



PATHS TO PROSPERITY

AN AGENDA FOR GROWTH

An Ontario PC Caucus White Paper

October 2012

Ontario has a traditional role as the economic leader of Canada. That wasn't given to us. We earned it. We built this province through hard work, an entrepreneurial spirit and decades of government that spent within its means.

In the last few years, Ontario has lost its way. We have become a province of smaller dreams and bigger government. While our economy has limped along, government spending has raced ahead. Economic growth has become decoupled from government spending, as if there were no relationship between what we can afford and what government spends.

Now, we face a critical choice about our future. Either we implement the sensible policies that create jobs and prosperity wherever they are tried, or we accept a future of high debt, declining public services and living below our economic potential.

The Ontario PC Caucus does not believe the role of government is to gently manage decline. We will not settle for mediocrity.

The journey to jobs, prosperity and growth begins by setting great goals. Ontario can lead this country in job creation again, as it has so often in the past. We should accept nothing less.

Some say two per cent growth in our economy each year is the best we can hope for. That means accepting a bleak future. Ontario can do better than simply crawling along, but to get there we must shake ourselves from the complacency of the last nine years.

Kick-starting economic growth and addressing Ontario's debt crisis are interdependent, not separate, goals. Two per cent growth will not balance the budget or put 600,000 people back to work. We won't reach our economic potential as long as businesses are over-taxed and over-regulated and investors are leery of our structural deficits and rapidly mounting debt.

From my town halls and *For Jobs and Our Economy* tour across the province, I've heard first hand that people want a discussion about what comes next. They're hungry for bold, new ideas. They're willing to listen to fresh perspectives. Most important, they don't see government as the whole solution.

Government intrusion into the free market always distorts the natural balance between competing industries, products and services. The current government's approach of picking winners and losers with grants, loans and subsidies has failed. This *Paths to Prosperity* white paper – the fourth in a series – proposes a very different approach of smaller, more focused government and a level playing field for all to succeed through lower taxes, freer trade and less government interference.

We believe that we can rebuild our economy for the twenty-first century and recreate a strong, growing and confident middle class. Our big advantage is that Ontario has more of the greatest resource there is, and that's people. It is Ontarians' knowledge, ideas and hard work that will take us back to the top. We believe in the people of Ontario.



Leader of the Official Opposition





Christine Elliott

DEPUTY LEADER OF THE OFFICIAL OPPOSITION,
MPP FOR WHITBY – OSHAWA

Over the past decade Ontario has experienced extraordinary economic decline. The facts speak for themselves: 600,000 people unemployed, rapidly escalating energy prices, historic deficits and a doubling of the provincial debt that will both stifle job creation and burden future generations.

While we all know these facts well, more troubling trends are becoming apparent. Over the past decade Ontario has experienced a net loss of leading global companies. Despite prolonged unemployment, the province faces

unprecedented skilled labour shortages. Ineffective economic development programs continue, even though they have failed to deliver results. This is the current government's record, and this is Ontario's future if we stay on the same path we're on today.

The Ontario PC Job Creation Task Force set out to identify barriers to new jobs and develop a comprehensive and integrated plan for growth. Based on the premise that entrepreneurialism and productivity drive the economy, we envision a province known for delivering successful start-ups, expanding businesses and becoming the most attractive economic jurisdiction in the world for investment.

We envision a province known for its ingenuity, inventiveness and innovation. To achieve that, we must work with our entrepreneurial hubs and support those who are driving growth and innovation.

We also know that Ontario's new economy must include opportunities for all and leave no one behind. People with disabilities, First Nations, new Canadians and older workers are all under-represented in Ontario's workforce. We must harness their abilities to strengthen our workforce.

Our six-month consultation process and extensive research generated many ideas, too many to include in this single discussion paper. There is more to come. For example, we will propose changes to Ontario's schools, colleges and universities to help give our children the skills they need to succeed in the new economy.

Above all, our research and consultation re-affirmed the critical importance of conservative values – balanced budgets, limited government and a vibrant private sector.

Ontario has all the raw materials needed to forge a modern, dynamic economy. I know that if we tackle our current economic problems with the full force of our abilities and ingenuity, Ontario will be the best place in the world to invest, work and start a business.

I'd like to thank our Leader, Tim Hudak, for giving me the opportunity to lead this vital project, and my MPP colleagues Todd Smith, Norm Miller, Garfield Dunlop, Monte McNaughton, Peter Shurman and Vic Fedeli for their contributions. Please let us know what you think by contacting my office through email at **christine.elliottco@pc.ola.org** or by phone at **416-325-1331** (Queen's Park).

