# 2002 Ontario Budget

## Budget Papers

The Honourable Janet Ecker
Minister of Finance

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Ministry of Finance
95 Grosvenor Street, Queen's Park
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Toronto, Ontario M7A 1Z1
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## Economic Growth Strengthens: Ontario's Economic Outlook

# Overview

Renewed economic growth and optimism demonstrate the resilience of Ontario's economy within the North American market. In the wake of the terrorist assault on the United States, at a time when economic expansion was already fragile, confidence plunged and forecasts for growth were scaled back sharply. These forecasts turned out to be too pessimistic. Business, workers and government met the challenge and our economy is once again growing strongly.

Following five years of close to 5 per cent annual real growth, Ontario's output growth slowed to 1.0 per cent in 2001. Tax cuts and other policies implemented by the Ontario Government cushioned the negative impact of the downturn in the U.S. economy and the subsequent fall in demand for Ontario products, particularly automobiles and telecommunication equipment.

These policies are now helping the economy resume strong growth. Ontario's economy is forecast to grow by 3.1 per cent in 2002 as the recovery from last year's slowdown takes hold. In 2003, real growth is expected to accelerate to 4.2 per cent. As it did over the 1996 to 2000 period, Ontario's dynamic economy will once again register growth exceeding each of the G-7 nations over the 2002 to 2003 period.

Recent economic performance confirms Ontario's renewed economic strength. Reports on job creation, consumer and business confidence, consumer spending and housing markets all point to renewed vigorous growth.

**Ontario Economic Assumptions**
(Annual Average)

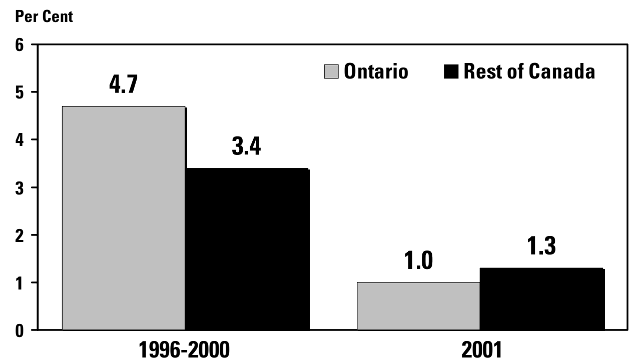
| | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|
| Real GDP Growth (per cent) | 5.3 | 1.0 | 3.1 | 4.2 |
| Nominal GDP Growth (per cent) | 5.9 | 2.4 | 3.5 | 6.0 |
| Employment (thousands) | 5,872 | 5,963 | Up to 6,079 | Up to 6,264 |
| Unemployment Rate (per cent) | 5.7 | 6.3 | 6.5 - 6.8 | 6.0 - 6.5 |
| CPI Inflation (per cent) | 2.9 | 3.1 | 1.8 | 2.0 |

Sources: Statistics Canada and Ontario Ministry of Finance.

# Ontario Hard Hit by Global Slowdown in 2001

Cutting taxes, balancing the budget and creating a positive environment for investment and job creation helped Ontario weather the 2001 downturn in global growth. Ontario has a record of strong and broadly based economic growth. Over the 1996 to 2000 period, real GDP grew by an average of 4.7 per cent per year. Over this period, Ontario's growth was much stronger than that of any G-7 nation. Ontario was also the fastest-growing provincial economy in Canada.

**Real GDP Growth: Ontario vs. Rest of Canada**

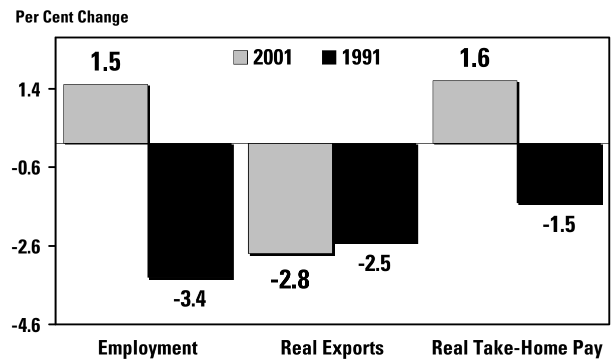



Sources: Statistics Canada and Ontario Ministry of Finance.

Ontario's real Gross Domestic Product (GDP) grew by 1.0 per cent in 2001. For the first time in five years, Ontario's real GDP growth was lower than Canada's as a whole. The auto industry and the telecommunication equipment manufacturing industry, two of the province's key export sectors, were particularly hard hit by the global slowdown. Manufacturing production fell 4.7 per cent in 2001. Ontario motor vehicle production fell 8.1 per cent, as firms cut production to adjust inventories in line with slower demand. Ontario exports of telecommunication equipment dropped 10.5 per cent. The tragic events of September 11 dealt a further blow to the global economy through disruptions in economic activity and sharp but temporary declines in confidence and spending.

Although the province was severely affected by the global slump, the economy performed much better than it did during the early 1990s when worldwide growth also faltered. In fact, despite a sharper decline in exports (-2.8 per cent in 2001 versus -2.5 per cent in 1991), Ontario's employment rose 1.5 per cent in 2001, compared to a 3.4 per cent decline in 1991.

**Ontario's Economic Performance 2001 vs. 1991**




Sources: Statistics Canada and Ontario Ministry of Finance.

The resilience of Ontario's economy last year in the face of weaker external demand reflected in large part Ontario's sound economic and fiscal management, which supported domestic spending. Real consumption rose 2.2 per cent in 2001 compared to a 1.8 per cent drop in 1991. The strength of household spending reflected the growth of disposable income. Tax cuts and job gains boosted real take-home pay by 1.6 per cent in 2001 compared to a 1.5 per cent decline in 1991.

# Economic Growth Strengthens in 2002

Lower interest rates, lower taxes and aggressive marketing by automakers have spurred healthy growth in Ontario consumer spending. In addition, stronger U.S. demand has contributed to a turnaround in Ontario's manufacturing production. These factors have boosted job creation, lifted incomes and fuelled exports, underpinning a solid rebound in growth in the first half of 2002. Business investment is expected to gain strength in the second half of the year as firmer economic growth takes hold. Private-sector forecasters, on average, expect Ontario real GDP growth of 3.2 per cent for 2002. The expansion is expected to continue in 2003, with real output advancing by 4.3 per cent.

In keeping with Ontario's policy of prudent forecasting, the Budget's economic planning assumptions are below the current private-sector consensus.

**Economic Growth Assumptions**
(Per Cent)

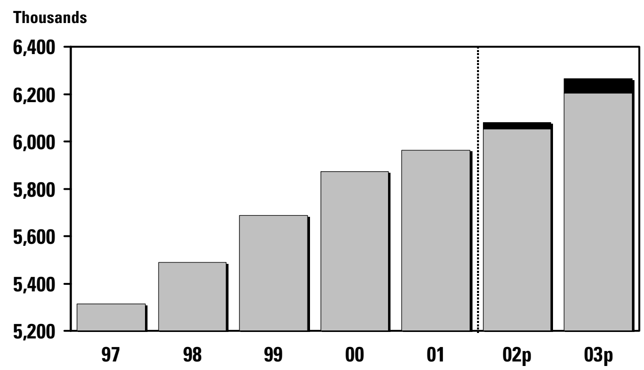
| | 2002 | 2003 |
|---|---|---|
| Ontario Real GDP Growth | | |
| Private-sector survey average | 3.2 | 4.3 |
| Ontario's Planning Projection | 3.1 | 4.2 |

Note: The private-sector average is based on eight recent forecasts.
Sources: Ontario Ministry of Finance and Ontario Finance Survey of Forecasts (June 2002).

# Job Creation Resumes

Job creation has resumed, with 70,000 new jobs created in the last eight months, following job losses totalling 22,000 over the May to September period. As economic growth improves, the pace of job creation is expected to pick up.

**Ontario Employment*: 1997-2003**




*Average annual employment level.
p = projection. Black area shows projection range.
Sources: Statistics Canada and Ontario Ministry of Finance.

- Job gains have been led by the manufacturing sector, educational services, accommodation and food services, and transportation and warehousing.
- A total of 893,000 net new jobs have been created since September 1995.
- Ontario employment is projected to increase by between 1.5 and 2.0 per cent in 2002. Job creation is expected to register gains between 2.5 and 3.0 per cent in 2003, as stronger growth in the economy takes hold.
- New job opportunities will open up, as firms continue to expand business operations in response to Ontario's competitive tax environment. This will prompt more Ontarians to enter the labour market.

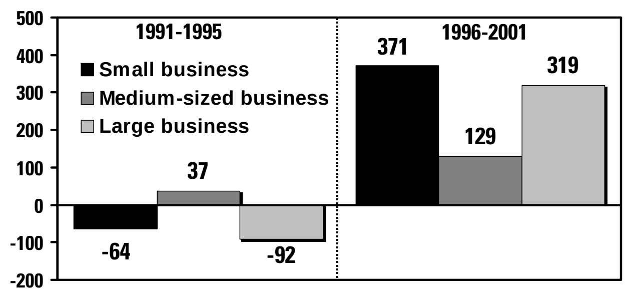
# Positive Business Climate Supports Broad-Based Job Creation

Ontario government policies are creating a positive business climate that contributes to the diversity and resilience of the economy. The government is cutting taxes, making strategic investments in education, innovation and infrastructure, modernizing financial regulations, reducing red tape and eliminating other barriers to growth.

Within this supportive economic environment, businesses of all sizes, across a wide range of industries, have contributed to strong job growth in the province since 1995.

**Businesses of All Sizes Contribute to Job Growth**

Cumulative change in net new private-sector jobs in Ontario (Thousands)




Note: Small business defined as having up to 49 employees (including self-employed individuals); medium-sized business, 50-499 employees; large business, 500 or more employees.
Sources: Statistics Canada and Ontario Ministry of Finance.

- Small and medium-sized enterprises (SMEs) have responded strongly to the improved tax, regulatory and general business climate. SMEs generated an estimated 500,000 net new jobs over the 1996 to 2001 period, or 61 per cent of total private-sector job creation.
- Business services and manufacturing led Ontario job growth over the 1996 to 2001 six-year period, with each sector adding about 210,000 jobs. In addition, retail and wholesale trade, leisure services and construction contributed significantly to job growth, aided by strong domestic spending.
- Businesses across many industries and regions have responded to the positive business climate by investing in Ontario.
  - General Motors of Canada is adding a third shift of production to its Oshawa Car Assembly Plant Number 1. This plant is ranked as the most productive vehicle assembly plant in North America, according to Harbour and Associates.
  - De Beers is continuing to invest in the Victor diamond project in the James Bay lowlands.
  - ICT Group Inc. has opened a new customer contact centre in Lindsay.
  - Futaba Industrial Co., Ltd. of Japan will manufacture auto parts at a new factory in Stratford.
  - Bowater Inc. has announced plans to construct a new softwood sawmill in Thunder Bay.
  - StarTek Inc. has opened a second facility in Kingston providing outsourced process management services.

## Fair and Efficient Financial Regulation

Ontario will continue with actions to maintain a modern financial regulation framework that promotes fairness and efficiency. Sound financial regulation must ensure investor protection, while promoting a healthy and competitive financial services sector and contributing to a positive business climate.

- To ensure confidence in its financial markets, Ontario strengthened the Ontario Securities Commission's (OSC) enforcement capabilities. Continuous disclosure standards have been improved and sound corporate governance has been promoted. Continuing this progress, the Five-year Review Committee of Ontario Securities Laws has just released for consultation its draft report, which contains far-reaching recommendations on a wide variety of securities regulatory matters.
- To improve stock and bond market efficiency, the OSC has introduced rules that govern, and allow, broader use of new technology for trading. New technologies can lower trading costs for investors and companies and can make trading more transparent to all. Five new Alternative Trading Systems have started doing business in Ontario.
- The government will respond to plans by the credit union system to become more efficient and provide better service to their members on a national basis. It will also undertake a review of Ontario's liquidity requirements for credit unions in order to determine if any changes are required.
- The government is completing consultations on the merger of the Financial Services Commission of Ontario (FSCO), which regulates insurance, pension plans, loan and trust companies, credit unions, mortgage brokers and co-operative corporations, with the Ontario Securities Commission. This would better serve and protect consumers, investors, pension plan members and industry participants.
- The government intends to introduce pension surplus reforms that would further improve the regulatory climate in Ontario and provide employers and plan members with more flexibility to negotiate pension surplus sharing agreements. The proposed amendments to the *Pension Benefits Act* (PBA), based on a Consultation Paper released in 2001, will be discussed with stakeholders.
- In response to concerns raised by pension plan administrators, plan members and employers, the government will discuss with stakeholders ways to facilitate the transfer of accrued pensions between pension plans where groups of employees transfer between employers. The government will propose amendments to the PBA to implement this initiative.
- The government has been consulting on changes to the current automobile insurance system to enhance fairness and balance and improve its effectiveness. The government intends to introduce reforms that would improve the system for consumers and other participants.

Ontario is committed to making it easier for small business to raise capital:

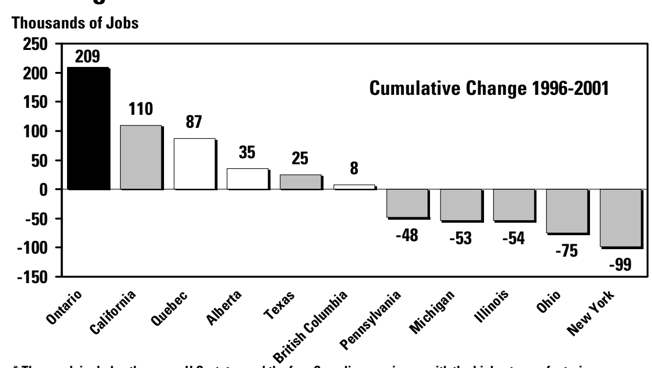
- Small business taxes have been cut to help companies grow, while capital gains taxes have been cut to encourage investment.
- The OSC has simplified private placement exemptions to facilitate more investment in small businesses without compromising investor protection.
- The TSX Venture Exchange is introducing its Capital Pool Company Program to Ontario. This lets smaller Ontario companies raise money in public markets earlier than would be possible with a conventional initial public offering (IPO) of shares.

# Ontario—Manufacturing Job Growth Leader in North America

Ontario has a highly competitive and diverse manufacturing sector. Over the 1996 to 2001 period, it created 209,000 jobs—more than any other province or any U.S. state. During the global economic slowdown in 2001, Ontario's manufacturing employment slipped slightly, in contrast to continued sharp declines in the United States. So far this year, the manufacturing sector has contributed greatly to the resurgence in Ontario job growth, while U.S. manufacturing employment has fallen further. According to the latest Canadian manufacturing business conditions survey, inventories are under control, orders are picking up and production is expected to increase.

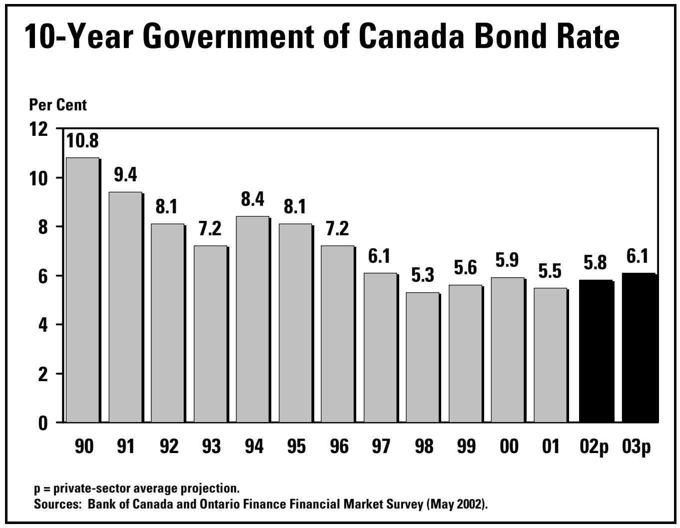
- Manufacturing job growth over the 1996 to 2001 period was widespread across industries, including auto parts (+40,000 jobs); computers and electronic equipment (+38,000 jobs); furniture (+22,000 jobs); and machinery (+21,000 jobs).
- During the economic slowdown in 2001, Ontario manufacturing employment slipped by 1.0 per cent, or 11,000 jobs, compared to a 4.2 per cent drop (778,000 jobs) in the United States.
- Since September 2001, Ontario continues to lead all Canadian provinces and U.S. states, with a gain of 24,000 net new manufacturing jobs. U.S. manufacturing lost 649,000 jobs over the same period.
  - Motor vehicle assembly and parts contributed to Ontario's job gains. Auto sector employment has substantially recovered, reflecting healthy North American auto sales, although concerns still persist.

**Six-Year Change in Manufacturing Employment Leading U.S. States and Canadian Provinces***




* The graph includes the seven U.S. states and the four Canadian provinces with the highest manufacturing employment. These jurisdictions are ranked in order of manufacturing employment creation during 1996 to 2001. Employment is measured by the annual average level.
Sources: Statistics Canada, U.S. Bureau of Labor Statistics and Ontario Ministry of Finance.

## Low Interest Rates Support Growth




The Bank of Canada and the U.S. Federal Reserve cut interest rates dramatically in 2001 to near historic lows in response to weakening economic conditions. The recent strength of the economy prompted the Bank of Canada to raise interest rates a quarter of a percentage point in mid-April and again in early June, modestly reducing the amount of monetary stimulus in the economy. Interest rates are expected to increase gradually through the rest of this year and into 2003 as evidence of firmer economic growth is sustained. However, interest rates are expected to stay low by historical standards, and monetary policy should continue to promote economic growth.

In order to develop cautious projections of Public Debt Interest, a prudence factor has been added to the average private-sector forecast of interest rates. The interest on three-month Government of Canada treasury bills is assumed to be 50 basis points higher than the average private-sector forecast. The interest rate on 10-year Government of Canada bonds is assumed to be 40 basis points higher than the average private-sector forecast.

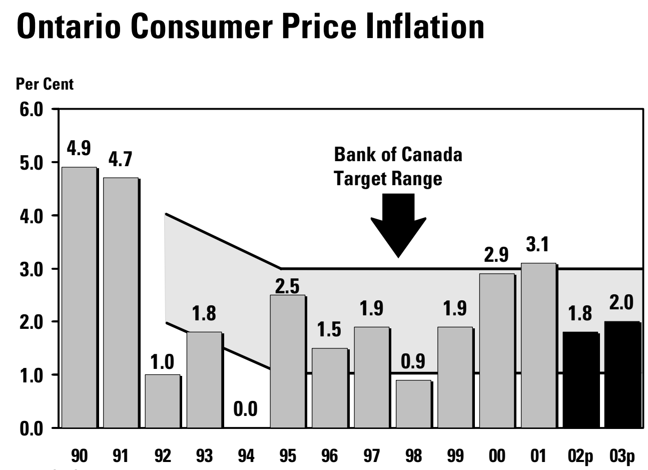
**Interest Rate Assumptions**
(Average Per Cent)

| | 2001 | 2002 Jan-May | 2002 Jun-Dec | 2003 |
|---|---|---|---|---|
| **3-month Government of Canada treasury bills** | | | | |
| Private-sector survey average | **3.8** | **2.3** | 3.0 | 4.1 |
| Ontario's assumption | | | 3.5 | 4.6 |
| **10-year Government of Canada bonds** | | | | |
| Private-sector survey average | **5.5** | **5.5** | 5.9 | 6.1 |
| Ontario's assumption | | | 6.3 | 6.5 |

Sources: Bank of Canada, Ontario Ministry of Finance and Ontario Finance Financial Market Survey (May 2002).

# Inflation Falling

The Ontario CPI inflation rate is expected to drop sharply in 2002, falling to 1.8 per cent on average, down from 3.1 per cent in 2001. For 2003, inflation is projected to average 2.0 per cent, at the middle of the Bank of Canada's target range of 1 to 3 per cent.

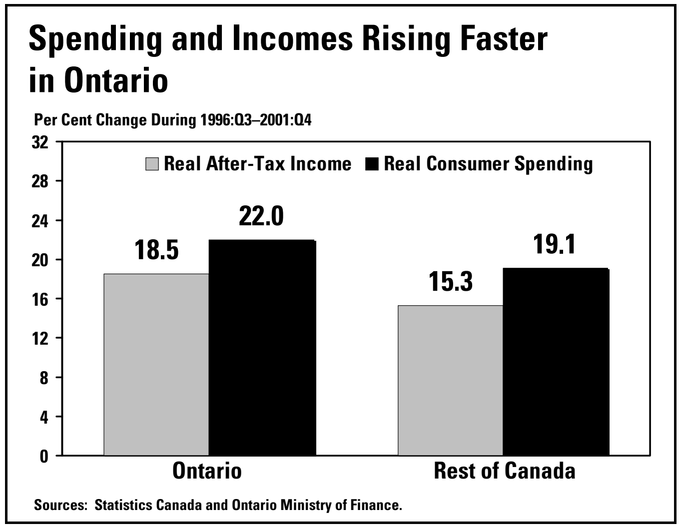


p = projection.
Sources: Bank of Canada, Statistics Canada and Ontario Ministry of Finance.

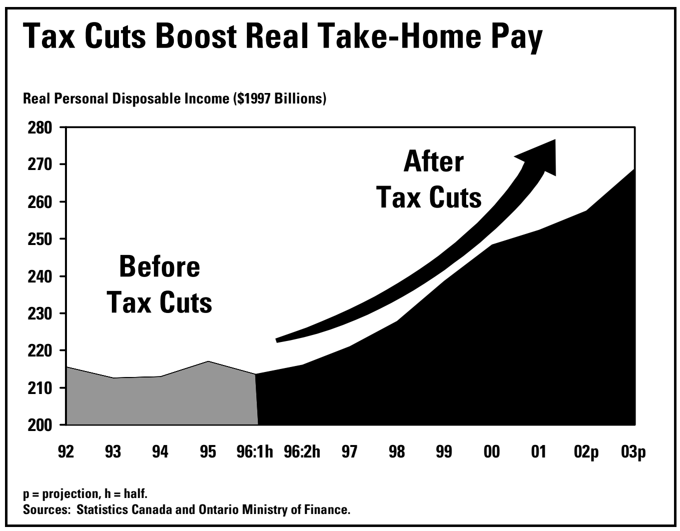
- Ontario's CPI inflation rate was 0.8 per cent in May 2002.
- The annual average inflation rate in 2001 was 3.1 per cent for Ontario, up from 2.9 per cent in 2000. Increased gasoline and natural gas prices lifted the inflation rate during the past two years. Ontario's core inflation rate (excluding the impact of energy and food prices) averaged 2.0 per cent during the 2000 and 2001 period.
- Since late 2000, energy prices have trended down. Crude oil prices (using West Texas Intermediate as the benchmark) have fallen from $34.40 US a barrel in November 2000 to between $24 US and $26 US recently. Heightened tensions in the Middle East pushed up oil prices in early 2002. Private-sector forecasters expect oil prices to stabilize near $25 US in 2003. Natural gas prices (based on the Alberta reference price) dropped from $11.21 per gigajoule in January 2001 to $3.23 in March 2002.

# Strong Consumer Spending to Continue

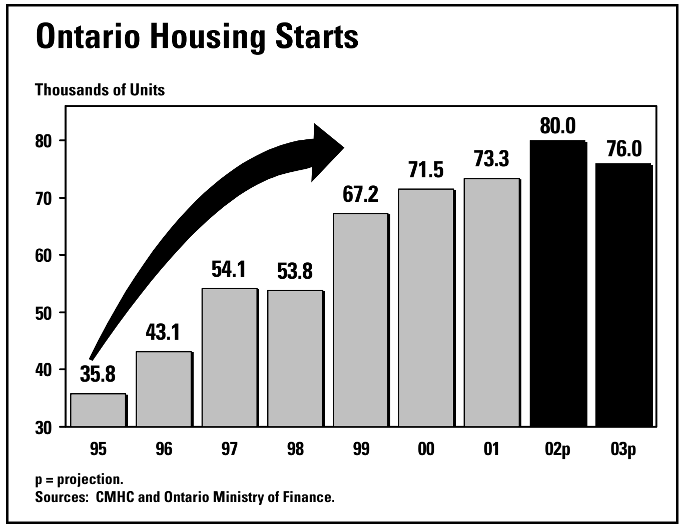
The strength of consumer spending was the mainstay of the economy in 2001. Rising employment, higher after-tax income and low interest rates are expected to sustain confidence and boost spending further during 2002 and 2003.




- From the second quarter of 1996, when Ontario income tax cuts began, to the fourth quarter of 2001, Ontario real disposable income increased by 18.5 per cent, stronger than the 15.3 per cent pace for the rest of Canada.
- During the same period, Ontario real consumption increased by 22.0 per cent, ahead of the 19.1 per cent rise recorded in the rest of Canada.
- Real consumption rose 2.2 per cent in 2001, with a burst of spending on durable goods in the final quarter of the year.
- Consumer spending growth is expected to accelerate to 2.7 per cent in 2002 and 3.5 per cent in 2003.
- Higher consumer spending will be supported by an increase in after-tax income and the positive wealth effect of higher house prices. The continuing increase in disposable income will be supported by solid employment growth.



# Housing Outlook Bright

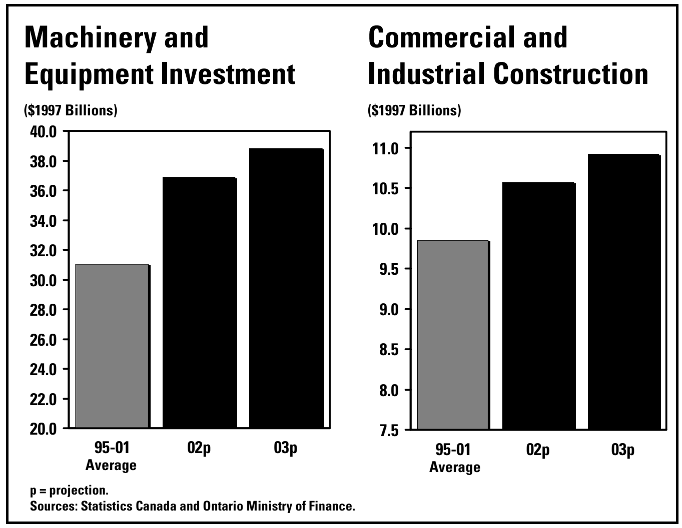



The housing market remained very healthy in 2001. It is expected to remain strong throughout 2002 and 2003. Ontario housing remains affordable, a reflection of rising after-tax income and low mortgage rates.

- Ontario all-area housing starts are projected to reach 80,000 in 2002, the highest level in 13 years. In 2003, housing starts are expected to remain strong, at 76,000 units.
- Real residential construction spending in Ontario is projected to rise by 6.5 per cent in 2002, and an additional 2.8 per cent in 2003. The Land Transfer Tax (LTT) rebate for first-time buyers of new homes will continue to bolster housing purchases and the construction industry.
- Posted five-year mortgage rates offered by major financial institutions were 7.40 per cent in mid-June 2002, down from a peak of 8.75 per cent in May 2000.
- Although house prices and mortgage rates have increased in response to strong demand, housing remains much more affordable than it was in the early 1990s. The monthly carrying cost for an average-priced home in Ontario was $1,063 last year, compared to a peak of $1,489 in 1990. Despite the anticipated rise in mortgage rates and further gains in house prices, housing is expected to remain affordable. Carrying costs as a share of average household take-home pay are projected to be 23 per cent in 2002, down from 35 per cent in 1990.

# Investment Expected to Strengthen by 2003

The market conditions needed to support stronger business investment are in place. A steady flow of new orders has boosted production, pushing capacity utilization rates higher. Renewed growth in corporate profits is expected in 2003. Financing conditions remain favourable, with internally generated funds available for investment on the upswing and interest rates low.



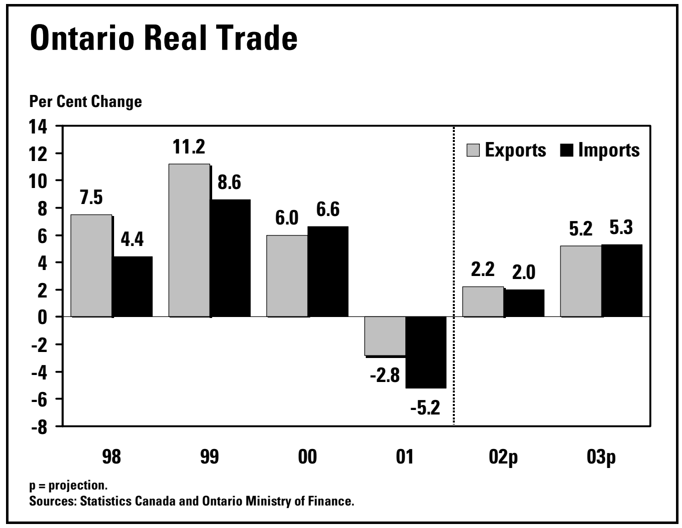

Ontario's machinery and equipment investment flourished from 1995 to 2000, almost doubling in real terms. Real investment in commercial and industrial construction rose by about 35 per cent over the same period. After reaching a record level in 2000, business investment expenditures on plant and equipment declined in 2001, reflecting weakness in machinery and equipment investment, particularly for high-tech items. As growth in the economy picks up, businesses are anticipated to boost investment spending.

- Real machinery and equipment investment is expected to ease in 2002, slipping a further 0.6 per cent. As economic activity strengthens, firms are expected to increase spending on productivity-enhancing machinery and equipment, with real investment rising by 5.3 per cent in 2003.
- Real spending on commercial and industrial construction projects is projected to increase by 0.8 per cent in 2002 and 3.3 per cent in 2003.
- Locally owned and global companies continue to recognize Ontario's prime investment location and competitive advantages. A favourable tax climate, a skilled workforce and strong long-term economic prospects are prompting firms to increase investment. A number of firms have announced or undertaken major investment projects.
  - Apotex Inc. is expanding its pharmaceutical operations at its three facilities in the Greater Toronto Area.
  - Canadian Pacific Railway expanded its transportation capacity at its Vaughan inter-modal facility.
  - DaimlerChrysler will build its Chrysler Pacifica vehicle at the Windsor assembly plant.

- Trus Joist Weyerhaeuser is nearing completion of its Timber Strand plant that will manufacture engineered wood products in Kenora.
- North American Palladium has expanded its mine at Lac des Iles, north of Thunder Bay.
- NuComm International has opened a customer contact centre in Owen Sound.
- CPI Plastics Group opened a plant in Mississauga manufacturing plastic wood decking systems.
- Modatek Systems is investing in a new facility in Milton manufacturing truck frames and chassis.

# Ontario's Export Markets Improve

Strong domestic demand supported by Ontario's tax cuts will be reinforced by growing international trade. Exports by Ontario businesses are expected to rebound in 2002 and 2003, driven by strong manufacturing competitiveness and a recovery in the economic performance of the United States, our major trading partner.




After posting weak growth in the second half of 2001, the U.S. economy has begun to recover, recording real GDP growth of 5.6 per cent at annual rates in the first quarter of 2002. In the first quarter of 2002, exports of autos and parts increased by 2.4 per cent from the previous quarter, while machinery and equipment exports were up 3.1 per cent. According to private-sector forecasts, strong U.S. growth is expected to continue throughout the rest of the year and accelerate in 2003, with real GDP rising a projected 2.7 per cent in 2002 and 3.6 per cent in 2003.

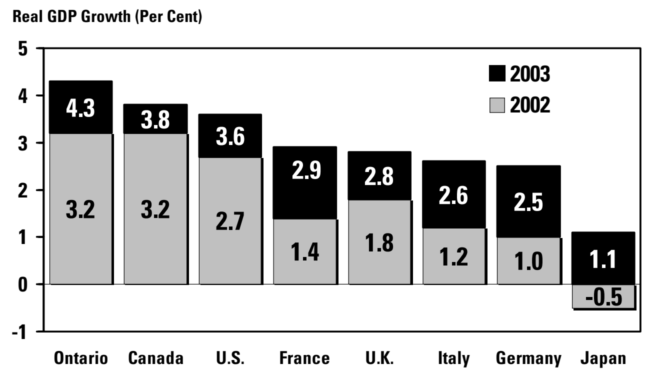
Forecasters expect the Canadian dollar to gradually appreciate during the next two years, reaching 67 cents US by the end of 2003. This is not anticipated to adversely affect Ontario's exports. At the current exchange rate of between 65 and 66 cents US, Ontario industry is extremely competitive internationally. The Organization for Economic Co-operation and Development (OECD) estimates the purchasing power parity value of the Canadian dollar at 83 cents US in 2001.

# Conclusion

Private-sector forecasters, on average, expect the Ontario economy to grow by 3.2 per cent in 2002 and 4.3 per cent in 2003, once again faster than any of the G-7 nations over this two-year period.

Ontario has been the leader in cutting taxes and in economic growth in Canada. Over the 1996 to 2001 period, the Ontario economy, on average, grew by a full percentage point faster than the economy of the rest of Canada. According to private-sector forecasters, Ontario growth is again expected to outpace growth in the rest of Canada over the 2002 to 2003 period.

**Ontario Leads Growth**




Sources: Consensus Forecasts and Ontario Ministry of Finance Survey of Forecasts (June 2002).

Tax and fiscal policies undertaken since 1995 have focused on creating the conditions to increase growth and raise living standards on a sustained long-term basis. The economic fundamentals in Ontario are sound. The economy is competitive, inflation and interest rates are low, real disposable incomes are rising, and consumer and business confidence are high.

# PAPER A
## Appendix

# Ontario Economic Assumptions

The following tables provide further details about the Ontario Ministry of Finance economic projection.

