

The Honourable Dwight Duncan, Minister of Finance: Thank you very much. Thank you, Allison (phon), very much. It is a terrific honour to be here yet again. As many of you know by now, I will be leaving public service. I'll certainly be leaving the Cabinet upon the selection of a new Premier, and I heard a quote from someone that said that someone said that a person who's about to leave a challenging workplace should feel no pressure, no stress, and no heartache unless they play golf. And I play golf and not very well, so I will continue to experience stress.

It's been a terrific privilege to be Ontario's Finance Minister over these last eight years. I've delivered six budgets, seven fall economic statements, countless economic updates, and have consumed innumerable TUMS. It has been a great privilege to be part of this province, and most importantly, to serve Premier Dalton McGuinty.

He in my view is one of the most decent and honourable men I have ever known in my life. He is smart, thoughtful, hard-working, and a true leader. And now as he is about to leave the Premier's office, is the second longest-serving Liberal Premier in Ontario's history.

His legacy across many policy areas, especially education, is deep and second to none. He has had the privilege as Premier to govern in both good times and bad times. And I need to remind you that our government balanced three budgets in a row before the downturn. We did it in '06, we did it in '07, and we did in '08. Fact, fact, fact.

He also led Ontario through the worst global economic downturn since the Great Depression. He and his government made the choices that helped Ontario families through that downturn by keeping people working in the public and broader public sectors when jobs were being lost day-in and day-out in the private sector. And yes, with record investments in

infrastructure. And coming from Windsor, but in fact coming from anywhere in Ontario, his decision to assist in ensuring that Chrysler and General Motors survived and maintain operations here and across the province was instrumental.

Finally, he reformed our tax system, creating the HST, cut corporate taxes by \$8 billion, personal taxes by \$12 billion, and took Ontario's marginal effective tax rate on new investment from the highest in North America to one of the lowest.

His record, his legacy will survive the taunts. It will survive the unfair comments, and will put him in a league very much with people like Bill Davis and other great Ontario Premiers. Premier McGuinty, thank you for your service and for giving me the honour of serving you and Ontario as a result of that.

I'm doing something a little unusual today. I'm providing a winter economic update to give you the numbers today where Ontario's at in terms of our economy and our deficit. Wanted to do this so that it's clear the challenges we have ahead of us, as well as the successes we have behind us.

Let me begin by addressing economic performance. Real GDP increased 1/10th of 1 percent in the third quarter of calendar 2012. The economy has grown 8.4 percent over the past three years since the recession ended. Our economy is now 3.4 percent larger than it was before the global recession.

Now inevitably with economists and forecasts there are always changes. They're always evolving, which is the right thing to do. Private sector economists on average project Ontario's real GDP to grow at 2 percent for the year 2012, which is up slightly from 1.9 percent, which was expected at the time of the 2012 budget.

Private sector growth forecasts for 2013 have eased and now average 1.8 percent, which is down from 2.3 percent at the time of the budget. So Ontario is experiencing the same kinds of uncertainty and modest economic growth that we're seeing and hearing about throughout the Western world.

I'd like to speak for a moment about job creation. If you include the job growth that Stats Can announced last month, there were over 145,000 more jobs in Ontario than there were in September of 2008, the time that was acknowledged when the great downturn began. From the depths of the recession in '09, there are well over 400,000 new high-paying jobs in Ontario, where almost half of all the new jobs in Canada have been created.

Ontario has now recovered 150 percent of the jobs that were lost during the recession, while in the US they've recovered 54 percent and the United Kingdom has recovered only 104 percent.

Let's take a moment to talk about the deficit. Ontario's 2012/2013 deficit is now projected to be \$11.9 billion. That's almost \$3 billion lower than I forecast in my 2012 budget when it was \$14.8 billion. That is a significant achievement.

Other governments in this country have had to raise their deficits and forecast longer periods to balance. In addition, I'm leaving almost 500 million in the reserve so that the deficit for this year could be down as low as 11.4 billion, barring any unforeseen catastrophe in the next two months.

When we laid out our path to balance we didn't think we'd be at this point for another two years. We are 52 percent below the \$24.7 billion deficit that was projected in the fall of 2009, and this is the fourth year in a row that Ontario has beat its fiscal targets.

Our ongoing success in beating deficit targets is a direct result of managing spending prudently, and steady but modest growth in the economy.

I was quite pleased last week when the credit rating agency Dominion Bond Rating Service put out a report that said, and I quote, “What stands out is Ontario is the only province tracking ahead of their budget targets.”

Not Alberta, certainly not Canada. Ontario. Why? Because we have taken the difficult decisions that we had to take, and that is important. And we are experiencing modest growth.

