



Ontario Chamber of Commerce 2003 Provincial Pre-Budget Submission

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Overview

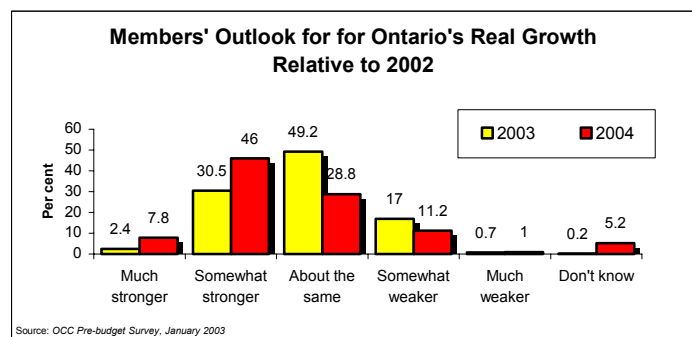
The Ontario Chamber of Commerce is pleased to have this opportunity to make its annual presentation before the Standing Committee on Finance and Economic Affairs.

As many of the members of the Committee know, the Ontario Chamber of Commerce is a federation of 156 Chambers of Commerce and Boards of Trade, representing over 57,000 businesses in Ontario. Our members are in all sectors of the economy and of all sizes.

As we have done in previous presentations, we would like to begin with our expectations for Ontario's near-term economic performance and provide some results of a survey of our members on their expectations for the economy.

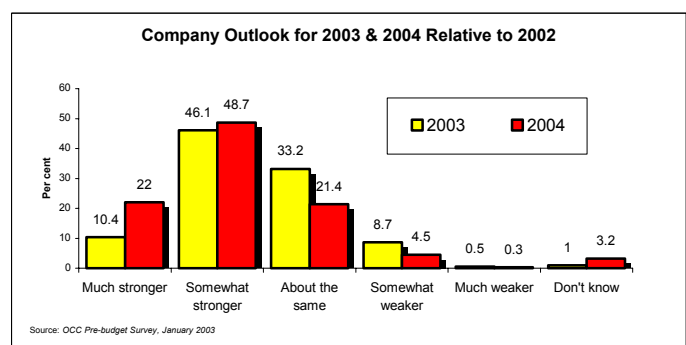
Ontario's Economic Outlook

In 2002 Ontario experienced solid growth in the range of 3 to 3.5%. In recent months the trend has been for forecasters to markdown their expectations for 2003, reflecting the softening in the global recovery, and the uncertainty created by the current geo-political climate. Our expectation is that in 2003 Ontario's real GDP growth will approach 3 per cent.



The results from a recent members' survey shows them to be upbeat for 2003 and optimistic for 2004. Nearly 50 per cent felt that the economy in 2003 would perform about the same as last year and almost 33 per cent felt that the economy would be much stronger or somewhat stronger than in 2002.

Over half of the respondents expect the economy to be somewhat stronger or much stronger in 2004 compared to 2002. It should be noted however, that more than three-quarters of the respondents are small and medium sized enterprises (SMEs) and likely less susceptible to the stumbling recovery in Europe and United States.

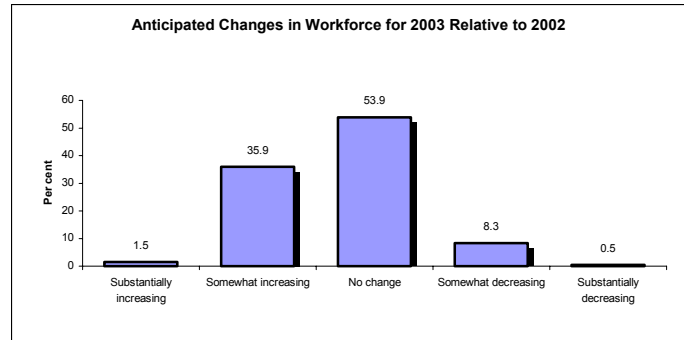
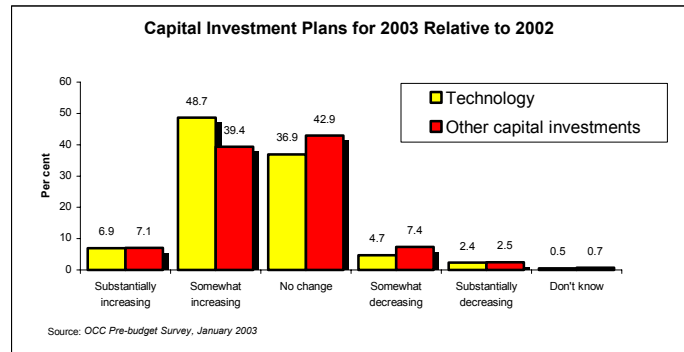


