

SPEECH TO THE CANADIAN CLUB

BY

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CHECK AGAINST DELIVERY

On Wednesday, I had the honour of presenting to the Legislature our government's fiscal and economic plan to provide Ontarians with a more secure and prosperous future.

The plan does what the people of Ontario asked us to do, and what during the election we committed to doing:

it starts the process of restoring Ontario's economic strength, rebuilding confidence in this province as a place to work and live, and redressing the problems associated with 10 years of government overspending.

Ontarians were at serious risk of losing much of what they worked so hard to build for themselves and for their children.

It's only natural to ask, how did we get to this point?

Why is it that Ontario, which enjoyed strong and steady expansion from the 1950s through the 1980s, has seen only stop-and-start growth in this decade?

Why is it that a province that in 1975 spent \$9 billion on *all* its activities will, in the current fiscal year, spend that much on interest costs alone?

Why is Ontario spending \$1 million more every hour than it takes in -- that's \$1 million dollars an hour, 24 hours a day, 7 days a week, 52 weeks a year?

The answer is quite simple: previous governments were living beyond their means.

In the past 10 years, spending by previous provincial governments has been so excessive that even with some 65 separate tax increases, including 11 hikes in personal income taxes, the province still had to borrow money to feed its spending habit.

And what was the result? The interest we pay each year on the funds borrowed nearly tripled, as did the provincial debt. So today, we owe nearly \$100 billion.

What is the legacy of this overspending? Certainly not jobs, prosperity or growth.

The economy has slipped in and out of recession in the past six years. There are fewer people working today than in 1990.

And for those who have jobs, tax increases have meant the average worker is taking home less money after taxes than in 1985.

Throwing money, often indiscriminately, at a variety of special projects, initiatives and opportunistic undertakings, has clearly not been the answer to providing real economic growth.

In fact, in many cases, it has meant that self-reliance, entrepreneurship and initiative have given way to an unhealthy reliance on the public purse.

Government resources are not unlimited, as some may believe, and government simply cannot be all things to all people.

This is both unreasonable and unsustainable.

So today, interest costs from the debt that previous governments ran up are now eating into our ability to pay for services.

The \$9 billion a year we spend on interest takes 20 cents out of every dollar we collect from taxpayers.

That is more than the budget for hospitals, and more than we spend on all levels of education including community colleges and universities.

If we let interest costs grow at the rate they have over the past five years, we will be spending \$20 billion a year just on interest by the end of the decade.

What kind of stranglehold will this put on our ability to provide essential services?

How will we care for the sick and elderly, educate our children, or police our communities then?

Past overspending isn't threatening just the provision of services that Ontarians want and need: it's putting our very future at risk.

In spite of having a skilled, highly educated work force and a rich resource base, high taxes, high deficits, and too much government have kept our economy lagging behind the rest of North America in the first half of this decade.

Businesses — especially small businesses, which are today's engine of job creation — have been reluctant to invest because of a mass of rules and regulations.

Entrepreneurs and highly-skilled workers have been scared off by taxes.

Industries that depend on domestic demand have borne the brunt of Ontarians falling after-tax incomes.

Between 1990 and 1995, the economy grew on average by only seven-tenths of one percent each year, and almost all of that growth came from the export sector.

Ontario can do much better than that.

Since taking office, less than six months ago, we have moved to eliminate the roadblocks for those who create the jobs — by repealing Bill 40, freezing average assessments for workers' compensation, introducing legislation to abolish the annual corporate filing fee, repealing job quotas and freezing average Ontario Hydro rates for the next five years.

But that is only a start.

The plan I presented the day before yesterday seeks to get to the root of Ontario's problems. It takes the first steps toward creating an Ontario where job opportunity

outweighs dependence, where sincere need is met with compassion, and where government is a partner in change rather than a burden.

We believe that Ontario needs less government. To make this a reality, we have focused on identifying what services government should deliver and the most efficient and effective way of ensuring these are provided.

In doing so, it is clear that the last thing that is needed is more intervention by Queen's Park in the lives of Ontarians. This simply creates more bureaucracy, it delays decisions which may have already been delayed too long, and it hamstringing our transfer partners -- Ontario's municipalities, school boards, hospitals and colleges and universities -- who know what they have to do, and want to get on with it. More centralized control is just more government -- and Ontario already has too much of that.

I met with a number of groups and individuals representing our transfer partners as I prepared my fiscal and economic statement. Let me tell you that I was pleasantly surprised to learn that they are ready and eager to make changes, and very much want to work with the province in addressing our critical financial situation.

Indeed, this is essential since nearly 70 cents out of every dollar spent by the provincial government goes to transfer agencies and individuals. As I said earlier, another 20 cents is spent on interest, with 10 cents remaining for all direct provincial government programs.

