

**NOTES FOR  
THE HONOURABLE ERNIE EVES  
MINISTER OF FINANCE**

**CANADIAN CLUB OF TORONTO  
AND  
EMPIRE CLUB OF CANADA**

**MAY 10, 1996**

**Check against delivery**



Thank you, Libby.

It is a pleasure to be here today.

I have received many comments about the length of the Budget Speech I delivered this week, which took just over an hour and a half.

Apparently, some TV stations, showing the speech live, chose not to carry the whole presentation because it interfered with their regular programming, the Simpsons.

So I understand that many of you, who may have preferred Bart to Ernie, did not get to see the best part of my speech — that is, the announcement of our tax cut.

Fortunately for all of you here today, I do not intend to re-read my Budget speech. And I promise you that today's remarks will not take 90 minutes.

I believe that our first budget will be remembered as the day we turned the corner in this province and sent a very important message about Ontario's new direction.

As a province we faced a choice, we could continue on the track that governments have pursued for over a decade with uncontrolled spending, spiralling taxes and ever-mounting deficits.

Or, we could embark upon a path that unleashes the job-creating potential of our economy by lifting the heavy yoke of inefficient government and high taxes.

As Bart would say, "It was a no brainer". We chose the latter.

The message we sent to Ontarians on Tuesday was that we are doing what the people of Ontario have asked us to do, and that we are keeping our promises just as we said we would.

With this budget, we are cutting taxes to generate economic activity, create jobs and restore fairness to the tax system.

We are investing in programs that are a priority for Ontarians, such as health care, classroom education and community safety.

We are reducing the cost and size of government, spending taxpayers' dollars more wisely.

We are providing a climate for job creation and building a better future for all Ontarians.

Our plan to balance the budget and restore Ontario's competitive edge is proceeding right on schedule.

One good example of this is right here in downtown Toronto. Many of you may have notice the billboard erected by "Ontarians for responsible Government" on the corner of Gerrard and Bay.

Since our election last June it has displayed the picture of Premier Mike Harris with the following reminder of our election promises.

It says, "Hey Mike! Don't forget to cut our taxes and your pensions." Well I was happy to see on my way to work Wednesday that this billboard is now covered with a stamp that says DONE.

In some ways that billboard is representative of the kind of cynicism that has crept into the way the people of Ontario view their political leaders. But at the same time it demonstrates how our government is delivering on its promises.

We promised we would cut taxes, and we did. This budget cuts taxes. Not once. Not twice. But ten times.

- One: We've cut personal income tax rates to put more of your money back in your hands to spend, save, invest or pay down debt — as you choose. This will create jobs, boost consumer confidence and kick-start the economy.
- Two: We've cut the Employer Health Tax on small businesses — a tax on jobs by any other name. This will free our small business sector to do what it does best: Create jobs.
- Three: And we are also eliminating the Self Employed Health Tax which was the only direct tax on entrepreneurs in Canada.
- Four: We're rebating the land transfer tax for first-time buyers of new homes. This will encourage housing sales and create jobs in the construction trades. It will help young families realize the dream of home ownership. Since budget day, our Budget hot line has had 1,000 calls about this measure.
- Five: We're giving employers a tax credit to hire students from college and university co-op programs. This will assist to gain much needed real-life work experience.

- Six: We are rebating the Retail Sales Tax farmers pay on building materials to modernize their farms.
- Seven: We're giving our film industry a tax credit for its labour costs — and doubling it for first-time commercial film-makers. This will boost this promising industry and create more skilled, high-value jobs.
- Eight: We're exempting call centre service from the Retail Sales Tax. This will help Ontario companies in this competitive industry that relies so heavily on state-of-the-art telecommunications technologies.
- Nine: We're reducing the Race Tracks tax rate to provide a stimulus to an industry that provides many positive economic benefits to the province and to protect between 25,000 and 50,000 jobs in the agriculture sector.
- And Ten: We're saving businesses \$5 million a year by bringing corporate tax rules in line with federal regulations.

At the same time, we are also investing in the services the people told us were important. In fact, the Government of Ontario will be spending a total \$42.7 billion for programs and services this year.