**The Ontario Economy, 2000 to 2003**
(Per Cent Change)

| | Actual | | Projected | |
|---|---|---|---|---|
| | **2000** | **2001** | **2002** | **2003** |
| **Real Gross Domestic Product** | **5.3** | **1.0** | **3.1** | **4.2** |
| Personal consumption | 4.1 | 2.2 | 2.7 | 3.5 |
| Residential construction | 5.0 | 2.5 | 6.5 | 2.8 |
| Non-residential construction | -5.2 | -0.2 | 0.8 | 3.3 |
| Machinery and equipment | 12.1 | -4.5 | -0.6 | 5.3 |
| Exports | 6.0 | -2.8 | 2.2 | 5.2 |
| Imports | 6.6 | -5.2 | 2.0 | 5.3 |
| **Nominal Gross Domestic Product** | **5.9** | **2.4** | 3.5 | 6.0 |
| **Other Economic Indicators** | | | | |
| Retail sales | 7.3 | 2.6 | 5.2 | 5.3 |
| Housing starts (000s) | 71.5 | 73.3 | 80.0 | 76.0 |
| Personal income | 6.4 | 3.6 | 3.2 | 5.4 |
| Corporate profits | 5.8 | -12.8 | 0.0 | 14.7 |
| Ontario Consumer Price Index | 2.9 | 3.1 | 1.8 | 2.0 |
| Labour Market | | | | |
| Employment | 3.2 | 1.5 | 1.5-2.0 | 2.5-3.0 |
| Unemployment rate (per cent) | 5.7 | 6.3 | 6.5-6.8 | 6.0-6.5 |

Sources: Statistics Canada and Ontario Ministry of Finance.

The following table shows the sensitivity of the fiscal balance to the direct impact of lower interest rates on Public Debt Interest and the impact of stronger economic growth on revenues and expenditures.

**Impact of Changes in Economic Assumptions on the Ontario Surplus**
($ Millions)

| | Full Year 2002-03 |
|---|---|
| 100 Basis Points Lower Canadian Interest Rates | 80 |
| 1 Percentage Point Higher Real GDP Growth | 590 |

Note: These responses would hold "on average" and could vary significantly depending on the composition of change in income and expenditures.

Source: Ontario Ministry of Finance.

# PAPER B

## Ontario's Fiscal Plan

# Introduction

Ontario's fiscal position has weathered the global economic slowdown in 2001. As a result of the government's economic and fiscal policies and its prudent and cautious approach to budgeting, the Province recorded a $58 million surplus for 2001-02.

Despite the economic slowdown in 2001, Ontario made a contribution of $127 million to debt reduction during the 2001-02 fiscal year. Combined with reductions of $1.0 billion in 1999-2000 and $3.1 billion in 2000-01, Net Provincial Debt has been reduced by $4.2 billion over the past three years, an amount representing almost 85 per cent of the government's $5 billion debt-reduction commitment for the current term of office.

Since 1995, the government has focused on its core businesses, while strengthening its role in providing regulatory oversight.

This paper reviews the following:

**Section I**: Interim Results for 2001-02

**Section II**: Ontario's 2002-03 Fiscal Plan

**Section III**: Ontario's Capital Plan

**Section IV**: Medium-Term Outlook

**Section V**: More Efficient, Effective and Accountable Government

# Section I: Interim Results for 2001-02

## Third Consecutive Surplus

In 1999-2000 Ontario recorded a $668 million surplus, balancing the budget one full year ahead of the schedule laid out in the government's Balanced Budget Plan. With a $3,325 million surplus in 2000-01 and an interim surplus of $58 million for 2001-02, Ontario has now achieved three consecutive budget surpluses for the first time in nearly 100 years.

**2001-02 In-Year Fiscal Performance**
($ Millions)

| | Budget Plan | Interim | In-Year Change |
|---|---|---|---|
| **Revenue** | 64,270 | 63,463 | (807) |
| **Expenditure** | | | |
| Programs | 52,011 | 52,413 | 402 |
| Capital | 1,944 | 1,850 | (94) |
| Public Debt Interest | | | |
| Provincial | 8,795 | 8,553 | (242) |
| Electricity Sector | 520 | 520 | - |
| Total Expenditure | 63,270 | 63,336 | 66 |
| Less: Reserve | 1,000 | - | (1,000) |
| Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers* | 140 | (69) | (209) |
| **Surplus / (Deficit)** | **140** | **58** | **(82)** |

* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.
Source: Ontario Ministry of Finance.

- Revenue was $807 million below the level projected in the 2001 Budget Plan, mainly due to the impact of slower-than-expected economic growth on taxation revenues.
- Total expenditure was $66 million above the level projected in the 2001 Budget Plan mainly due to increased in-year spending for hospitals, partially offset by lower Public Debt Interest charges and underspending in various areas.
- Ontario's 2001 Budget Plan included a $1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. With economic growth slower than projected and consistent with the role of the reserve in prudent budgeting, the $1 billion reserve was allocated to ensure the balanced budget target was met in 2001-02.

## Treatment of Canada Customs and Revenue Agency Processing Error

On January 29, 2002, the Canada Customs and Revenue Agency (CCRA, formerly Revenue Canada) announced that its processing methods dating back to 1972 had resulted in errors in the calculation of provincial Personal Income Tax (PIT). Specifically, when capital gains became taxable, the provincial portion of capital gains refunds paid to mutual fund trusts was not properly deducted from the PIT amounts remitted to provinces. The extent of the federal error has been reported only for the years 1993 through 1999, and for those years the CCRA has indicated that a total of $3.4 billion was overpaid to all provinces, including $2.8 billion for Ontario.

The CCRA collects and administers the PIT of all provinces, except Quebec, under the provisions of a Tax Collection Agreement (TCA) signed with each province. Under the terms of the TCA, the federal government is solely responsible for determining Ontario's PIT revenue for each taxation year, based on the information it collects through its tax administration system. Ontario does not have access to the detailed information needed to determine if PIT revenues are being accounted for properly and must rely on the Auditor General of Canada and the federal Minister of Finance to verify that appropriate federal accounting and processing systems are in place to ensure that Provincial tax revenues are correct.

### Treatment of Error in Past Years

The federal government has not requested any repayments of amounts that the CCRA now believes were paid in error up to 1999. The governments of Ontario and the other provinces expect that the federal government will not request repayment given that it is exclusively responsible for the error that has now been reported. Accordingly, the past revenue totals for Ontario reported in this Budget have not been restated.

### Treatment of Error in Future Years

Ontario's position is that the federal government can only correct their error in administering PIT from January 29, 2002 onwards—the date on which the CCRA informed Ontario and the other provinces of its error. However, in this Budget, for the sake of prudent fiscal planning, Ontario PIT revenue estimates from 2001-02 onwards are reported net of capital gains refunds to mutual fund trusts.

## Federal Transfers to the Provinces

Federal transfers to the provinces under the Equalization program and the Canada Health and Social Transfer (CHST) could also be affected by the CCRA error. The impact on transfers is the result of complex funding formulas for these programs that include estimates of provincial revenue and tax bases. The federal government has not indicated whether it intends to make adjustments to transfer payments as a result of correcting the CCRA error.

Although Ontario does not receive Equalization transfers from the federal government, Ontario believes that Equalization and CHST transfers, like the error itself, should only be adjusted for periods after January 29, 2002, on a going-forward basis.

## Going Forward: Improving Accountability in the Personal Income Tax System

The Tax Collection Agreements were first negotiated in 1962. The recent discovery of the PIT error illustrates beyond dispute that the federal government's collection of Personal Income Tax is not sufficiently accountable to the provinces. The federal government is currently renegotiating the Tax Collection Agreements to address the new tax on income system. In these negotiations, Ontario has insisted that strong and specific accountability provisions be enshrined in any new agreement. As a first step, the Canada Customs and Revenue Agency must be directly accountable to the Ministers of Finance of all provinces for which it collects tax.

## 2001-02 Revenue Performance

Total revenue in 2001-02 was $63,463 million, $807 million below the 2001 Budget projection. Taxation revenues, adversely affected by the economic slowdown in the latter half of 2001, were $1,268 million below projection. Income from Government Enterprises fell below the 2001 Budget forecast, while payments from the Government of Canada and Other Revenues were higher than expected.

**Summary of In-Year Changes to Revenue in 2001-02**
($ Millions)

| | | Interim 2001-02 |
|---|---|---|
| **Taxation Revenue** | | |
| Personal Income Tax | 1,185 | |
| Retail Sales Tax | (587) | |
| Corporations Tax | (1,650) | |
| Employer Health Tax | (102) | |
| Gasoline and Fuel Taxes | (130) | |
| All Other | 16 | |
| | | (1,268) |
| **Government of Canada** | | |
| Canada Health and Social Transfer | 201 | |
| Young Offenders Act | 64 | |
| All Other | 160 | |
| | | 425 |
| **Income from Government Enterprises** | | |
| Ontario Lottery and Gaming Corporation | 226 | |
| Ontario Power Generation Inc. and Hydro One Inc. | (345) | |
| All Other | 13 | |
| | | (106) |
| **Other Revenue** | | |
| Sales and Rentals | 286 | |
| Local Services Realignment—Reimbursement of Expenditure | (98) | |
| All Other | (46) | |
| | | 142 |
| **Total In-Year Revenue Changes** | | **(807)** |

Source: Ontario Ministry of Finance.

- Personal Income Tax (PIT) revenues were $1,185 million above the 2001 Budget projection. Of this increase, $1,050 million was due to a higher estimate of 2000-01 PIT revenues than reported in the 2000-01 Public Accounts. Under Public Sector Accounting Board (PSAB) guidelines, the difference between the current estimate for 2000-01 and the Public Accounts estimate is recorded in 2001-02.
- Lower business spending, a run-down of inventories and weakness in consumer spending following the tragic events of September 11 in the United States resulted in Retail Sales Tax revenues falling $587 million below the amount projected in the 2001 Budget.
- Corporations Tax revenues were $1,650 million below forecast because of significantly lower pre-tax corporate profits than projected in the 2001 Budget. The revenue impact of lower profits was exacerbated by lower corporate capital gains, increasing loan loss provisions, and a sharp rise in loss carry-backs.
- A moderation in employment and wage gains in 2001 and a shift in the composition of job creation towards small business resulted in a $102 million shortfall in Employer Health Tax revenues. Small businesses do not pay Employer Health Tax premiums if their combined payroll is below $400,000 annually.
- Gasoline and Fuel Taxes fell a combined $130 million below the 2001 Budget projection as a result of reduced travel, lower exports and slower domestic economic growth following the tragic events of September 11 in the United States.
- All other taxes were a combined $16 million above the 2001 Budget forecast, largely due to the increase in Tobacco Taxes that resulted from the federal tax increase announced on November 1, 2001.
- Canada Health and Social Transfer (CHST) payments were $201 million above the 2001 Budget forecast. This was mainly due to Ontario representing a lower-than-expected share of the estimated Canada-wide 2001 Personal Income Tax base, which resulted in Ontario receiving a higher-than-expected share of the fixed amount of federal CHST funding.
- A one-time retroactive payment in respect of 2000-01 under the recently re-negotiated Young Offenders Agreement increased 2001-02 revenues by $64 million.
- Other Federal Payments were $160 million higher than expected mainly due to increased federal support for the farm sector.
- Ontario Lottery and Gaming Corporation (OLGC) net income was $226 million above the 2001 Budget projection due to both higher revenues and lower-than-budgeted expenses.
- The combined revenue from Hydro One Inc. and Ontario Power Generation Inc. (OPG) was $345 million below the Budget forecast, primarily due to lower-than-expected net income from OPG. Higher costs associated with OPG's program to return to service and upgrade the Pickering "A" nuclear station, higher fossil fuel prices, higher purchase costs for power needed to meet record peak electricity demand in the summer of 2001, and restructuring charges all lowered OPG net income.

- Sales and Rentals revenues were $286 million higher than the 2001 Budget projection. This was mainly due to new revenues related to the Province's assumption of responsibility for GO Transit as of January 1, 2002. These revenues fully offset higher related Provincial operating and capital expenditures in 2001-02.
- Local Services Realignment revenue for all reimbursable expenditures on behalf of municipalities was a combined $98 million lower than estimated in the 2001 Budget. This was mainly due to the earlier-than-planned transfer of non-profit housing to municipalities, which resulted in lower reimbursable expenditures by the Ontario Government and therefore lower reimbursement revenues.

## 2001-02 In-Year Operating Expenditure Changes

Operating expenditure for 2001-02 at $61,486 million was up $160 million from the 2001 Budget forecast of $61,326 million. The rise in spending was mainly due to increased funding in-year for hospitals, higher pension expenditures and the revised expenditure impact of some consolidated government organizations, partially offset by underspending in other areas.

**Summary of In-Year Operating Expenditure Changes in 2001-02**
($ Millions)

| | Interim 2001-02 |
|---|---|
| **Program Expenditure Changes:** | |
| Agriculture Sector Support—extraordinary one-time costs | 328 |
| Hospitals—increased funding | 291 |
| Teachers' Pension Plan—revised estimate of expenditure | 233 |
| Retirement Benefits—revised estimate of expenditure | 138 |
| GO Transit—assumption of Provincial responsibility for GO Transit | 124 |
| Social Housing—earlier-than-planned transfer of non-profit housing to municipalities | (77) |
| Student Support Program—impact of reduced student demand | (93) |
| Northern Ontario Heritage Fund Corporation—reclassification of expenditure from operating to capital | (97) |
| Other (Net) | (445) |
| **Total Program Expenditure Changes** | **402** |
| **Public Debt Interest** | **(242)** |
| **Total In-Year Operating Expenditure Changes** | **160** |

Source: Ontario Ministry of Finance.

- Extraordinary one-time costs in the Ministry of Agriculture and Food increased expenditure in-year by $328 million, mainly due to higher-than-expected crop insurance payments to farmers resulting from poor weather conditions, as well as payments to producers facing depressed market prices. These extraordinary costs were partially offset by $191 million in higher revenue, mainly from reinsurance recoveries and the federal government.
- Funding for the operation of hospitals across the province increased by $291 million in-year to address the changing and rising costs of caring for patients.
- Teachers' Pension Plan expenditure increased in-year by $233 million mainly due to the implementation of new Public Sector Accounting Board (PSAB) recommendations on pension accounting and changes in actuarial assumptions to better reflect the plan's experience.

- Retirement Benefits expenditure increased in-year by $138 million mainly due to a one-time adjustment in the pension liability related to the movement of staff over a number of years from the Ontario Public Service Employees' Union (OPSEU) Pension Plan to the Public Service Pension Plan. The corresponding decrease in OPSEU Pension Plan liability was reflected in prior years' Retirement Benefits expenditure.
- The Province assumed responsibility for GO Transit on January 1, 2002. This increased operating expenditure in-year by $124 million, reflecting one-time costs arising from the consolidation of GO Transit and ongoing GO Transit operating expenditures. These expenditures were fully offset by revenues.
- Expenditures for social housing decreased in-year by $77 million as a result of an earlier-than-planned transfer of non-profit housing to Municipal Service Managers. This reduction in expenditures was offset by a corresponding decrease in Local Services Realignment revenue.
- Reduced student demand, lower interest rates and recent changes to the way the government delivers the Student Support Program in the post-secondary education sector, including income and credit verification processes, as well as reduced defaults on student loans, have resulted in savings in-year of $93 million.
- Northern Ontario Heritage Fund Corporation (NOHFC) operating expenditure declined by $97 million in-year as a result of the reclassification and transfer of NOHFC expenditure from operating to capital. This reclassification was made to better reflect NOHFC's investments in northern infrastructure.
- Public Debt Interest costs were down $242 million from the 2001 Budget Plan projection of $9,315 million due to lower-than-expected interest rates and cost-effective debt management.

## 2001-02 In-Year Capital Expenditure Changes

Capital expenditure in 2001-02 at $1,850 million was down $94 million from the 2001 Budget Plan, largely as a result of underspending in Municipal Partnership Initiatives and other areas, partially offset by increased capital expenditure as a result of the assumption of Provincial responsibility for GO Transit and the reclassification and transfer of Northern Ontario Heritage Fund Corporation expenditures from operating to capital.

**Summary of In-Year Capital Expenditure Changes in 2001-02**
($ Millions)

| | Interim 2001-02 |
|---|---|
| GO Transit—assumption of Provincial responsibility for GO Transit | 173 |
| Northern Ontario Heritage Fund Corporation—net impact of the reclassification of expenditure from operating to capital and lower-than-expected expenditure | 53 |
| Municipal Partnerships Initiatives—lower-than-expected expenditures | (171) |
| Highways | (52) |
| Other (Net) | (97) |
| **Total In-Year Capital Expenditure Changes** | **(94)** |

Source: Ontario Ministry of Finance.

- The Province assumed responsibility for GO Transit on January 1, 2002, increasing capital expenditures in-year by $173 million, reflecting one-time costs arising from the consolidation of GO Transit and ongoing GO Transit capital expenditures. These expenditures were fully offset by revenues.
- Northern Ontario Heritage Fund Corporation (NOHFC) capital expenditure increased by a net $53 million in-year as a result of the reclassification and transfer of $97 million in spending from operating to capital expenditure, partially offset by lower-than-planned NOHFC expenditures during the fiscal year. This reclassification was made to better reflect NOHFC's investments in northern infrastructure.
- Spending on Municipal Partnerships Initiatives (Millennium Partnerships, Ontario Small Town and Rural Development [OSTAR], and Sports, Culture and Tourism Partnerships) was $171 million less than planned due to unanticipated delays in formalizing multi-government approvals and finalizing contract agreements for municipal infrastructure projects.
- More rapid than expected completion of a number of highway projects, reflected in the 2000-01 Public Accounts, reduced 2001-02 expenditures in-year by $52 million.

# Section II: Ontario's 2002-03 Fiscal Plan

## Fourth Consecutive Balanced Budget

Ontario is on track for a balanced budget in 2002-03. With surpluses recorded in each of the past three years, the Province's budget will be balanced for the fourth year in a row.

**2002-03 Fiscal Plan**
($ Millions)

| | Interim 2001-02 | Plan 2002-03 | Change $ Millions | Change Per Cent |
|---|---|---|---|---|
| **Revenue** | 63,463 | 66,544 | 3,081 | 4.9 |
| **Expenditure** | | | | |
| Programs | 52,413 | 54,384 | 1,971 | 3.8 |
| Gross Capital Expenditure | 1,850 | 2,713 | 863 | 46.6 |
| Less: Net Investment in Capital Assets* | - | 634 | 634 | - |
| Public Debt Interest | | | | |
| Provincial | 8,553 | 8,550 | (3) | - |
| Electricity Sector | 520 | 520 | - | - |
| Total Expenditure | 63,336 | 65,533 | 2,197 | 3.5 |
| Less: Reserve | - | 1,000 | 1,000 | - |
| Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers** | (69) | (11) | 58 | (84.1) |
| **Surplus / (Deficit)** | **58** | **0** | **(58)** | **-** |

* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

** Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

Source: Ontario Ministry of Finance.

- Total expenditure in 2002-03 is projected at $65,533 million, up $2,197 million from the 2001-02 level of $63,336 million, mainly due to increased health care and education spending in 2002-03.
- A reserve of $1 billion has been included in the 2002-03 fiscal plan to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

## 2002-03 Revenue Outlook

Revenue in 2002-03 is projected at $66,544 million, $3,081 million or 4.9 per cent above the interim level recorded in 2001-02.

**Revenue**
($ Millions)

| | Actual 2000-01 | Interim 2001-02 | Plan 2002-03 |
|---|---|---|---|
| Taxation Revenue | | | |
| Personal Income Tax | 18,624 | 19,195 | 19,085 |
| Retail Sales Tax | 13,735 | 13,753 | 14,230 |
| Corporations Tax | 9,200 | 6,690 | 6,150 |
| All Other Taxes | 7,723 | 7,914 | 8,895 |
| Total Taxation Revenue | 49,282 | 47,552 | 48,360 |
| Government of Canada | 6,129 | 7,784 | 8,190 |
| Income from Government Enterprises | 4,000 | 3,318 | 3,743 |
| Other Revenue | 5,271 | 4,809 | 6,251 |
| **Total Revenue** | **64,682** | **63,463** | **66,544** |

Source: Ontario Ministry of Finance.

- Personal Income Tax (PIT) revenue is expected to decline slightly in 2002-03. This reflects the inclusion in 2001-02 revenues of $1,050 million in one-time revenue due to higher 2000-01 PIT revenue than estimated in the 2000-01 Public Accounts. The full-year benefit to taxpayers of the tax cuts implemented on October 1, 2001 also dampens short-term PIT revenue growth.
- The expected rebound in consumer spending following the 2001 economic slowdown will boost Retail Sales Tax revenues in 2002-03.
- Corporations Tax revenues are expected to decline in 2002-03. The decline in revenues reflects continuing weakness in corporate profits and the full-year impact of the tax actions effective October 1, 2001. With pre-tax corporate profits expected to be flat in 2002, there is very little growth in the corporate tax base assumed for 2002-03.
- Revenue from all other taxation revenue sources is expected to rise sharply in 2002, primarily due to higher Tobacco Taxes.
- In 2002-03, transfers from the Government of Canada are expected to increase by $406 million over 2001-02. This is mainly due to an expected increase of $597 million in Canada Health and Social Transfer (CHST) payments. Other federal transfers are forecast to decline $191 million in 2002-03.

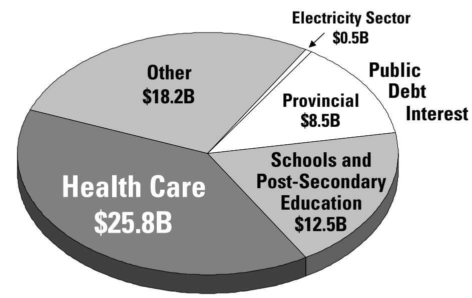
- Income from Government Enterprises is projected to increase in 2002-03 largely due to the improved net income of Ontario Power Generation Inc.
- Other Revenue is expected to increase in 2002-03. This is mainly due to higher Sales and Rentals revenue anticipated from the commercialization of government enterprises. The increase in Other Revenues is dampened by a decline in Local Services Realignment revenues arising mostly from the continued devolution of social housing to municipalities.

## 2002-03 Expenditure Outlook

The government's 2002-03 expenditure plan continues to focus on priority sectors, including health care and education, while improving efficiency and effectiveness in the delivery of government services.

- In 2002-03, total health care funding including both program and capital expenditures will be $25.8 billion, an increase of over $1.7 billion from the 2001-02 total of $24.1 billion.

**Support for Priority Programs, 2002-03**
**Total Expenditure: $65.5 Billion**



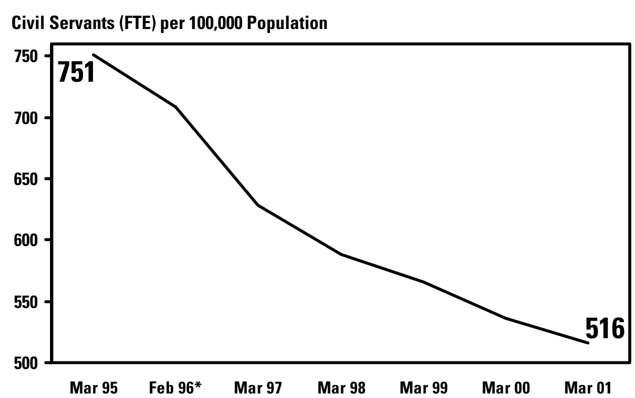

Source: Ontario Ministry of Finance.

- Provincial spending on schools and post-secondary education will be $12.5 billion in 2002-03. This total includes $8.3 billion for the School Board Operating Grant, the Provincial component of school board funding; $2.5 billion in grants for colleges and universities; and $1.7 billion for other programs, including training programs and support for students in post-secondary education, as well as Provincial expenditure related to the Teachers' Pension Plan.
- Details of ministry expenditure for programs and capital for 2002-03 and prior years can be found in the Financial Tables and Graphs at the end of this Paper.

### Reducing the Size of Government

- Since 1995, the number of people directly employed by the Government of Ontario has declined from over 81,000 to about 60,000 as of March 2001.
- Over the same period, Ontario's population has increased by eight per cent.
- With improvements in the efficiency and effectiveness of government services in Ontario, the number of civil servants per 100,000 residents has declined from 751 in 1995 to 516 in 2001.

**Reducing the Size of Government**



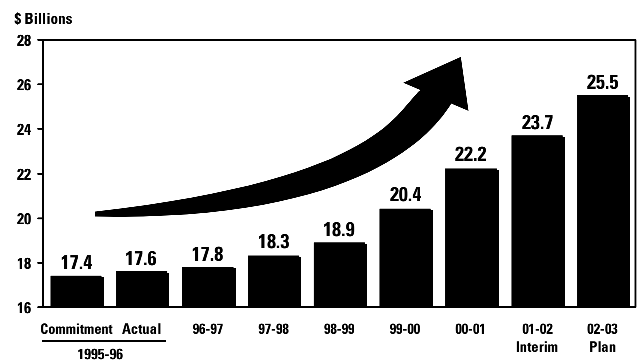

* March data not available.
Sources: Management Board Secretariat and Statistics Canada.

## Ontario's Commitment to Health Care

The government has continued to increase Ontario's base operating spending on health care every year since it assumed office. Between 1994-95 and 2001-02, health base operating spending increased by $6.1 billion. This year, additional funding of over $1.7 billion has been allocated, bringing total health base operating spending to $25.5 billion in 2002-03.

- In 1999, the government made a commitment to increase spending on health care to $22.7 billion by 2003-04. This commitment was exceeded by $1 billion in 2001-02, a full two years ahead of schedule.

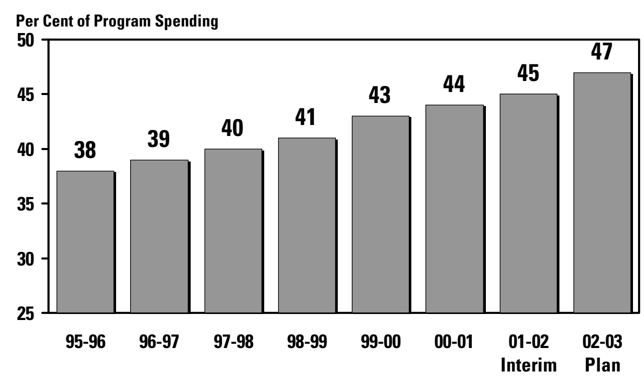
### Health Base Operating Spending Increases




Note: Ministry of Health and Long-Term Care base operating spending excludes capital, restructuring and major one-time costs.
Source: Ontario Ministry of Finance.

- While higher expenditures reflect the government's commitment to ensuring quality health care for all Ontarians, health care spending is consuming an increasing share of government spending capacity.
- In 1995-96, base health care operating spending made up 38 per cent of government program expenditures (excluding capital and Public Debt Interest). Health care's share grew to 45 per cent in 2001-02 and will increase to 47 per cent in 2002-03.

### Health Care Commitment Grows




Note: Ministry of Health and Long-Term Care base operating spending excludes capital, restructuring and major one-time costs.
Source: Ontario Ministry of Finance.

## Increased Funding for Health Care Exceeding CHST Commitment

Ontario and all provinces and territories have called on the federal government to restore funding through the Canada Health and Social Transfer (CHST) and to do more to help maintain quality health care. All provinces and territories have called on the federal government to commit to paying, at a minimum, 18 per cent of the nation's bill for health and other social programs, the same level the federal government paid before it started cutting transfers in 1994-95.

Currently the federal government is contributing only 14 cents of every dollar spent by the provinces and territories. If the federal government increased funding for health care to 18 cents on the dollar, Ontario would receive an additional $2 billion in 2002-03.

**Ministry of Health and Long-Term Care Spending: Selected Years**
($ Millions)

| | Actual 1994-95 | Interim 2001-02 | Plan 2002-03 | Change from Interim |
|---|---|---|---|---|
| Base Operating* | 17,599 | 23,709 | 25,452 | 1,743 |
| Gross Capital Expenditure | 249 | 203 | 342 | 139 |
| Total | 17,848 | 23,912 | 25,794 | 1,882 |
| **Increase in Base Operating since 1994-95** | | **6,110** | **7,853** | |
| **Increase in Total since 1994-95** | | **6,064** | **7,946** | |

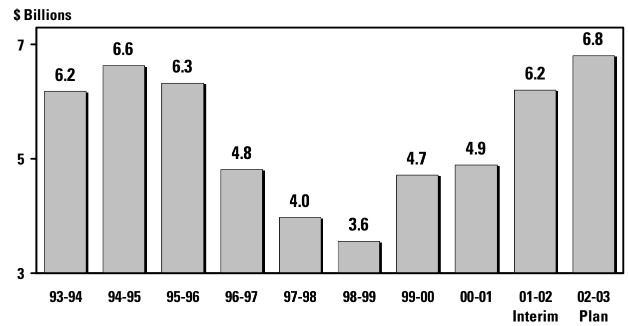
* 2001-02 operating spending excludes Major One-Time Operating Costs of $190 million for medical equipment.
Source: Ontario Ministry of Finance.

- Since 1995-96, and including planned investments in 2002-03, the government has invested more than $2.8 billion to build new hospitals, expand and modernize hospitals in communities across Ontario, and support community health infrastructure.

## CHST Funding Only Now Returning to 1994-95 Level

- Starting in 1994-95, federal Canada Health and Social Transfer (CHST) payments to Ontario began a steady decline, dropping to as low as $3.6 billion in 1998-99, down more than $3 billion from $6.6 billion in 1994-95. Federal CHST transfers have been increasing over the last number of years but only in 2002-03 will CHST transfers to Ontario approximate their 1994-95 levels.
- Since 1994-95, Ontario's total base health care spending for operating and capital has increased by $7,946 million as compared to almost no growth in federal CHST transfers.

**Ontario's Canada Health and Social Transfer (CHST) Payments**




Note: For 1993-94 to 1995-96, includes Canada Assistance Plan (CAP) and Established Programs Financing (EPF) transfers. Both programs were replaced by the CHST in 1996-97.
Source: Ontario Ministry of Finance.

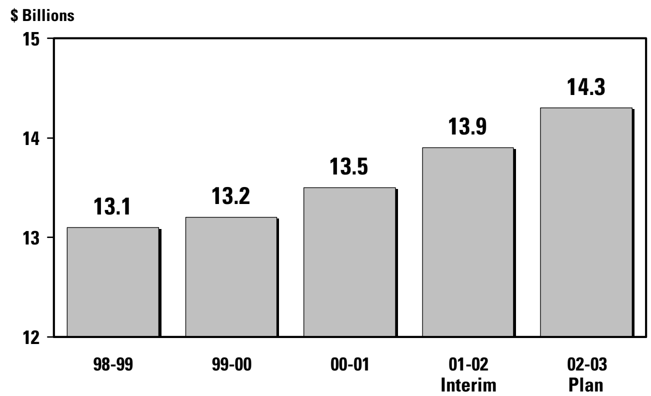
## Ensuring Funding for Quality Education

The government is committed to a strong, publicly funded primary and secondary education system that focuses on continuous improvement in student learning, teacher excellence and accountability. To this end, the government has been making record investments in education and funding new education initiatives to ensure that all students in Ontario have the resources they need to reach their full potential.

In 1998, the government changed the way education is funded and introduced the Student-Focused Funding Model to ensure that a fair and equitable level of funding is provided for all students, regardless of where they live in Ontario. Since 1998, overall annual education funding available to school boards has increased by more than $1 billion.

- In Ontario, primary and secondary education is financed through a combination of direct transfers from the Province and education property tax revenues. On a fiscal year basis, the Province's direct transfers to school boards have increased from $7.4 billion in 1998-99 to $8.3 billion in 2002-03.

**Education Funding (School Year)**




Source: Ontario Ministry of Finance.

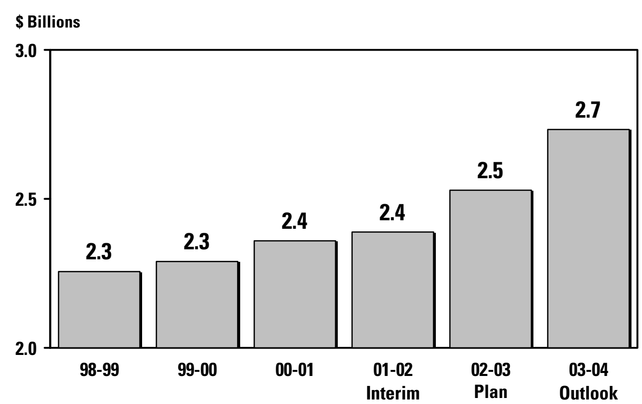
- For the 2002-03 school year, funding available to the public education system in the form of direct transfers from the Province and education property tax revenues will rise to a record investment of $14.3 billion, an increase of almost $400 million over the 2001-02 funding level.

## Ensuring Accessibility and Affordability in Post-Secondary Education

The government continues to take action to ensure that willing and qualified Ontario students will have a place in the Province's post-secondary education system.

In the 2001 Budget, the government made a commitment to increase operating grants to colleges and universities by $293 million by 2003-04 to address anticipated enrolment increases in the post-secondary education sector as a result of secondary-school reform, population growth and a larger portion of the population pursuing a post-secondary education.

**Operating Grants to Colleges and Universities**




Source: Ontario Ministry of Finance.

- Based on revised enrolment projections, the government is increasing its operating grant commitment. The Province will provide an additional $75 million, bringing last year's multi-year commitment to $368 million in 2003-04. The government is committed to providing full average cost funding for enrolment growth for our colleges and universities.
- Increased operating grants for post-secondary institutions are in addition to significant capital investments made by the Province through SuperBuild. In 1999-2000, the Province invested over $1 billion to expand and modernize post-secondary facilities. Combined with partner contributions, the total investment of $1.8 billion will create more than 73,000 new student spaces, the largest capital investment in post-secondary education in more than 30 years.
- The government is introducing the second phase of the Ontario Student Opportunity Trust Fund to assist academically qualified individuals to pursue post-secondary education. Over the coming year, the Ministry of Training, Colleges and Universities will consult with the post-secondary sector on program design.
- The government is also introducing changes to the post-secondary education sector to enable it to respond to the needs of students and employers. These changes include the introduction of a new bill for colleges of applied arts and technology, the establishment of the University of Ontario Institute of Technology, the provision of degree-granting status for the Ontario College of Art, and enhancements to the Ontario Educational Communications Authority (TVOntario).