A handwritten signature in blue ink that reads "Christine J. Elliott".

Chair of the Ontario PC Job Creation Task Force

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INTRODUCTION

The headlines of the last few years have told a discouraging story about Ontario's economy.

Our province has had a higher unemployment rate than the national average for 69 consecutive months. The provincial credit rating has been downgraded. Once-mighty Ontario is now considered a have-not province and receives equalization payments from the federal government.

Despite massive government borrowing in an attempt to revive the economy, Ontario has not recovered from the 2008 recession. While other states and provinces have bounced back, Ontario lags behind. Our gross domestic product per capita, a common measure of what each worker produces, is second lowest among 16 comparable states and provinces. For example, while New York's GDP per capita is \$71,200, Ontario's is only \$46,500.

This is not a story that can be told only with numbers, though, because this is primarily a story about people. The lack of a growing economy means that nearly 600,000 Ontarians can't find work. In every community across the province, there are young people who can't get their first decent job, and veteran workers who have lost their jobs and can't get back into the workforce. The loss of human potential and the loss of the dignity of work can't be measured simply by a number.

So what can government do about all of this?

Some say very little, and point

the finger of blame at the global economic downturn, the success of Alberta's oil sands, the federal government, even the Japanese tsunami.

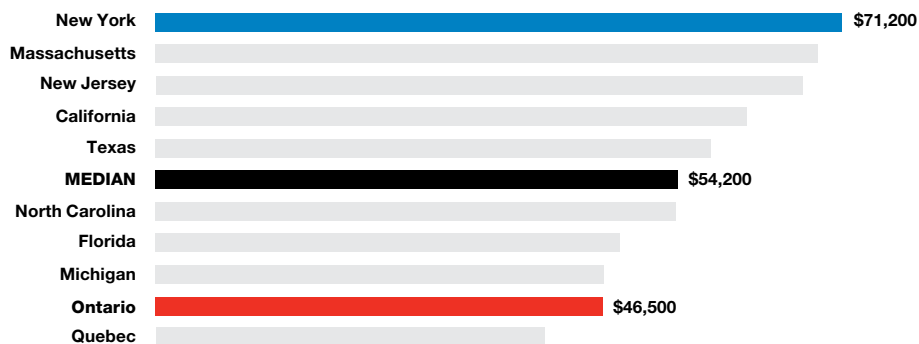
We say government can do plenty. Not only can it do plenty, it has to do its own job better to get the rest of the economy moving again.

Government can manage its own finances properly, so that it is not a drag on the economy. It can make sure that our colleges and universities produce people with the skills and education to drive the economy. It can provide better public transit and highways, so that people don't have to waste hours every day commuting. It can minimize the amount of unproductive time entrepreneurs and businesspeople spend filling in government forms or waiting for approval. It can cut taxes so that people have more money to spend and businesses have more to invest.

That's why this discussion paper on jobs and the economy presents new ideas for tackling these problems. It builds on our earlier papers called *Affordable Energy* and *Flexible Labour Markets*, which contain proposals to regain control of Ontario's spiralling energy costs and to deal with the ways outdated labour rules are slowing our economy. The specific recommendations made in those two previous white papers can be found at the end of this document following the conclusion.

There is more to come in future papers. We will describe our ideas on how to educate the workforce of the twenty-first century, and we will explore a new strategy for more effectively leveraging Ontario's abundant natural resources for job creation. We can't afford to let resources like the chromite deposits in Northern Ontario's Ring of Fire sit untapped any longer or starve our forestry mills of a stable wood supply. We believe that Ontario simply has too much potential to languish in the economic doldrums indefinitely, but we're not going to get out of

2010 GDP Per Capita Ontario and North American Peers



Source: Institute for Competitiveness & Prosperity, Tenth Annual Report, November 2011

them without a comprehensive and integrated plan and a lot of hard work.

It's important to remember that Ontario government policies created and compounded many of our economic difficulties. Overspending and a lack of

plan for the economy, combined with gimmicky programs, bigger business handouts without accountability, higher taxes and more debt helped get us to where we are today. We believe the solutions are new policies that put jobs first and a government that does its own job well.

These are achievable goals, but Ontario has become a bit like a hockey team that has a losing record despite the skill and hard work of its players. We believe it's time for a new coach and a new game plan.

BALANCE THE BUDGET

The first and most basic thing government needs to do is balance its own books. The second is to start to pay down the debt. We literally can't afford to keep running government on a credit card.