- Our spending on health care for this fiscal year has actually risen to \$17.7 billion from the \$17.4 billion we promised in the election campaign. We are reinvesting our savings from restructuring in the health care sector.

- We're putting more money into home care for seniors and the disabled, so another 80,000 Ontarians in need will get the protection they deserve.
- We are expanding a program to aid early detection and treatment of breast cancer.
- We're taking seniors and people with disabilities off welfare — where they never belonged — and into a Guaranteed Income Support program that responds to their needs and respects their dignity.
- We're funding 23 new MRI machines in the Province of Ontario.

With this budget, we're assisting parents and their children at the earliest and most vulnerable stages in life:

- Child care spending is up to \$600 million this year - that's the highest in Ontario's history!
- We are contributing \$5 million to assist community-based child nutrition programs in partnership with the Canadian Living Foundation for Families.
- There's \$10 million for programs for children with speech and learning disabilities.
- And there's \$10 million in health education and support services for expectant mothers and young families with children under six years of age.

We are spending on the things you said were important, the difference is, we're spending thoughtfully.

Ontarians working together can do more for their communities than Government can do alone.

Our Government believes that those organizations whose primary mandate is to assist those who are less fortunate in our society deserve our support.

Promoting and encouraging both the spirit and the commitment of volunteers is a high priority.

The budget provides:

- Up to \$10 million to invest in new measures and technologies to coordinate and link the voluntary service agencies that already exist in the Province.
- Increased integrity for charitable gaming activities and:
- An expected \$180 million in extra revenues annually for Ontario's local and community charities. We provided for the establishment of Crown Foundations. This will make it easier for public institutions, including public Hospitals, public Libraries and organizations such as the Ontario Cancer Treatment and Research Foundation to solicit Charitable donations.

We are on track to a balanced budget in the year 2000-2001.

Faced last June with the deficit we found of \$11.2 billion, we took action to bring our spending under control. Not only have we met our deficit target of \$9.3 billion for 1995-96 fiscal year, but we improved on it.

Our deficit for the fiscal year that just ended will be \$9.1 billion. By 1996-97 that deficit will be down to \$8.2 billion — a 27% drop since we took office.

That's because we are continuing to review everything government does to find new efficiencies, to become more accountable to taxpayers.

You know, it is always interesting to note people's reaction following budget day. I must say the Liberals and NDPs whom I see daily in Question Period, if they haven't "flip-flopped," certainly have changed their tune.

Before the budget, Lyn McLeod called the tax cut "massive", "reckless", "a huge tax slash" — now, she's calling it "peanuts". Bud Wildman has accused us of "tossing a few crumbs to Ontarians."

Before the budget, the Liberals and the NDP said we were "obsessed with cutting the deficit"; we were "hacking and slashing" and "ruining" people's lives.

Now, they say we aren't moving fast enough. In fact MPP Gilles Pouliot said, "I would have preferred to go farther on deficit cutting."

Before the budget, they said Ontarians wanted action on the deficit before

a tax cut. "Ontarians are telling you to keep your tax cut," they said.

Now, when we give taxpayers a way to contribute their tax cut directly to deficit reduction, they call it "a gimmick." Bud Wildman calls it "nothing more than a public relations move," and says "I doubt many people are going to contribute."

This week both in the many interviews I have done and in the Legislature I have been asked time and time again what evidence I had that cutting taxes will create jobs and stimulate the economy.

It is quite simple. We have seen what the spend and tax, tax and spend approach of the last two Governments has done.

Ontario has become less competitive — we are the second highest taxed jurisdiction in North America. We believe that 5 million Ontario taxpayers with more disposable income, will spend this money far more effectively and wisely than any Government could ever dream of.

When our tax cut is fully implemented, every single taxpayer will get a tax cut, 91% of taxpayers in Ontario will see their taxes cut by 30% or more, and 64% of the benefits from this tax cut will be concentrated on middle-income Ontarians earning between \$25,000 and \$75,000 a year.

Our tax cut will put \$3 billion back into the hands of these hard working Ontarians.

Those with higher incomes, will also get a tax cut, but it will be partially offset, just as we had said in the election campaign, by a fair share Health Care Levy.