## Ontario's Commitment to the Environment

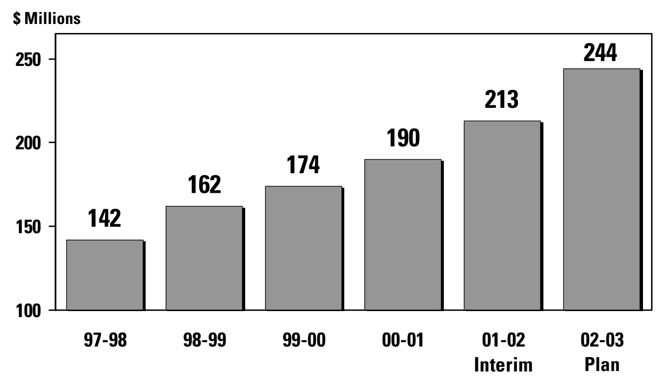
The government is taking action to ensure a safe and clean environment for the residents of Ontario. Between 1997-98 and 2002-03, operating expenditures for environmental programs within the Ministry of the Environment and Energy have increased by over 70 per cent, bringing total operating expenditures to $244 million in 2002-03.

Across a number of ministries, the Province will invest over $500 million in operating and capital expenditure in the next three years, including $245 million in 2002-03, for initiatives to support clean water programs and infrastructure.

### Investing in Clean Water

- As part of Operation Clean Water, $18 million has been allocated to implement the tough new water regulations introduced in 2000. An additional $13 million will be provided in 2002-03 in order to take significant steps in addressing Justice O'Connor's recommendations in *Part One: Report of the Walkerton Inquiry*, including the doubling of inspectors and strengthening municipal water systems inspections.

**Environment Operating Spending**




Source: Ontario Ministry of Finance.

- A new investment of $10 million in 2002-03 will be made to begin work on implementing the recommendations of *Part Two: Report of the Walkerton Inquiry*.
- The Province will make a capital investment of $5 million in 2002-03 for groundwater assessment studies to support the development of source water protection plans, bringing the total investment under this initiative to $15 million.
- A new investment of $4 million in environmental and water monitoring equipment will modernize the scientific testing capacity at the Ministry of Environment and Energy.

## Investing in Water and Wastewater Infrastructure

- Since 1995-96, the Province has invested more than $650 million in municipal water and wastewater systems. In 2002-03, the Province will make capital investments of $174 million to upgrade municipal water and wastewater systems through SuperBuild's Ontario Small Town and Rural Development (OSTAR) and Millennium Partnerships initiatives.
- Ontario provided $18 million in 2001-02, and will provide an additional $18 million in 2002-03 to upgrade waterworks serving parks and designated provincial facilities, including schools, nursing homes and daycare facilities.

## Support for Health Care, the Ontario Trillium Foundation and Communities

Provincial proceeds from gaming activities continue to support provincial priorities, including the operation of hospitals, charities, communities and the agricultural sector.

**Support for Health Care, Charities and Problem Gambling Programs**
($ Millions)

| | Interim 2001-02 | Plan 2002-03 |
|---|---|---|
| **Lotteries, Charity Casinos and Slot Machines at Racetracks Revenue** | | |
| Operation of Hospitals | 1,380 | 1,450 |
| Ontario Trillium Foundation | 100 | 100 |
| Problem Gambling and Related Programs | 21 | 29 |
| **Commercial Casinos Revenue** | | |
| General Government Priorities | 725 | 721 |
| **Total** | **2,226** | **2,300** |

Source: Ministry of the Attorney General.

### Revenue from Lotteries, Charity Casinos and Slot Machines at Racetracks

The *Ontario Lottery and Gaming Corporation Act, 1999* requires that net provincial revenue generated from lotteries, charity casinos and racetrack slot machines support services such as the operation of hospitals, problem gambling and related programs, and funding for charitable organizations through the Ontario Trillium Foundation.

- In 2002-03, it is estimated that $1,450 million net revenue from lotteries, charity casinos and slot machines at racetracks will be applied to support the operation of hospitals.
- The Ontario Trillium Foundation has become one of Canada's largest grant-making foundations. In 2002-03, the Ontario Trillium Foundation will be provided with $100 million to help build healthy and strong communities by contributing to charitable and not-for-profit organizations.
- Two per cent of gross slot-machine revenue, estimated at $29 million for 2002-03, is allocated to programs that support problem gambling and related treatment, prevention and research programs.

## Benefits from Commercial Casinos

- In 2002-03, net provincial revenue from commercial casinos, estimated at $721 million, will be used to support general government priorities including health care, education, justice and social programs.
- Since the commencement of commercial casino operations, 27,000 direct and indirect jobs have been created in Ontario. Commercial casino operations, and the additional tourists they attract, contribute an estimated $2.4 billion annually to the Ontario economy.

## Other Beneficiaries of Charity Casinos and Slot Machines at Racetracks

**Support for the Agricultural Sector and Municipalities**
($ Millions)

| | Interim 2001-02 | Plan 2002-03 |
|---|---|---|
| Agricultural Sector | 258 | 276 |
| Municipalities | 58 | 63 |
| **Total** | **316** | **339** |

Source: Ministry of the Attorney General.

- Twenty per cent of gross revenue from slot machines at racetracks is provided to promote economic growth in the horse-racing industry. Since 1998, this initiative has preserved and enhanced 45,000 jobs in Ontario's horse-racing industry, providing over $540 million to a key component of the Province's agricultural sector. For 2002-03, additional support is estimated at $276 million.
- A portion of gross slot-machine revenue estimated at $63 million in 2002-03 will be provided to municipalities that host charity casinos and slot operations at racetracks, including funding to help offset any additional local infrastructure and service costs.

# Section III: Ontario's Capital Plan

## SuperBuild Capital Investment Plan for 2002-03

The Ontario SuperBuild Corporation is responsible for the strategic management of the government's capital investment plan, including investments in the Province's own assets and transfers for capital purposes to hospitals, municipalities and post-secondary educational institutions. In 2002-03, SuperBuild will invest over $2.7 billion in Ontario's infrastructure.

**Gross Capital Investments**
($ Millions)

| | | Plan 2002-03 |
|---|---|---|
| Transportation | | 1,320 |
| Highways | 1,023 | |
| Transit | 193 | |
| Other Transportation | 104 | |
| Health and Long-Term Care | | 342 |
| Post-Secondary Education | | 69 |
| Environment and Natural Resources | | 283 |
| Justice | | 143 |
| Sports, Culture and Tourism | | 135 |
| Other (Net) | | 421 |
| **Total Gross Capital Investment** | | **2,713** |

Note: Total gross capital investment includes $225 million in federal flow-through funds: $30 million for Transportation, $2 million for Post-Secondary Education, $84 million for Environment and Natural Resources, $57 million for Sports, Culture and Tourism, and $52 million for Other Capital. SuperBuild's gross capital investment excluding flow-through of federal funds is $2.5 billion.
Source: Ontario Ministry of Finance.

- Through the Ministry of Transportation and the Ministry of Northern Development and Mines, the Province will invest over $1 billion in highways in 2002-03. The Province will also provide $193 million in transit assistance through the Transit Investment Plan, which includes GO Transit, inter-regional transit through Golden Horseshoe Transit Investment Partnerships (GTIP)/Transit Investment Partnerships (TIP), and renewal of municipal transit systems through the Transit Renewal Program. An additional $104 million will support municipal road infrastructure, including investments through the Connecting Links program, the Ontario Small Town and Rural Development (OSTAR) and Millennium Partnerships initiatives, and other transportation infrastructure such as necessary ferry repairs and remote airport upgrades.
- The Ministry of Health and Long-Term Care will increase capital investment in hospitals and other health initiatives by almost 70 per cent in 2002-03 to a total of $342 million. This will enable hospitals and other health care providers to continue to modernize, upgrade and expand their infrastructure and services across the province.

- The Province is investing $69 million in post-secondary education this year. With this funding and SuperBuild's capital investment of $1 billion in 1999-2000, universities and colleges will be better able to address enrolment growth and the impact of secondary-school reform. This funding includes the first year of a new five-year $50 million program to enable colleges to acquire more up-to-date equipment and learning resources.
- Investment for environmental purposes will increase significantly in 2002-03 to $283 million, mainly due to the implementation of Ontario Small Town and Rural Development (OSTAR) infrastructure projects related to water and sewers. These projects will help municipalities comply with the new Ontario Drinking Water Protection Regulation and make other improvements to their water and wastewater systems.
- Investment in the justice sector is expected to be $143 million in 2002-03. This investment will enable the continued renewal and construction of court and jail infrastructure.
- The Ministry of Culture and the Ministry of Tourism and Recreation will invest $135 million for the Sports, Culture and Tourism Partnerships (SCTP) initiative and for projects to improve and modernize cultural and tourism facilities.
- The capital plan includes other initiatives totalling $421 million, including an allowance to fulfill a Provincial obligation with respect to a 1994 transaction involving SkyDome. Steps will be taken to minimize the Province's residual financial exposure related to this transaction.

## $520 Million for Municipalities

- SuperBuild continues to make investments in Municipal Partnerships Initiatives. Of the $2.7 billion SuperBuild plans to invest in 2002-03, $520 million will flow through municipal infrastructure programs including the Toronto Waterfront Revitalization, Millennium Partnerships strategic infrastructure projects in major urban areas, the capital portion of the OSTAR initiative, the SCTP initiative, the GTIP/TIP (inter-regional transit) program, and the Transit Renewal Program. This amount includes $202 million of federal flow-through transfers.

# Section IV: Medium-Term Outlook

Consistent with the *Balanced Budget Act, 1999*, Ontario's medium-term forecast is projecting a balanced budget for 2003-04.

**Medium-Term Fiscal Outlook**
($ Billions)

| | Actual 2000-01 | Interim 2001-02 | Plan 2002-03 | Forecast 2003-04 |
|---|---|---|---|---|
| **Revenue** | 64.7 | 63.5 | 66.5 | 68.3 |
| **Expenditure** | | | | |
| Programs | 50.1 | 52.4 | 54.4 | 56.1 |
| Gross Capital Expenditure | 2.1 | 1.8 | 2.7 | 2.8 |
| Less: Net Investment in Capital Assets* | - | - | 0.6 | 0.5 |
| Public Debt Interest | | | | |
| Provincial | 8.9 | 8.6 | 8.5 | 8.4 |
| Electricity Sector | 0.5 | 0.5 | 0.5 | 0.5 |
| Total Expenditure | 61.6 | 63.3 | 65.5 | 67.3 |
| Less: Reserve | - | - | 1.0 | 1.0 |
| Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers** | 0.2 | (0.1) | 0.0 | 0.3 |
| **Surplus / (Deficit)** | **3.3** | **0.1** | **0.0** | **0.3** |

Note: Numbers may not add due to rounding.
* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.
** Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.
Source: Ontario Ministry of Finance.

- The projected balanced budget for 2003-04 includes a $1 billion reserve to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

# Section V: More Efficient, Effective and Accountable Government

## Restoring Public Trust

In 1995, the government initiated the process of restoring public trust in the finances of Ontario by convening the Ontario Financial Review Commission (OFRC).

The Commissioners provided a far-reaching vision of a more open and accountable government and this government acted to restore confidence and credibility in the way taxpayer dollars are managed.

Since 1995, some of the significant actions taken by the government include:

- Introduction of annual ministry business plans that outline the core activities of the ministry, set performance goals each year and report on the results;
- Adoption of the Public Sector Accounting Board recommendations in the preparation of the Budget and Quarterly Finances; and
- Passage of the *Taxpayer Protection Act* and the *Balanced Budget Act*, of 1999.

These actions have dramatically improved the management of public resources, creating a legacy of constant improvement in performance. Credible, prudent fiscal plans are the right foundation upon which to plan for the future.

## Planning for the Future

Last year, the government announced a multi-year commitment to help colleges and universities deal with enrolment growth caused by secondary-school reform, population growth and a larger proportion of the population pursuing post-secondary education. That step enabled post-secondary education institutions to plan for the future, knowing that the funding they need would be available.

The government is now working to provide the same kind of stability for school boards and hospitals. Multi-year commitments on base funding would allow these organizations to better plan programs and address staffing needs and other requirements over a more reasonable time horizon.

Over the next year, the Ministry of Finance, along with affected ministries, will consult with key stakeholders to develop multi-year base funding.

These consultations will be aimed at implementing the commitment to introduce three-year base funding for hospitals and school boards, while continuing to work with colleges and universities to address this issue. Several issues relating to a multi-year funding environment must be addressed during the consultation process. For example,

- The principle of fiscal responsibility is fundamental to discussion of multi-year funding. The government has enshrined the fundamentals of balanced budgets and taxpayer protection in legislation. Multi-year funding commitments should be made within a sustainable fiscal context—it is the key to the long-term sustainability of public services.
- Multi-year funding arrangements should be open and transparent. A model of multi-year base funding should be based on information that is reliable, readily available and verifiable.
- Multi-year funding should be addressed in a way that enhances accountability. Multi-year funding should not lead to several years of the status quo—with the ability to plan for the future comes the obligation to demonstrate better results.
- Multi-year funding arrangements should be implemented in a way that enhances understanding of the results of spending and incorporates information on results in the decision-making process.
- To provide certainty, multi-year funding commitments should be credible. To be credible, multi-year funding commitments should identify and manage the potential risks that exist. Risk management should be a shared responsibility between the government and its partners in the broader public sector.

Commitments on multi-year funding have important implications for the government-wide fiscal plan and budget cycle.

- Beginning next year, the government will shift its budget cycle to deliver budgets before the start of the fiscal year. This will help all public-sector organizations, from ministries to school boards to hospitals, plan with more certainty.
- The Ministry of Finance will work towards publishing a multi-year fiscal framework in the Ontario Budget outlining revenue, expenditures and economic projections. As with multi-year base funding agreements, this framework will be developed in accordance with sound fiscal management principles including responsibility and transparency.

These issues are crucial to the stability of the public services Ontarians depend on—and to the health of the Province's finances. They must be considered carefully and consultations will be informed by the experiences and practices of other jurisdictions pursuing similar reforms.

## Improving Accounting Practices

Implementing better accounting and reporting practices means providing more accurate and relevant information to decision-makers and the public. The government will continue to pursue improvements to its accounting practices to foster more efficient, effective and business-like management of public resources, such as the treatment of services that are provided on a cost-recovery basis.

In addition, the government will proceed with two accounting improvements, which both the OFRC and Provincial Auditor Erik Peters have called for:

- The government will adopt a more business-like approach in its treatment of major tangible capital assets, consistent with Generally Accepted Accounting Principles and the approach taken in other jurisdictions, such as Nova Scotia. This change means that the investment in major tangible capital assets owned by the Province will be amortized over the useful life of the asset. For example, investments in highways will be spread out over the useful life of the highway, which averages 30 years. These changes will effectively remove a portion of the yearly capital investment from the government's Income Statement and replace it with an amortization expense. The government is taking a phased-in approach and will be reporting on land, buildings and transportation infrastructure initially. No change has been made to accounting for capital transfer payments as the assets of transfer payment recipients are not owned by the Province.
- The government will introduce legislative amendments to convert legislative spending authority and appropriation control to the accrual basis of accounting, effective April 1, 2003. This would put all of the government's books on the same basis of accounting, providing for more transparency, especially for Members of the Legislature and the public.

All of these proposals build on a strong record of fiscal and financial management practices towards a vision of open and accountable government.

# Conclusion

The interim results for 2001-02 demonstrate that Ontario's finances continue to be managed well. Even with an economic slowdown in 2001, the government's cautious and prudent approach to budgeting has resulted in a third consecutive surplus for the first time in nearly 100 years. A fourth consecutive balanced budget is projected for 2002-03.

Over the last three years Net Provincial Debt has been reduced by $4.2 billion, or almost 85 per cent of the government's $5 billion debt-reduction commitment for the current term of office.

The government's commitment to responsible budgeting and its record of setting and achieving realistic goals and targets has helped to build a solid foundation of balanced budgets and secure finances.

# LIST OF FINANCIAL TABLES AND GRAPHS

## Financial Tables — Table Numbers



## Graphs

**Statement of Financial Transactions** **Table B1**

($ Millions)

| | Actual 1998-99 | Actual 1999-00 | Actual 2000-01 | Interim 2001-02 | Plan 2002-03 |
|---|---|---|---|---|---|
| **Revenue** | 55,786 | 62,931 | 64,682 | 63,463 | 66,544 |
| **Expenditure** | | | | | |
| Programs | 46,557 | 47,525 | 50,062 | 52,413 | 54,384 |
| Gross Capital Expenditure | 2,215 | 4,887 | 2,123 | 1,850 | 2,713 |
| Less: Net Investment in Capital Assets* | - | - | - | - | 634 |
| Public Debt Interest | | | | | |
| Provincial | 9,016 | 8,977 | 8,896 | 8,553 | 8,550 |
| Electricity Sector | - | 520 | 520 | 520 | 520 |
| Total Expenditure | 57,788 | 61,909 | 61,601 | 63,336 | 65,533 |
| Less: Reserve | - | - | - | - | 1,000 |
| Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers** | - | (354) | 244 | (69) | (11) |
| **Surplus / (Deficit)** | **(2,002)** | **668** | **3,325** | **58** | **0** |
| **Net Provincial Debt*** ** | **114,737** | **113,715** | **110,634** | **110,507** | **110,496** |

Note: 1998-99 to 2000-01 programs and gross capital expenditure totals restated to reflect reclassification of Northern Ontario Heritage Fund Corporation expenditure from operating to capital.

* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

** Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

*** The definition of Net Provincial Debt for 2002-03 has been adjusted to include the Net Investment in Capital Assets. For all other years, Net Provincial Debt represents total Liabilities less Financial Assets.

## Revenue — Table B2

($ Millions)

| | Actual 1998-99 | Actual 1999-00 | Actual 2000-01 | Interim 2001-02 | Plan 2002-03 |
|---|---|---|---|---|---|
| **Taxation Revenue** | | | | | |
| Personal Income Tax | 17,190 | 17,617 | 18,624 | 19,195 | 19,085 |
| Retail Sales Tax | 11,651 | 12,879 | 13,735 | 13,753 | 14,230 |
| Corporations Tax | 7,447 | 8,095 | 9,200 | 6,690 | 6,150 |
| Employer Health Tax | 2,882 | 3,118 | 3,424 | 3,518 | 3,695 |
| Gasoline Tax | 2,068 | 2,154 | 2,172 | 2,184 | 2,260 |
| Fuel Tax | 592 | 665 | 648 | 641 | 655 |
| Tobacco Tax | 447 | 481 | 504 | 671 | 1,325 |
| Land Transfer Tax | 470 | 565 | 642 | 675 | 735 |
| Other Taxation | 330 | 307 | 333 | 225 | 225 |
| | **43,077** | **45,881** | **49,282** | **47,552** | **48,360** |
| **Government of Canada** | | | | | |
| Canada Health and Social Transfer (CHST) | 3,553 | 4,722 | 4,895 | 6,211 | 6,808 |
| Social Housing | 358 | 466 | 541 | 528 | 530 |
| Student Assistance | 64 | 170 | 40 | 31 | 64 |
| Medical Equipment Trust | - | - | 190 | 190 | - |
| Indian Welfare Services | 155 | 85 | 131 | 123 | 127 |
| Young Offenders Act | 57 | 58 | 1 | 119 | 61 |
| Bilingualism Development | 55 | 65 | 64 | 64 | 64 |
| Employability Assistance for People with Disabilities | 71 | 65 | 63 | 68 | 33 |
| Infrastructure | 71 | 19 | 2 | 11 | 225 |
| Other | 131 | 235 | 202 | 439 | 278 |
| | **4,515** | **5,885** | **6,129** | **7,784** | **8,190** |
| **Income from Government Enterprises** | | | | | |
| Ontario Lottery and Gaming Corporation | 1,764 | 1,924 | 2,181 | 2,226 | 2,300 |
| Liquor Control Board of Ontario | 809 | 845 | 877 | 905 | 954 |
| Ontario Power Generation Inc. and Hydro One Inc. | - | 903 | 928 | 179 | 480 |
| Other | (26) | 36 | 14 | 8 | 9 |
| | **2,547** | **3,708** | **4,000** | **3,318** | **3,743** |
| **Other Revenue** | | | | | |
| Vehicle and Driver Registration Fees | 890 | 911 | 929 | 936 | 963 |
| Other Fees and Licences | 661 | 667 | 660 | 657 | 692 |
| Liquor Licence Revenue | 519 | 539 | 525 | 524 | 515 |
| Royalties | 289 | 345 | 235 | 242 | 237 |
| Sales and Rentals | 640 | 2,133 | 637 | 586 | 2,424 |
| Independent Electricity Market Operation Revenue | - | 314 | 344 | 137 | 160 |
| Local Services Realignment - Reimbursement of Expenditure | 2,109 | 1,678 | 1,432 | 1,125 | 751 |
| Miscellaneous | 539 | 870 | 509 | 602 | 509 |
| | **5,647** | **7,457** | **5,271** | **4,809** | **6,251** |
| **Total Revenue** | **55,786** | **62,931** | **64,682** | **63,463** | **66,544** |

**Operating Expenditure** **Table B3**

($ Millions)

| Ministry | Actual 1998-99 | Actual 1999-00 | Actual 2000-01 | Interim 2001-02 | Plan 2002-03 |
|---|---|---|---|---|---|
| Agriculture and Food* | 309 | 347 | 401 | 464 | 572 |
| One-Time and Extraordinary Costs | - | - | 233 | 328 | - |
| Attorney General* | 753 | 846 | 957 | 981 | 966 |
| Board of Internal Economy | 117 | 154 | 116 | 113 | 117 |
| Citizenship | 82 | 95 | 77 | 75 | 69 |
| Community, Family and Children's Services | 7,659 | 7,512 | 7,620 | 7,780 | 7,814 |
| Consumer and Business Services | 136 | 134 | 155 | 175 | 171 |
| Culture | 192 | 214 | 236 | 271 | 277 |
| Education | 7,719 | 7,704 | 7,961 | 8,429 | 8,746 |
| Phase-in Funding | - | 268 | - | - | - |
| Teachers' Pension Plan (TPP) | 67 | (363) | (779) | 3 | 149 |
| Enterprise, Opportunity and Innovation | 147 | 192 | 204 | 225 | 264 |
| Environment and Energy | 185 | 503 | 531 | 344 | 363 |
| Executive Offices | 17 | 19 | 21 | 21 | 21 |
| Finance—Own Account* | 998 | 548 | 842 | 749 | 802 |
| Public Debt Interest | | | | | |
| Provincial | 9,016 | 8,977 | 8,896 | 8,553 | 8,550 |
| Electricity Sector | - | 520 | 520 | 520 | 520 |
| Community Reinvestment Fund | 678 | 521 | 561 | 557 | 582 |
| Provision for Electricity Sector | - | 383 | 408 | - | - |
| Health and Long-Term Care | 18,867 | 20,373 | 22,184 | 23,709 | 25,452 |
| Health Care Restructuring | 50 | - | - | - | - |
| Major One-Time Health Care Costs | 639 | 286 | 487 | 190 | - |
| Intergovernmental Affairs | 4 | 4 | 4 | 5 | 4 |
| Labour | 108 | 101 | 104 | 113 | 114 |
| Management Board Secretariat | 353 | 147 | 214 | 386 | 230 |
| Retirement Benefits | (219) | (165) | (209) | 168 | (42) |
| Contingency Fund | - | - | - | - | 861 |
| OPS Employee Severance (Net) | - | 88 | - | (17) | - |
| Special Circumstances Fund | 180 | - | - | - | - |
| Municipal Affairs and Housing* | 1,611 | 1,665 | 1,792 | 1,129 | 688 |
| Native Affairs Secretariat | 12 | 15 | 16 | 14 | 15 |
| Natural Resources | 531 | 460 | 417 | 433 | 413 |
| Northern Development and Mines** | 54 | 67 | 69 | 79 | 77 |
| Office of Francophone Affairs | 3 | 3 | 4 | 5 | 3 |
| Public Safety and Security | 1,296 | 1,379 | 1,500 | 1,603 | 1,530 |
| Tourism and Recreation* | 94 | 153 | 124 | 143 | 133 |
| Training, Colleges and Universities | 3,281 | 3,285 | 3,219 | 3,257 | 3,521 |
| Transportation | 634 | 587 | 593 | 681 | 772 |
| Year-End Savings | - | - | - | - | (300) |
| **Total Operating Expenditure** | **55,573** | **57,022** | **59,478** | **61,486** | **63,454** |

* Preliminary allocations and historical restatements pending finalization of new ministry structures. All other ministries have been restated to reflect recently announced government structure.

** Reflects Northern Ontario Heritage Fund Corporation expenditure reclassified from operating to capital.

**Gross Capital Expenditure** **Table B4**
($ Millions)

| Ministry | Actual 1998-99 | Actual 1999-00 | Actual 2000-01 | Interim 2001-02 | Plan 2002-03 |
|---|---|---|---|---|---|
| Agriculture and Food* | 1 | 1 | 1 | 29 | 197 |
| Attorney General* | 73 | 62 | 42 | 46 | 51 |
| Community, Family and Children's Services | 27 | 20 | 14 | 32 | 27 |
| Consumer and Business Services | - | - | - | - | 1 |
| Culture | - | 72 | 18 | 9 | 10 |
| Education | 229 | 52 | 4 | 15 | 10 |
| Enterprise, Opportunity and Innovation | 273 | 500 | - | 18 | 39 |
| Environment and Energy | 19 | 157 | 91 | 58 | 85 |
| Water Protection Fund | 15 | 160 | 17 | 1 | 3 |
| Finance—Own Account* | 4 | 7 | 7 | 11 | 24 |
| SuperBuild Millennium Partnerships | - | - | 4 | - | 110 |
| Contingency Fund | - | - | - | - | 100 |
| Health and Long-Term Care | 187 | 338 | 182 | 203 | 342 |
| Major One-Time Capital Costs | - | 1,004 | 140 | - | - |
| Management Board Secretariat | 39 | 13 | 24 | 29 | 46 |
| Municipal Affairs and Housing* | 62 | (10) | - | 3 | 4 |
| Native Affairs Secretariat | 13 | 7 | 5 | 3 | 6 |
| Natural Resources | 73 | 96 | 65 | 70 | 80 |
| Northern Development and Mines† | 205 | 267 | 356 | 379 | 376 |
| Public Safety and Security | 30 | 124 | 99 | 89 | 92 |
| Tourism and Recreation* | 2 | 159 | 14 | 12 | 125 |
| Training, Colleges and Universities | 71 | 1,028 | 204 | 52 | 67 |
| Transportation | 892 | 830 | 836 | 791 | 1,018 |
| Year-End Savings | - | - | - | - | (100) |
| **Total Gross Capital Expenditure**** | **2,215** | **4,887** | **2,123** | **1,850** | **2,713** |
| Less: Net Investment in Capital Assets*** | - | - | - | - | 634 |
| Net Capital Expenditure | 2,215 | 4,887 | 2,123 | 1,850 | 2,079 |

* Preliminary allocations and historical restatements pending finalization of new ministry structures. All other ministries have been restated to reflect recently announced government structure.

** Gross Capital Expenditure includes the following: i) acquisition or construction of major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) and other tangible capital assets; ii) repairs and maintenance; and iii) transfers for capital purposes. Total gross capital expenditure includes $225 million in federal flow-through funds. Gross capital investment excluding flow-though of federal funds is $2.5 billion.

*** Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

† Reflects Northern Ontario Heritage Fund Corporation expenditure reclassified from operating to capital.

**Schedule of Net Investment in Capital Assets** **Table B5**
($ Millions)

| | Plan 2002-03 |
|---|---|
| Acquisition/Construction of Major Tangible Capital Assets | 1,367 |
| Amortization of Provincially Owned Major Tangible Capital Assets | (733) |
| **Net Investment in Capital Assets*** | **634** |

* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

**Transfers for Capital Purposes (Included in Gross Capital Expenditure)** **Table B6**
($ Millions)

| Ministry | Plan 2002-03 |
|---|---|
| Agriculture and Food* | 197 |
| Community, Family and Children's Services | 27 |
| Culture | 6 |
| Enterprise, Opportunity and Innovation | 39 |
| Environment and Energy | 6 |
| Water Protection Fund | 3 |
| Finance—Own Account* | - |
| SuperBuild Millennium Partnerships | 110 |
| Health and Long-Term Care | 303 |
| Municipal Affairs and Housing* | 1 |
| Native Affairs Secretariat | 6 |
| Northern Development and Mines | 100 |
| Tourism and Recreation* | 117 |
| Training, Colleges and Universities | 65 |
| Transportation | 108 |
| **Total Transfers for Capital Purposes** | **1,088** |

* Preliminary allocations pending finalization of new ministry structures.

**Ten-Year Review of Selected Financial and Economic Statistics**
($ Millions)

| | 1993-94 | 1994-95 | 1995-96 |
|---|---|---|---|
| **Financial Transactions** | | | |
| Revenue | 43,674 | 46,039 | 49,473 |
| Expenditure | | | |
| Programs | 44,195 | 44,505 | 46,163 |
| Gross Capital Expenditure | 3,552 | 3,831 | 3,635 |
| Less: Net Investment in Capital Assets* | - | - | - |
| Public Debt Interest | | | |
| Provincial | 7,129 | 7,832 | 8,475 |
| Electricity Sector | - | - | - |
| Total Expenditure | 54,876 | 56,168 | 58,273 |
| Less: Reserve | - | - | - |
| Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers** | - | - | - |
| **Surplus / (Deficit)** | **(11,202)** | **(10,129)** | **(8,800)** |
| **Net Provincial Debt*** ** | **80,599** | **90,728** | **101,864** |
| Gross Domestic Product (GDP) at Market Prices | 293,980 | 311,603 | 329,855 |
| Personal Income | 256,092 | 260,628 | 271,372 |
| Population—July (000s) | 10,690 | 10,828 | 10,965 |
| Net Provincial Debt per Capita (dollars) | 7,540 | 8,379 | 9,290 |
| Personal Income per Capita (dollars) | 23,956 | 24,070 | 24,749 |
| Total Expenditure as a per cent of GDP | 18.7 | 18.0 | 17.7 |
| Public Debt Interest as a per cent of Revenue† | 16.3 | 17.0 | 17.1 |
| Net Provincial Debt as a per cent of GDP | 27.4 | 29.1 | 30.9 |

Note: 1998-99 to 2000-01 programs and gross capital expenditure totals restated to reflect reclassification of Northern Ontario Heritage Fund Corporation expenditure from operating to capital.

* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

** Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

*** The definition of Net Provincial Debt for 2002-03 has been adjusted to include the Net Investment in Capital Assets. For all other years, Net Provincial Debt represents total Liabilities less Financial Assets.

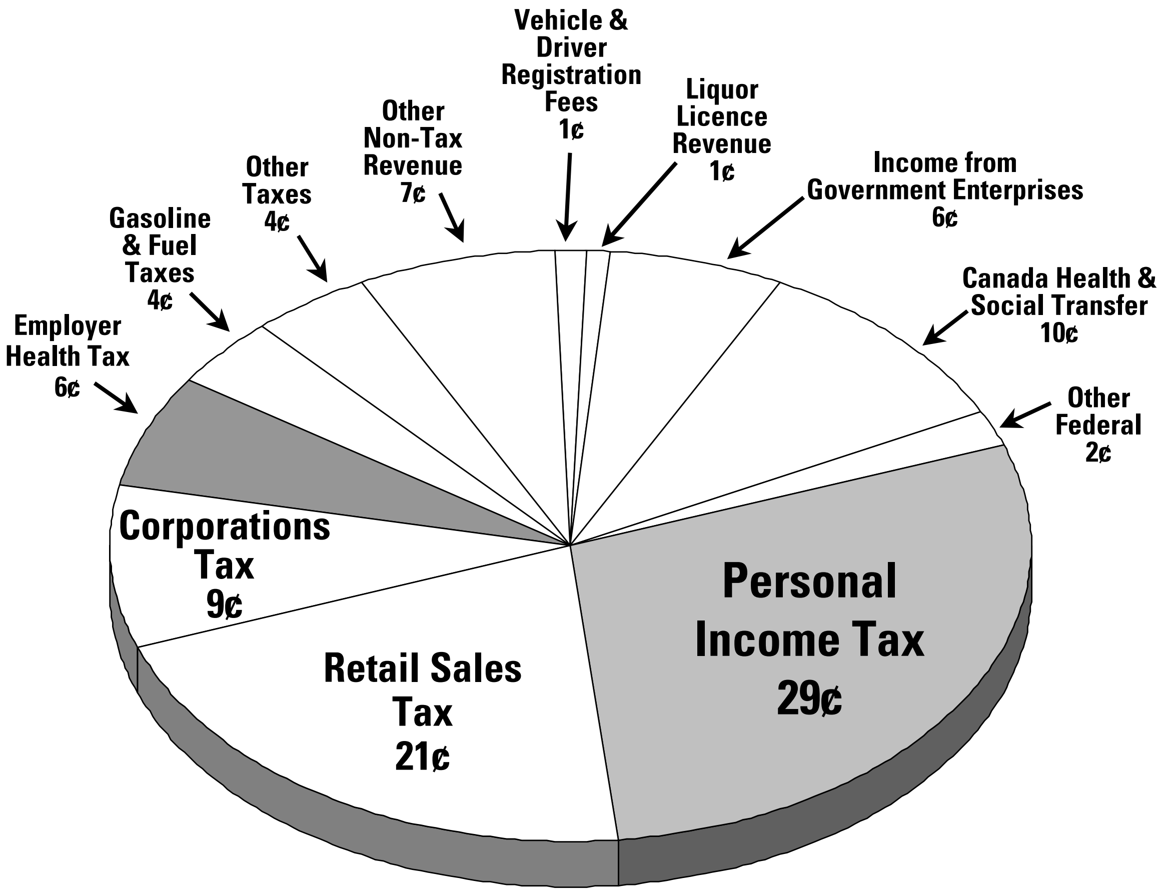
† Starting in 1999-2000, Public Debt Interest includes $520 million related to the Province's equity investment in the electricity sector.