Today, the annual cost of carrying our accumulated debt is \$10.6 billion a year and it rises with every year the province remains in deficit. That's a cost we're passing on to the next generation. It will slow the economy and restrict government services for years to come.

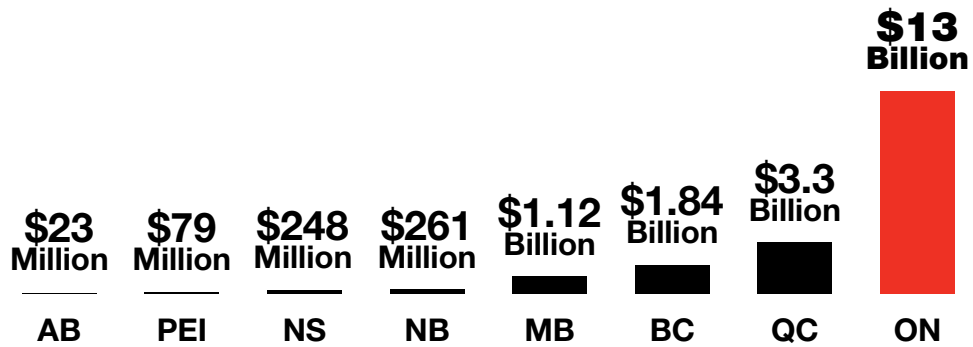
economy, create more tax dollars and balance the budget.

Here's a fact that fans of big government just won't admit. You

\$22 billion more than it was only five budgets ago. That's a 20 per cent increase over a period of time during which the economy hardly grew at all.

It's time to be realistic. If you own an elephant and you only have enough

Budget Deficits Across Canada (2011-12)



Source: RBC Economics Research and Ontario Ministry of Finance

Businesses know what usually comes next when a government is deeply in debt. Taxes go up and necessary spending on the infrastructure our economy requires is put off and called a "saving." The threat of higher taxes and reduced services is not exactly an inducement for businesses to locate or remain in Ontario. That will hurt the very job creation we require to boost the

can't reduce the cost of government without making government smaller. That means actually spending less than the year before, not just slowing the rate of spending increases.

Look at the numbers. Stimulus spending that we were told would be temporary has become permanent. The Ontario government is spending

rations to feed a horse, it's time to ask, why do you need the elephant?

Reducing the size of government will mean tough decisions that will affect all of us, but it must be done. It's about future jobs and prosperity. You cannot influence the province's future if you're not in control of the province's finances.

“Despite all the talk of deep spending reductions, [the current plan] doesn’t actually cut spending.”

Source: Ontario budget 2012: A missed opportunity, Fraser Forum, May/June 2012

Regaining that control means structural change. Anyone who tells you that government can stay the same size that it is today, but be operated for \$13 billion less, is either naïve, or thinks you are.

Ratings agencies aren’t fooled by gimmicks and tinkering at the margins. They need proof that the fundamentals are right. That’s why Ontario’s credit rating has been declining.

We believe that Ontarians know how to live within their means and build for the future. Government shouldn’t be any different. A household that was spending more than it was taking in would cut spending. Government must apply that common sense to its own budget.

Most people would agree that Ontario needs to balance its books. The question is how quickly to do it.

The current goal is to return to balance in five years by 2017-18, three years later than any other province. Progress has been slow, but even if that target is met, it will still mean a decade of debt for Ontario. When Moody’s Investors

Service downgraded Ontario’s credit rating following the last provincial budget, it explicitly cited the “extended period” of time to balance as a cause for the downgrade.