Respondents were even more optimistic about their company's performance in 2003 and 2004, relative to 2002; we found that 56 per cent felt that their company would perform somewhat stronger or much stronger this year. In 2004, nearly 50 per cent of respondents expect their company's performance to improve, with one out of five projecting substantially better results.

A significant number of respondents plan increased capital spending, particularly in technology, possibly as a means to reduce their unit costs in order to improve their competitiveness.

Expectations about other capital investments in 2003 are split, with 43 per cent indicating no anticipated change and forty-six per cent indicating a modest or substantial increase.

When asked about expected changes in the workforce, respondents were cautious about new hirings. This may be indicative of the pressure on profit margins in today's very competitive economy.



OCC's Budget Priorities

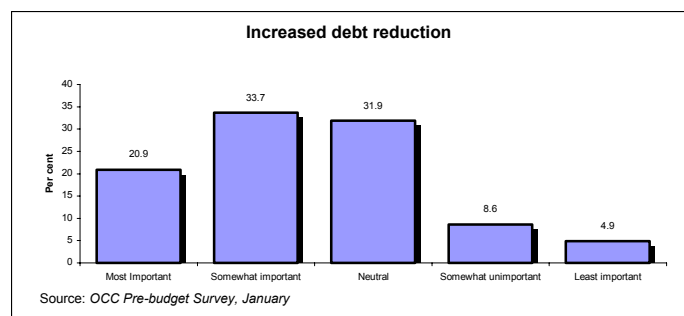
The Ontario Chamber of Commerce has identified the following four budget priorities for the 2003 provincial budget:

- Balancing the books and debt reduction;
- Reinstating delayed tax cuts;
- Initiatives to enhance a predictable, encouraging environment for business; and
- Smart spending on priority programs.

Last year the Ontario Chamber of Commerce engaged its members in extensive consultations, during its Annual General Meeting and its Governing Council, about provincial budget priorities. The feedback we received from our members was that they wanted to ensure that Ontario's fiscal house remained in order and attention was paid to reducing the debt.

In our 2003 Pre-budget survey this message was once again reinforced. Members want the government to continue to focus upon decreasing the debt burden.

Fifty-four per cent of the respondents have indicated that increased debt reduction should be the most important or somewhat important priority for the provincial government. The importance of debt



reduction was also highlighted in a recent health care survey where respondents were asked to rate the impact of various factors upon the competitiveness of their business. Forty-three per cent indicated that government debt had a negative impact upon their competitiveness.

The Ontario Chamber of Commerce has long advocated that the government must retain its focus on reducing the debt. Our position continues to be that the government must take steps to reduce the debt-to-GDP ratio to 15% by 2010. Also of concern are the substantial amounts of borrowing undertaken by related agencies including universities, colleges, and school boards.

Tax Recommendations

The OCC has long encouraged the province to promote economic growth by working toward low and equitable taxation alongside efficient and effective regulation. Within this framework the OCC recommends that:

- The Ontario government immediately reinstate tax cuts delayed in the last provincial budget. We welcomed Ms. Ecker's reiterated commitment to re-instating the delayed tax cuts in 2003-04;
- Profit insensitive levies be a key focus of any new tax reduction package (examples of profit insensitive levies which should be eliminated are the corporate capital tax and the corporate minimum tax). To reassure investors, the government must provide a multi-year plan for capital tax through successive years of rate reductions, as well as premium taxes for life, automotive and property insurance;
- Tax-Incentive Zones be established only for Northern Ontario and brownfield sites in Southern Ontario;
- Industry-specific challenges only be reviewed on a case-by-case basis; and
- A Grow Bonds program be established for Northern Ontario to promote economic growth.