Sources: Ontario Ministry of Finance and Statistics Canada.

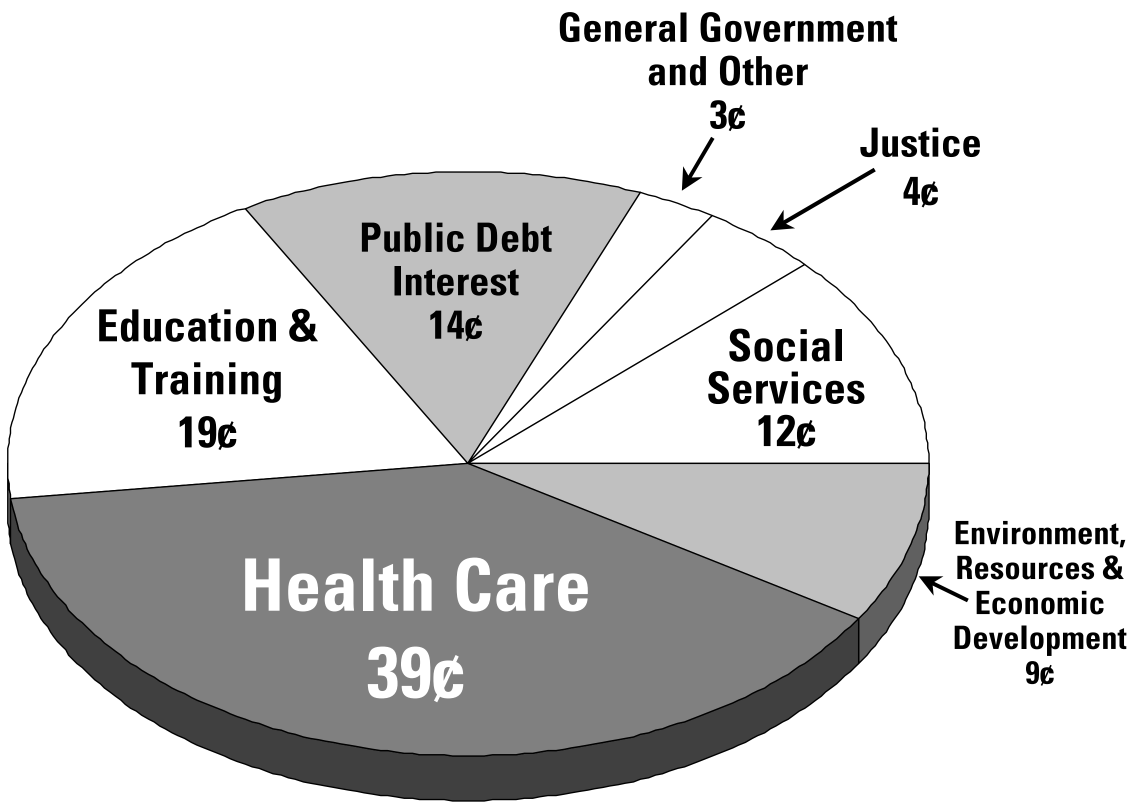
**Table B7**

| 1996-97 | 1997-98 | 1998-99 | 1999-00 | Actual 2000-01 | Interim 2001-02 | Plan 2002-03 |
|---|---|---|---|---|---|---|
| 49,450 | 52,518 | 55,786 | 62,931 | 64,682 | 63,463 | 66,544 |
| 45,136 | 45,304 | 46,557 | 47,525 | 50,062 | 52,413 | 54,384 |
| 2,612 | 2,451 | 2,215 | 4,887 | 2,123 | 1,850 | 2,713 |
| - | - | - | - | - | - | 634 |
| 8,607 | 8,729 | 9,016 | 8,977 | 8,896 | 8,553 | 8,550 |
| - | - | - | 520 | 520 | 520 | 520 |
| 56,355 | 56,484 | 57,788 | 61,909 | 61,601 | 63,336 | 65,533 |
| - | - | - | - | - | - | 1,000 |
| - | - | - | (354) | 244 | (69) | (11) |
| **(6,905)** | **(3,966)** | **(2,002)** | **668** | **3,325** | **58** | **0** |
| **108,769** | **112,735** | **114,737** | **113,715** | **110,634** | **110,507** | **110,496** |
| 338,763 | 359,953 | 378,124 | 405,625 | 429,530 | 440,051 | 455,642 |
| 276,304 | 289,537 | 303,136 | 322,165 | 342,770 | 355,227 | 366,550 |
| 11,101 | 11,249 | 11,387 | 11,523 | 11,685 | 11,874 | 12,029 |
| 9,798 | 10,022 | 10,076 | 9,869 | 9,468 | 9,307 | 9,186 |
| 24,890 | 25,739 | 26,621 | 27,958 | 29,334 | 29,916 | 30,472 |
| 16.6 | 15.7 | 15.3 | 15.3 | 14.3 | 14.4 | 14.4 |
| 17.4 | 16.6 | 16.2 | 15.1 | 14.6 | 14.3 | 13.6 |
| 32.1 | 31.3 | 30.3 | 28.0 | 25.8 | 25.1 | 24.3 |

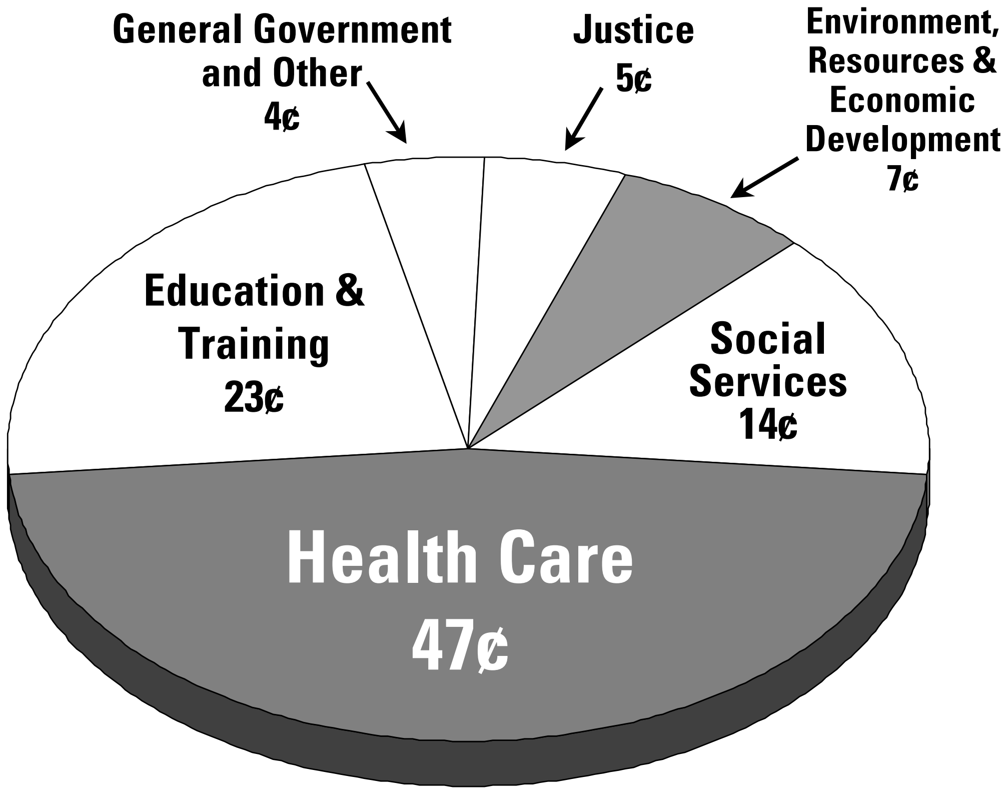
# The Budget Dollar
# Revenue
# 2002-03



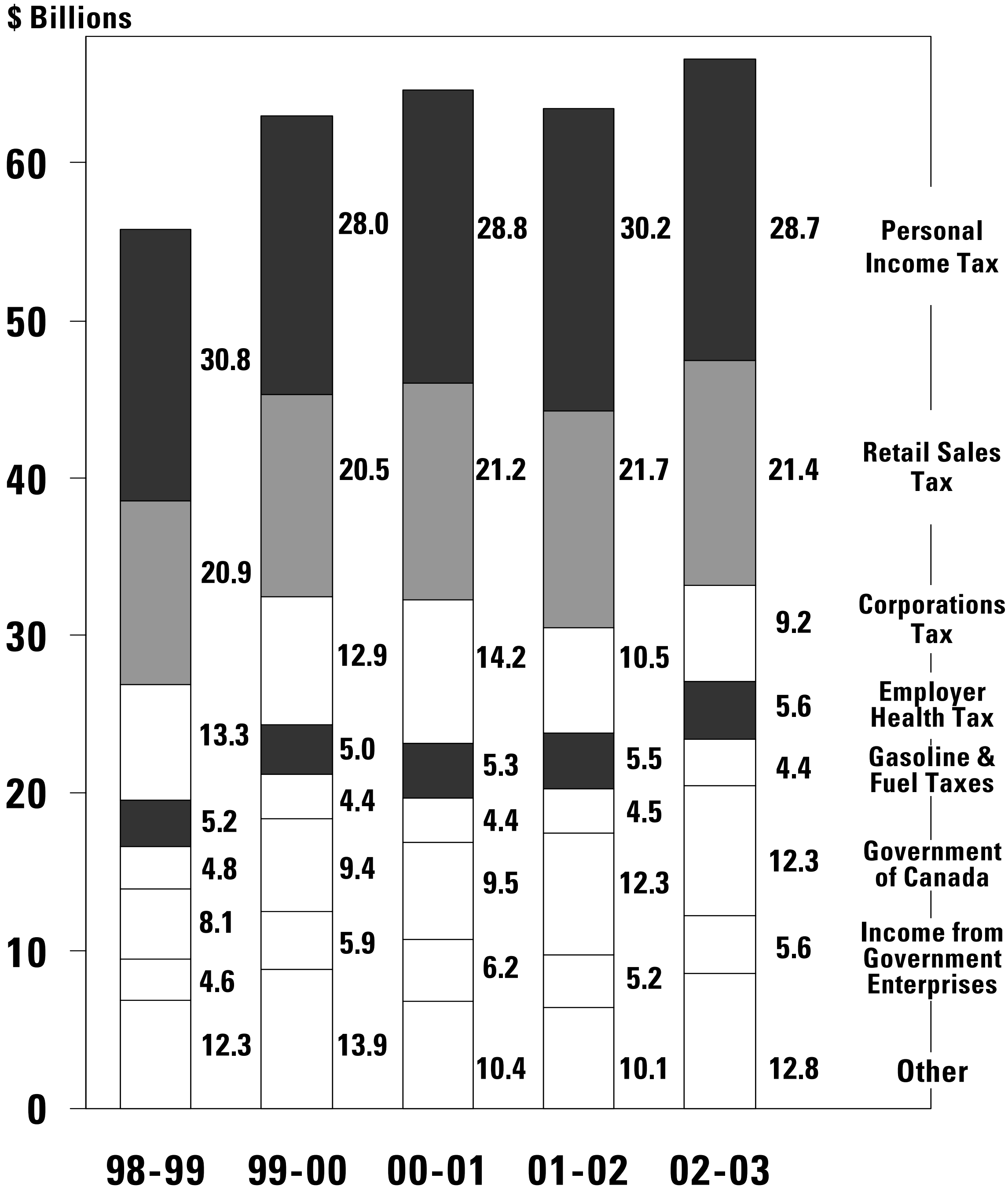
# The Budget Dollar
# Total Expenditure
# 2002-03



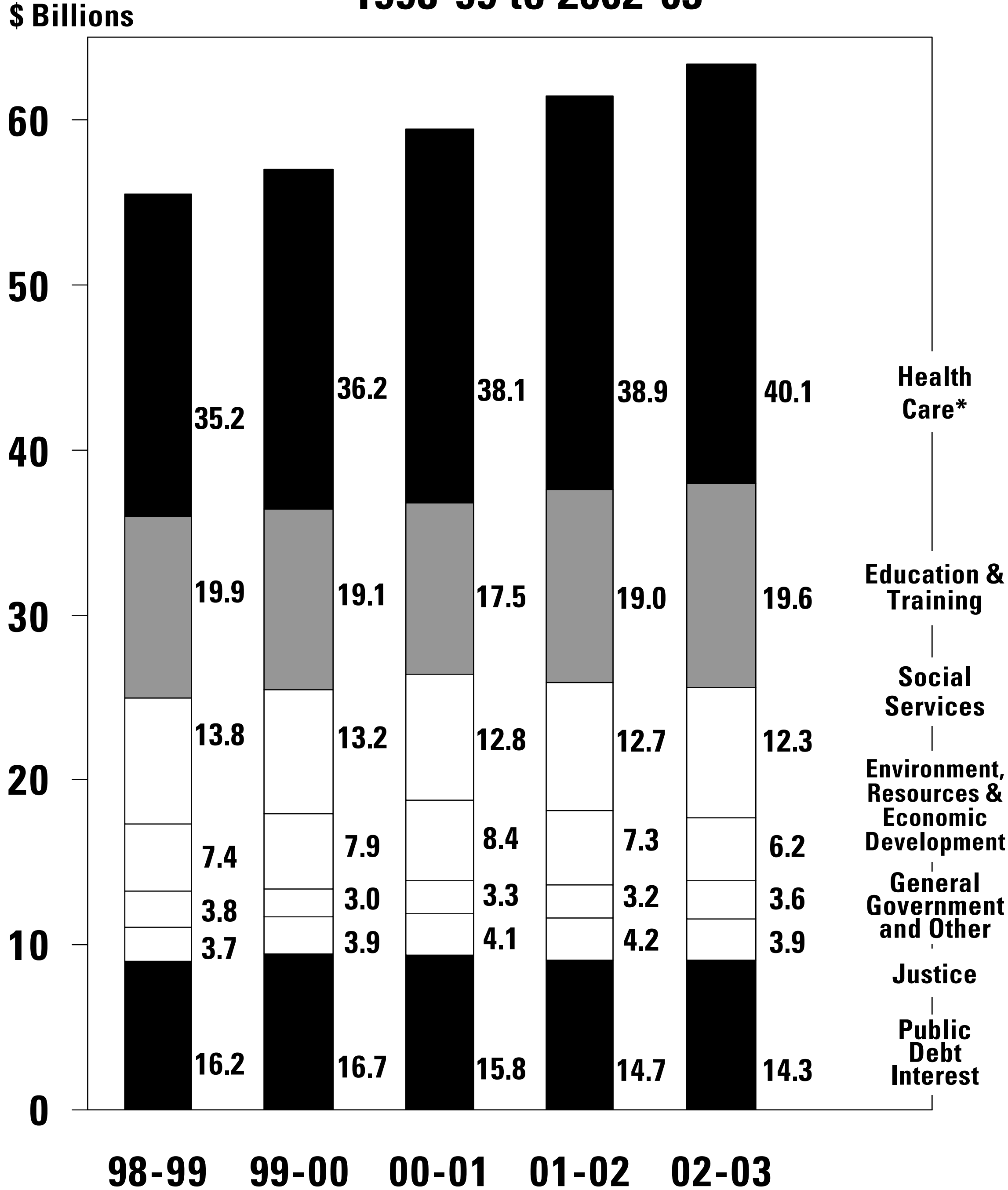
# The Budget Dollar
# Program Expenditure
# 2002-03



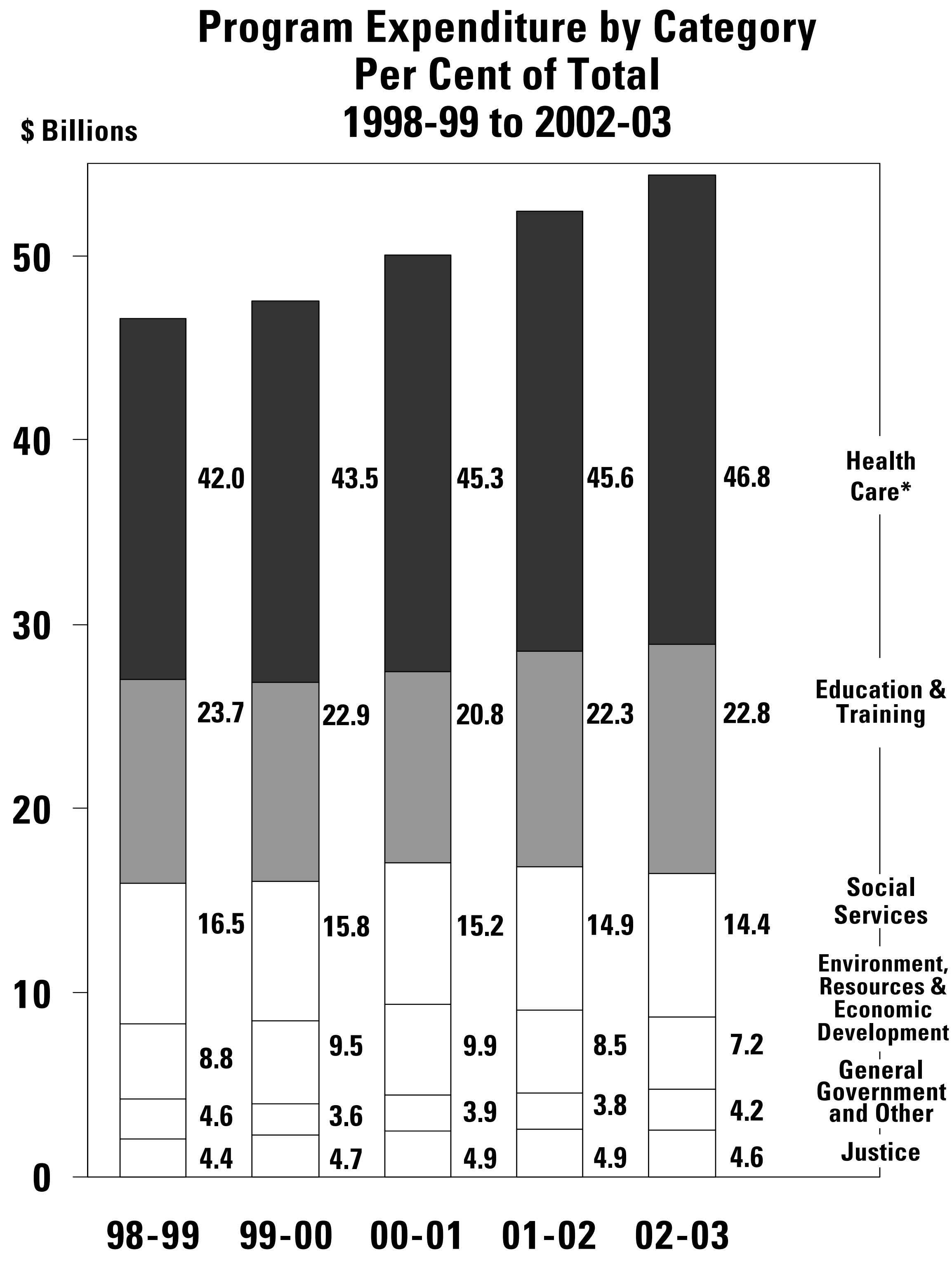
## Revenue Sources by Category
## Per Cent of Total
## 1998-99 to 2002-03



## Operating Expenditure by Category Per Cent of Total 1998-99 to 2002-03

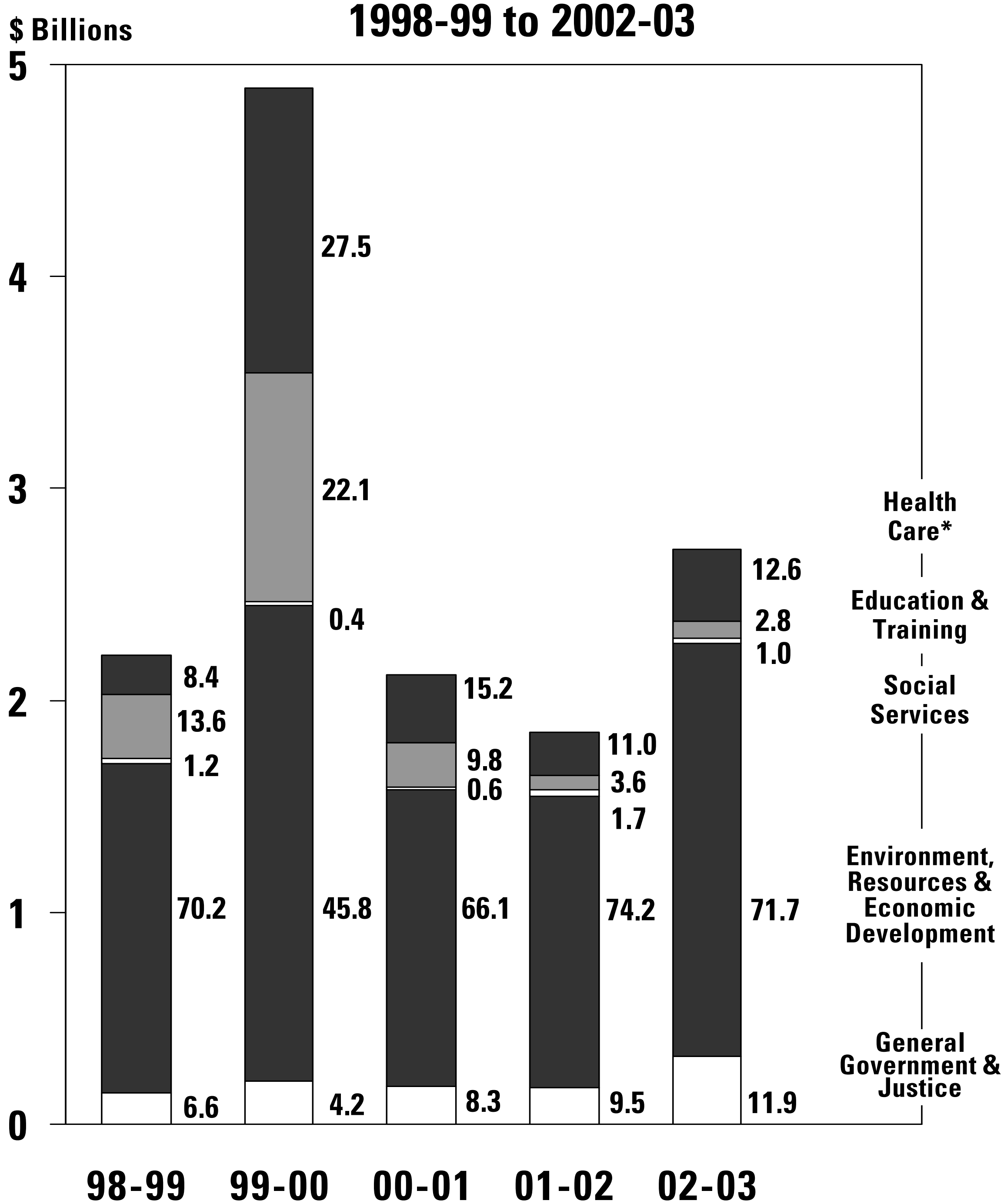



* Includes Major One-Time Health Care Costs and Health Care Restructuring.



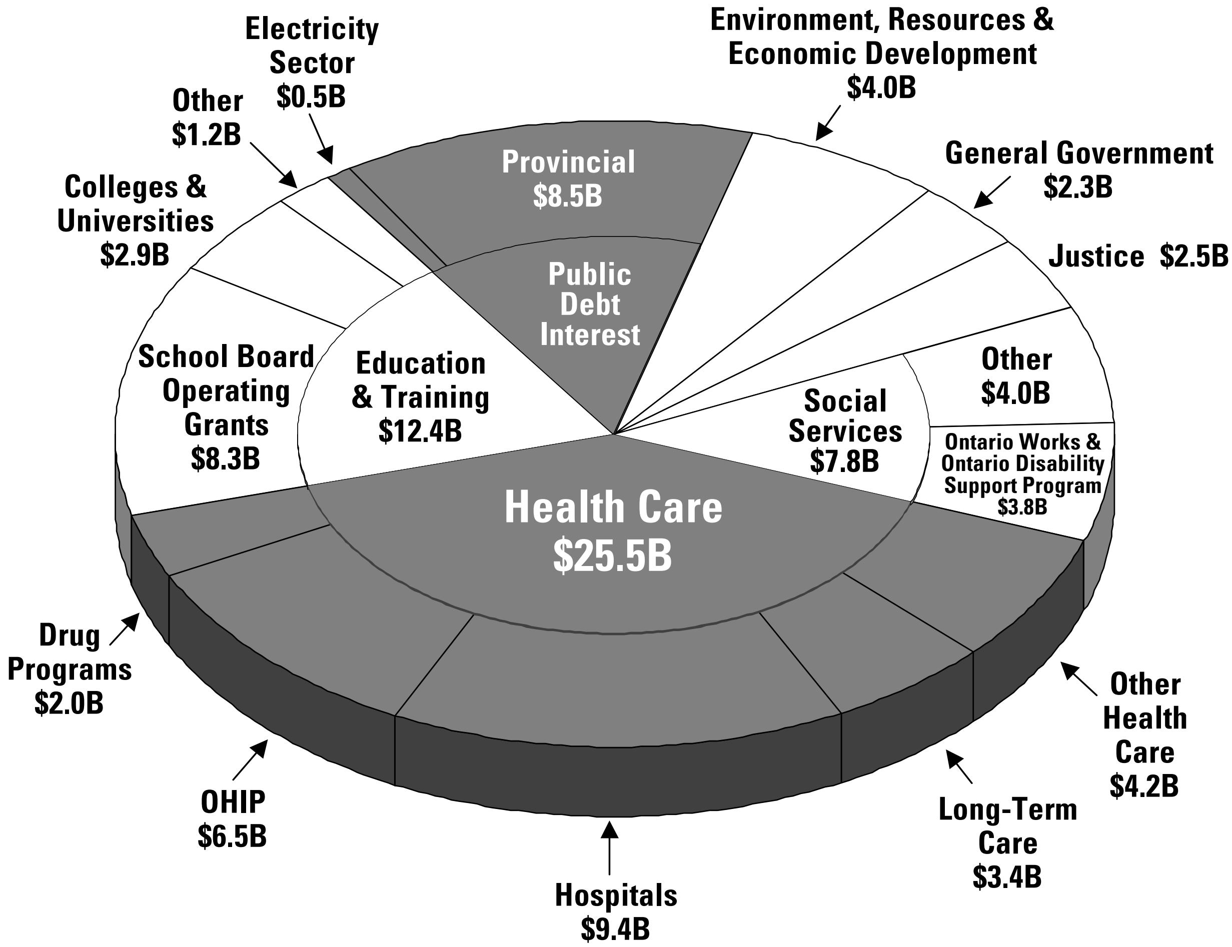

* Includes Major One-Time Health Care Costs and Health Care Restructuring.

## Gross Capital Expenditure by Category Per Cent of Total 1998-99 to 2002-03

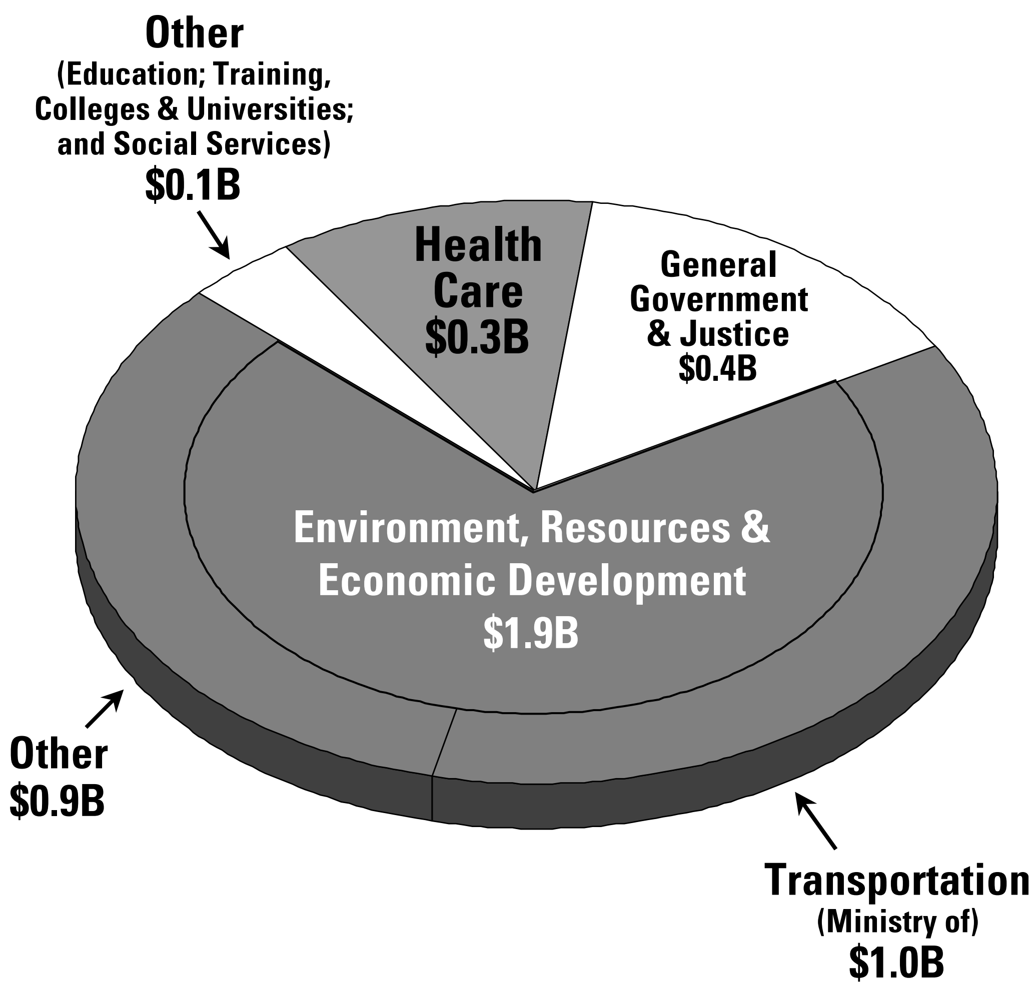



* Includes Major One-Time Health Care Capital Costs.

# 2002-03 Operating Expenditure by Category
## ($ Billions)



# 2002-03 Gross Capital Expenditure by Category
## ($ Billions)



# PAPER C

## Ontario's Record on Tax Cuts

# Ontario's Record on Tax Cuts*

The Ontario Government's tax-cutting strategy has been designed to support and promote economic growth, job creation, innovation and entrepreneurship. The Government of Ontario will continue to ensure that the tax system remains competitive and geared towards promoting growth.

From 1985 to 1995, Ontarians experienced a decade of tax-and-spend policies. Since 1995, Ontario has become the national leader in cutting taxes. Cutting taxes strengthens and expands the economy. This improvement in economic growth also boosts tax revenues, which allows the government to continue to invest in the range of priority public services that Ontarians have come to expect.

## Tax Cuts for People

Every taxpayer in Ontario benefits from the tax cuts Ontario has implemented since 1995.

### Ontario's Record of Tax Cuts for People

**1996 & 1997**

- ✓ Set a plan to cut personal income tax (PIT) rate by 30%
- ✓ Established health care levy to offset impact of Employer Health Tax exemption
- ✓ Enriched Ontario Tax Reduction

**1998**

- ✓ Fully implemented 30% PIT rate cut ahead of schedule
- ✓ Enriched Ontario Tax Reduction

**Original 30% personal income tax cut**

- reduced Ontario income tax for every Ontario income tax payer
- delivered greatest percentage reductions to taxpayers with lower incomes

**1999**

- ✓ Cut residential education property tax rate by 10%
- ✓ Cut PIT rate by 5% as first step towards additional 20% tax cut
- ✓ Enriched Ontario Tax Reduction

**20% residential education tax cut**

- delivered first 10% of the 20% reduction in 1999

**2000**

- ✓ Moved to *Made-for-Ontario* PIT system
- ✓ Fully indexed income tax system to protect against "bracket creep"
- ✓ Cut first and middle income tax rates further
- ✓ Reduced capital gains inclusion rate to 50%

**2001**

- ✓ Set a plan for completing 20% PIT cut
- ✓ Proposed first step to eliminate surtax
- ✓ Enhanced tax support for students and people with disabilities
- ✓ Enriched Ontario Tax Reduction

**Additional 20% personal income tax cut**

- will give tax savings of at least 20% to virtually all taxpayers with incomes of up to $100,000

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* Where applicable, statements made in this paper concerning measures proposed in this Budget are conditional on the approval of relevant legislation by the Legislature.

We also introduced the "Made-for-Ontario" personal income tax system in 2000. This has enabled the Province to tailor its tax cuts to meet the diverse needs of Ontario taxpayers in a variety of ways: indexing Ontario's tax system to protect taxpayers from automatic tax increases when their incomes rise with inflation; increasing personal tax credits to remove more lower-income earners from Ontario's income tax rolls; and encouraging investment at all income levels by reducing the rates of tax paid on capital gains.