Ontario's top marginal tax rate will be cut from the 53.2% to 49.6%, the second lowest in Canada.

Ontario's income tax system will be more progressive when the tax cut is fully implemented, making it fair for everyone.

Furthermore, more than 250,000 lower income individuals will benefit from the changes we made to the Ontario Tax Reduction program, including 10,000 people who will now pay no income tax at all. Others will receive a tax cut of greater than half of the total provincial taxes they now pay.

One example of this is a family of four, with one earner, with an income of \$25,000. Their Ontario personal income tax payable will fall from \$515 to \$220 when the tax cut is fully implemented, a cut of 57.4%.

In the words of Paul Nykanen, VP of the Canadian Manufacturers' Association: "We need to do something to kickstart the domestic economy. The only way to do that is to put money in peoples' pocket. This budget is going to have a ripple effect, no question."

Another issue that I would like to address is jobs and how we as a Government will deliver on the 725,000 new jobs promised in the Common Sense Revolution.

Massive shifting of resources into the public sector has not increased employment or improved the income of the average worker in Ontario. Indeed, just the opposite: when we took office there were fewer jobs than in 1989, and the average worker was taking home less pay in real terms than in 1985.

In listening to the people of Ontario we heard that much of what

government was doing had little connection with what the owners of this enterprise — the people of Ontario — considered to be its basic business.

People in Ontario want a government that provides them with the important services they need, and does so with equal measures of compassion and common sense.

They want a government that leaves them with a greater share of the rewards of their own efforts. And that lets the private sector get on with its business of creating jobs and economic growth.

That is why we have begun the huge job of restructuring Ontario's public sector — a task that is long overdue.

Other countries around the world have already recognized that in order to compete in the global economy, their public sector has to be smaller, more efficient, and less of a burden on taxpayers.

Taxpayers' dollars now fund many activities that could be better run by the private sector or by public-private partnerships.

Obviously, privatization of some Government services is one possibility in this regard.

But it is a step that we will use judiciously. We will be guided by pragmatism and business cases, not by opportunism and ideology.

The Premier has asked me to chair a special Cabinet Committee on privatization, which will oversee the process.

With the help of advisers from both the private and the public sector, its mandate will be to ensure we get the best value for taxpayers. The process, I can assure you, will be open and transparent.

People in the business and financial communities — especially those in the small-business sector, which will create the lion's share of new jobs in Ontario — have recognized the need to act now to cut taxes. The early reports I've seen from across the province confirm that.

Catherine Swift, the president of the Canadian Federation of Independent Business, pointed out that her organization has been urging an end to the employer health tax for as long as it's been in place.

And she added that a recent survey of her organization's members estimated that as many as 80,000 businesses in Ontario would hire new workers as a result of the tax cuts.

The Conference Board of Canada said that meeting the commitment to cut taxes will boost confidence. And the Board of Trade of Metropolitan Toronto called the income tax cut "just the sort of incentive needed to create jobs in the greater Toronto Area."

These people confirm, more than anything I could tell you, that cutting taxes builds confidence and economic momentum.

It makes us more competitive and that's something Ontario needs now, to boost confidence and make Ontario the location of choice for people and businesses across North America.

New figures released by Statistics Canada today show that in April Ontario gained 35,000 full time jobs. That is a total of 63,000 full time jobs in the last three months.

We believe that additional stimulus created by our tax cut coupled with a balanced approach to labour-management relations, freezing the minimum wage, containing the costs of Workers' Compensation and getting rid of Government red tape will translate into hundreds and thousand of new jobs in Ontario.

As I said last Tuesday, I believe our first budget has set a new direction for Ontario.

The changes we are making are based on our belief that Ontario can have a better future:

By freeing its children and grandchildren from the burden of government deficits and growing debt.

By providing programs that will take care of people in need of permanent help and gives a hand up to those requiring temporary assistance.

An Ontario that leads Canada, in jobs, in investment, in health care, in education and in community safety.

An Ontario where hard work is rewarded , where initiative is encouraged.

They want an Ontario where their children can grow, and where young people have hope and opportunity.

The people of Ontario want to know that tomorrow will be better than today for themselves and for their children.