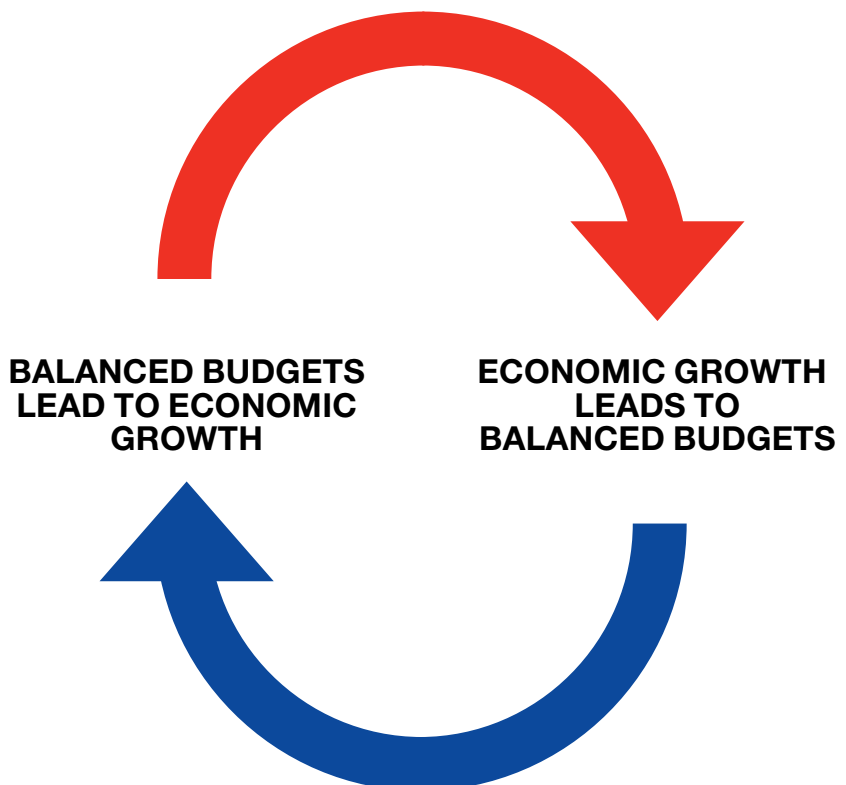
We think taking five years to control spending is unacceptable. Every year of delay in balancing the budget adds billions of dollars to the province’s \$260 billion debt. That accumulated debt poses a huge risk to Ontario’s finances. Interest rates are at 20-year lows, but when they rise, every percentage point of increase will cost taxpayers \$500 million a year. That’s enough to pay for 250,000 MRI exams.

We plan a bolder course. We believe the deficit should be eliminated well before 2017.

In the short term, we know that will mean more substantial reductions or flat lining in almost all areas other than health, but the tools are there to do the job. The Drummond Commission identified many areas where taxpayers are not getting good value for their money. We would supplement these recommendations with our own rigorous program review of government services. As one example, we have already proposed the elimination of the so-called Clean Energy Benefit, a billion-dollar provincial subsidy program that borrows money from foreign lenders to temporarily reduce your power bills by 10 per cent.

Our proposed public sector wage freeze will help reduce spending pressure by \$2 billion a year while

The Virtuous Circle



we make fundamental changes to government benefits like the banking of unused sick days for cash payouts on retirement. Our wage freeze is a real freeze, includes everyone and freezes wages today, not in 2015 when they are even higher. That's the only fair way.

We would also fix a broken arbitration system that continually awards government employee unions substantial pay increases beyond the ability of taxpayers to pay. That will help restrain future wage costs.

While these reforms would help

address Ontario's overspending in the short term, they do not get to the underlying problem. We are simply spending more on government programs than we can afford.

We will be releasing a *Paths to Prosperity* white paper entitled *A New Deal for the Public Sector* that lays out our plan to reduce the size and cost of government in a way that focuses on outcomes, drives efficiencies and sets clear priorities. This will not only rein in unsustainable overspending, but lead to better quality service. We will rethink the government's role

in certain businesses and propose substantial changes to how we spend taxpayers' dollars.

We don't pretend that our deficit target is an easy one, but why spread the tough decisions out over five years when you can make them in a shorter period of time and stop living on borrowed money sooner? This direct approach has been tried before in Canada and worked. We believe it's important to send an aggressive message to businesses and investors that Ontario has the plan and the will to bring its spending in line with its revenues.

PATH 1

Balance the budget before 2017. Ontario is scheduled to be the last province in Canada to balance its books. The others have made tough decisions. We must too.

URGENT ACTION TAKEN TO BALANCE THE BUDGET

- Prime Minister Jean Chrétien cut federal spending by 9.7 per cent over two budgets in 1995 and 1996.
- Premier Roy Romanow decreased spending in Saskatchewan by 7 per cent over 2 budgets in 1992 and 1993.
- Premier Ralph Klein cut Alberta program spending by 22 per cent from 1993 to 1995.
- Premier Mike Harris reduced Ontario program spending by 4 per cent in 1996 and flat lined it in 1997.

TAX CUTS CREATE JOBS

Ontarians deserve straight talk about their taxes, not a government that says one thing and then does another after it gets elected. Over the last nine years, Ontario families and businesses have experienced a number of unpleasant tax surprises. As part of restoring the credibility of government, leaders have to start by telling people the truth and sticking to it.