The Province has also made significant progress in reforming the property tax system. With the introduction of Current Value Assessment in 1998, the property tax assessment base was reformed to provide a fair, up-to-date base for property taxes. This much-needed reform ensures taxpayer fairness by allowing property owners to compare their assessment to similar properties within their community and across the province. We implemented a uniform residential education property tax rate to ensure that every residential taxpayer would pay education taxes based on the same rate, regardless of where they live in the province. Additionally, in the 1999 Budget, we reduced the residential education property tax rate by 10 per cent, saving residential taxpayers $250 million annually in education taxes.

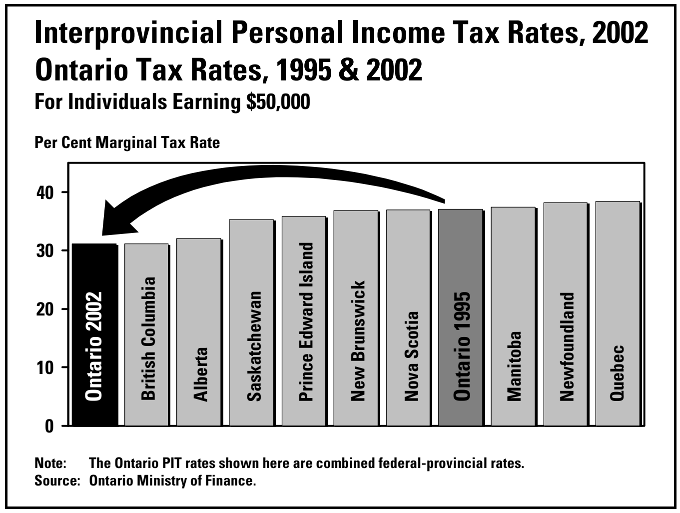
As a result of the Government of Ontario's tax cuts for people to date:

- there are 695,000 lower-income individuals who do not pay income tax to the Province but who do pay federal income tax;
- taxpayers' Ontario personal income taxes have been reduced by 50.3 per cent, on average, with the largest percentage savings concentrated on taxpayers with lower and middle incomes; and
- the $250 million residential education property tax cut is saving the average Ontario homeowner $70 each year.

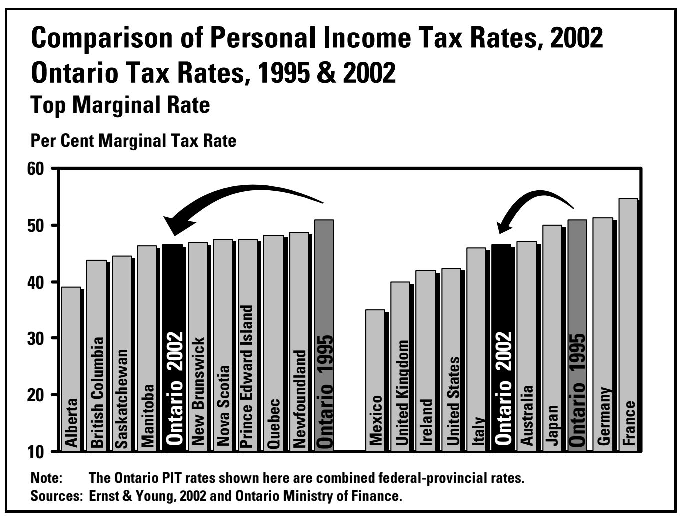
## Competitive Personal Income Taxes

In 1995, before Ontario's personal income tax cuts began, middle- and high-income Ontarians were among the most highly taxed individuals in Canada and the taxes they paid were out of line with competing jurisdictions.

For the 2002 taxation year, as a result of the Ontario Government's tax cuts to date, no other province in Canada charges lower rates of personal income tax than Ontario on most taxpayers earning less than about $60,000. Furthermore, Ontario's combined federal-provincial marginal tax rates for these taxpayers are now comparable with those of key competing countries and states.




Similarly, Ontario's tax rates for higher-income earners are now in line with those of other jurisdictions. Had the government not implemented these tax cuts, Ontario would be one of the highest-taxing jurisdictions anywhere, especially for high-income earners. Instead, Ontario has established a more competitive personal income tax system that is more attractive to both highly skilled workers and investors.



Individual investors have seen substantial reductions in the taxes they pay on capital gains. In addition to cutting personal income tax rates, Ontario reduced the amount of capital gains included in income, from 75 per cent to 50 per cent, in 2000. Taken in combination, these measures have reduced the top marginal rate of Ontario personal income tax on capital gains by nearly one-half, and the marginal rates of Ontario personal income tax paid at lower income levels by nearly 60 per cent. Tax rates on capital gains in the United States vary with the length of time an asset is held and are lowest for holding periods of over five years. Even with this U.S. treatment, the combined federal-Ontario marginal rates of personal income tax on capital gains are now generally comparable—across all income levels—with combined federal-state marginal rates of personal income tax in the United States.

**Marginal Rates of Personal Income Tax on Capital Gains**

(Per Cent)

| Income ($Cdn) | Canada Tax Plus Ontario Tax 1995 | Canada Tax Plus Ontario Tax 2002 | Asset Holding Period | United States Tax Plus Average State Tax 2002 |
|---|---|---|---|---|
| | | | Income of up to $35,650 US[1] | |
| 25,000[1] | 20.5 | 11.0 | up to 12 months | 20.2 |
| | | | from 1 to 5 years | 14.6 |
| 50,000[1] | 31.4 | 15.6 | more than 5 years | 12.1 |
| | | | Income over $35,650 US[1] | |
| 100,000[1] | 39.9 | 21.7 | up to 12 months | 32.2 - 44.3 |
| | | | from 1 to 5 years | 25.1 |
| 200,000[1] | 39.9 | 23.2 | more than 5 years | 22.6[2] - 24.6 |

1. For a single individual claiming only the basic personal deduction and exemption or credit.
2. Reduced federal rate of 18 per cent (instead of 20 per cent) will apply to assets purchased after 2000 and held for more than five years.

Sources: Ernst & Young, 2002 and Ontario Ministry of Finance.

## Encouraging Business Investment

High business tax rates reduce profits, investment and economic growth. If tax rates are not competitive, investors will seek a more attractive economic climate.

Prior to the corporate income tax rate cuts announced by the Ontario Government, small businesses in Ontario paid a higher corporate income tax rate than small businesses in any other province. The general combined corporate income tax rate in Ontario was one of the highest in the world. The Ontario Government announced a corporate tax rate cut plan that will give Ontario a lower general combined corporate income tax rate than the current rate in any province or U.S. state.

### Ontario's Corporate Income Tax Cuts

**1998**

- ✓ Set a plan to cut the small business rate from 9.5% to 4.75%

**2000**

- ✓ Outlined the first two steps in a plan to cut the general corporate income tax rate from 15.5% to 8% and the tax rate on income from manufacturing and processing, mining, logging, farming and fishing from 13.5% to 8%
- ✓ Enhanced and accelerated the small business rate cut plan to 4%
- ✓ Set a plan to extend the small business rate to the first $400,000 of taxable income

**2001**

- ✓ Outlined steps to reduce corporate income tax rates to 8%

**When fully implemented:**

**A small business tax rate cut of 57.9%**

**A general corporate income tax rate cut of 48.4%**

As a result of the tax cuts implemented to date, Ontario's small business income tax rate has been cut by over 36 per cent; the general corporate income tax rate has been cut by almost 20 per cent, and there has been a 40 per cent increase in the income level eligible for the small business tax rate.

In addition to corporate income tax cuts, the government has also made significant progress in reducing or eliminating profit-insensitive business taxes. Businesses have told the government that profit-insensitive taxes are a deterrent to job creation, business location and investment decisions and that they can impede competitiveness.

In the 1996 Budget, the government introduced the phase-in of an exemption from Employer Health Tax for private-sector employers on the first $400,000 of payroll. As a result, fully 88 per cent of Ontario private-sector employers no longer had to file a payroll tax return. As well, the government eliminated the Employer Health Tax on self-employment income.

In the 1998 Budget, the government committed more than $500 million over eight years to cutting business education property taxes that were above the provincial average. In 2002, business taxpayers will save $400 million due to the business education property tax reductions delivered to date.

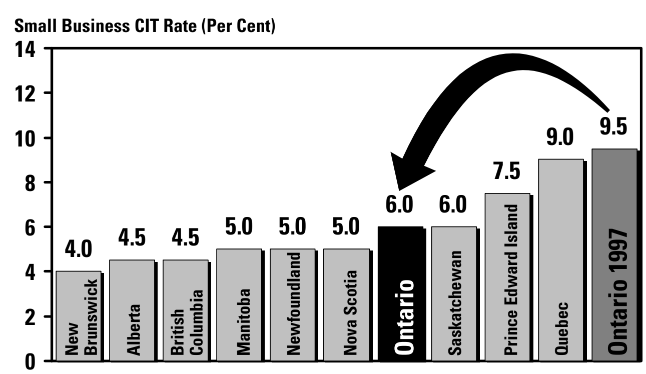
Since 1999, the government has eliminated the capital tax for about 70,000 corporations. Prior to 1999, the Ontario capital tax applied to corporations if their assets or revenue were greater than $1 million. Businesses with taxable capital under $2.3 million were subject to flat or reduced rates of capital tax. Since 1999, the government has announced measures to reduce or eliminate Ontario capital tax. Effective October 1, 2001, the government legislated the first step towards eliminating the capital tax by making the first $5 million of taxable capital tax free.

## Competitive Business Taxes

National and international trends have been towards lowering business taxes to encourage business investment, economic growth and job creation. In a global economy where capital is highly mobile, investors are looking to jurisdictions that offer the best environment for growth and prosperity. Ontario has taken the action necessary to support a competitive business environment.

In 1997, Ontario had a small business corporate income tax rate of 9.5 per cent—the highest provincial small business tax rate in Canada at the time. The Ontario Government's tax cuts to date have reduced the small business rate to 6 per cent in 2002. In addition, the number of businesses that qualify for this lower rate has been increased. These tax cuts have helped more than 100,000 small businesses in Ontario to continue to create jobs.

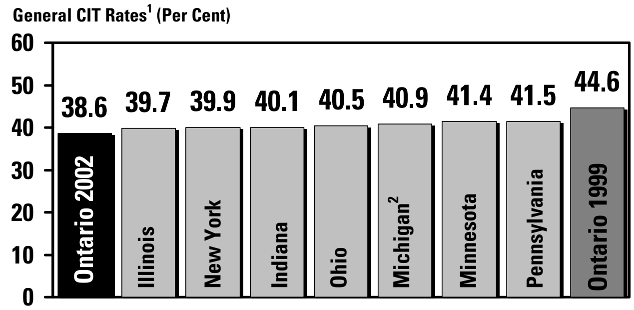
**Provincial Small Business Corporate Income Tax (CIT) Rates***




* As of June 2002.
Source: Ontario Ministry of Finance.

Until recently, Ontario's general combined corporate income tax rate was one of the highest in the world. It was higher than the combined federal-state corporate income tax rate of any state in the United States. As a result of tax cuts to date, Ontario's general combined corporate income tax rate is now below the rate of any of the neighbouring states in the United States.

**Ontario's Corporate Income Tax (CIT) Rate Compared to Neighbouring States, 2002**




Notes: 1. The CIT rates shown here are the combined federal and state/provincial rates.
2. Michigan has a value-added Single Business Tax. Its CIT equivalent is shown for comparative purposes.
Source: Ontario Ministry of Finance.

It is especially important for Ontario to have corporate income tax rates lower than those of the United States, our closest international competitor for jobs and investment. Furthermore, since September 11, 2001, foreign investors are concerned about border access and the risks associated with exporting from Canada to the United States. This is an issue that Canadian governments must address on many fronts, including the improvement of border infrastructure and security arrangements. A strategy focusing on ensuring that the Canadian tax regime is highly competitive is even more important under these circumstances.

# The Benefits of Tax Cuts

Tax cuts are an important contributor to economic growth. Economic researchers around the world agree that cutting personal income and business taxes leads to significant increases in long-run productivity growth.

The Ontario example proves that cutting taxes improves and strengthens the economy:

- 893,000 new jobs created since September 1995;
- strong growth in the economy—almost 27 per cent since 1995, compared to 20 per cent in the rest of Canada.; and
- tax revenues up nearly $14 billion.

In 2001, job performance in Ontario was much better than our biggest trading partner, the United States. This is a far cry from the early 1990s when Ontario suffered much larger job losses as a percentage of its population.

A significant factor in the resilience of the Ontario economy is the government's focus on cutting taxes. Cutting taxes invigorates an economy. It gives both entrepreneurs and employees the incentive they need to expand, invest and create jobs. Cutting taxes means that more Ontarians can keep more of their hard-earned money. They can use this money to spend, save or invest.

The most significant benefits of cutting taxes are long-term, in particular, after the investment and entrepreneurial climate has had a chance to adjust to the lower rate of tax. Tax rates are a fundamental conditioning factor of an economy because they affect the incentives faced by all decision-makers.

# Ontario's Tax-Cut Plan

Ontario's economy, while affected by the economic slowdown in 2001, performed much better than the last time the United States experienced a recession, in the early 1990s. However, the slower economy in 2001-02 has led to reduced revenues for Ontario, particularly corporate income tax revenues.

Most indicators are now pointing to a good recovery in the economy. However, the recovery of tax revenue usually lags behind improvements in economic growth. Important sources of tax revenue such as corporate profits, sales tax on business purchases and capital gains remain weak at the outset of a recovery. It is the nominal value of GDP on which tax is paid, and businesses remain under extreme pressure to cut prices to stay competitive. These pressures are continuing to some extent in 2002, and therefore the recovery of corporate profits is expected to be slower than the recovery in real GDP growth.

Because of the temporary fiscal situation, the Ontario Government has made the decision to reschedule certain major planned tax cuts for one year only. Certain already-planned tax cuts for small business and mining will go ahead. In addition, this Budget proposes to eliminate Ontario personal income tax for another 50,000 lower-income earners by enriching the Ontario Tax Reduction program. This brings to 745,000 the number of people who would not pay Ontario income tax but will pay income tax to the federal government.

The government's commitment to reduce residential education property taxes by 20 per cent will be completed by 2004. The government's commitment to reduce business education property taxes by more than $500 million will be completed by 2005.

The Province's long-term goal remains the same. The proposed one-year delay in implementation would not impair Ontario's tax-cut plan. While reducing tax rates is important for increasing incentives and boosting productivity, consumer spending can be sustained without another immediate round of tax cuts. Thanks to past cuts, economic fundamentals are strong in Ontario and consumer confidence is high. Consumer spending is growing strongly, as indicated by a 2.7 per cent increase in retail sales in the first quarter of 2002.

Ontario's businesses have already benefited from substantial reductions to corporate income tax rates. Ontario's general combined corporate income tax rate in 2003 would be almost four percentage points below the U.S. Great Lakes' state average. Ontario's personal income tax rates would remain tied with those of British Columbia as lowest among provinces for most taxpayers with incomes of less than about $60,000, and Ontario's top marginal rate would not be affected, remaining at fifth lowest among the provinces.

Ontario taxpayers will benefit this year from the tax cuts already delivered, and the benefits of those cuts will continue to grow with the economy. By 2004, Ontario's additional 20 per cent personal income tax cut would be delivered and, by 2006, Ontario's corporate income tax rate cuts would be fully implemented.

Once the government's additional 20 per cent personal income tax cut is fully implemented, Ontario's marginal tax rates will be the lowest among provinces for individuals earning less than about $60,000. When compared with other countries and competing states, Ontario's combined federal-provincial marginal tax rates will be among the lowest.

Once the government's corporate income tax cuts have been fully implemented, Ontario will have the lowest general combined corporate income tax rate of any province or U.S. state.

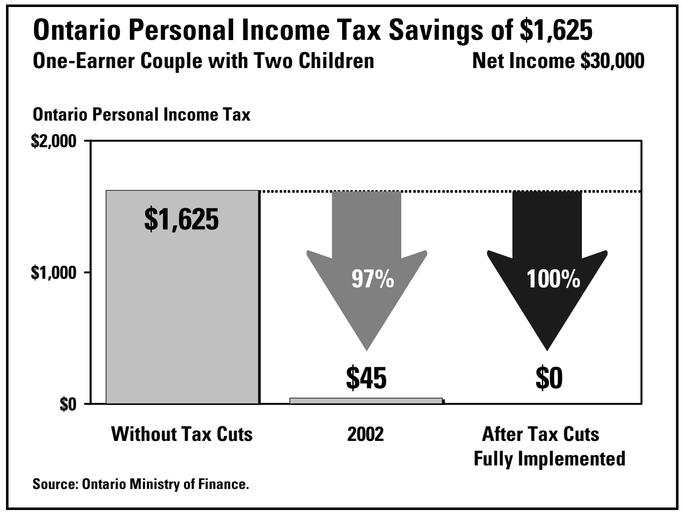
The fact that Ontario has enjoyed some of the strongest economic growth in the industrialized world since 1995 is reflected in the creation of over 893,000 new jobs during that time as well as increased prosperity for the people of Ontario. However, other countries are not standing still, and the competition for investment is becoming ever stronger. Completing our corporate tax-cut plan, which would reduce Ontario's rates to at least the international average, is vital to ensuring that Ontario's economy achieves its full potential for the benefit of all Ontarians.

The government is proceeding with planned corporate income tax cuts. Lower corporate income taxes boost economic growth, investment and job creation. Although the combined corporate income tax rate in Ontario has fallen by more than 13 per cent, from 44.6 per cent to 38.6 per cent, it is still more than seven percentage points higher than the current average corporate tax rate in the 30-nation Organisation for Economic Co-operation and Development (OECD).

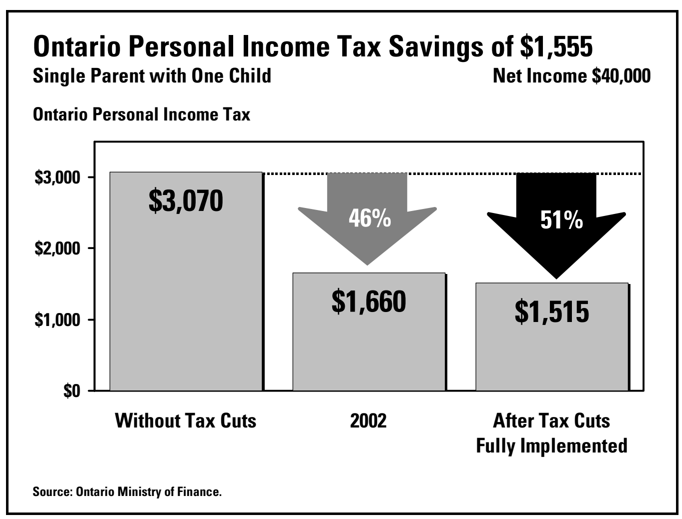
## Individual Taxpayers and Families

The following examples illustrate the combined impact of the personal income tax cuts already in place—on individuals and families for a variety of incomes and circumstances—and their savings when Ontario's tax cuts are fully implemented.

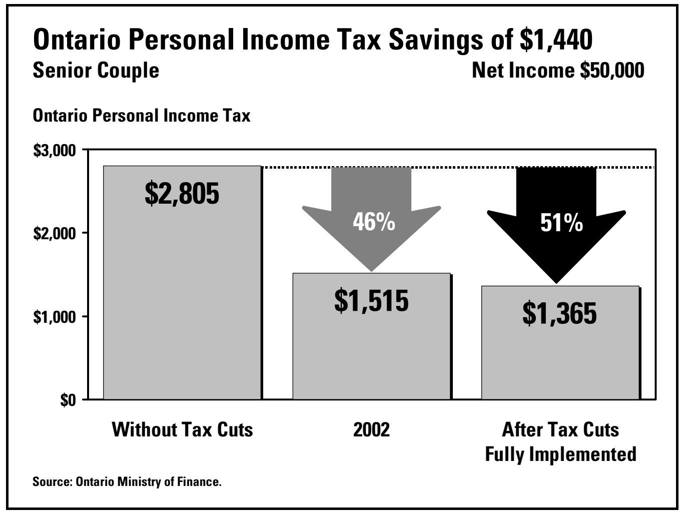
A couple with two children (aged two and four) and employment income of $30,000 from one individual working as a shipping clerk will save $1,625 in Ontario personal income tax, or 100 per cent, when Ontario's tax cuts are fully implemented. This family is already saving $1,580, or 97 per cent, in Ontario tax this year as a result of Ontario's personal income tax cuts to date. Ontario's residential education tax cut provides a further tax saving of $48 to this family on its three-bedroom home in Peterborough, assessed at $117,000. In addition, this family will receive $1,400 annually from the Ontario Child Care Supplement for Working Families, a tax-free benefit for low- and moderate-income working families with children under age seven.



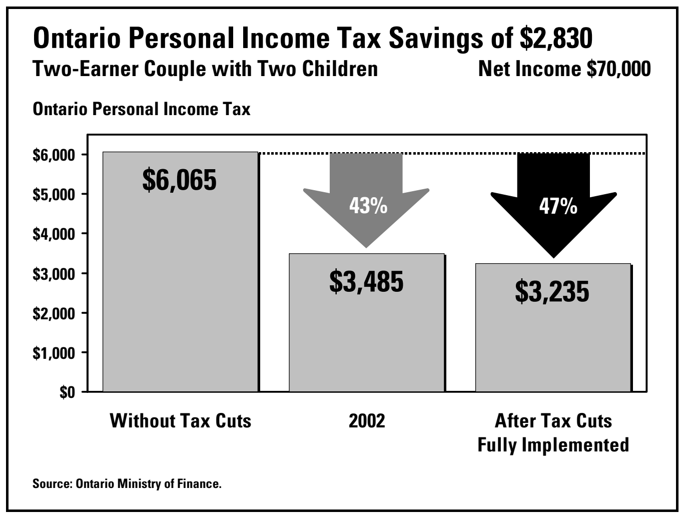

A single parent with one child, aged 14, earns $40,000 as an administrative assistant. For this family, full implementation of Ontario's tax cuts will deliver Ontario income tax savings of $1,555, or 51 per cent. This family is already saving $1,410, or 46 per cent, in Ontario tax this year. Ontario's residential education tax cut provides a further tax saving of $50 to this family on its two-bedroom home in Oshawa, assessed at $121,000.



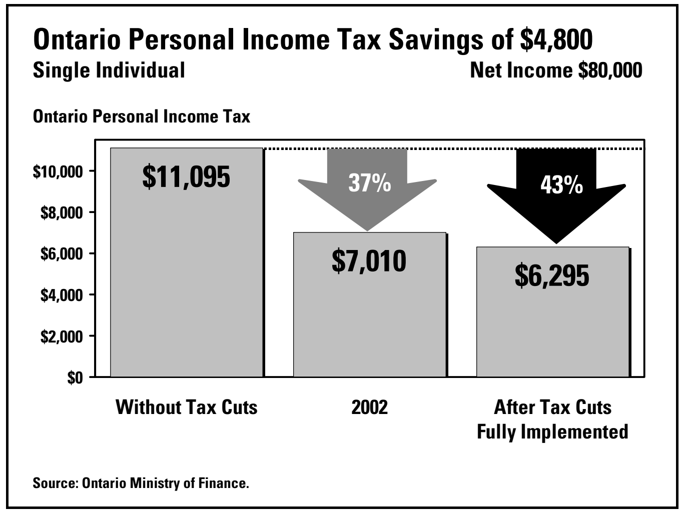
A retired couple receives $10,620 in Old Age Security and $11,380 in Canada Pension. In addition, both individuals receive income from company pensions, one in the amount of $17,000 a year and the other $11,000. This family will pay $1,440 less Ontario personal income tax, or 51 per cent, when the Ontario Government's tax cuts are fully implemented. This family is already saving $1,290, or 46 per cent, in Ontario tax this year as a result of Ontario's personal income tax cuts to date. In addition, Ontario's residential education tax cut provides a further tax saving of $36 to this family on its two-bedroom home in Sudbury, assessed at $88,000.




A couple with two children (aged eight and 10) has a combined annual income of $70,000. One individual is employed as a computer analyst and earns $45,600 while the other individual makes $24,400 working part-time as a Web developer. For this family, Ontario's tax cuts, when fully implemented, will deliver Ontario income tax savings of $2,830, or 47 per cent. This family is already saving $2,580, or 43 per cent, in Ontario tax this year. Ontario's residential education tax cut provides a further tax saving of $84 to this family on its three-bedroom home in Mississauga, assessed at $202,000.

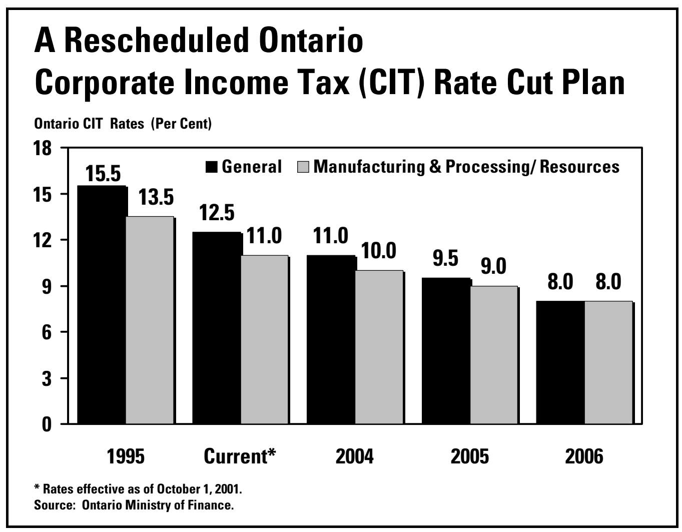


A professional earning $90,000 a year and contributing $10,000 to an RRSP will save $4,800 in Ontario personal income tax, or 43 per cent, when Ontario's tax cuts are fully implemented. This individual is already saving $4,085, or 37 per cent, in Ontario tax this year as a result of Ontario's personal income tax cuts to date. A further saving of $102 will be delivered through Ontario's residential education tax cut on this individual's three-bedroom home in Ottawa, assessed at $247,000.



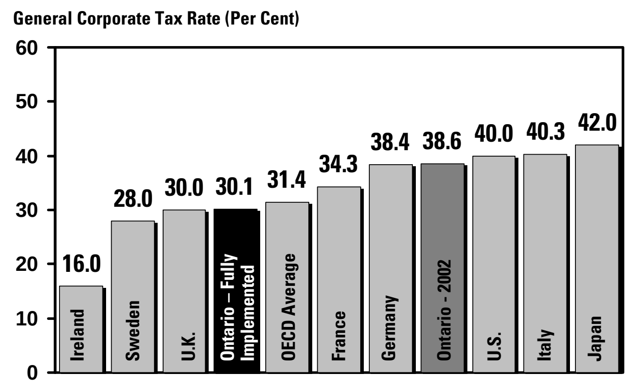

## Corporations

Ontario will follow through on the action needed to support a globally competitive business environment. The cuts have already been deep. Ontario's general corporate income tax rate has been reduced by almost 20 per cent in the last two years. Those cuts have taken us almost halfway to the target corporate income tax rate of eight per cent in 2006.



When the corporate income tax cuts are fully implemented, Ontario's combined federal-provincial corporate income tax rate of 30.1 per cent will be lower than the current OECD average rate of 31.4 per cent and below the current rates in the United States, Japan, Germany, France and Italy. The general combined corporate income tax rate in Ontario will be lower than the current rate in any of the 50 U.S. states.

**International Corporate Tax Rates, 2002**




Sources: *KPMG Corporate Tax Rate Survey – 2002* and Ontario Ministry of Finance.

## Working Together with the Federal Government

In the past few years, the federal government has made a positive contribution to economic growth through its monetary policy. The goal of keeping inflation near the midpoint of a one to three per cent range is a reasonable one that the Ontario Government supports. The Bank of Canada, under its current management, has done a good job of adjusting interest rates in order to support economic growth while maintaining price stability.

In addition, the federal government has followed Ontario's example by cutting personal and corporate income tax rates and providing targeted tax measures that have helped to build a stronger economy.

Whether comparing income tax savings for individual taxpayers and families, or aggregate income tax savings for the people of this province, the Government of Ontario's personal income tax cuts to date greatly exceed those of the federal government. On a percentage basis, Ontario income tax cuts are more than twice as big, overall, as federal income tax cuts.

When these personal income tax cuts are fully implemented in 2004, the percentage savings due to Ontario's income tax cuts will be substantially more than those arising from federal income tax cuts, across income levels and family types.

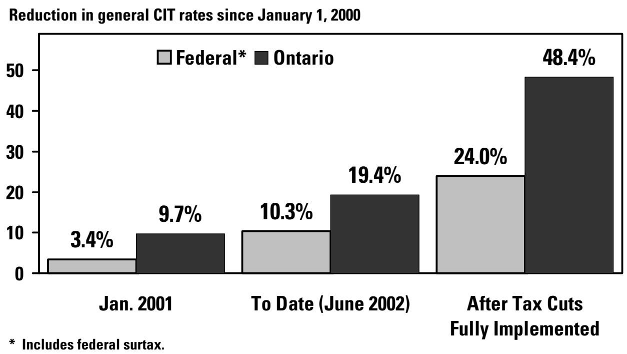
**Comparison of Ontario and Federal Personal Income Tax (PIT) Savings**
**Selected Individual Taxpayers and Families**
(Per Cent)

| | Ontario PIT Savings[1] | Federal PIT Savings[2] |
|---|---|---|
| One-earner couple with two children and net income of $30,000 | 100 | 26 |
| Single parent with one child and net income of $40,000 | 51 | 28 |
| Senior couple with net income of $50,000 | 51 | 22 |
| Two-earner couple with two children and net income of $70,000 | 47 | 20 |
| Single individual with net income of $80,000 | 43 | 21 |

1. Includes the impact of all of Ontario's PIT initiatives implemented and proposed since 1995.
2. Includes the impact of 1998 and 1999 federal increases to personal tax credits, 2000 and 2001 federal PIT rate cuts and increases to tax brackets and personal tax credits and indexation of other non-refundable tax credits to 2004.

The same holds true for corporate income taxes. Over the past two years, the Government of Ontario has cut its general corporate income tax rate by nearly twice as much as the federal government. Ontario has also cut its small business tax rate by over 36 per cent since 1997, whereas the federal government has not made any reductions to its small business rate for the past 14 years.

## Comparison of Federal and Ontario Corporate Income Tax (CIT) Rate Cuts




* Includes federal surtax.
Source: Ontario Ministry of Finance.

# Details of Revenue Measures

The following sections provide information on the taxation measures proposed in the Budget. For a precise description of these measures, the reader is advised to consult the amending legislation.

## Income Tax Act

The final steps of Ontario's additional 20 per cent personal income tax cut set out in the 2001 Budget are proposed to be rescheduled to January 1, 2004.

The increase in the Equity in Education Tax Credit rate to 20 per cent, set out in the 2001 Budget, is proposed to be rescheduled to January 1, 2004.

The Ontario Tax Reduction eliminates or reduces Ontario personal income tax otherwise payable by taxpayers with low to moderate incomes. This Budget proposes that the basic reduction be increased, from $161 to $178 plus an increase for inflation, effective January 1, 2003. With this proposed change, about 50,000 lower-income taxpayers would be removed from Ontario's income tax rolls and 620,000 additional taxpayers with modest incomes would pay less Ontario income tax.

## Corporations Tax Act

The 2001 Budget set a schedule to cut both the general corporate income tax rate and the tax rate on income from manufacturing and processing (M&P), mining, logging, farming and fishing to eight per cent by 2005. The first step in that schedule, which reduced the general and M&P rates to 12.5 per cent and 11 per cent respectively, was accelerated to October 1, 2001.

This Budget proposes to reschedule the corporate income tax rate cuts as follows:

**Revised Schedule of Ontario Corporate Income Tax Rate Cuts***
(Per Cent)

| | Current Rate | January 1, 2004 | January 1, 2005 | January 1, 2006 |
|---|---|---|---|---|
| General Corporate Income Tax Rate | 12.5 | 11 | 9.5 | 8 |
| Tax Rate on Income from Manufacturing and Processing, Mining, Logging, Farming and Fishing | 11 | 10 | 9 | 8 |

* All tax rate reductions would be prorated for taxation years straddling the effective dates.

## Farm Taxation

To help support the farming community, the government intends to provide municipalities with the flexibility to lower municipal property taxes on farm properties. Beginning in 2003, upper-tier and single-tier municipalities would be able to lower the municipal portion of the tax rate below 25 per cent of the residential tax rate. The reduction would apply to both the upper-tier and lower-tier portions of the municipal property tax.

Currently, government-owned farms are not eligible for inclusion in the farmlands property class. To bring equity to the tax treatment of farms and to provide farmers with a level playing field, the Province intends to make government-owned farms, which are occupied by tenant farmers, eligible for inclusion in the farmlands property class.

## Tobacco Taxation

Ontario proposes to increase the rate of tax on cigarettes and cut tobacco by 2.5 cents per cigarette or gram of cut tobacco. For cigarettes, this proposed increase amounts to $5 per carton of 200 cigarettes.

To address tax evasion, Ontario proposes to amend the structure of tobacco taxation by exempting tobacco products from the *Retail Sales Tax Act* and recovering the revenues through an equivalent increase in rates under the *Tobacco Tax Act*.

In combination with the restructuring, the proposed new tax rates are:

- 8.6 cents per cigarette, tobacco stick or gram of cut tobacco; and
- 56.6 per cent of the retail price of cigars.

These changes would be effective 12:01 a.m., June 18, 2002.

## Technical Measures

Ontario will introduce legislation and regulations to improve policy and administrative effectiveness, maintain the integrity and fairness of the tax system, and simplify legislation and tax compliance.

