

ONTARIO UPDATE

A Political Surprise

In the middle of September the Ontario Liberals announced the end of the legislative session. The purpose of ending the session early was to give the McGuinty government a chance, in a Speech from the Throne, to establish the political tone for the final two years of its electoral term. Unfortunately, for the Liberals, the Minister of Finance, Greg Sorbara, was forced to resign on the eve of the Speech and the theme of the day very much became damage control and a change in the Cabinet team.

The new Minister of Finance, Dwight Duncan, is a proven and experienced Minister who has dealt ably in the challenging energy portfolio. He should have little difficulty handling his new portfolio at Finance. Given the government's focus on health and education issues, we would expect Minister Duncan to keep his focus on keeping the deficit in line.

Mr. Duncan's replacement at the Energy Ministry is a very capable back-bencher, Donna Cansfield. Ms. Cansfield was the former head of the Toronto School Board, served as Mr. Duncan's Parliamentary Assistant, and she has chaired a group of Liberal MPPs focused on energy conservation. Ms. Cansfield knows the energy file and has political experience dealing with tough issues. We expect that she will move forcefully on conservation related initiatives particularly in the area of 'smart' metering.

Speech from the Throne – *Strengthening Ontario's Economic Advantage*

The Speech from the Throne contained little to draw attention away from the Finance Minister's resignation. Entitled *Strengthening Ontario's Economic Advantage*, the Speech made the point "that everything – from the ability of our business to compete to our capacity to fund a caring society to the opportunities available to our children – depends on Ontario's prosperity". In the Speech, the Government proceeded to enumerate the initiatives taken to date with very little new to announce.

Some of the policy statements that may be of interest were: (i) the launching of an alternative secondary school diploma for trades and skill training; (ii) the expansion of university tuition subsidies; (iii) providing patients with online access to provincial wait times; (iv) adding new spaces for medical students; (v) new legislation to promote energy conservation; and (vi) a new City of Toronto Act that could ultimately have an impact on real estate development and transportation issues in the City of Toronto.

Toward 2025 – Assessing Ontario’s Long-Term Outlook

The *Fiscal Transparency and Accountability Act* passed in 2004 requires governments of Ontario to provide long range fiscal assessments within two years of a general election. The first Report provides some useful economic analysis for those interested in a longer term view “about the challenges and opportunities that Ontario will face over the next 20 years”.

Chapters include:

- Demographic Projections and Implications;
- A Long-Term Projection of Ontario’s Economic Growth;
- Strengthening Productivity Growth;
- Drivers of Future Health Care Costs;
- Intergovernmental Finances;
- Ontario’s Long-Term Fiscal Prospects

The Report may be found at www.fin.gov.on.ca. The Report concludes with cautionary words:

There is no doubt that in 20 years the Province will be operating in a different context than it is today. According to the data in this report, Ontario has the ability and resources to face the challenges of the next 20 years.

The report highlights, however, the importance of demographics and productivity growth. Ontario’s population is growing, urbanizing and aging – placing pressure on health care, higher education and infrastructure. Economic growth will be rendered more challenging by a slower-growing workforce. Increasing productivity will require significant innovation from the public and private sectors alike. The Ontario economy is also sensitive to major external forces such as global economic performance and the price of oil.

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