The real cost of tax increases is in the jobs not created as a result of them. There is no escaping that one of the primary factors of our slow job creation is high tax levels. The top marginal tax rate in Ontario today is 49.5 per cent – the highest personal income tax rate in Canada after Nova Scotia.

As a result of Ontario's debt crisis, we cannot reduce taxes as much as we think is necessary, but we also know we can't balance the books by cutting spending alone. The deficit is simply too large. A combination of spending restraint and job-creating tax cuts is required. An expanding economy brings in more tax dollars through full employment and business profits and will enable government to eliminate the deficit more quickly.

We realize that cutting taxes while you are trying to eliminate the deficit appears counter-intuitive. When people hear the term "tax cut," many think it means that government will have less money to spend than it did the year before. However

who deny that this economic activity can be attributed to tax cuts, people who believe that economic growth will just happen on its own. We respectfully disagree.

If you remember only one number from this Ontario PC Caucus white paper, it should be that each percentage point increase of real economic growth brings the government \$800 million in new revenue. The way to sustainably increase government revenue is through an expanding economy, not tax increases.

Tax cuts are a long-term, pro-growth strategy, but the deficit and debt mean we must be strategic in the rates we choose to reduce.

We examined all of Ontario's tax rates, from payroll taxes to the

“ Ontario and Nova Scotia have a provincial tax rate for their highest income earners that is more than double the 10% flat tax rate Alberta applies to all its residents, regardless of income levels. ”

Source: Jamie Golombek, CIBC, in the Financial Post, July 7, 2012

That's simply too high. Economists have demonstrated that overly high tax rates can actually reduce tax dollars collected because they are a strong disincentive for individuals to work and businesses to produce.

The Ontario PC Caucus believes lower taxes create jobs and higher taxes deter them. That's why we believe a substantial tax cut must be included in any credible job creation plan.

this simplistic analysis ignores the economic growth that accompanies substantial tax relief. When people have more take-home pay, they use it to buy new cars or to renovate their homes. Businesses invest in new equipment and hire more people, actions that increase productivity and put the unemployed back to work.

This phenomenon has occurred time and time again following substantial tax relief. There are many people

land transfer tax to multiple excise taxes. The three main tax rates in Ontario are the corporate income tax, the personal income tax and the harmonized sales tax. Combined, they produce more than two-thirds of the province's total tax revenue.

We have engaged economists and financial modelers to assess the costs and projected job-creation impact of reducing these main taxes, but we want to hear from you. Which type of tax cut do you

think would be most effective for job creation?

As well, we want to simplify the tax structure. People and businesses shouldn't have to spend so much time and money just to pay their taxes. We will eliminate every tax

credit, deduction and subsidy that's demonstrably ineffective, in favour of a system with lower rates for everyone.

Our goal is to move to a flatter personal income tax structure, with fewer brackets and surtaxes and

lower rates for every taxpayer. A less complex tax code that focuses on eliminating loopholes and lowering the overall rate will save time, money and resources. This benefits people at every income level. As a result, the economy will grow.

PATH 2

Significantly reduce Ontario tax rates to attract investment, create jobs and expand the economy.

Acknowledging Ontario's debt crisis drastically reduces manoeuvring room to reduce taxes as much as we would like, use this *Paths to Prosperity* discussion paper to solicit the best advice from Ontario's businesses, individuals, economists, think tanks and associations on which tax cut would have the most impact on job creation: the corporate income tax, the personal income tax or the provincial portion of the harmonized sales tax.

A LEVEL PLAYING FIELD FOR ALL TO SUCCEED

We believe in competition. Only free markets and customers, not governments, can determine which businesses succeed. This means giving all businesses an equal chance. We don't believe that it's up to government to act as an investment banker to support some businesses at the expense of others.

The current government takes the opposite approach, with its \$2 billion to \$3 billion a year in grants, loans and subsidies for businesses. Instead of the market determining which businesses succeed, politicians and bureaucrats try to pick winners. The result is either

propping up weak businesses with public money until the grants run out or handing it to strong businesses that don't need the help.

It's no surprise that this approach doesn't produce jobs. This was confirmed by economist Don Drummond who looked at the evidence and determined "business subsidies are often not an efficient use of public resources and have done little to raise living standards." This view is shared by many. As James Milway, former executive director of the Institute for Competitiveness & Prosperity, has said, "[Government granting programs] are not worth the

money and in tough times like this, if governments are looking to cut their spending, I would sure look at this."