### Assessment Act

- To ensure the property assessment methodology used to value hotels is fair, the Province intends to prescribe certain standard percentage deductions to be used in the valuation of hotels for property tax purposes starting in 2003. Specifically, the standard deduction for management expenses would be five per cent and the standard deduction for chattels (furniture, fixtures and equipment) would be 15 per cent. The Municipal Property Assessment Corporation would have the discretion to apply different percentages in unique circumstances. The use of standard percentage deductions would ensure that all hotels are fairly assessed relative to other commercial property in Ontario and that hotel assessments in Ontario remain consistent and competitive with those in other North American jurisdictions.
- To enhance taxpayer understanding, the government intends to change the name of two property classes. The "residential/farm property class" would be changed to the "residential property class". The "farmlands property class" would be changed to the "farm property class".

### Community Small Business Investment Funds Act

- The deadline for registering a new Community Small Business Investment Fund is proposed to be extended from December 31, 2002 to December 31, 2003.

### Corporations Tax Act

- Effective for taxation years ending after June 17, 2002, Ontario proposes to parallel Canada's income tax treaties for purposes of determining whether a non-resident corporation has a permanent establishment in Ontario.
- The current requirement that corporations must apply to be prescribed as a financial institution for capital tax purposes would be eliminated. Financial institutions prescribed federally would automatically be deemed financial institutions for Ontario purposes. A corporation that is prescribed federally, but does not wish to be deemed a financial institution for Ontario purposes, could request to have the provision not apply.
- The deadline for acquiring an eligible school bus under the Ontario School Bus Safety Incentive program would be extended to buses acquired before January 1, 2006. In addition, the incentive would be made available to unincorporated school bus operators for eligible buses acquired after June 17, 2002.

## Fuel Tax Act

- Effective after June 17, 2002, an exemption from the 14.3 cents per litre tax under the *Fuel Tax Act* would be provided for biodiesel fuel, regardless of whether it is mixed with diesel fuel. To ensure national consistency and simplify administration, Ontario's definition of biodiesel fuel would be based on the Canadian General Standards Board (CGSB) standard for biodiesel fuel. The CGSB expects to finalize the biodiesel fuel standard by the fall of 2002. Until such time that the CGSB finalizes its standard, the following interim definition would be used to administer the exemption:
  - biodiesel means the ester-based oxygenated fuel derived from soybean oil, or other vegetable oils or animal fat, that may be used as fuel or as a fuel additive with petroleum-based diesel fuel.

## Retail Sales Tax Act

- It is proposed that the retail sales tax rebate for alternative fuel vehicles of up to $1,000 per vehicle include qualifying electric-hybrid light trucks and sport utility vehicles delivered after June 17, 2002.
- It is proposed that owners or operators of places of amusement may donate admissions tickets exempt of retail sales tax to registered charities effective for tickets donated after June 17, 2002.
- Legislation will be introduced to confirm the application of the retail sales tax exemption for ready-mixed concrete used on-site to make integral component parts of production machinery and equipment under terms and conditions as prescribed by the Minister. The legislation would be effective for purchases made after June 17, 2002.
- The 2001 Budget announced a commitment to consult with taxpayers on simpler and more effective retail sales tax definitions and rules for computer software. The consultations identified potential options for improving both policy and administrative effectiveness. As a next step, draft legislation will be posted on the Ministry's Web site for industry comment with a view to introducing necessary amendments in the Legislature this fall. The effective date proposed for the amendments is the release date of the draft legislation.
- Legislation will be introduced to confirm that exempt food products that are packaged with taxable premiums may be purchased exempt of retail sales tax under specified circumstances.
- Amendments will be proposed in the fall to improve compliance by motor vehicle dealers with outstanding retail sales tax accounts.

## Other Technical Measures

Various other amendments will be proposed to the following Ontario statutes:

- *Assessment Act*
- *Business Corporations Act*
- *Community Small Business Investment Funds Act*
- *Corporations Tax Act*
- *Education Act*
- *Electricity Act, 1998*
- *Employer Health Tax Act*
- *Fuel Tax Act*
- *Gasoline Tax Act*
- *Highway Traffic Act*
- *Income Tax Act*
- *Land Transfer Tax Act*
- *Mining Tax Act*
- *Municipal Act*
- *Municipal Act, 2001*
- *Municipal Tax Assistance Act*
- *Retail Sales Tax Act*
- *Taxpayer Protection Act*
- *Tobacco Tax Act*

| Proposed Revenue Changes: 2002 Budget Impact Summary | 2002-03 ($ Millions) | Full Year ($ Millions) |
|---|---|---|
| **Personal Income Tax** | | |
| Reschedule completion of 20% Personal Income Tax cut | 218 | 0 |
| Reschedule increase in Equity in Education Tax Credit rate to 20% | 15 | 0 |
| Enrich Ontario Tax Reduction | (5) | (20) |
| **Corporations Tax** | | |
| Reschedule remaining steps of Corporate Income Tax rate cuts | 11 | 0 |
| **Property Tax** | | |
| Reschedule remaining steps of Business Education Property Tax cut | 14 | 0 |
| Reschedule completion of Residential Education Property Tax cut | 69 | 0 |
| **Tobacco Taxation** | 460 | 560 |
| **Technical Measures** | (13) | (35) |
| **Total Revenue Changes** | **769** | **505** |

# PAPER D

## Ontario's Financing Plan

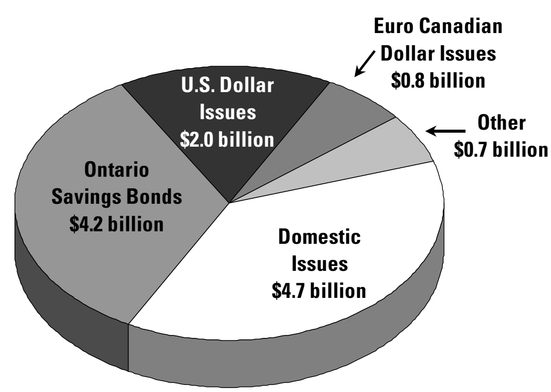
# Highlights

- Through the Ontario Financing Authority (OFA), the Province intends to raise $12.7 billion in long-term public borrowing for 2002-03, primarily to refinance maturing debt. This will include proceeds from the eighth annual Ontario Savings Bond campaign in June. The Province has already completed $2.3 billion of the 2002-03 borrowing program.
- The Province's 2001-02 long-term public borrowing program of $12.3 billion was completed in a cost-effective manner. As a strong and stable credit, Ontario benefited from preferred access to the fixed income markets, despite uncertain market conditions during 2001-02.
- On July 4, 2001, Dominion Bond Rating Service (DBRS) upgraded Ontario's AA (low) long-term debt rating to AA. This was the third consecutive rating improvement from DBRS. On July 17, 2001, Moody's confirmed Ontario's rating at Aa3 and maintained the positive outlook on the Province's rating. On December 4, 2001, Standard and Poor's (S&P) confirmed the Province of Ontario's AA debt rating.

# 2001-02 Borrowing Program

- The Province's long-term public borrowing program for 2001-02 was $12.3 billion. Public borrowing was $3.2 billion higher than in the 2001-02 Budget Plan mainly due to:
  - $0.6 billion increase in early redemptions of debt;
  - $2.2 billion lower-than-anticipated decline in cash because of favourable long-term borrowing opportunities; and
  - $1.1 billion less borrowing than anticipated from the Canada Pension Plan (CPP) because public borrowing alternatives were less expensive than borrowing from the CPP;
  - these three items were partially offset by a $0.6 billion decrease in non-cash items included in the surplus.
- The domestic market was the main funding source for the Province in 2001-02, with over 80 per cent of the borrowing program raised in Canadian dollars. The Province adapted to changing market conditions and met investor demand through a variety of cost-effective financing approaches:
  - Ontario launched over 35 smaller-sized issues via its domestic Medium Term Note (MTN) program, raising $2.2 billion.
  - The OFA conducted three bond auctions, two of which raised funds for the Ontario Electricity Financial Corporation. These auctions raised $0.8 billion and saved approximately $1.5 million in commission costs.

**2001-02 Long-Term Borrowing**




Excludes debt buybacks.
Numbers may not add due to rounding.
Source: Ontario Financing Authority.

- Ontario was also successful in accessing markets outside Canada. The Province issued a number of U.S. dollar Global issues and its first Yankee bond issue in over 10 years, raising the equivalent of almost $2.0 billion in Canadian dollars and achieving funding costs below those available in the Canadian domestic market.
- The Province also issued seven Euro Canadian dollar bond issues launched under the Euro Medium Term Note (EMTN) program, raising $0.8 billion.
- The 2001 Ontario Savings Bond campaign raised $4.2 billion, a Canadian provincial record.
- In 2001-02, the Province purchased and retired $435 million of several Ontario debt issues, replacing them with similar amounts of debt issued at more favourable rates.

# 2002-03 Borrowing Program

**Financial Summary**
($ Billions)

| | 2001-02 Budget Plan | 2001-02 Interim | 2002-03 Budget Plan |
|---|---|---|---|
| Surplus | 0.1 | 0.1 | - |
| Adjustments for: | | | |
| Non-Cash Items Included in Surplus | (2.3) | (1.7) | (2.9) |
| Amortization of Tangible Capital Assets* | - | - | 0.7 |
| Acquisitions of Tangible Capital Assets* | - | - | (1.4) |
| Maturities of Debt** | (9.6) | (9.5) | (11.7) |
| Early Redemptions of Debt | (1.0) | (1.6) | (1.2) |
| Canada Pension Plan Borrowing | 1.1 | - | 0.7 |
| Decrease/(Increase) in Cash and Cash Equivalents | 2.6 | 0.4 | 3.0 |
| Increase/(Decrease) in Short-Term Borrowing | - | 0.2 | - |
| Other Sources/(Uses) of Cash*** | - | (0.1) | - |
| **Long-Term Public Borrowing Requirement** | **9.1** | **12.3** | **12.7** |
| **Completed** | | | **2.3** |
| **Remaining** | | | **10.4** |

Note: Numbers may not add due to rounding.
* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.
** Maturities of debt are lower than the 2001-02 Budget Plan due to the Province exercising its options on extendible bonds.
*** Includes net repayment from, or loans to, agencies and an increase or decrease in deposits with the Province of Ontario Savings Office.

- The Province's total long-term public borrowing for 2002-03 is projected at $12.7 billion, of which $11.7 billion is to refinance maturing debt, $1.2 billion is a provision for early redemptions of debt, $2.9 billion is related to adjustments for non-cash items included in the surplus, and $1.4 billion is related to acquisitions of tangible capital assets. These requirements are partially offset by a decrease in cash of $3.0 billion and the amortization of tangible capital assets of $0.7 billion.
- To date, the Province has completed $2.3 billion of the 2002-03 borrowing program.
- The domestic market will remain the main borrowing source for the Province, including the eighth annual Ontario Savings Bond campaign. The Province will continue to monitor foreign markets for cost-effective borrowing opportunities.
- Up to $0.7 billion may be borrowed from the Canada Pension Plan, if it is cost-effective.

# OEFC's Borrowing Program

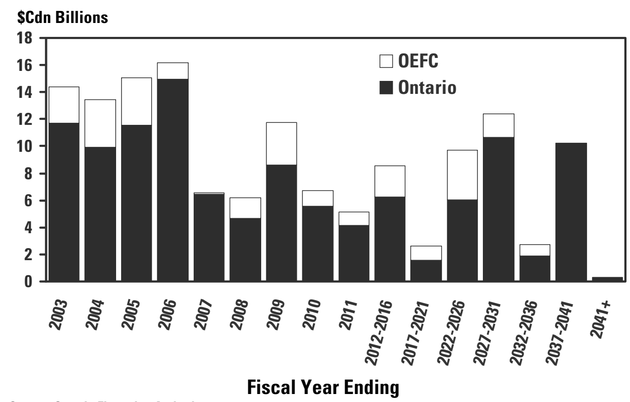
The Ontario Electricity Financial Corporation (OEFC) is the agency of the Province responsible for the servicing and management of the former Ontario Hydro's debt, derivative contracts and certain other liabilities. OEFC's debt is guaranteed by the Province. As OEFC does not have its own credit rating, the Province borrows on its behalf. In return, OEFC issues debt to the Province.

- For 2001-02, the Province met OEFC's borrowing requirements of $3.4 billion by issuing $1.8 billion in long-term debt and $1.6 billion in short-term debt.
- OEFC's debt maturities for 2002-03 are $2.7 billion.

# Debt Maturities

- Ontario has significant amounts of debt maturing over the next few years. These maturities were created by a significant run-up in debt issuance by both the former government and the former Ontario Hydro in the early 1990s.
- In 2001-02, the total amount of maturing debt for the Province and OEFC was \$13.8 billion. In 2002-03, maturities total \$14.4 billion.

**Debt Maturity Profile**




Source: Ontario Financing Authority.

- In managing these maturities, the Province will maintain a flexible financing approach and monitor domestic and international bond markets continuously, seeking out the most cost-effective borrowing opportunities.
- The Province will also continue to aim for a balanced maturity profile and take advantage of cost-effective opportunities to schedule maturities into years that currently have lower levels of maturing debt.

# Debt Management Policies

The Province manages its debt by adhering to prudent risk management policies to mitigate its exposures to these risks, while maintaining the needed flexibility in its borrowing and debt management programs.

- The Province's exposure to unhedged foreign currencies is limited to five per cent of outstanding debt. As of March 31, 2002, the Province's foreign exchange exposure was 1.5 per cent of outstanding debt.
- As of March 31, 2002, interest rate reset exposure was 12.5 per cent of outstanding debt. Interest rate reset exposure is the combination of net floating rate exposure (i.e., gross floating rate exposure less liquid reserves) and all fixed rate debt maturing within the next 12 months. The Province limits itself to having a maximum interest rate reset exposure of 25 per cent of debt.
- When issuing debt, the Province aims for a balanced maturity profile to diversify the interest rate risk inherent in refinancing maturing and floating-rate debt.
- Liquid reserves are maintained at levels sufficient to ensure the government can meet its short-term financial obligations. Ontario's Treasury Bill and U.S. Commercial Paper programs are also available to meet additional liquidity needs if required.
- Credit risk arises when the Province invests its liquid reserves and when it carries out debt management activities to mitigate risks associated with new borrowing and outstanding debt. To lower credit risk, the Province limits itself to undertaking transactions only with the federal and provincial governments and non-government counterparties with high credit quality.

# PAPER D Appendix: Financial Tables

| | |
|---|---|
| **Table I (A):** | **Net Provincial Debt** |
| **Table I (B):** | **Debt Maturity Schedule** |
| **Table I (C):** | **Summary of Ontario Electricity Financial Corporation Interim Debt (OEFC)** |
| **Table I (D):** | **Description of Derivative Financial Instruments** |
| **Table II:** | **Schedule of Outstanding Debt Issued by the Province of Ontario** |

## NET PROVINCIAL DEBT — TABLE I (A)

Interim 2002[1] ($ Millions)

| | 1998 | 1999 | 2000 | 2001 | Interim 2002 | Plan 2003 |
|---|---|---|---|---|---|---|
| **Debt Issued for Provincial Purposes[2]** | | | | | | |
| Non-Public Debt | | | | | | |
| Minister of Finance of Canada: | | | | | | |
| Canada Pension Plan Investment Fund | $ 11,358 | $ 10,487 | $ 10,369 | $ 10,442 | $ 10,063 | $ 8,827 |
| Ontario Teachers' Pension Fund | 13,822 | 13,213 | 12,252 | 11,535 | 11,043 | 10,387 |
| Ontario Municipal Employees Retirement Fund | 697 | 666 | 622 | 569 | 502 | 266 |
| Canada Mortgage and Housing Corporation | 1,246 | 1,208 | 1,181 | 1,147 | 1,100 | 1,066 |
| Public Service Pension Fund | 3,681 | 3,604 | 3,535 | 3,446 | 3,331 | 3,200 |
| Ontario Public Service Employees' Union Pension Fund (OPSEU) | 1,749 | 1,712 | 1,679 | 1,637 | 1,582 | 1,520 |
| Colleges of Applied Arts and Technology Pension Plan | 91 | 89 | 86 | 81 | 73 | 43 |
| Ryerson Retirement Pension Plan | 9 | 8 | 8 | 7 | 6 | 5 |
| | $ 32,653 | $ 30,987 | $ 29,732 | $ 28,864 | $ 27,700 | $ 25,314 |
| Publicly Held Debt | | | | | | |
| Debentures and Bonds[3] | $ 68,199 | $ 72,464 | $ 72,549 | $ 73,279 | $ 76,502 | $ 77,012 |
| Treasury Bills | 675 | 950 | 3,002 | 2,680 | 2,118 | 2,118 |
| U.S. Commercial Paper[3] | — | 272 | 396 | 523 | 809 | 809 |
| Other | 455 | 460 | 458 | 447 | 447 | 444 |
| | $ 69,329 | $ 74,146 | 76,405 | $ 76,929 | $ 79,876 | $ 80,383 |
| **Total Debt Issued for Provincial Purposes** | $ 101,982 | $ 105,133 | $ 106,137 | $ 105,793 | $ 107,576 | $ 105,697 |
| **Debt Issued for Investment in Electricity Sector[4]** | $ — | $ — | $ 8,885 | $ 8,885 | $ 8,885 | $ 8,885 |
| **Deposits with the Province of Ontario Savings Office** | $ 2,245 | $ 2,517 | $ 2,812 | $ 2,482 | $ 2,444 | $ 2,500 |
| **Other Liabilities[5]** | 21,995 | 19,237 | 19,403 | 16,798 | $ 15,600 | $ 15,825 |
| **Total Liabilities:** | $ 126,222 | $ 126,887 | $ 137,237 | $ 133,958 | $ 134,505 | $ 132,907 |
| **Less: Financial Assets[6]** | $ (13,487) | $ (12,150) | $ (23,522) | $ (23,324) | $ (23,998) | $ (22,411) |
| **Net Provincial Debt** | **$ 112,735** | **$ 114,737** | **$ 113,715[6]** | **$ 110,634[7]** | **$ 110,507** | **$ 110,496** |

Source: Ontario Ministry of Finance.

(1) The definition of Net Provincial Debt for 2002-03 has been adjusted to include the Net Investment in Capital Assets. For all other years, Net Provincial Debt represents total Liabilities less Financial Assets. Prepared on the basis of modified accrual and consolidation accounting.

(2) Includes debt issued by Government Organizations.

(3) All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts entered into by the Province.

(4) Debt issued for Investment in Electricity Sector comprises notes payable to Ontario Electricity Financial Corporation as a result of a debt for equity swap between the Province and its two wholly owned subsidiaries, Ontario Power Generation Inc. and Hydro One Inc.

(5) Other Liabilities include Accounts Payable, Accrued Liabilities and Pensions.

(6) Financial Assets include Cash and Temporary Investments, Accounts Receivable and Investment in Government Enterprises (including $8,885 million of investment in Electricity Sector).

(7) For more information on Net Provincial Debt, please see 2000-01 Public Accounts of Ontario, Statement of Financial Position.

## DEBT MATURITY SCHEDULE — TABLE I(B)

Interim 2002[1] ($ Millions)

| Year Ending March 31 | Debt Issued for Provincial Purposes[2]: Publicly Held Debt[3] | Debt Issued for Provincial Purposes[2]: Non-Public Debt | Debt Issued for Provincial Purposes[2]: Sub-Total | Debt Issued by Province for OEFC Purposes[4] | Total |
|---|---|---|---|---|---|
| 2003 | 12,143[5] | 2,386 | 14,529 | 3,796[5] | 18,325 |
| 2004 | 5,639 | 2,544 | 8,183 | 350 | 8,533 |
| 2005 | 9,118 | 2,239 | 11,357 | 3,250 | 14,607 |
| 2006 | 12,659 | 2,593 | 15,252 | 500 | 15,752 |
| 2007 | 5,382 | 1,885 | 7,267 | 119 | 7,386 |
| 0-5 years | 44,941 | 11,647 | 56,588 | 8,015 | 64,603 |
| 6-10 years | 14,673 | 10,557 | 25,230 | 3,166 | 28,396 |
| 11-15 years | 289 | 3,290 | 3,579 | 1,050 | 4,629 |
| 16-20 years | 51 | 2,162 | 2,213 | - | 2,213 |
| 21-25 years | 7,430 | 44 | 7,474 | 134 | 7,608 |
| 26-50 years | 12,492 | - | 12,492 | 601 | 13,093 |
| | **79,876** | **27,700** | **107,576** | **12,966[6]** | **120,542** |

(1) Prepared on the basis of modified accrual and consolidation accounting.
(2) Includes debt issued by Government Organizations.
(3) All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts entered into by the Province.
(4) This debt is offset by bonds of Ontario Electricity Financial Corporation (OEFC) bearing like terms and conditions to the Ontario obligations. Pursuant to the *Ontario Electricity Act, 1998*, OEFC was established as a continuation of Ontario Hydro on April 1, 1999.
(5) Includes: Province—$2,118 million in Treasury Bills and $809 million in U.S. Commercial Paper, OEFC—$2,990 million in Treasury Bills and $758 million in U.S. Commercial Paper.
(6) In addition, the Province has advanced to OEFC an overnight loan of $248 million.

## SUMMARY OF ONTARIO ELECTRICITY FINANCIAL CORPORATION (OEFC) INTERIM DEBT

TABLE I(C)

($ Millions)

| Currency | Canadian Dollar | U.S. Dollar | Japanese Yen | 31-Mar-02 Total | 31-March-01 Total |
|---|---|---|---|---|---|
| Fiscal Year | | | | | |
| 2002 | - | - | - | - | 5,275 |
| 2003 | 5,786 | 758 | - | 6,544 | 2,617 |
| 2004 | 1,601 | - | 65 | 1,666 | 1,813 |
| 2005 | 3,250 | - | - | 3,250 | 2,700 |
| 2006 | 1,000 | - | - | 1,000 | 1,000 |
| 2007 | 119 | - | - | 119 | - |
| 1-5 years | 11,756 | 758 | 65 | 12,579 | 13,405 |
| 6-10 years | 4,529 | 1,546 | - | 6,075 | 8,653 |
| 11-15 years | 2,811 | 1,195 | - | 4,006 | 1,831 |
| 16-20 years | 484 | - | - | 484 | 1,079 |
| 21-25 years | 3,175 | - | - | 3,175 | 3,558 |
| 26-50 years | 3,045 | - | - | 3,045 | 2,040 |
| | 25,800 | 3,499 | 65 | 29,364 | 30,566 |

## OEFC Debt Statistics

| As at March 31 ($ Millions) | 1999 | 2000 | 2001 | Interim 2002 | Plan 2003 |
|---|---|---|---|---|---|
| Debt issued by the Province for OEFC (formerly Ontario Hydro) | 4,248 | 9,647 | 11,195 | 13,214 [(1)] | 15,300 |
| Debt guaranteed by the Province | 26,238 | 21,691 | 19,371 | 16,150 | 13,500 |
| Total OEFC Debt | 30,486 | 31,338 | 30,566 | 29,364 | 28,800 |

(1) Includes an overnight loan of $248 million from the Province to OEFC.

## DESCRIPTION OF DERIVATIVE FINANCIAL INSTRUMENTS — Table I(D)

The table below presents a preliminary maturity schedule of the Province's derivative financial instruments, by type, outstanding at March 31, 2002, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts, are not indicative of credit or market risk and are not representative of actual cash flows.

The Province has sizable financing requirements, largely to refinance maturing indebtedness. To meet these financing requirements in the most cost-effective manner, the Province has issued a variety of debt instruments in domestic and international markets. To take advantage of favourable interest rates, the Province issues debt instruments that are repayable in several currencies other than Canadian dollars.

Derivatives are financial contracts, the value of which is derived from underlying assets. The Province uses derivatives for the purpose of hedging and to minimize interest and currency exchange costs. Hedges are created primarily through swaps, which are legal arrangements, the effect of which is that each party agrees to exchange, with another party, cash flows on a notional amount during a specified period in order to offset or effectively convert its existing obligations. Other derivative instruments used by the Province include forward foreign exchange contracts, forward rate agreements, futures and options.

## DERIVATIVE PORTFOLIO NOTIONAL VALUE

as at March 31, 2002 ($ Millions)

| Maturity in Fiscal Year | 2003 | 2004 | 2005 | 2006 | 2007 | 6-10 Years | Over 10 Years | Interim 2002 Total | 2000-01 Total |
|---|---|---|---|---|---|---|---|---|---|
| Swaps: | | | | | | | | | |
| Interest rate | 10,068 | 2,646 | 3,928 | 10,508 | 1,987 | 11,491 | 1,561 | 42,189 | 40,357 |
| Cross currency | 8,443 | 3,699 | 4,174 | 6,889 | 1,540 | 5,228 | - | 29,973 | 33,445 |
| Forward foreign exchange contracts | 1,312 | - | - | - | - | - | - | 1,312 | 1,090 |
| Futures | 171 | - | - | - | - | - | - | 171 | 769 |
| | $ 19,994 | $ 6,345 | $ 8,102 | $ 17,397 | $ 3,527 | $ 16,719 | $ 1,561 | $ 73,645 | $ 75,661 |

**Definitions:**

**Notional value:** represents the volume of outstanding contracts. It does not represent cash flows.

**Swap:** a legal arrangement, the effect of which is that each of the parties (the counterparty) takes responsibility for a financial obligation incurred by the other counterparty. An interest rate swap exchanges floating interest payments for fixed interest payments or vice versa. A cross-currency swap exchanges principal and interest payments in one currency for cash flows in another currency.

**Forward foreign exchange contract:** an agreement between two parties to set exchange rates in advance.

**Future:** a contract that confers an obligation to buy/sell a commodity at a specified price and amount on a future date.

The Province also limits its credit risk exposure on derivatives by entering into contractual agreements that provide for netting arrangements with virtually all of its counterparties, which enables it to settle derivative contracts on a net basis in the event of a counterparty default.