To put that another way, if we were to eliminate all the programs and services the provincial government delivers directly -- including the Legislature, all MPPs, all ministries, the OPP and so on, we would only save \$5.8 billion out of a budget of more than \$56 billion.

So our transfer partners must be 'on side' if we are to have any hope of solving the financial situation in which we find ourselves.

Well, the majority of groups and individuals with whom I met are 'on side'. But in deciding to work with us they asked for greater freedom to develop solutions that are tailored to meeting the challenges they face.

That is why, on Wednesday, our government introduced comprehensive legislation that will give our partners more autonomy and more flexibility in deciding how to provide services. In the *Savings and Restructuring Act*, we will be removing the strings that were previously attached to some municipal transfers so that municipalities can set their own priorities.

We are moving to ensure that arbitrated wage settlements in the public sector recognize fiscal reality, by requiring arbitrators to consider an employer's ability to pay.

My colleague, the Minister of Education and Training will be working with those in the educational community to identify new ways to improve productivity in our schools, and program rationalization and cooperation in our colleges and universities.

We are setting up a Health Services Restructuring Commission which will assist in restructuring hospitals and the services they deliver. Related legislation will allow hospitals to reduce duplication and focus resources on direct patient care.

You may have heard or seen the theatrics of some members of the opposition yesterday during Question Period. The issue on which they were posturing concerned the government's commitment to health care.

Let me quote the relevant passage from my statement:

"Despite the need to reduce overall spending, our Government remains committed to protecting our health care budget.

Yet this is not a commitment to maintain the status quo. We need to find savings in some areas in order to meet new needs in other areas - for example, to provide new technologies, to reduce waiting lists, and to meet the needs of an aging population.

By acting to reduce spending on some health programs and reinvest in others, we will ensure that total health care spending at the end of our term of office is protected at no less than \$17.4 billion - the same level as when the *Common Sense Revolution* was published.

Already our Government is taking steps to reinvest health dollars where they are needed most:

- An extra \$25 million is being reinvested in kidney dialysis services.
- \$15.5 million is being reinvested in expanding emergency paramedic services, providing advanced training to almost 400 paramedics across the province.
- OHIP coverage for out-of-country emergency services has been restored.
- We are planning to reinvest additional funds to permit patients with acquired brain injuries to be treated here in Ontario, rather than in the United States."

Where we differ from the Opposition is that we believe savings must be identified before new spending on health care can be undertaken. To do otherwise would just put us further in debt. Whereas the other political parties would have us spend first and not worry about the financial consequences, we believe that a prudent, reasonable, planned approach to our investments in health care is essential.

We will keep our commitment to provide both the funding (\$17.4 billion) and services that are required to ensure the health needs of Ontarians are met.

The decisions I announced this week were not easily arrived at. They were the result of extensive consultation and deliberations. The accommodation of reduced levels of transfers will not be an easy task for our transfer partners.

But let me also put this into perspective. Our reductions:

- to municipalities represent 2% of current municipal spending
- to school boards -- 3% of the cost of operating Ontario schools
- to colleges and universities -- 7% of total expenditures, and
- to hospitals we have provided guaranteed levels of funding for the next 3 years within our \$17.4 billion commitment to health care.

And what does this mean at the provincial level? Well, it means that provincial per capita spending next year will be at approximately the same level as it was in 1990-91, just five years ago. So those who seek to portray our actions as taking us back to

some time in the distant past when public sector services were either non-existent or few and far between, need to pause and readjust their thinking.

It would be irresponsible to do nothing, to continue to work in the old ways and to stand in the way of change.

Governments and public institutions around the world, at all levels, are finding new ways of improving services while remaining accountable to taxpayers. We want Ontarians to have the benefits of similar change.

We can't accept the status quo. We can't accept an economy operating well below its full capacity, creating fewer productive jobs than it is capable of. That is why our plan aims to restore Ontario's fiscal and economic strength.

We need an economy that performs as well and creates as many jobs as it has historically in Ontario -- that means smaller government *and* lower taxes. We committed during the election campaign to reducing income taxes. And I can assure you that come next year we will do just that.

This year we inherited a deficit of \$11.2 billion on a PSAAB basis and next year our deficit target is \$8.2 billion -- a difference of \$3 billion. In addition, public debt interest costs will increase by \$1 billion. Therefore, we must cut at least \$4 billion to achieve our target.

In my statement I announced savings for 1996-97 of \$4.5 - \$5.5 billion that will enable us to meet our deficit target.

The detailed design and timing of the tax cut have not yet been determined. Those decisions will depend on how well the economy performs and the level of savings achieved next year.

Clearly our goal is to put more money back into the hands of people and businesses in Ontario so that the private sector can grow and create the jobs we need. In this way, we will be able to ensure that Ontarians will enjoy a better, more prosperous and secure future.