It's wrong for businesses' success to rely on who the owners know in government, or how good a lobbyist they can afford to hire. Instead of spending their time sharpening their competitive edge, big government handouts encourage businesses to spend time pleading for taxpayers' dollars.

We believe that fairness means treating everyone equally and having all businesses play by the same rules, whether those businesses are large or small.

Rather than use public money to favour companies that know how

to work the system, we want to use those tax dollars for broad general benefit. The money saved will be an important element of our tax cut plan. Ending grants and loans to individual for-profit companies will provide significant room for broad-based tax relief.

Economist Mark Milke of the Fraser Institute recently noted that

had Ontario's corporate welfare expenditures been redirected to personal or corporate income tax reductions, the money could have been used to: nearly eliminate Ontario's Health Premium; nearly eliminate the top personal income tax surtax of 36 per cent and reduce the lower surtax from 20 per cent to 10 per cent; or, further reduce the corporate income tax rate to

eight per cent – which would be the lowest business tax rate in Canada.

To limit corporate welfare, Alberta passed a law in the 1990s requiring any direct grant or loan to an individual business to be approved by a vote of the full legislature. This law has effectively tied the hands of government with respect to making business investments.

PATH 3

Get out of the business of corporate welfare and use this money instead for broad-based tax relief to create jobs. Restrict the ability of government to hand out corporate welfare by requiring a full vote of the legislature for approval of any grant or loan to an individual for-profit business. Citizens and businesses alike deserve this transparency and accountability for their tax dollars.

BREAK TRAFFIC GRIDLOCK IN THE GREATER TORONTO AND HAMILTON AREA

The Greater Toronto and Hamilton Area (GTHA) is the economic heart of Canada, but it is a heart with badly clogged arteries. This is choking job creation in the region.

Inadequate public transit and inefficient roads make it difficult for people and goods to move across the region. This forces many people who might otherwise take transit to stay in their cars and drive to work, creating daily traffic nightmares on our roads. GTHA gridlock is hurting commuters, families and businesses. Political gridlock is preventing real solutions to the region's transportation challenges.

The GTHA needs a truly integrated transportation plan that expands or coordinates both public transit and highways. Businesses make decisions about where, when and how to invest based on the quality of public and private infrastructure necessary to help them meet their business objectives. High quality infrastructure supports private investment and job creation.

Right now, there are too many governments wasting too much time fighting over what should be done and who should be in charge. Transportation and transit plans

for the GTHA change on a regular basis and no one authority is held accountable. It takes years to expand public transit and highways, and the average commuter pays the price. We need to spend our time building, not bickering.

Commuters in the GTHA suffer through the longest commute times in North America because we do not have a single authority managing our regional transportation and transit assets. We can measure the economic cost of failing leadership in tackling our transportation and transit challenges. GTHA gridlock is estimated to cost \$6 billion annually in lost productivity. Lost productivity means lower wages and thousands of lost jobs.

And the effects of gridlock are not just economic. They are also

personal – missed family dinners, missed soccer games and missed school plays.

Solving GTHA gridlock requires leadership with a clear vision and plan of action, particularly when it comes to public transit. We believe in public transit, but inadequate access and poor quality service are forcing people to stay in their cars. We are proposing steps to create the kind of transportation and transit network with the highest levels of quality of service that are required to get people to work and back home quickly.

The first step is to truly integrate the GTHA commuter rail network by transferring the current subway and future LRT operations of the TTC under Metrolinx, the provincial agency responsible for coordinating and integrating transportation in the GTHA.

The GO rail network and the TTC’s subways and LRTs are the backbone of the region’s public transit system, but this backbone is currently

severed. Under this proposal, the GTHA will finally have a truly integrated commuter rail network with a seamless commuter experience across GO rail, subways and LRTs. Metrolinx and the province will also be positioned to manage expansion, coordination and financing of the region’s transportation network. The TTC bus and streetcar network will continue to be strong as the province will ensure that the TTC continues to have revenues to support bus and streetcar services.

Contrast this approach with the current situation. The TTC is building a subway to York Region. Metrolinx is building the underground LRT line along Eglinton Avenue. Two levels of government, two owners, two approaches to delivering service.

GTHA commuters and businesses need one authority to be held accountable for disentangling gridlock and getting the region moving again. It makes sense to give Metrolinx this responsibility.