## Schedule of Outstanding Debt Issued by the Province of Ontario — TABLE II

Interim as at March 31, 2002

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| | | | **Debt Issued for Provincial Purposes** | | | |
| **PAYABLE IN CANADA IN CANADIAN DOLLARS** | | | | | | |
| **NON-PUBLIC DEBT** | | | | | | |
| **To Minister of Finance of Canada** | | | | | | |
| **Canada Pension Plan Investment Fund:** | | | | | | |
| **Year ending March 31** | | | | | | |
| 2003 | 1983 | CPP | 12.01 to 16.53 | 1,235,751,000 | 1,235,751,000 | |
| 2004 | 1984 | CPP | 10.92 to 12.14 | 1,200,847,000 | 1,200,847,000 | |
| 2005 | 1985 | CPP | 12.08 to 14.06 | 1,133,182,000 | 1,133,182,000 | |
| 2006 | 1986 | CPP | 10.58 to 12.57 | 1,213,502,000 | 1,213,502,000 | |
| 2007 | 1987 | CPP | 9.36 to 10.17 | 232,269,000 | 232,269,000 | |
| 2008 | 1988 | CPP | 10.79 | 42,300,000 | 42,300,000 | |
| 2012 | 1992 | CPP | 9.81 to 10.04 | 987,249,000 | 987,249,000 | |
| 2013 | 1993 | CPP | 9.17 to 9.45 | 700,137,000 | 700,137,000 | |
| 2019 | 1999 | CPP | 5.81 to 5.84 | 45,270,000 | 45,270,000 | |
| 2020 | 1999 | CPP | 5.5 to 6.91 | 869,889,000 | 869,889,000 | |
| 2021 | 2000 | CPP | 6.33 to 6.67 | 609,834,000 | 609,834,000 | |
| 2022 | 2001 | CPP | 6.17 to 6.47 | 389,955,000 | 389,955,000 | |
| | | | | | 8,660,185,000 | |
| **Issued by Government Organizations** | | | | | | |
| 2009 | 1989 | CPP | 9.15 to 10.31 | 310,439,000 | 310,439,000 | |
| 2010 | 1990 | CPP | 9.78 to 11.33 | 925,157,000 | 925,157,000 | |
| 2011 | 1991 | CPP | 9.81 to 10.04 | 91,630,000 | 91,630,000 | |
| 2012 | 1992 | CPP | 9.00 to 9.45 | 75,135,000 | 75,135,000 | |
| | | | | | 1,402,361,000 | |
| Total to Canada Pension Plan Investment Fund | | | | | **10,062,546,000** | (5) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **To Ontario Teachers' Pension Fund:** | | | | | | |
| Year ending March 31 | | | | | | |
| 2003 | 1978-1991 | TI | 9.82 to 10.53 | 655,570,855 | 655,570,855 | |
| 2004 | 1982-1984 | TI | 12.88 to 13.34 | 900,000,000 | 900,000,000 | |
| 2005 | 1984-1991 | TI | 12.60 to 13.27 | 821,000,000 | 821,000,000 | |
| 2006 | 1985-1991 | TI | 11.07 to 14.40 | 1,070,000,000 | 1,070,000,000 | |
| 2007 | 1985-1991 | TI | 10.26 to 13.01 | 1,185,000,000 | 1,185,000,000 | |
| 2008 | 1983-1991 | TI | 10.15 to 15.38 | 1,945,000,000 | 1,945,000,000 | |
| 2009 | 1986-1991 | TI | 10.98 to 11.50 | 1,465,000,000 | 1,465,000,000 | |
| 2010 | 1986-1991 | TI | 10.22 to 11.24 | 1,236,000,000 | 1,236,000,000 | |
| 2011 | 1987 | TI | 10.11 to 10.32 | 560,000,000 | 560,000,000 | |
| 2012 | 1988-1991 | TI | 10.68 to 11.24 | 580,000,000 | 580,000,000 | |
| 2013 | 1989-1991 | TI | 11.06 to 11.31 | 625,000,000 | 625,000,000 | |
| | | | | | 11,042,570,855 | (1) |
| **To Ontario Municipal Employees Retirement Fund:** | | | | | | |
| Year ending March 31 | | | | | | |
| 2003 | 1996 | MER | 8.02 to 10.28 | 235,259,824 | 235,259,824 | |
| 2004 | 1996 | MER | 9.45 | 163,695,000 | 163,695,000 | |
| 2007 | 1996 | MER | 9.77 | 102,675,000 | 102,675,000 | |
| | | | | | 501,629,824 | (1)(38) |
| **To Colleges of Applied Arts & Technology Pension Plan:** | | | | | | |
| Year ending March 31 | | | | | | |
| 2003 | 1996 | CAAT | 8.02 to 10.28 | 30,540,176 | 30,540,176 | |
| 2004 | 1996 | CAAT | 9.45 | 24,255,000 | 24,255,000 | |
| 2007 | 1996 | CAAT | 9.77 | 18,625,000 | 18,625,000 | |
| | | | | | 73,420,176 | (1)(38) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **To Ryerson Retirement Pension Plan:** | | | | | | |
| Year ending March 31 | | | | | | |
| 2003 | 1995 | RRPF | 14.65 | 926,036 | 926,036 | |
| 2004 | 1995 | RRPF | 12.78 | 1,081,061 | 1,081,061 | |
| 2005 | 1995 | RRPF | 13.33 | 1,229,597 | 1,229,597 | |
| 2006 | 1995 | RRPF | 11.16 | 1,464,199 | 1,464,199 | |
| 2007 | 1995 | RRPF | 9.64 | 1,618,485 | 1,618,485 | |
| | | | | | 6,319,378 | (1) |
| **To Canada Mortgage and Housing Corporation:** | | | | | | |
| Year ending March 31 | | | | | | |
| 2000-2003 | 1971 to 1978 | CMHC | 5.375 | 688,415 | 45,171 | |
| 2000-2004 | 1974 to 1975 | CMHC | 5.125 to 7.875 | 1,296,489 | 156,150 | |
| 2000-2005 | 1971 to 1975 | CMHC | 5.125 to 8.625 | 2,754,646 | 575,867 | |
| 2000-2006 | 1973 to 1976 | CMHC | 5.125 to 10.375 | 2,200,837 | 727,377 | |
| 2000-2007 | 1974 to 1977 | CMHC | 5.375 to 10.375 | 6,049,712 | 2,418,139 | |
| 2000-2010 | 1970 to1975 | CMHC | 5.75 to 6.875 | 4,312,601 | 1,746,142 | |
| 2000-2011 | 1971 to 1976 | CMHC | 5.375 to 8.25 | 5,876,136 | 3,080,533 | |
| 2000-2012 | 1972 | CMHC | 6.875 to 8.25 | 7,281,714 | 3,978,011 | |
| 2000-2013 | 1973 | CMHC | 7.25 to 8.25 | 1,252,053 | 745,158 | |
| 2000-2014 | 1974 | CMHC | 6.125 to 8.25 | 19,734,125 | 12,039,589 | |
| 2000-2015 | 1975 | CMHC | 7.50 to 10.375 | 11,488,523 | 7,510,952 | |
| 2000-2016 | 1976 | CMHC | 5.375 to 10.75 | 22,775,312 | 15,995,278 | |
| 2000-2017 | 1977 | CMHC | 7.625 to 10.75 | 15,797,368 | 11,869,688 | |
| 2000-2018 | 1977 to 1978 | CMHC | 7.625 to 13.00 | 38,133,367 | 30,437,838 | |
| 2000-2019 | 1977 to 1980 | CMHC | 7.625 to 15.25 | 41,958,001 | 34,604,779 | |
| 2000-2020 | 1978 to 1980 | CMHC | 7.625 to 15.75 | 65,976,661 | 55,380,456 | |
| 2000-2021 | 1981 | CMHC | 9.50 to 15.75 | 30,946,135 | 26,625,601 | |
| 2000-2022 | 1982 | CMHC | 9.75 to 15.75 | 1,177,064 | 1,052,865 | |
| | | | | | 208,989,594 | (2)(7) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **Issued by Government Organizations** | | | | | | |
| 2003 | N/A | CMHC | 5.125 to 7.98 | | 3,305 | |
| 2004 | N/A | CMHC | 5.2068 to 7.98 | | 19,645 | |
| 2005 | N/A | CMHC | 5.125 to 7.98 | | 18,745 | |
| 2006 | N/A | CMHC | 4.25 to 7.98 | | 53,868 | |
| 2007 | N/A | CMHC | 4.6739 to 7.98 | | 248,175 | |
| 2008 | N/A | CMHC | 5.875 to 7.98 | | 193,415 | |
| 2009 | N/A | CMHC | 5.375 to 7.98 | | 157,760 | |
| 2010 | N/A | CMHC | 6.4598 to 7.98 | | 797,612 | |
| 2011 | N/A | CMHC | 6.4159 to 7.98 | | 7,219,691 | |
| 2012 | N/A | CMHC | 5.2994 to 7.98 | | 370,738 | |
| 2013 | N/A | CMHC | 5.375 to 7.98 | | 5,526,914 | |
| 2014 | N/A | CMHC | 5.6206 to 7.98 | | 16,796,815 | |
| 2015 | N/A | CMHC | 5.822 to 7.98 | | 15,521,331 | |
| 2016 | N/A | CMHC | 6.1388 to 7.98 | | 42,257,255 | |
| 2017 | N/A | CMHC | 6.2491 to 7.98 | | 65,763,871 | |
| 2018 | N/A | CMHC | 7.1327 to 7.98 | | 54,428,570 | |
| 2019 | N/A | CMHC | 5.875 to 7.98 | | 58,678,935 | |
| 2020 | N/A | CMHC | 6.25 to 7.98 | | 187,995,632 | |
| 2021 | N/A | CMHC | 6.875 to 7.98 | | 90,427,992 | |
| 2022 | N/A | CMHC | 6.875 to 8.25 | | 98,464,214 | |
| 2023 | N/A | CMHC | 6.089 to 7.98 | | 77,120,083 | |
| 2024 | N/A | CMHC | 6.089 to 7.98 | | 63,652,166 | |
| 2025 | N/A | CMHC | 6.089 to 7.98 | | 56,261,858 | |
| 2026 | N/A | CMHC | 6.089 to 7.98 | | 22,383,246 | |
| 2027 | N/A | CMHC | 6.089 | | 22,798,113 | |
| 2028 | N/A | CMHC | 6.089 | | 3,460,312 | |
| | | | | | 890,620,261 | (7) |
| Total to Canada Mortgage and Housing Corporation | | | | | **1,099,609,855** | |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **To Public Service Pension Fund:** | | | | | | |
| Year ending March 31 | | | | | | |
| 2003 | 1997 | OPB | 9.81 to 16.95 | 128,554,996 | 64,277,498 | |
| 2004 | 1997 | OPB | 9.50 to 14.65 | 134,530,331 | 134,530,331 | |
| 2005 | 1997 | OPB | 9.82 to 12.78 | 160,431,479 | 160,431,479 | |
| 2006 | 1997 | OPB | 11.05 to 13.33 | 172,212,515 | 172,212,515 | |
| 2007 | 1997 | OPB | 11.16 to 13.33 | 188,766,466 | 188,766,466 | |
| 2008 | 1997 | OPB | 15.38 | 218,362,903 | 218,362,903 | |
| 2009 | 1997 | OPB | 12.79 | 264,512,886 | 264,512,886 | |
| 2010 | 1997 | OPB | 12.88 | 273,669,452 | 273,669,452 | |
| 2011 | 1997 | OPB | 13.33 | 282,994,558 | 282,994,558 | |
| 2012 | 1997 | OPB | 11.55 | 336,229,108 | 336,229,108 | |
| 2013 | 1997 | OPB | 10.38 | 374,479,804 | 374,479,804 | |
| 2014 | 1997 | OPB | 11.10 | 409,677,031 | 409,677,031 | |
| 2015 | 1997 | OPB | 11.19 | 450,938,707 | 450,938,707 | |
| | | | | | 3,331,082,738 | (1)(23)(65) |
| **To Public Service Employees' Union Pension Fund:** | | | | | | |
| Year ending March 31 | | | | | | |
| 2003 | 1997 | OPPT | 9.81 to 16.91 | 61,070,644 | 30,535,322 | |
| 2004 | 1997 | OPPT | 9.50 to 14.65 | 63,909,254 | 63,909,254 | |
| 2005 | 1997 | OPPT | 9.82 to 12.78 | 76,213,714 | 76,213,714 | |
| 2006 | 1997 | OPPT | 11.05 to 13.33 | 81,810,350 | 81,810,350 | |
| 2007 | 1997 | OPPT | 11.16 to 13.33 | 89,674,381 | 89,674,381 | |
| 2008 | 1997 | OPPT | 15.38 | 103,734,305 | 103,734,305 | |
| 2009 | 1997 | OPPT | 12.79 | 125,658,067 | 125,658,067 | |
| 2010 | 1997 | OPPT | 12.88 | 130,007,936 | 130,007,936 | |
| 2011 | 1997 | OPPT | 13.33 | 134,437,870 | 134,437,870 | |
| 2012 | 1997 | OPPT | 11.55 | 159,727,189 | 159,727,189 | |
| 2013 | 1997 | OPPT | 10.38 | 177,898,359 | 177,898,359 | |
| 2014 | 1997 | OPPT | 11.10 | 194,618,964 | 194,618,964 | |
| 2015 | 1997 | OPPT | 11.19 | 214,220,513 | 214,220,513 | |
| | | | | | 1,582,446,224 | (1)(23)(65) |
| **TOTAL NON-PUBLIC DEBT ISSUED** | | | | | **27,699,625,050** | |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **PAYABLE IN CANADA IN CANADIAN DOLLARS PUBLICLY HELD DEBT** | | | | | | |
| Apr. 22, 2003 | Dec. 29, 1992 | HG | 8.75 | 750,000,000 | 750,000,000 | (1) |
| July 13, 2003 | Jan. 13, 2000 | NB | Floating | 100,000,000 | 100,000,000 | (8) |
| Sept. 16, 2003 | Sept. 16, 1998 | MA | Floating | 100,000,000 | 100,000,000 | (1)(73) |
| June 2, 2004 | Feb. 3, 2000 | MG | 4.875 | 200,000,000 | 189,850,000 | (1)(97) |
| June 4, 2004 | Oct. 4, 2001 | DMTN20 | Floating | 75,500,000 | 75,500,000 | (1)(102) |
| June 11, 2004 | Oct. 11, 2001 | DMTN21 | Floating | 50,000,000 | 50,000,000 | (1)(100) |
| Sept. 15, 2004 | June 21, 1994 | HU | 9.00 | 1,450,000,000 | 1,450,000,000 | (1) |
| Dec. 2, 2004 | Oct. 28, 1999 | MV | 6.40 | 107,000,000 | 107,000,000 | (34) |
| Mar. 1, 2005 | Mar. 1, 2002 | DMTN38 | Floating | 50,000,000 | 50,000,000 | (115) |
| Mar. 8, 2005 | Dec. 10, 1999 | MZ | 6.25 | 1,000,000,000 | 1,250,000,000 | (1)(106) |
| May 13, 2005 | May 13, 1999 | ML | 5.85 | 50,000,000 | 50,000,000 | (44) |
| Dec. 1, 2005 | Sept. 13, 1995 | JP | 8.25 | 1,000,000,000 | 1,000,000,000 | (1) |
| Feb. 1, 2006 | Feb. 1, 1999 | MJ | 5.00 | 90,000,000 | 90,000,000 | (1) |
| Feb. 1, 2006 | Feb. 1, 2002 | DMTN34 | Floating | 500,000,000 | 500,000,000 | (1)(105) |
| Feb. 20, 2006 | Feb. 20, 1996 | JZ | 0.00 - 17.25 | 107,000,000 | 107,000,000 | (1)(40) |
| Mar. 8, 2006 | Oct. 26, 2000 | NL | 5.90 | 500,000,000 | 1,000,000,000 | (1)(107) |
| July 20, 2006 | July 20, 2001 | DMTN6 | Step-Up | 45,000,000 | 45,000,000 | (3) |
| July 24, 2006 | July 24, 1996 | KE | 7.75 | 600,000,000 | 593,800,000 | (1)(39) |
| Aug. 21, 2006 | Aug. 21, 2001 | DMTN9 | Step-Up | 25,000,000 | 25,000,000 | (22) |
| Sept. 5, 2006 | Sept. 5, 2001 | DMTN12 | Step-Up | 25,000,000 | 25,000,000 | (26) |
| Sept. 11, 2006 | Sept. 11, 2001 | DMTN13 | Step-Up | 30,000,000 | 30,000,000 | (36) |
| Sept. 11, 2006 | Sept. 11, 2001 | DMTN14 | 6.25 | 125,000,000 | 125,000,000 | (32) |
| Nov. 28, 2006 | Nov. 28, 2001 | DMTN25 | Step-Up | 25,000,000 | 25,000,000 | (94) |
| Dec. 12, 2006 | Dec. 12, 2001 | DMTN27 | Step-Up | 25,000,000 | 25,000,000 | (88) |
| Jan. 12, 2007 | Jan. 12, 1995 | JF | 9.50 | 200,000,000 | 132,950,000 | (1)(21) |
| Feb. 12, 2007 | Feb. 12, 2002 | DMTN35 | Step-Up | 50,000,000 | 50,000,000 | (108) |
| Feb. 20, 2007 | Nov. 20, 2001 | DMTN24 | Floating | 100,000,000 | 100,000,000 | (95) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding Issue ($) | Reference |
|---|---|---|---|---|---|---|
| **PUBLICLY HELD DEBT** - Continued | | | | | | |
| Mar. 1, 2007 | Mar. 1, 2002 | DMTN36 | Step-Up | 35,000,000 | 35,000,000 | (113) |
| Mar. 8, 2007 | Sept. 11, 2001 | DMTN16 | 5.20 | 1,000,000,000 | 997,100,000 | (1)(97) |
| Mar. 19, 2007 | Mar. 19, 2002 | DMTN41 | Step-Up | 25,000,000 | 25,000,000 | (118) |
| June 4, 2007 | Dec. 4, 2001 | DMTN28 | Step-Up | 30,000,000 | 30,000,000 | (72) |
| June 18, 2007 | Dec. 18, 2001 | DMTN31 | Step-Up | 33,000,000 | 33,000,000 | (111) |
| June 21, 2007 | Jan. 21, 2002 | DMTN32 | Step-Up | 35,000,000 | 35,000,000 | (112) |
| Aug. 27, 2007 | Aug. 27, 2001 | DMTN11 | Step-Up | 25,000,000 | 25,000,000 | (42) |
| Sept. 12, 2007 | Sept. 12, 1997 | LE | 6.125 | 1,100,000,000 | 1,145,000,000 | (1)(39)(49) |
| Dec. 10, 2007 | Dec. 10, 1997 | LH | 5.875 | 125,000,000 | 66,475,000 | (1)(109) |
| June 3, 2008 | June 3, 1999 | MN | Floating | 50,000,000 | 50,000,000 | (46) |
| July 15, 2008 | Feb. 6, 1998 | LM | 5.50 | 75,000,000 | 75,000,000 | (1) |
| Sept. 4, 2008 | Sept. 4, 1998 | LW | 6.30 | 50,000,000 | 50,000,000 | (1) |
| Sept. 17, 2008 | Sept. 17, 2001 | DMTN15 | Step-Up | 38,000,000 | 38,000,000 | (52) |
| Oct. 22, 2008 | Oct. 22, 2001 | DMTN22 | Step-Up | 25,000,000 | 25,000,000 | (99) |
| Dec. 1, 2008 | Mar. 5, 2002 | DMTN39 | Floating | 150,000,000 | 150,000,000 | (116) |
| Dec. 1, 2008 | Sept. 15, 1998 | LZ | 5.70 | 1,550,000,000 | 1,547,110,000 | (1)(97) |
| Dec. 5, 2008 | Dec. 5, 2001 | DMTN30 | Floating | 50,000,000 | 50,000,000 | (110) |
| Mar. 18, 2009 | Mar. 18, 2002 | DMTN40 | Step-Up | 30,000,000 | 30,000,000 | (117) |
| Apr. 1, 2009 | Apr. 9, 1998 | LR | 6.15 | 205,000,000 | 205,000,000 | (87) |
| July 27, 2009 | July 27, 1999 | MR | 5.75 - 6.50 | 40,000,000 | 40,000,000 | (25) |
| Sept. 4, 2009 | Sept. 4, 1997 | LD | 6.00 - 7.625 | 75,000,000 | 75,000,000 | (71) |
| Oct. 3, 2009 | Oct. 3, 2001 | DMTN19 | Step-Up | 33,000,000 | 33,000,000 | (103) |
| Nov. 19, 2009 | Mar. 19, 1999 | MU | 6.20 | 1,000,000,000 | 1,000,000,000 | (1) |
| Mar. 4, 2010 | Mar. 4, 2002 | DMTN37 | Step-Up | 25,000,000 | 25,000,000 | (114) |
| May 30, 2010 | May 30, 2001 | DMTN4 | Step-Up | 50,000,000 | 50,000,000 | (59) |
| June 28, 2010 | June 28, 2001 | DMTN5 | Step-Up | 30,000,000 | 30,000,000 | (68) |
| July 30, 2010 | July 30, 2001 | DMTN7 | Step-Up | 25,000,000 | 25,000,000 | (70) |
| Nov. 19, 2010 | Nov. 24, 2000 | NK | 6.10 | 1,620,000,000 | 1,620,000,000 | (1)(74) |
| Sept. 28, 2011 | Sept. 28, 2001 | DMTN17 | Step-Up | 40,000,000 | 40,000,000 | (104) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **PUBLICLY HELD DEBT** - Continued | | | | | | |
| Oct. 5, 2011 | Oct. 5, 2001 | DMTN18 | Step-Up | 40,000,000 | 40,000,000 | (101) |
| Oct. 30, 2011 | Oct. 30, 2001 | DMTN23 | Step-Up | 35,000,000 | 35,000,000 | (16) |
| Nov. 29, 2011 | Nov. 29, 2001 | DMTN26 | Step-Up | 50,000,000 | 50,000,000 | (89) |
| Dec. 2, 2011 | Feb. 27, 2002 | DMTN8 | 6.10 | 500,000,000 | 500,000,000 | (1)(60) |
| Sept. 1, 2015 | Sept. 1, 2000 | DMTN1 | 6.25 | 34,000,000 | 34,000,000 | (1)(45) |
| Sept. 4, 2020 | Sept. 4, 1998 | LY | 6.30 | 50,000,000 | 50,000,000 | |
| July 13, 2022 | July 13, 1992 | HC | 9.50 | 1,850,000,000 | 1,685,720,000 | (1)(53) |
| Sept. 8, 2023 | Sept. 8, 1993 | HP | 8.10 | 1,350,000,000 | 1,350,000,000 | (1) |
| June 2, 2025 | Dec. 20, 1994 | JE | 9.50 | 500,000,000 | 500,000,000 | (1) |
| Dec. 2, 2025 | Oct. 5, 1995 | JQ | 8.50 | 1,000,000,000 | 1,000,000,000 | (1) |
| Feb. 6, 2026 | Feb. 6, 1996 | JY | 8.00 | 50,000,000 | 12,500,000 | (1) |
| June 2, 2026 | Dec. 21, 1995 | JU | 8.00 | 1,000,000,000 | 1,000,000,000 | (1) |
| Dec. 2, 2026 | Feb. 13, 1997 | KR | 8.00 | 425,000,000 | 386,500,000 | (1)(18) |
| Dec. 2, 2026 | Jan. 20, 1999 | MH | 7.00 | 124,584,000 | 124,584,000 | (1)(90) |
| Feb. 3, 2027 | Aug. 5, 1997 | KN | 7.50 | 300,000,000 | 62,600,000 | |
| Feb. 3, 2027 | Aug. 5, 1997 | KT | 6.95 | 200,000,000 | 34,275,000 | |
| Feb. 3, 2027 | Aug. 1, 1997 | KY | 7.50 | 68,000,000 | 11,549,000 | (1) |
| Feb. 3, 2027 | Dec. 4, 1998 | LA | 7.50 | 50,000,000 | 5,507,000 | (1) |
| Feb. 4, 2027 | Feb. 4, 1998 | KQ | 7.375 | 125,000,000 | 990,000 | |
| June 2, 2027 | Oct. 17, 1996 | KJ | 7.60 | 4,170,300,000 | 4,209,400,000 | (1)(75) |
| Aug. 25, 2028 | Feb. 25, 1998 | LQ | 6.25 | 645,243,000 | 2,020,000 | (1) |
| Mar. 8, 2029 | Jan. 8, 1998 | LK | 6.50 | 4,677,000,000 | 4,677,000,000 | (1) |
| Jan. 13, 2031 | Sept. 8, 1995 | JN | 9.50 | 125,000,000 | 125,000,000 | (1) |
| June 2, 2031 | Mar. 27, 2000 | NF | 6.20 | 1,000,000,000 | 1,000,000,000 | (1) |
| Nov. 3, 2034 | Nov. 3, 1994 | HY | 9.75 | 280,000,000 | 280,000,000 | (1) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **PUBLICLY HELD DEBT** - Continued | | | | | | |
| Jan. 10, 1995 to | | | | | | |
| Jan. 10, 2035 | Nov. 30, 1994 | HZ | 9.4688 | 189,616,626 | 2,315,904 | (1)(24)(96) |
| " " | " " | JA | 9.4688 | 24,766,559 | 18,177,469 | (1)(24)(82) |
| " " | " " | JB | 9.4688 | 8,482,324 | 8,482,324 | (1)(24) |
| " " | " " | JC | 9.4688 | 4,764,354 | 4,764,354 | (1)(24) |
| " " | " " | JD | 9.4688 | 3,171,134 | 3,171,134 | (1)(24) |
| Feb. 8, 2035 | Feb. 8, 1995 | JJ | 9.875 | 73,000,000 | 73,000,000 | (19) |
| June 20, 2036 | June 28, 1996 | KC | 8.25 | 211,000,000 | 211,000,000 | (1) |
| June 20, 2038 | Sept. 16, 1996 | KG | 8.10 | 120,000,000 | 120,000,000 | (1) |
| July 13, 2038 | July 29, 1998 | LS | 5.75 | 50,000,000 | 50,000,000 | (1) |
| Aug. 25, 2038 | Aug. 17, 1998 | LT | 6.00 | 100,000,000 | 100,000,000 | (1) |
| July 13, 2039 | Feb. 2, 1999 | MK | 5.65 | 250,000,000 | 300,000,000 | (1)(77) |
| Dec. 2, 2039 | Feb. 25, 2000 | NE | 5.70 | 263,700,000 | 553,700,000 | (1)(78) |
| Dec. 2, 2041 | Aug. 15, 2001 | DMTN10 | 6.20 | 200,000,000 | 200,000,000 | (1) |
| March 8, 2042 | Dec. 4, 2001 | DMTN29 | 6.00 | 41,000,000 | 41,000,000 | (1) |
| June 2, 2042 | Jan. 18, 2002 | DMTN33 | 6.00 | 50,000,000 | 50,000,000 | (1) |
| June 10, 2045 | May 25, 1995 | JL | 8.435 | 35,531,176 | 35,531,176 | (1)(41) |
| Mar. 1, 2045 | Mar. 1, 1995 | JK | 9.50 | 150,000,000 | 150,000,000 | (20) |
| | | | | | 34,693,572,361 | |
| **ONTARIO SAVINGS BONDS** | | | | | | |
| Mar. 1, 2000 | Mar. 1, 1995 | Annual | Variable | 789,297,500 | 3,948,700 | (29) |
| Mar. 1, 2000 | Mar. 1, 1995 | Compound | Variable | 817,902,500 | 6,605,450 | (29) |
| June 21, 2000 | June 21, 1997 | Annual | Fixed | 281,498,800 | 619,200 | (29) |
| June 21, 2000 | June 21, 1997 | Compound | Fixed | 168,756,600 | 333,800 | (29) |
| June 21, 2001 | June 21, 1996 | Annual | Step-Up | 279,338,000 | 2,264,300 | (29) |
| June 21, 2001 | June 21, 1996 | Compound | Step-Up | 337,518,000 | 5,904,400 | (29) |
| June 21, 2001 | June 21, 1996 | Annual | Variable | 219,990,000 | 952,900 | (29) |
| June 21, 2001 | June 21, 1996 | Compound | Variable | 194,579,100 | 1,024,600 | (29) |
| June 21, 2001 | June 21, 1998 | Annual | Fixed | 101,725,500 | 809,000 | (29) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **ONTARIO SAVINGS BONDS** - Continued | | | | | | |
| June 21, 2001 | June 21, 1998 | Compound | Fixed | 78,706,000 | 1,056,000 | (29) |
| June 21, 2002 | June 21, 1999 | Annual | Fixed | 160,184,700 | 164,087,100 | (6)(30)(62) |
| June 21, 2002 | June 21, 1999 | Compound | Fixed | 148,829,300 | 142,842,300 | (30)(62) |
| June 21, 2003 | June 21, 1998 | Compound | Step-Up | 404,053,600 | 251,425,300 | (62)(92) |
| June 21, 2003 | June 21, 1998 | Annual | Step-Up | 439,199,300 | 270,634,500 | (62)(92) |
| June 21, 2003 | June 21, 2000 | Annual | Fixed | 432,459,400 | 436,581,500 | (6)(30)(62) |
| June 21, 2003 | June 21, 2000 | Compound | Fixed | 362,585,200 | 356,804,400 | (30)(62)(92) |
| June 21, 2004 | June 21, 1997 | Annual | Step-Up | 447,763,300 | 446,472,900 | (6)(62)(66) |
| June 21, 2004 | June 21, 1997 | Compound | Step-Up | 451,525,200 | 365,084,300 | (62)(66) |
| June 21, 2004 | June 21, 1997 | Annual | Variable | 107,533,500 | 13,517,300 | (62)(67) |
| June 21, 2004 | June 21, 1997 | Compound | Variable | 80,484,400 | 11,979,500 | (62)(67) |
| June 21, 2004 | June 21, 1999 | Compound | Step-Up | 386,322,100 | 249,434,300 | (62)(28) |
| June 21, 2004 | June 21, 1999 | Annual | Step-Up | 350,043,000 | 238,368,500 | (62)(28) |
| June 21, 2004 | June 21, 2001 | Annual | Fixed | 707,248,700 | 707,567,800 | (6)(30)(62) |
| June 21, 2004 | June 21, 2001 | Compound | Fixed | 564,912,700 | 564,416,100 | (30)(62) |
| June 21, 2005 | June 21, 1998 | Annual | Variable | 495,453,600 | 102,744,400 | (62)(81) |
| June 21, 2005 | June 21, 1998 | Compound | Variable | 435,985,400 | 100,422,900 | (62)(81) |
| June 21, 2005 | June 21, 2000 | Annual | Step-Up | 711,832,300 | 700,401,000 | (62)(48) |
| June 21, 2005 | June 21, 2000 | Compound | Step-Up | 628,656,700 | 613,105,300 | (62)(48) |
| June 21, 2006 | June 21, 1999 | Compound | Variable | 447,350,800 | 103,501,100 | (62)(81) |
| June 21, 2006 | June 21, 1999 | Annual | Variable | 556,662,200 | 87,111,100 | (62)(81) |
| June 21, 2006 | June 21, 2001 | Annual | Step-Up | 874,090,000 | 874,195,300 | (62)(6)(63) |
| June 21, 2006 | June 21, 2001 | Compound | Step-Up | 1,102,279,700 | 1,101,944,400 | (62)(63) |
| June 21, 2007 | June 21, 2000 | Compound | Variable | 513,553,000 | 179,459,800 | (62)(56) |
| June 21, 2007 | June 21, 2000 | Annual | Variable | 731,472,600 | 175,055,100 | (62)(56) |
| June 21, 2008 | June 21, 2001 | Annual | Variable | 248,834,900 | 248,987,200 | (62)(6)(64) |
| June 21, 2008 | June 21, 2001 | Compound | Variable | 201,030,800 | 200,865,300 | (62)(64) |
| | | | | | 8,730,527,050 | |
| TOTAL PAYABLE IN CANADA IN CANADIAN DOLLARS | | | | | 71,123,724,461 | (1) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **GLOBAL MARKET PAYABLE IN CANADIAN DOLLARS** | | | | | | |
| Mar. 11, 2003 | Mar. 11, 1993 | HK | 8.00 | 1,500,000,000 | 1,495,250,000 | (97) |
| Dec. 8, 2003 | July 20, 1993 | HM | 7.75 | 1,250,000,000 | 1,250,000,000 | |
| Jan. 24, 2005 | Jan. 24, 2000 | NC | Floating | 500,000,000 | 500,000,000 | (50) |
| Jan. 19, 2006 | Jan. 19, 1996 | JV | 7.50 | 1,250,000,000 | 1,240,000,000 | (39) |
| Feb. 7, 2024 | Feb. 7, 1994 | HS | 7.50 | 1,250,000,000 | 1,250,000,000 | |
| TOTAL PAYABLE IN CANADIAN DOLLARS | | | | | 5,735,250,000 | (1) |
| **PAYABLE IN EUROPE IN CANADIAN DOLLARS** | | | | | | |
| Nov. 27, 2003 | Nov. 27, 1998 | ME | 5.00 | 250,000,000 | 250,000,000 | |
| Sept. 27, 2005 | Sept. 27, 1993 | HQ | 7.25 | 500,000,000 | 500,000,000 | |
| Dec. 1, 2005 | Dec. 1, 1999 | EMTN045 | 6.50 | 325,000,000 | 375,000,000 | (31) |
| Aug. 9, 2006 | Aug. 9, 2001 | EMTN049 | 5.75 | 100,000,000 | 100,000,000 | |
| Dec. 31, 2007 | Jan. 16, 2002 | EMTN051 | 5.125 | 250,000,000 | 250,000,000 | |
| Jan. 27, 2009 | Jan. 27, 1999 | EMTN042 | 5.00 | 250,000,000 | 350,000,000 | (58) |
| Nov. 30, 2011 | Nov. 30, 2001 | EMTN050 | 5.25 | 300,000,000 | 300,000,000 | |
| July 13, 2034 | July 13, 1994 | EMTN005 | 9.40 | 300,000,000 | 300,000,000 | |
| TOTAL PAYABLE IN EUROPE IN CANADIAN DOLLARS | | | | | 2,425,000,000 | (1) |
| **PAYABLE IN THE UNITED STATES IN CANADIAN DOLLARS** | | | | | | |
| Feb. 18, 2013 | Feb. 18, 1993 | HJ | 9.24 | 250,000,000 | 250,000,000 | |
| TOTAL PAYABLE IN THE UNITED STATES IN CANADIAN DOLLARS | | | | | 250,000,000 | (1) |
| **PAYABLE IN THE UNITED STATES IN U.S. DOLLARS** | | | | | | |
| June 30, 2005 | Mar. 13, 2002 | NP | 4.20 | 250,000,000 | 250,000,000 | |
| TOTAL PAYABLE IN THE UNITED STATES IN U.S. DOLLARS | | | | | 250,000,000 | (1) |
| CANADIAN DOLLAR EQUIVALENT EXCHANGE RATE OF $1.5885 | | | | | 397,125,000 | (10) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **GLOBAL MARKET PAYABLE IN U.S. DOLLARS** | | | | | | |
| June 4, 2002 | June 4, 1992 | HB | 7.75 | 2,000,000,000 | 2,000,000,000 | |
| Jan. 27, 2003 | Jan. 27, 1993 | HH | 7.375 | 3,000,000,000 | 3,000,000,000 | |
| June 22, 2004 | June 22, 1994 | HV | 7.625 | 1,000,000,000 | 1,000,000,000 | |
| Aug. 4, 2005 | Aug. 4, 1995 | JM | 7.00 | 1,000,000,000 | 1,250,000,000 | |
| Feb. 21, 2006 | Feb. 21, 1996 | KA | 6.00 | 1,800,000,000 | 2,050,000,000 | (86) |
| Oct. 1, 2008 | Oct. 1, 1998 | MB | 5.50 | 1,000,000,000 | 1,750,000,000 | (85) |
| TOTAL PAYABLE IN U.S. DOLLARS | | | | | 11,050,000,000 | (1) |
| CANADIAN DOLLAR EQUIVALENT | | | | | | |
| EXCHANGE RATE OF $1.36613 | | | | | 15,095,696,133 | (43) |
| **PAYABLE IN CANADA IN U.S. DOLLARS** | | | | | | |
| Apr. 24, 2005 | Apr. 24, 1995 | DMTN1 | Floating | 100,000,000 | 100,000,000 | |
| May 1, 2005 | May 1, 1995 | DMTN2 | Floating | 100,000,000 | 100,000,000 | |
| May 9, 2005 | May 9, 1995 | DMTN3 | Floating | 100,000,000 | 100,000,000 | |
| May 16, 2005 | May 16, 1995 | DMTN4 | Floating | 100,000,000 | 100,000,000 | |
| TOTAL PAYABLE IN CANADA IN U.S. DOLLARS | | | | | 400,000,000 | (35) |
| CANADIAN DOLLAR EQUIVALENT | | | | | | |
| EXCHANGE RATE OF $1.36625 | | | | | 546,500,000 | (9) |
| **PAYABLE IN EUROPE IN U.S. DOLLARS** | | | | | | |
| June 12, 2003 | Jan. 19, 2001 | EMTN 47 | Floating | 100,000,000 | 100,000,000 | |
| TOTAL PAYABLE IN EUROPE IN U.S. DOLLARS | | | | | 100,000,000 | (1) |
| CANADIAN DOLLAR EQUIVALENT | | | | | | |
| EXCHANGE RATE OF $1.5260 | | | | | 152,600,000 | (11) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **PAYABLE IN JAPAN IN JAPANESE YEN** | | | | | | |
| Jan. 28, 2003 | Jan. 28, 1993 | YL001 | 5.50 | 10,000,000,000 | 10,000,000,000 | (1) |
| Mar. 24, 2003 | Mar. 22, 1993 | YL002 | 4.80 | 7,000,000,000 | 7,000,000,000 | (1) |
| Aug. 25, 2003 | Aug. 25, 1993 | YL003 | Floating | 10,000,000,000 | 10,000,000,000 | (1)(4) |
| Sept. 22, 2003 | Sept. 22, 1993 | YL004 | 5.20 | 10,000,000,000 | 10,000,000,000 | (1) |
| July 6, 2004 | July 6, 1994 | YL005 | 4.40 | 10,000,000,000 | 10,000,000,000 | (1) |
| July 21, 2004 | July 21, 1994 | YL006 | 4.53 | 10,000,000,000 | 10,000,000,000 | (1) |
| Sept. 8, 2004 | Sept. 7, 1994 | YL008 | 4.71 | 7,000,000,000 | 7,000,000,000 | (1) |
| Oct. 25, 2004 | Oct. 25, 1994 | YL009 | 5.00 | 10,000,000,000 | 10,000,000,000 | (1) |
| Dec. 20, 2004 | Dec. 20, 1994 | YL010 | 4.80 | 5,000,000,000 | 5,000,000,000 | (1) |
| Aug. 31, 2005 | Aug. 31, 1995 | YL011 | 3.10 | 25,000,000,000 | 25,000,000,000 | (1) |
| Mar. 16, 2007 | Mar. 18, 1997 | KU | 3.10 | 5,000,000,000 | 5,000,000,000 | (1)(54) |
| Mar. 16, 2007 | Mar. 18, 1997 | KV | 3.25 | 15,000,000,000 | 15,000,000,000 | (1)(55) |
| July 18, 2007 | July 18, 1997 | YL012 | 2.615 | 10,000,000,000 | 10,000,000,000 | (1) |
| Nov. 12, 2009 | Nov. 12, 1999 | YL014 | 2.00 | 10,000,000,000 | 10,000,000,000 | (1) |
| TOTAL PAYABLE IN JAPAN IN JAPANESE YEN | | | | | 144,000,000,000 | |
| CANADIAN DOLLAR EQUIVALENT | | | | | | |
| EXCHANGE RATE OF $0.01254 | | | | | 1,805,815,195 | (14) |
| **GLOBAL MARKET PAYABLE IN JAPANESE YEN** | | | | | | |
| Jan. 25, 2010 | Jan. 25, 2000 | ND | 1.875 | 50,000,000,000 | 50,000,000,000 | |
| TOTAL PAYABLE IN JAPANESE YEN | | | | | 50,000,000,000 | (1) |
| CANADIAN DOLLAR EQUIVALENT | | | | | | |
| EXCHANGE RATE OF $0.01204 | | | | | 601,817,180 | (82) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **PAYABLE IN EUROPE IN JAPANESE YEN** | | | | | | |
| Mar. 15, 2005 | Mar. 15, 1995 | EMTN015 | 6.00 | 2,000,000,000 | 2,000,000,000 | (33) |
| Sept. 8, 2005 | Mar. 23, 1998 | EMTN037 | 6.21 | 10,000,000,000 | 10,000,000,000 | |
| Sept. 19, 2005 | Sept. 4, 1998 | EMTN038 | 6.205 | 10,000,000,000 | 10,000,000,000 | |
| Aug. 29, 2006 | Aug. 29, 1996 | EMTN021 | 4.28 | 10,000,000,000 | 10,000,000,000 | (57) |
| Mar. 26, 2007 | Apr. 3, 1997 | EMTN033 | 3.20 | 10,000,000,000 | 10,000,000,000 | (47) |
| June 13, 2007 | June 13, 1997 | EMTN034 | 3.58 | 10,000,000,000 | 10,000,000,000 | (79) |
| Feb. 25, 2008 | Feb. 25, 1998 | EMTN036 | 2.60 | 7,100,000,000 | 7,100,000,000 | (80) |
| Nov. 19, 2009 | Nov. 24, 1999 | EMTN046 | 2.00 | 10,000,000,000 | 10,000,000,000 | |
| TOTAL PAYABLE IN EUROPE IN JAPANESE YEN | | | | | 69,100,000,000 | (1) |
| CANADIAN DOLLAR EQUIVALENT | | | | | | |
| EXCHANGE RATE OF $0.01270 | | | | | 877,724,744 | (15) |
| **PAYABLE IN EUROPE IN EUROS** | | | | | | |
| Jan. 13, 2004 | Jan. 13, 1994 | HR | 6.25 | 735,825,710 | 735,825,710 | (120) |
| Sept. 27, 2004 | Sept. 27, 1994 | HX | 7.75 | 181,512,086 | 181,512,086 | (121) |
| Feb. 17, 2006 | Feb. 17, 1999 | EMTN043 | 3.50 | 27,000,000 | 27,000,000 | (1) |
| July 29, 2008 | July 29, 1996 | KD | 6.875 | 457,347,051 | 457,347,051 | (122) |
| July 21, 2009 | July 21, 1997 | EMTN035 | 5.875 | 457,347,051 | 457,347,051 | (76) |
| TOTAL PAYABLE IN EUROPE IN EUROS | | | | | 1,859,031,898 | |
| CANADIAN DOLLAR EQUIVALENT | | | | | | |
| EXCHANGE RATE OF $1.78117 | | | | | 3,311,260,223 | (27) |
| **GLOBAL MARKET PAYABLE IN NEW ZEALAND DOLLARS** | | | | | | |
| Dec. 3, 2008 | Dec. 3, 1998 | MF | 6.25 | 250,000,000 | 250,000,000 | |
| TOTAL PAYABLE IN NEW ZEALAND DOLLARS | | | | | 250,000,000 | (1) |
| CANADIAN DOLLAR EQUIVALENT | | | | | | |
| EXCHANGE RATE OF $0.82770 | | | | | 206,925,000 | (69) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **PAYABLE IN EUROPE IN NORWEGIAN KRONER** | | | | | | |
| Dec. 29, 2004 | Sept. 12, 1996 | EMTN022 | 7.00 | 300,000,000 | 300,000,000 | |
| TOTAL PAYABLE IN EUROPE IN NORWEGIAN KRONER | | | | | 300,000,000 | (1) |
| CANADIAN DOLLAR EQUIVALENT | | | | | | |
| EXCHANGE RATE OF $0.21235 | | | | | 63,704,048 | (61) |
| **PAYABLE IN EUROPE IN POUNDS STERLING** | | | | | | |
| July 30, 2002 | July 30, 1992 | HD | 9.375 | 200,000,000 | 200,000,000 | |
| June 10, 2004 | June 10, 1998 | EMTN039 | 6.375 | 200,000,000 | 200,000,000 | |
| TOTAL PAYABLE IN EUROPE IN POUNDS STERLING | | | | | 400,000,000 | (1) |
| CANADIAN DOLLAR EQUIVALENT | | | | | | |
| EXCHANGE RATE OF $2.30675 | | | | | 922,700,000 | (12) |
| **PAYABLE IN EUROPE IN SWISS FRANCS** | | | | | | |
| Jan. 27, 2003 | Jan. 27, 1993 | HF | 6.25 | 400,000,000 | 400,000,000 | |
| July 7, 2003 | July 7, 1998 | EMTN041 | 2.50 | 250,000,000 | 250,000,000 | |
| TOTAL PAYABLE IN EUROPE IN SWISS FRANCS | | | | | 650,000,000 | (1) |
| CANADIAN DOLLAR EQUIVALENT | | | | | | |
| EXCHANGE RATE OF $1.055083 | | | | | 685,804,139 | (13) |
| TOTAL DEBENTURES AND BONDS | | | | | 76,502,021,073 | |
| **TREASURY BILLS** | | | | | 2,118,000,000 | (84) |
| **U.S. COMMERCIAL PAPER (in U.S. Dollars)** | | | | | 517,001,000 | |
| CANADIAN DOLLAR EQUIVALENT | | | | | | |
| EXCHANGE RATE OF $1.56509 | | | | | 809,151,713 | (91) |

