difference between the old and new rates.
* Social assistance benefits for the support of seniors, persons with disabilities and their families will not be reduced.
* New measures to tighten eligibility and reduce fraud will be introduced to ensure that welfare goes to those persons who are truly in need, saving up to $15 million this year.
* The Province will end special relief for municipalities with high welfare caseloads. This will result in reduced transfers of $30 million this year. However, these will be more than offset by reduced municipal welfare costs.
* We are cancelling spending for the conversion of private-sector childcare spaces into non-profit spaces, saving $7 million this year and $13 million next year. This program has cost taxpayers $52 million to date without creating a single new childcare space. In addition, as dollars become available, municipalities will now be able to allocate subsidized childcare spaces to private operators. We will also be examining the childcare system as a whole, including wage subsidies, to ensure that taxpayers' dollars are spent in the most effective way.
* We have placed a moratorium on the development of non-profit housing.
* The JobsOntario Training program is being cancelled. Effective immediately, no new financial commitments will be made. Commitments to participants currently in the program will be honoured. This measure will save $86 million in 1995-96 and another $40 million over the two following years. Effective October 1, the 14,000 childcare spaces created under JobsOntario Training will be funded by the Province and municipalities under the regular 80-20 cost-sharing formula.
* Rapid transit, roads, highways, and GO Transit projects will be deferred, saving $200 million this year. This includes a reduction of $74 million in the budget for municipal roads, $42 million for rapid transit in the Greater Toronto Area, $36 million for provincial highways, $15 million for GO Transit and $33 million in other transportation initiatives. We will proceed with transit projects in a phased approach, beginning with the Sheppard subway line in Toronto. We are deferring the Eglinton West project until the Province and Metro Toronto have sufficient funding to proceed.
* The Provincial contribution to the Canada-Ontario Infrastructure Works program will be reduced to $287 million this year to match the federal government's contribution. This measure will save $73 million this year.
* We are cancelling the former Government's multi-year commitments of $24 million towards a new or renovated ballet-opera house in Toronto and $29 million for a high-performance computing centre.
* The JobsOntario Community Action program will not make any new commitments for community capital projects, pending a review of the program. This measure will save $18 million in 1995-96.
* We are cancelling the Jumpstart program announced in April. This measure will save $60 million this year. We will continue to fund other youth employment programs with budgets totalling $185 million this year.
* Funding for the Employment Equity Commission will be cut back pending the repeal of the Employment Equity Act. Planned additional funding to implement employment equity legislation within the Ontario Public Service will be eliminated. These measures will save $8 million this year.
* OHIP overpayments under current arrangements with doctors will be recovered.
* Funding for the Training for Workplace Innovation and Demonstration Projects programs will be eliminated, saving $16 million this year.
* Funding for the Advocacy Commission will be cut back pending the repeal of the Advocacy Act, saving $10 million this year.
* The Royal Commission on Workers' Compensation will be eliminated, saving $1 million this year and next.
* The Premier's Council is being eliminated, saving $2 million this year and $4 million annually in future years.
* Funding for pay equity will be capped at $500 million per year, to be shared among the Ontario Public Service and Broader Public Sector organizations that have entered or will enter into pay equity agreements in their workplaces. This measure will save $85 million in 1995-96.

In total these measures will save $850 million in operating costs and $307 million in capital costs in 1995-96.

In addition, each Minister has been assigned a target for further operating spending reductions in his or her ministry. These reductions will achieve $500 million in operating savings this year, and the savings will be made permanent in future years. Additional capital savings of $187 million will be achieved through project cancellations and spending freezes.

To date we have decided on several measures to meet the $500 million target:

* Payments to all social service agencies funded by the Ministry of Community and Social Services will be reduced by 2.5 per cent, effective October 1, saving $44 million. The reduction will be 5 per cent in 1996-97.
* Payments to boards of education will be reduced by $32 million in 1995-96. This saving is to be achieved by reducing costs outside the classroom.
* Payments to colleges will be reduced by $6.8 million, and to universities by $16.8 million.
* The Niagara Tender Fruit Lands Program has been cancelled, saving $15 million over the coming decade.

We will decide how to achieve the balance of the $500 million savings target over the next several months.

Together the measures I am announcing today will reduce spending by $1.9 billion in 1995-96 compared with the outlook when our Government took office on June 26.

With these measures in place, the current outlook for the Province's deficit for 1995-96 is $8.7 billion.

**A REALISTIC AND WORKABLE PLAN**

The situation our Government inherited shows how essential it is to have a realistic and workable financial plan for the future. We are committed to open and accurate financial reporting that will allow the people of Ontario to see the full state of their government's finances.

Let me cite some examples of the kind of improvements we believe are needed. The provincial Budget and the Public Accounts are reported on two different sets of accounting principles. The Provincial Auditor has signed the most recent Public Accounts, but has repeatedly commented on the way the Budget is presented. These different presentations create confusion.

Some major capital projects are recorded separately in the Budget and yet are not included in the calculation of the Province's budgetary deficit. The Province's $337 million investment in Toronto's Ataratiri project was written off in the Public Accounts in 1993-94 – yet because of the two accounting systems, it will not be written off in the Budget until several years later.

Ontarians have a right to clear, consistent and accurate financial information about their government.

**Ontario Financial Review Commission**

In the next few days I will set up the Ontario Financial Review Commission to help us review the financial reporting practices in the Budget, the Public Accounts, and the annual Estimates.

The Commission will look at such issues as the consistency of our financial reporting. Does it make sense to have different accounting presentations for the Budget and the Public Accounts, as we do now?

The Commission will also examine the business plans and proper financial reporting for Crown corporations.

**Special Audits**

I am also directing that value-for-money audits of selected Government projects and agreements be undertaken. Ontarians should know about their Government's outstanding obligations. Where costs have risen, they should know why – and they should know that management practices are in place to prevent similar cost overruns in the future. These audits will review:

* arrangements for the financing of property leases on the Toronto Islands
* the Province's agreements relating to the sale of the assets of Ontario Bus Industries, and
* the Ataratiri project, which was intended to build housing on former industrial land in downtown Toronto.

The Chair of Management Board will request proposals from independent accounting firms to undertake these audits and report no later than the end of September.

**1995-96 ECONOMIC AND FISCAL STATEMENT**

Since our Government took office, I have reviewed the Province's books in sufficient detail to know that the measures I have taken today are absolutely essential if we are to get spending under control. There can be no delay. However, these measures do not represent a complete fiscal plan.

This fall I will present to the Legislature an Economic and Fiscal Statement for 1995-96.

**CONCLUSION**

The scope of the actions outlined in this statement is unprecedented for a government which has been in office for less than four weeks.

The spending crisis our Government inherited means that no other course of action is possible. We are taking swift and decisive action to bring spending under control.

There is more to do. There will be tough choices and difficult decisions to face. With the measures I am announcing today, it is clear our Government is prepared to face them.

This is the road we must take if the people of Ontario are to prosper.