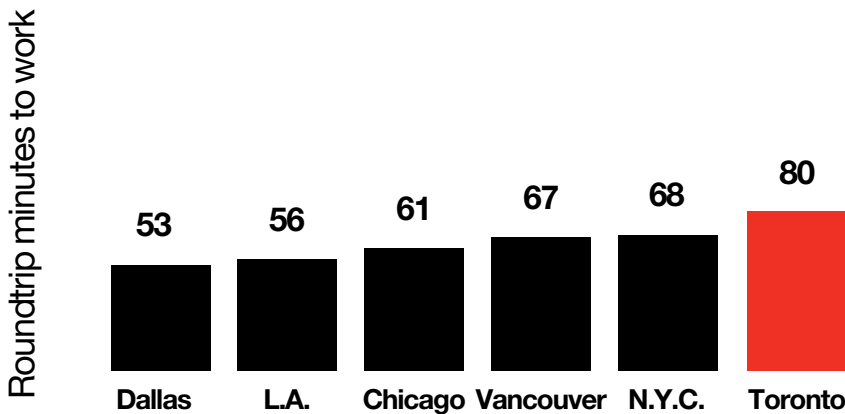
The second step would be to expand

the regional transportation network by investing in new transit and highways. To promote competition and innovation, we will ensure government infrastructure contracts are open to every company to bid on. To protect taxpayers, we will leverage public-private partnerships for private sector capital, including pension fund investment, and project discipline to ensure on-time and on-budget delivery of quality projects.

Our expansion priorities in Toronto will be new subways. Simply put, world class cities build underground. While surface-level LRTs may make sense in more sparsely populated communities, in heavily populated areas like Toronto they are a second-best option that permanently rip up road space available for cars without offering the speed and convenience of subways. Unlike LRTs, subways stimulate job creation with new commercial activity and residential construction along their entire corridor.

The third step would be a further integration, under the authority of Metrolinx, of regionally important assets within the GTHA like highways and certain bus routes. It only makes sense that one body thinks about both highways and transit, instead of pitting one against the other. However, it is also critical that assets that are local should continue to be managed locally. Local bus and streetcar routes should continue to be determined by local communities and their transit boards. If you want a bus stop 50 metres from a new shopping plaza, you shouldn’t have to go to Queen’s Park to get it. Metrolinx will focus on fixing regional gridlock. And together, Metrolinx and

Toronto has the worst commute times in North America



Source: Statistics Canada, U.S. Census Bureau



local transit boards will cooperate to strengthen the local routes that feed the broader regional network.

Real leadership will reduce intergovernmental fighting, promote accountability and accelerate

transportation decisions. This will not impact commuters, except to make their trips easier and faster and give them more choices over time. TTC and GO Transit users will not face any additional costs or complexity. TTC users will still

use one fare for all trips on buses, streetcars, subways and LRTs in the 416. This is about solving gridlock to expand our economy, create more jobs and improve our quality of life.

PATH 4

World class cities build underground. When finances are available, our priority for Toronto will be to build subways.

PATH 5

Metrolinx should be put in charge of planning and operation of what will become a truly regional system that moves people faster and more efficiently. This requires transferring operations of TTC subways and LRTs, expanding the transportation and transit network, and ultimately integrating all regionally important assets like highways and certain bus routes under Metrolinx.

STRENGTHENING OUR SKILLED TRADES

It hardly seems possible to have both high unemployment and a shortage of workers at the same time, but that's the situation in Ontario. One of the fundamental reasons is that government and some union leaders have combined to make it exceptionally difficult to enter the skilled trades, even though employers are desperate for workers. As well, Ontario students certainly aren't linked closely enough to post-secondary institutions specializing in the trades or being encouraged

by their high schools to enter the trades.

A strong economy creates jobs for everyone, not just those with advanced university degrees. We think it's time someone paid a little attention to the people who construct and fix things. Our electricians, welders, plumbers, carpenters and masons helped build this province. These are good, middle-class jobs and those who do them are some of the most entrepreneurial people

in the province. After years of experience, they often start their own small business, and the cycle of economic growth continues. We need the skills of the next generation of tradespeople to get Ontario growing again.

Ontario faces a shortage of up to one million skilled workers over the next decade, according to the Ministry of Finance. We have to make sure we have those workers, or we will lose jobs and growth to other provinces and U.S. states.

Trades training in Ontario needs to be modernized. In Ontario, apprentices



with no experience have to find a willing employer, but that's only the first step of a cumbersome multi-part approach that involves a lot of paperwork and results in only one-quarter of apprentices completing their training, which is mostly on the job.

Some skilled trades require as many as three or five journeymen to train one apprentice. There is no good educational or safety reason for that, and almost all of the other provinces have already modernized their regulations to create jobs. It's simply a way for some unions to limit competition from new workers.