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **Other Debt Issued by Government Organizations** | | | | | | |
| **PAYABLE IN THE UNITED STATES IN U.S. DOLLARS** | | | | | | |
| July 1, 2006 | Mar. 31, 1994 | Collateralized financing | 7.261 to 7.395 | 311,866,966 | 315,438,097 | |
| TOTAL PAYABLE IN THE UNITED STATES IN U.S. DOLLARS | | | | | 315,438,097 | |
| CANADIAN DOLLAR EQUIVALENT EXCHANGE RATE OF $1.41685 | | | | | 446,929,119 | |
| **TOTAL PUBLICLY HELD DEBT ISSUED** | | | | | **79,876,101,905** | |
| **TOTAL DEBT ISSUED FOR PROVINCIAL PURPOSES** | | | | | **107,575,726,955** | (83) |
| **Debt Issued for Ontario Electricity Financial Corporation (OEFC)*** | | | | | | |
| **PAYABLE IN CANADA IN CANADIAN DOLLARS** | | | | | | |
| **NON-PUBLIC DEBT** | | | | | | |
| **Canada Pension Plan Investment Fund** | | | | | | |
| 2007 | 1986 | CPP | 9.64 | 119,000,000 | 119,000,000 | |
| 2008 | 1988 | CPP | 9.13 to 9.72 | 388,715,000 | 388,715,000 | |
| 2009 | 1989 | CPP | 9.62 to 10.31 | 589,319,000 | 589,319,000 | |
| 2010 | 1990 | CPP | 9.61 to 10.31 | 650,712,000 | 650,712,000 | |
| 2021 | 2001 | CPP | 6.08 | 19,375,000 | 19,375,000 | |
| 2022 | 2002 | CPP | 6.26 to 6.29 | 114,000,000 | 114,000,000 | |
| TOTAL PAYABLE IN CANADA IN CANADIAN DOLLARS | | | | | 1,881,121,000 | (5) |

* This debt is offset by Bonds of Ontario Electricity Financial Corporation (OEFC) bearing like terms and conditions to the Ontario obligations. Pursuant to the *Ontario Electricity Act, 1998*, OEFC was established as a continuation of Ontario Hydro on April 1, 1999.

**TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued**

| Date of Maturity | Date of Issue | Series | Interest Rate (%) | Original Issue ($) | Outstanding ($) | Reference |
|---|---|---|---|---|---|---|
| **PAYABLE IN CANADA IN CANADIAN DOLLARS** | | | | | | |
| **PUBLICLY HELD DEBT** | | | | | | |
| Nov. 1, 2002 | May 9, 2000 | HC-NH | 6.239 | 116,995,000 | 47,743,828 | (17)(98) |
| June 2, 2004 | Dec. 9, 1998 | HC-MG | 4.875 | 2,500,000,000 | 3,000,000,000 | (119) |
| Mar. 8, 2006 | Mar. 8, 2001 | CDB-NLA | 5.90 | 500,000,000 | 500,000,000 | |
| Dec.1, 2008 | Jan. 22, 1999 | HC-LZ | 5.70 | 650,0000,000 | 650,0000,000 | |
| Nov. 19, 2009 | July 26, 2000 | HC-MU | 6.20 | 500,000,000 | 500,000,000 | |
| Nov. 19, 2010 | Sept. 1, 2000 | HC-NK | 6.10 | 500,000,000 | 500,000,000 | |
| Mar. 15, 2011 | Mar. 15, 2001 | DMTN3 | 5.50 | 50,000,000 | 50,000,000 | (37) |
| Dec. 2, 2011 | July 20, 2001 | DMTN8 | 6.10 | 500,000,000 | 500,000,000 | |
| June 2, 2027 | Feb. 4, 2000 | HC-KJA | 7.60 | 25,500,000 | 25,500,000 | |
| Aug. 25, 2028 | April 6, 1999 | HC-LQA | 6.25 | 78,600,000 | 78,600,000 | |
| June 2, 2031 | Feb. 24, 2000 | HC-NF | 6.20 | 500,000,000 | 500,000,000 | (51) |
| | | | | | 6,351,843,828 | |
| **PAYABLE IN EUROPE IN CANADIAN DOLLARS** | | | | | | |
| Nov. 27, 2003 | June 17, 1999 | HC-ME | 5.00 | 350,000,000 | 350,000,000 | |
| Feb. 28, 2005 | Feb. 28, 2001 | EMTN-48 | 5.25 | 250,000,000 | 250,000,000 | |
| | | | | | 600,000,000 | |
| **GLOBAL MARKET PAYABLE IN U.S. DOLLARS** | | | | | | |
| Oct. 1, 2008 | Mar. 19, 2001 | GLB-MBB | 5.5 | 250,000,000 | 250,000,000 | |
| TOTAL PAYABLE IN U.S. DOLLARS | | | | | 250,000,000 | |
| CANADIAN DOLLAR EQUIVALENT EXCHANGE RATE OF $1.550 | | | | | 387,500,000 | (93) |
| **TREASURY BILLS** | | | | | 2,990,000,000 | |
| **US COMMERCIAL PAPER (in U.S. Dollars)** | | | | | 474,000,000 | |
| CANADIAN DOLLAR EQUIVALENT EXCHANGE RATE OF $1.5935 | | | | | 755,319,000 | |
| **TOTAL DEBT ISSUED FOR ONTARIO ELECTRICITY FINANCIAL CORPORATION (OEFC)** | | | | | 12,965,783,828 * | |

* In addition, the Province has advanced to OEFC an overnight loan of $247,713,500.

**References:**

1. Non-callable.
2. Liability to Canada Mortgage and Housing Corporation assumed by the Ministry of Finance upon the dissolution of Ontario Land Corporation.
3. Bonds are extendible at the option of the Province every six months starting July 20, 2003, to the final maturity date of July 20, 2006. Coupon interest is paid monthly at a rate of 5.35% in years 1-2, 5.90% in year 3, 6.50% in year 4, and 7.00% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 4.99%.
4. Interest payable is six-month Yen LIBOR.
5. Securities sold to the Canada Pension Plan Investment Fund are payable 20 years after their respective dates of issue, are not negotiable and not transferable or assignable but are redeemable in whole or in part before maturity at the option of the Minister of Finance of Canada, on six months' prior notice, when the Minister deems it necessary in order to meet the requirements of the Canada Pension Plan. In the case of redemption before maturity, the Ontario Securities are to be redeemed in the order in which they were issued and the amount of Ontario Securities to be redeemed at any time shall be proportionate to the amount of all securities then held to the credit of the said fund represented by Ontario Securities.
6. The par value of bonds outstanding exceeds the original par value of bonds issued due to conversions from compound interest form bonds into annual interest form bonds.
7. The terms of these debentures require that equal payments be made each year until their maturity. Each payment consists of blended principal and interest.
8. Interest payable is three-month Canadian BA.
9. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.36625. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.64%.
10. The Province entered into currency exchange agreements that effectively converted the U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.5885. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a floating rate Canadian dollar 3-month BA rate minus 0.07%.
11. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.5260. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 4.85% .
12. The Province entered into currency exchange agreements that effectively converted these Pounds Sterling obligations to Canadian Dollar obligations at an exchange rate of 2.30675. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.80%.
13. The Province entered into currency exchange agreements that effectively converted these Swiss Franc obligations to Canadian Dollar obligations at an exchange rate of 1.055083. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.75% on $437 million and floating Canadian BA rate plus 0.004% on $283 million and floating Canadian BA rate minus 0.025% on $249 million.
14. The Province entered into currency exchange agreements that effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.01254. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.12% on $1,586 million, and floating Canadian BA rate minus 0.051% on $220 million.
15. The Province entered into currency exchange agreements that effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.01270. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.77%.
16. Bonds are extendible at the option of the Province on six months starting October 30, 2003, to the final maturity date of October 30, 2011. Coupon interest is paid monthly at a rate of 4.75% in year 1, 5.0% in year 2, 5.25% in year 3, 5.50% in year 4, 5.75% in year 5, 6% in year 6, 6.50% in year 7, 6.75% in year 8, 7% in year 9 and 7.25% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.12%.
17. During the 2001-02 fiscal year, the Province purchased for cancellation $69.1 million of the HC-NH bonds.
18. During the 2001-02 fiscal year, the Province purchased for cancellation $38.5 million of the KR Series bonds.
19. Retractable in whole or in part on February 8, 2007, at the holder's option, provided that the notice of retraction is made during the period from July 15, 2006 to January 15, 2007 inclusive. Such election is irrevocable.
20. Retractable in whole or in part on March 1, 2010, at the holder's option, provided that the notice of retraction is made during the period from March 1, 1995 to February 12, 2010 inclusive. Such election is irrevocable.
21. Exchangeable at any time, in whole or in part, at the holder's option, for an equivalent principal amount of Series JG 9.50% bonds due January 12, 2035.
22. Bonds are extendible at the option of the Province on every coupon date starting on August 21, 2003, to the final maturity date of August 21, 2006. Coupon interest is paid semi-annually at a rate of 5.20% in years 1-2, 5.50% in year 3, 6.00% in year 4, and 6.70% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 4.63%.
23. The terms of these debentures require that the principal be repaid in 12 equal monthly payments in the year preceding the date of maturity.
24. The terms of these debentures require unequal payments, consisting of both principal and interest, to be made at predetermined irregular intervals. On January 10, 2035, the principal to be repaid on each debenture will be $2.3 million.

25. Bonds are extendible at the option of the Province on every coupon date starting on July 27, 2001, to the final maturity date of July 27, 2009. Coupon interest is paid semi-annually at a rate of 5.75% in years 1-2, 5.90% in years 3-4, 6.00% in years 5-6, 6.15% in years 7-8, 6.25% in year 9, and 6.50% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.125%.
26. Bonds are extendible at the option of the Province on every coupon date, starting on September 5, 2003, to the final maturity date of September 5, 2006. Coupon interest is paid semi-annually at a rate of 5.00% in years 1-2, 5.25% in year 3, 5.75% in year 4, and 6.40% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 4.39%.
27. The Province entered into currency exchange agreements that effectively converted these Euro obligations to Canadian Dollar obligations at an exchange rate of 1.781175. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.99% on $3,265 million and floating Canadian BA rate minus 0.055% on $46 million.
28. The interest rate was set at 4.75% for the first year. The interest payable is 6.00% in the second year, 6.25% in the third year, 6.50% in the fourth year and 6.75% in the final year.
29. The 1995 series of Ontario Savings Bonds matured on March 1, 2000, the 1997 fixed series bonds matured on June 21, 2000, the 1996 Series bonds and the 1998 fixed Series bonds matured on June 21, 2001. The outstanding amounts at March 31, 2002 represent bonds not yet presented for redemption.
30. In every year for the period 1997-2001, the Province issued fixed rate OSBs each with terms of three years. Interest rates were set for the term of the bonds. The rate on the 1997 and 1998 Series bonds was set at 5.25%. The rate on the 1999 and 2001 Series bonds was 5.50%, and the rate on 2000 Series bonds was 6.50%.
31. During the 2001-02 fiscal year, Series EMTN45 was reopened once, bringing the total issue to $375 million.
32. Callable in full, and not in part, on September 4, 2003, at par. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 3.38%.
33. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars, based on a notional principal of AUD 27.2 million at a rate of 6.00%.
34. The bonds are extendible at the option of the bondholder on or before November 10, 2004. Coupon interest is paid at 6.40% for the first five years. If extended to final maturity date of December 2, 2014, the coupon will step-up to 6.80%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate.
35. Interest payable is six-month U.S. LIBOR plus 0.0475%.
36. Bonds are extendible at the option of the Province on every coupon date starting September 11, 2003, to the final maturity date of September 11, 2006. Coupon interest is paid semi-annually at a rate of 4.75% in years 1-2, 5.10% in year 3, 5.55% in year 4, and 6.40% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 4.07%.
37. Retractable in whole or in part on March 15, 2005, at the holder's option provided that irrevocable notice of retraction is made on March 1, 2005. Coupon interest is paid at 5.50% for the first four years and 6.80% for the remaining six years on outstanding bonds.
38. The original debentures payable to OMERS were replaced effective December 31, 1995, with debentures payable to OMERS and to Colleges of Applied Arts and Technology Pension Plan, in the amounts of $741.6 million and $90.9 million, respectively. The terms and conditions remain the same as those of the original debentures.
39. Agricorp, a Government Organization, holds $15 million in Series LE, $10 million in Series JV and 6.2 million in Series KE. On consolidation under PSAB these amounts reduce the outstanding balance of each issue.
40. No interest is payable in the first five years, thereafter interest is payable monthly at an annual interest rate of 17.25%.
41. The terms of these debentures require unequal payments, consisting of both principal and interest, to be made at predetermined irregular intervals with the final payment on January 10, 2045. The total principal and interest to be paid over the life of the debenture is $1,325 million in total.
42. Bonds are extendible at the Option of the Province on every coupon date, starting on August 27, 2003, to the final maturity date of August 27, 2007. Coupon interest is paid semi-annually at a rate of 5.10% in years 1-2, 5.60% in year 3, 5.80% in year 4, 6.00% in year 5, and 7.00% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest on this debt to a fixed rate of 4.52%.
43. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.36613. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 7.86%.
44. Bond is callable on May 13, 2003 at the option of the Province. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.05%.
45. The Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.02%.
46. Interest is payable at floating Canadian BA rate plus 0.85% paid quarterly for the first two years, then 5.75% semi-annually if not called. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.07%.
47. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars based on a notional principal of AUD 103.2 million at a rate of 3.2% payable annually. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.86%.
48. The interest rate was set at 5.75% for the first year. The minimum interest payable is 6.25% in the second year, 6.50% in the third year, 6.75% in the fourth year and 7.00% in the final year.

49. During the 2001-02 fiscal year, Series LE was reopened once, bringing the total issue size to $1,160 million.
50. The Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.63%.
51. This issue has been on-lent to OEFC until June 2, 2010, after which the issue will be assumed by the Province until the maturity date.
52. Bonds are extendible at the option of the Province on every year starting on September 17, 2003, to the final maturity date of September 17, 2008. Coupon interest is paid annually at a rate of 4.75% in years 1-2, 5.25% in year 3, 6.20% in year 4, 6.25% in year 5, 6.50% in year 6, and 6.75% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.79%.
53. During the 2001-02 fiscal year, the Province purchased for cancellation $164.28 million of the HC Series bonds.
54. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars, based on a notional principal of AUD 52.5 million at a rate of 3.10%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.051%.
55. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in U.S. Dollars, based on a notional principal of USD 120.8 million at a rate of 3.25%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.051%.
56. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 6.00%. Effective December 21, 2001, the interest rate was set at 2.00%.
57. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars, based on a notional principal of AUD 121.1 million at a rate of 4.28%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 7.38%.
58. During the 2001-02 fiscal year, Series EMTN42 was reopened once, bringing the total issue to $350 million.
59. Bonds are extendible at the option of the Province on every coupon date starting on May 30, 2003, to the final maturity date of May 30, 2010. Coupon interest is paid semi-annually at a rate of 5.50% in year 1, 5.75% in year 2, 6.00% in year 3, 6.25% in year 4, 6.50% in year 5, 6.75% in year 6, 7.00% in year 7, 7.50% in year 8, and 8.00% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 5.04%.
60. During the 2001-02 fiscal year, Series DMTN8 was reopened once, bringing the total issue size to $1,000 million (including $500 million for OEFC purposes).
61. The Province entered into currency exchange agreements that effectively converted these Norwegian Kroner obligations to Canadian Dollar obligations at an exchange rate of 0.21235. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.028%.
62. Current outstanding OSBs are redeemable at the option of the holder on June 21 and December 21 with the exception of fixed rate bonds, which are redeemable at maturity only. All current outstanding OSBs may be redeemed upon the death of the beneficial owner. The 1999, 2000 and 2001 series may also be redeemed during the 14 calendar days immediately following June 21 and December 21. The Minister of Finance may reset the interest rate from time to time prior to maturity.
63. The interest rate was set at 4.25% for the first year. The rate is 5% in the second year, 5.75% in the third year, 6.25% in the fourth year and 6.75% in the final year.
64. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 4.50%. Effective December 21, 2001, the interest rate was set at 2.00%.
65. Pursuant to the *Ontario Public Service Employees' Pension Act 1994* and the *Asset Transfer Agreement of December 12, 1994*, the Province is obligated to re-split the debentures between the Public Service Pension Fund ("PSP Fund") and the Ontario Public Service Employees' Union Pension Plan Trust Fund ("OPSEU Fund") based on accurate data when it is available. On June 13, 1997 a *Restated Sponsorship Amendment and Asset Transfer Agreement* was signed, replacing the 1994 agreement. Pursuant to this Agreement on September 17, 1997, the re-split of the debentures was completed. To effect this redistribution of assets, $3,745.8 million of debentures held by PSPF and $1,751.4 million of debentures held by OPSEU were retired and replaced by $3,726.8 million and $1,770.4 million of debentures to be held by PSPF and OPSEU respectively.
66. The interest rate was set at 3.00% for the first year. The interest payable is 5.25% in the second year, 6.00% in the third year, 6.50% in the fourth year, 7.00% in the fifth year, 7.50% in the sixth year and 8.00% in the final year.
67. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 3.25%. Effective December 21, 2001, the interest rate was set at 2.00%.
68. Bonds are extendible at the option of the Province on every coupon date starting on June 28, 2003, to the final maturity date of June 28, 2010. Coupon interest is paid semi-annually at a rate of 5.70% in years 1-2, 6.00% in years 3-4, 6.25% in year 5, 6.50% in year 6, 7.00% in year 7, 7.50% in year 8, and 8.00% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 4.82%.
69. The Province entered into currency exchange agreements that effectively converted these New Zealand Dollar obligations to Canadian Dollar obligations at an exchange rate of 0.82770. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.56%.
70. Bonds are extendible at the option of the Province on every coupon date starting on July 30, 2003, to the final maturity date of July 30, 2010. Coupon interest is paid semi-annually at a rate of 5.50% in year 1, 5.75% in year 2, 6.25% in years 3-4, 6.50% in years 5-6,7.00% in year 7, 7.25% in year 8, and 7.50% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 4.78%.

71. Notes are extendible at the option of the Province on September 4, 2000, 2003 and 2006 to the final maturity date of September 4, 2009. Coupon interest is paid semi-annually at a rate of 6.00% in years 1-3, 6.125% in years 4-6, 6.35% in years 7-9 and 7.625% in years 10-12. In addition, the Province entered into interest rate agreements that effectively converted the interest obligations on this debt to floating Canadian BA rate minus 0.22%.
72. Bonds are extendible at the option of the Province on June 4, 2004, to the final maturity date of June 4, 2007. Coupon interest is paid semi-annually at a rate of 4.20% in years 1-2, and 6.05% in the remaining three years. In addition, the Province entered into interest rate agreements that effectively locked in a gain of 14 basis points.
73. Interest payable is three-month Canadian BA rate minus 0.05%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.23%.
74. During 2001-02, the bondholder of NN Series has the option to purchase an equal amount of the same issue at 101.739 plus accrued interest on February 20, 2002. This option was exercised, bringing the total issue size to $120 million. NN Series were exchanged for an equal amount of Series NK on March 13, 2002, bringing the total issue to $1,620 million.
75. During the 2001-02 fiscal year, Series KJ bonds were reopened once, bringing the total issue to $4,209.4 million.
76. The amount outstanding as at March 31, 2002, in legacy currency is French Franc 3,000,000,000. The French Franc is converted to Euro using conversion rate of 6.55957; in accordance with Council Regulation (EU) No. 2866/98.
77. During the 2001-02 fiscal year, Series MK bonds were reopened once, bringing the total issue to $300 million.
78. During the 2001-02 fiscal year, Series NE bonds were reopened five times, bringing the total issue to $553.7 million.
79. Proceeds of issue and repayment of principal are in Japanese Yen. Interest is payable in US Dollars based on a notional principal of USD 86.3 million, at a rate of 3.58% payable annually. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.40%.
80. Proceeds of issue and repayment of principal are in Japanese Yen. Interest is payable in US Dollars semi-annually based on notional principal of USD 57.1 million, at a rate of 2.6%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.57%.
81. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 5.00%. Effective December 21, 2001, the interest rate was set at 2.00%.
82. During the 2001-02 fiscal year, the Province purchased for cancellation $6.6 million of the JA Series bonds.
83. Total Debt Issued for Provincial Purposes on a consolidated basis includes the long-term debt of the Toronto Area Transit Authority (GO Transit) for $447 million and the Ontario Housing Corporation for $2,214 million.
84. The Treasury Bill balance does not include the following Treasury Bill holdings: $265 million held by the Northern Ontario Heritage Fund Corporation, $91 million held by Ontario Trillium Foundation and $21 million held by Ontario Securities Commission, as these will be eliminated upon consolidation.
85. During the 2001-02 fiscal year, Series MB was reopened three times, bringing the total issue to US$2,000 million (including US$250 million for OEFC purposes).
86. During the 2001-02 fiscal year, Series KA was reopened once, bringing the total issue to US$2,050 million.
87. Bond is callable on April 1, 2003 at the Province of Ontario's option. In addition, the Province entered into interest rate agreements that effectively converted the interest obligations on this debt to floating Canadian BA rate minus 0.08%.
88. Bonds are extendible at the option of the Province on every coupon date starting December 12, 2003, to the final maturity date of December 12, 2006. Coupon interest is paid semi-annually at a rate of 4.00% in years 1-2, 4.75% in year 3, 5.90% in year 4, and 7.00% in the final year. In addition, the Province entered into interest rate agreements that effectively locked in a gain of 11 basis points.
89. Bonds are extendible at the option of the Province on every coupon date starting November 29, 2003, to the final maturity date of November 29, 2011. Coupon interest is paid semi-annually at a rate of 4.50% in year 1, 4.75% in year 2, 5.00% in year 3, 5.50% in year 4, 6.00% in year 5, 6.25% in year 6, 6.50% in year 7, 6.75% in year 8, 7.00% in year 9, and 7.50% in the final year. In addition, the Province entered into interest rate agreements that effectively locked in a gain of 8 basis points.
90. The terms of these debentures require that a special one-time interest payment of $31.1 million be made at maturity.
91. U.S. Commercial Paper issues are non-interest bearing with maturities up to 92 days.
92. The interest rate was set at 4.75% for the first year. The minimum interest payable is 5.00% in the second year, 6.00% in the third year, 6.25% in the fourth year and 6.50% in the final year.
93. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.55. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.51%.
94. Bonds are extendible at the option of the Province on every coupon date starting November 28, 2003 to the final maturity date of November 28, 2006. Coupon interest is paid semi-annually at a rate of 3.50% in years 1-2, and 5.25% in the remaining 3 years. In addition, the Province entered into interest rate agreements that effectively locked in a gain of 9 basis points.
95. Bonds are extendible at the option of the Investors every year starting November 20, 2003 to the final maturity date of February 20, 2007. Coupon interest is paid quarterly at a rate of Canadian BA rate minus 0.05% in year 1, BA rate minus 0.01% in year 2, BA rate plus 0.03%.in year 3, BA rate plus 0.05% in year 4, and BA rate plus 0.07% for the remaining term.
96. During the 2001-02 fiscal year, the Province purchased for cancellation $13.6 million of the HZ Series bonds.
97. Legal Aid, a government organization, holds $10.15 million in Series MG, $4.75 million in Series HK, $2.89 million in Series LZ and $2.9 million in Series DMTN16. On consolidation under PSAB these amounts reduce the outstanding balance of each issue.
98. The terms of these debentures require unequal payments, consisting of principal and interest, to be paid quarterly until their maturity.

99. Bonds are extendible at the option of the Province on six months starting October 22, 2003, to the final maturity date of October 22, 2008. Coupon interest is paid monthly at a rate of 4.00% in years 1-2, 4.50% in year 3, 5.25% in year 4, 6.10% in year 5, 6.75% in year 6, and 7.5% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.46%.
100. Interest is paid quarterly at 3-month Canadian BA rate plus 0.05%.
101. Bonds are extendible at the option of the Province every six months starting October 5, 2003, to the final maturity date of October 5, 2011. Coupon interest is paid semi-annually at a rate of 4.70% in year 1, 5.00% in year 2, 5.25% in year 3, 5.50% in year 4, 5.75% in year 5, 6.00% in year 6, 6.25% in year 7, 6.50% in year 8, 7.00% in year 9, and 7.50% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.51%.
102. Interest is paid quarterly at 1-month Canadian BA rate plus 0.05%, compounded.
103. Bonds are extendible at the option of the Province every six months starting October 3, 2003, to the final maturity date of October 3, 2009. Coupon interest is paid semi-annually at a rate of 4.50% in years 1-2, 5.00% in year 3, 5.50% in year 4, 5.80% in year 5, 6.00% in year 6, 6.50% in year 7 , and 7.50% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.50%.
104. Bonds are extendible at the option of the Province every year starting September 28, 2003, to the final maturity date of September 28, 2011. Coupon interest is paid annually at a rate of 5.00% in years 1-2, 5.05% in years 3-4, 5.10% in year 5, 6.35% in year 6, 6.50% in year 7, 6.75% in year 8, and 7.00% in the final two years. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.57%.
105. Interest is paid quarterly at 3-month Canadian BA rate plus 0.03%.
106. During the 2001-02 fiscal year, Series MZ was reopened once, bringing the total issue size to $1,250 million.
107. During the 2001-02 fiscal year, Series NL was reopened once, bringing the total issue size to $1,000 million.
108. Bonds are extendible at the option of the Province every six months starting February 12, 2004, to the final maturity date of February 12, 2007. Coupon interest is paid semi-annually at a rate of 4.05% in years 1-2, 4.75% in year 3, 6.00% in year 4, and 7.25% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.31%.
109. On May 31, 2001, the Province purchased for cancellation $58.5 million of the LH Series.
110. Bonds are extendible at the option of the Province annually starting December 5, 2002, to the final maturity date of December 5, 2008. Coupon interest is paid quarterly at a rate of Canadian BA rate minus 0.05% in year 1, Canadian BA rate minus 0.01% in year 2, Canadian BA rate plus 0.03% in year 3, Canadian BA rate plus 0.05% in year 4, Canadian BA rate plus 0.07% in year 5, and Canadian BA rate plus 0.08% in the final 2 years.
111. Bonds are extendible at the option of the Province on June 18, 2004 to the final maturity date of June 18, 2007. Coupon interest is paid semi-annually at a rate of 4.20% in years 1-2, and 6.05% in the final 3 years, if extended. In addition, the Province entered into interest rate agreements that effectively locked in a gain of 13 basis points.
112. Bonds are extendible at the option of the Province on July 21, 2004. Coupon interest is paid semi-annually at a rate of 4.00% in years 1-2, and 6.00% in the final 3 years, if extended. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.38%.
113. Bonds are extendible at the option of the Province on every coupon date starting March 1, 2004, to the final maturity date of March 1, 2007. Coupon interest is paid semi-annually at a rate of 4.10% in years 1-2, 4.50% in year 3, 5.75% in year 4, and 7.25% in the final year. In addition, the Province has entered into interest rate agreements that effectively converted the interest obligations on this debt to floating 3-month Canadian BA rate minus 0.08%.
114. Bonds are extendible at the option of the Province on every coupon date starting March 4, 2004 to the final maturity date of March 4, 2010. Coupon interest is paid at 4.30% for year 1-2, 4.5% for year 3, 5.10% for year 4, 6.0% for year 5, 6.5% for year 6, 7.0% for year 7, 7.50% for the final year. In addition, the Province has entered into interest rate agreements that effectively converted the interest obligations on this debt to floating 3-month Canadian BA rate minus 0.08%.
115. Interest is paid quarterly at a rate of 3-month Canadian BA rate plus 0.275% up to the maximum 4.775% for the first year, 5.025% for the second year, and 5.775% for the third year. In addition, the Province has entered into interest rate agreements that effectively converted the interest obligation on this debt to floating 3-month Canadian BA rate minus 0.01%.
116. The issue is callable on June 1, 2005, at the option of the Province. Interest is paid quarterly at a rate of 3-month Canadian BA rate plus 0.59% in years 1-3, and semi-annually at a rate of 5.70% if not called. In the event that the bond is not called, the bond holder has the right to exchange this series for series LZ. In addition, the Province has entered into interest rate agreements that effectively converted the interest rate obligations on this debt to floating 3-month Canadian BA rate minus 0.03%.
117. Bonds are extendible at the option of the Province on every coupon date starting on March 18, 2004, to the final maturity date of March 18, 2009. Coupon interest is paid semi-annually at a rate of 4.5% in years 1-2, 4.75% in year 3, 5.5% in year 4, 6.25% in year 5, 6.5% in year 6, and 7% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligations on this debt to floating 3-month Canadian BA rate minus 0.09%.
118. Bonds are extendible at the option of the Province on every coupon date starting March 19, 2004, to the final maturity date of March 19, 2007. Coupon interest is paid semi-annually at a rate of 4.20% in years 1-2, 4.75% in year 3, 5.75% in year 4, and 7.1% in the final year. In addition, the Province has entered into interest rate agreements that effectively converted the interest rate obligations on this debt to floating 3-month Canadian BA rate minus 0.09%.
119. During the 2001-02 fiscal year, Series HC-MG were reopened twice, bringing the total issue to $3,000 million.
120. The amount outstanding as at March 31, 2002, in legacy currency is Deutsche Marks 1,439,150,000. The Deutsche Mark is converted to Euro using conversion rate of 1.95583; in accordance with Council Regulation (EU) No. 2866/98.

121. The amount outstanding as at March 31, 2002, in legacy currency is Netherlands Guilders 400,000,000. The Netherlands Guilders is converted to Euro using conversion rate of 2.20371; in accordance with Council Regulation (EU) No. 2866/98.
122. The amount outstanding as at March 31, 2002, in legacy currency is French Franc 3,000,000,000. The French Franc is converted to Euro using conversion rate of 6.55957; in accordance with Council Regulation (EU) No. 2866/98.