The OCC recognizes the government's current fiscal constraints and the need to set priorities. There are, however, a number of tax reforms that should be kept on the back burner to be brought forward as the province's fiscal situation improves. These include:

- Ending the small business CIT clawback to remove an obstacle that hampers small businesses expansion;
- Moving towards lower common non-residential education property taxes; and
- Harmonizing the GST and PST to lower the administrative burden and to allow for the deduction of business inputs.

The longer-term tax initiatives outlined above were originally presented to the government in an OCC policy paper in April 2001. Those recommendations continue to be very valid today.

Regulation Recommendations:

A number of low price tag regulatory reforms would enhance Ontario's competitiveness, including:

- Reviewing the Retail Sales Tax Act to streamline its administration;
- Increasing the accountability/transparency of property assessment practices;
- Streamlining administration (i.e., one identification number per company); and
- Limiting WSIB coverage to individuals not covered by similar or superior employer plans.

Implementing the Kyoto Protocol

Prior to Ottawa's ratification of the Kyoto Protocol, the Ontario Chamber of Commerce urged the federal government to develop a Made-in-North America climate change policy. The OCC urges the provincial government to take an active role in negotiating with Ottawa and the other provinces a viable implementation plan for the Protocol. At stake is the importance of reducing the uncertainty facing investors and the competitiveness of the Ontario industry versus the United States and Mexico.

Efficient and Effective Spending on Targeted Social Priorities

In our survey, the OCC asked its members to provide their priorities within a balanced budget framework. These can be viewed as factors which are important to a competitive economy. The item cited most often as the most important priority for the government is health, 61%. This was followed by elementary/secondary education (30.8%), post secondary education (27.8%), and introducing new tax cuts (22.0%).

The Ontario Chamber of Commerce has also developed a number of specific recommendations which we believe should be incorporated into the upcoming provincial budget.

Health Care

Members of the committee will be interested to note that, from a recent survey on health care, 64% of respondents indicated that they believe the health care system is a competitive advantage for Ontario businesses. From that same survey, 47.8 per cent indicated that they believe that there should be a greater role for for-profit private sector providers.

Education

On the issue of the double cohort, the OCC believes that the provincial government needs to ensure that proper resources are allocated on an urgent basis to address this problem. Of concern is the reality that the double cohort will pressure our post-secondary system for several years.

Ontario remains the only province which has not signed a training agreement with the federal government. The lack of an agreement lessens the resources the province committed to training in Ontario.

Transportation & Urban Infrastructure

Transportation, including urban infrastructure and major Ontario/U.S. border crossings, are issues of major importance to the Ontario economy. Consequently, the Ontario Chamber of Commerce has established two task forces. The first will directly address the issue of the major Ontario/U.S. border crossings. The second will concentrate on GTA/Golden Horseshoe issues starting with transportation, specifically major highways and public transit.

There are a number of concerns regarding Ontario's border crossings. They are in need of immediate enhancement to ensure the free flow of goods and travelers across the border. Immediate action is required to begin addressing difficulty at the world's busiest border crossing (Windsor-Detroit). We understand the government has a number of proposals before it that are currently being reviewed for Windsor-Detroit. We recommend that the government proceed as quickly as possible with this project to ensure much needed capacity in a timely manner.

With regard to major highways and public transit in the GTA/Golden Horseshoe, much needs to be done immediately by way of improvement, planning and integration. The Ontario Chamber of Commerce is still of the view that a Transportation Authority which will include all levels of government and the private sector working together on these issues is the best way to properly address, define and deal with these issues. This was first suggested by the Ontario Chamber of Commerce in early 2001, and the need is even greater now especially in the GTA/Golden Horseshoe region of the Province.

Conclusion

For many years the OCC's over-arching recommendation to the Ontario government has been the fiscal and economic goal of establishing Ontario as the most competitive jurisdiction in North America. In the current environment of significant uncertainty and fiscal restraint, it is critical that the province remain focused on Ontario's competitiveness.