But I use the word target carefully because we did something no other government had done when we got into this deficit: we laid out a seven-year plan to get back to balance. And those out-year targets remain targets. You still need a budget in each year to achieve those targets.

The last three years we’ve got about \$1 billion each year on the spending side. My friend Gerry Phillips, who by the way is the senior intern in my office and has been serving me—and you see what—I hate to embarrass him. He had a bit of an accident. He disagreed with me on spending estimates. Gerry reminded me last week that in order to get back to balance in the time frame we have laid out you’ve now got to find somewhere between 2 billion and 2.5 billion a year, double what we’ve done in each of the last three.

There’s no easy path to balance. There is no silver bullet. There is no one answer. It will be challenging, and let me tell you a little bit about our achievements.

We now have our program spending growth at 1.8 percent. That’s what Mr. Drummond and others call bending the cost curve. Now in good years when we had revenue growth of 7 percent and 8 percent we would grow expenses somewhat below the rate of inflation. It’s not

an easy achievement with health and education, and we followed the course that Mr. Drummond had laid out around our priorities: health and education.

And we're achieving. My colleague, Deb Matthews, was here last week speaking of the action plan on healthcare that we have been implementing. And we're doing this all the while, while protecting public services and getting better value for money.

Let me talk about wages for a minute. For most of 2012, the average annual wage increase for collective agreements in Ontario's public sector, so that's the public service as well as the broader public sector, is now under 1 percent. It's 0.9 percent.

Over the same period private sector, 1.1 percent; the municipal sector, 1.6 percent; the federal government, 2 percent. Zero and 0 deals we have or are putting in place we've achieved through deals with OPSEU, AMAPCEO, CUPE cover the vast, vast majority of public sector workers. Throw in the doctors; throw in the teachers into that and you see why we are now down below 1 percent for the next two years.

And I'm most proud that we have been able to reach those deals through bargaining with all but two, all but two. That is an enormous achievement in the last several months, and it was done through 700 hours of bargaining with one union, several hundred with others. If a union wanted to sit down and bargain with this government we sat down and we bargained and got deals.

And by the way, because those deals are coming in at 0s, we're now starting to get arbitrator's decisions coming in at 0s. That is how you get arbitrator's decisions down, and by the way, protect your exposure on the constitutional side because when you take someone's right to bargain away, that's a significant thing.

So we're achieving those. And interestingly enough, so far this year 12 of our ministries are below budget, and eight of those ministries will be spending less this year than they spent last year. Not health, not education because those are the priorities of the McGuinty government, and they ought to be the priorities of any government in this province. We said we would do it and we've done it.

Let me speak for a couple of moments about revenues. Lower projections are partly the result of increased revenues. That is our lower deficit. We have 1.1 billion from tax receipts largely prior to 2011. Private sector forecasts of Ontario economic growth in 2013 and beyond have also been revised down, and therefore we've got to be cautious on our revenue projections.

We have to continue to maintain the balance that we have found because on the one hand while you want restraint, you don't want de-posterity that could help or hurt the downturn. Published fiscal updates of other governments across Canada show that most, or as I indicated earlier, are forecasting lower revenues as well, lower than what they projected in their budgets.

But I do want to speak for a moment about what I spoke about last month, and that is the inconvenient fiscal truth. In order to get back to balance in '17/'18, we have to maintain our growth in spending based on our cautious revenue projections at 1 percent. Okay? That's with healthcare and education. Remember, we're down to 1.8 percent. It's not easy to get there.

We're now on track to book deficit reductions, as I indicated, over the last three years in a row. And I spoke to you about what we need to do in the coming years.

I often get asked by the media and others, what worries you the most? Very simple: Ontario's debt and its interest.

Our interest payments are a ticking time bomb on our income statement. Now our opponents will blame me and our government for Ontario's debt situation. They blame me for everything, and that's fine. That's fine. But interestingly, we have had four governments of three political stripes in 22 years, and each one of those governments has close to doubled our debt.

So I'll take my share of the blame, but that is not sustainable. 100 basis points, 1 percent interest rate increase, half a billion dollars in the first year. Now looking out at this crowd, there are enough of us in this room that can remember when interest rates were a lot higher than they are today.

Because of our achievements on wages, interest payments are likely going to be the fastest-rising elements on our income statement over the next three to four years; roughly 9 billion this year. And unlike some, I don't believe that that debt was all wasted money. For every dollar of debt, I can point to a hospital, I can point to a school, I can point to a road, but we have to come to terms with this.

Mr. Hudak's been running around the province giving a presentation on what to do when the money runs out. I read it and thought to myself, what do you do when the brains run out? I mean you've got—first of all, we're not running out of money, right? Let's get it clear.

He's been telling everybody we're running a \$30 billion deficit. That's not even true. What he did was he took a number out of Drummond, the Drummond said if you don't do what we've been doing for the last three years you'll go to this level. We're now just under 12 billion.

And the decisions have not been easy. I spoke to you about collective bargaining. He wants to cut taxes by \$5 billion; at the same time he wants to restore full funding to the horse racing industry and re-invest in the Ontario Northlander. It's not that simple.

Frankly, what we've had to do to date is the low-hanging fruit. By getting two years of Os, we give the government the opportunity to do the kinds of transformation that we need to do, like Deb Matthews is doing in health care. It takes time to make those kinds of changes, and you need the political capital to be able to do it.

It was almost a year ago that Don Drummond released his report. It took a lot of guts on the part of Premier McGuinty to allow an outside economist who's got a lot of media savvy to come in and look at every aspect of our budget and leave no stone unturned. And Mr. Drummond did just that.

Now others have suggested that we've put that on the shelf. Wrong. In my 2012 budget we addressed one-half of the 362 recommendations in Drummond; have implemented a substantial number of those. We have only rejected nine of them, and we are actively looking at the remainder.

And some of these are multi-year challenges. And so as I take leave, as Premier McGuinty take leave, the province is well on the way to getting back to a balanced budget. In fact, we are now doing better than most other Canadian jurisdictions.

People often say, is there anything you wish you could have done differently or done more of? And I'd like to speak for one moment about disability issues in this province.

There are more than 1.7 million of us who have a physical or mental disability or a learning disability, and that number is going to grow remarkably as the population ages.

In 2005, with the support of all the parties in the legislature, we passed the accessibility for Ontarians with Disabilities Act, which requires Ontario to become fully accessible to persons with disabilities by 2025.

It is a human and economic imperative that we tear down the physical, the technological, the information, the bureaucratic, and attitudinal barriers that block persons with disabilities. For those of you who have an Apple iPhone, iPhone 5, do you know that it is fully accessible to the blind and the deaf? I didn't either until a very good friend of mine who is blind showed me. I'm technologically challenged in any event. I can't figure out the basics.

And you know what? Not only does it not cost Apple, they make money from it. So this nonsense about the cost of it has got to stop. And that's why we passed the Disabilities Act. And as a government, my view is we need to prevent new barriers from being erected. Public money used for capital infrastructure or procurement of goods and services should never be used to create or perpetuate barriers against persons with disabilities.

And we also have to address our families who have children, adult children in many instances with—I wish we could have done more. We've done a lot. There's still more to do. I'm sure all of you know somebody, that one family. Friends of mine, dear friends of mine haven't had a good night's sleep in 23 years. Twenty-three years. A little bit of respite care here and there. We've been able to help more, but there's still more to do.

And if we stick to this, not as a political party, but as a culture; remember what Canada did in the 1990s getting back to balance. And I'm a Liberal, a partisan Liberal. I'm a Finance Minister from Windsor like Paul Martin, like Ernie Eves. If we take that same attitude

that Canada took in 1990s here in Ontario to our deficit and then our debt, in five or six years we will be looking at surpluses.

We will be looking at the ability to do more for those families with those kids. We will be able to enter into collective agreements and see wages and real wages and real benefits rising in the public and broader public sectors. We can help that significant minority of Canadians who aren't saving enough for their retirement get there. That's what this is about.

A couple of amazing things happened this fall. The United States of America is going to be energy independent sometime between 2020 and 2025. By the way, that involves having access to Canadian energy. And the other thing that happened this year: power generated in Ontario from wind exceeded power generated from coal for the first time, and that is an achievement.

And by the way, our government's efforts on conservation are now being recognized around the world. We've seen a decrease in consumption of electricity as a result of the downturn in the economy, but now more and more people are saying not only are we seeing it because of that, but really it's because of our conservation programs, and there's my successor as Energy Minister, Donna Cansfield, sitting right there, she led that; she drove it. And we're going to earn dividends from that for years and years to come. People don't like to talk about that so, Donna, thank you for that contribution as something we're all very grateful for.

But let us as a province, as a society take this challenge on. Preston Manning deserved a lot of credit for what happened in Canada in the 1990s. You couldn't be competitive politically unless you had a plan to get rid of the federal deficit. Let's do that provincially because if we take this bull, if we continue to do what we've done over the last three years, if we resist the

temptation to do what all of our political parties have done over the last generation and think for a moment about the kids and think about the largest intergenerational transfer of wealth in the history of this country, then we will get back to balance.

And just as the United States is becoming energy independent, just as China is building a larger middle class, this province will be poised for what could be a golden era of economic growth because we have the best education system in the world. We have the most educated work force. We have the infrastructure now.

Let's stay the course. Let's finish this job, and by '17, '18 the future, in my view, will be very bright for our kids and our grandchildren.

Thank you all very much.