Now, the government is going to give union leaders even more say over trades training with its new College of Trades. It plans to charge everyone in the trades big new fees and make it even more difficult to get into trades. While we're trying to create jobs, the current government is creating a whole new level of bureaucracy and costs.

We believe that you, or your son or daughter, should be able to be trained in the trades just like people are trained for lots of other jobs. We propose normalizing the way we train trades people. Community colleges already provide part of the training for a trade.

We suggest more trades people be trained through a combination of college training and job placements arranged by the colleges.

This would make it easier for young people to learn a trade and enter the workforce. It would also mean the elimination of 200 government jobs held by people who do nothing but handle apprenticeship paperwork. We estimate these changes would create 200,000 new jobs over the next four years.

The goal is to create a flexible and dynamic training system that reflects the unique requirements of each trade.

PATH 6

Ontario should have a model of one journeyman to one apprentice across all trades. Seven other provinces have already modernized their apprenticeship systems in this way, leaving Ontario at a competitive disadvantage.

PATH 7

Certification of trades by the province should be evidence based, limited to those where there is a public safety issue and then subject to a sunset review within five years. Certification decisions should not be influenced by special interest groups who have an incentive to limit access.

PATH 8

The so-called College of Trades should be abolished. A new system should be designed in co-operation with stakeholders to address our shortage of skilled workers. We don't need an expensive new bureaucracy run by the special interests that puts a tax on job creation.

MORE JOBS THROUGH FREE TRADE

Ontario has long benefitted from free and open markets. The 1960s Auto Pact between Canada and the United States, and the North American Free Trade Agreement that superseded it, fueled the manufacturing boom in this province.

The federal government has been aggressive in expanding free trade agreements around the world. As one example, earlier this year Canada expanded a free trade agreement with Chile to include financial services. This trade agreement will be a great boon for those Ontarians who work in Toronto's financial institutions, but we need many more trade deals like it. We would proudly put Ontario workers and entrepreneurs up against any in the world. With rapidly growing economies across the globe,

particularly in South Asia, East Asia and Latin America, Ontario must take a lead role both domestically and internationally in pulling down barriers to trade wherever they exist.

For example, while \$2 billion worth of trade crosses the Canada-U.S. border each and every day, too often the border is a traffic jam, delaying goods and workers from crossing. The Ontario Chamber of Commerce has even called the Detroit-Windsor border crossing the largest "commerce bottleneck" on the planet. Breaking this bottleneck with our largest trading partner, and the costly delays at other entry and exit points along our southern border, is vital to growing Ontario's economy. When Ontario exporters aren't waiting in traffic, they continue to face recurring Buy

American provisions in U.S. local and state government procurement laws, directly affecting job creation and our economic growth.

What many Canadians don't know is that there are still significant barriers within our own country that limit trade between provinces. Here are a couple of examples. Engineers have to pay fees and meet qualifications in every province in which they work. The fees are not related to the number of employees and are costly for small businesses. This limits opportunities for Ontarians and it limits competition. Does anyone seriously think an Ontario engineer isn't qualified to work in Saskatchewan?

Similarly, every province has its own rules and regulations for trucking. There are rules for everything from the size of a van to the number of axles and the weight a truck can carry. Because government can't



agree on sensible standards, it's tough for truckers to expand and compete inter-provincially. This drives up costs and time to get goods to market.

We don't think it is right for Ontario businesses not to have free access to markets in other provinces. These trade restrictions cost our provincial economy an estimated \$6 billion a year in lost economic activity. That means fewer jobs and fewer tax dollars generated in Ontario.

Some provinces are addressing the problem. The governments of British Columbia, Alberta and

Saskatchewan have created the New West Partnership Trade Agreement, a deal that creates a common market for the West. It will allow businesses in all provinces to compete for government work, will allow certified workers to practice their occupations in all provinces, simplify business registration and eliminate conflicting and unnecessary regulations.

We believe Ontario should embrace the economic opportunities in Alberta, Saskatchewan and British Columbia and tear down the barriers that separate us. With so much economic activity taking place in the Alberta oil sands, in Saskatchewan

potash and with China through B.C. ports, this only makes sense. Ontario should also play an active role in negotiating international agreements, something that other provinces already do.

The current government has not played a major role in trade deals because it has not prioritized free trade's role in job creation. All it has negotiated is one weak trade arrangement with Quebec and an even weaker cap and trade agreement with California, taking us in the wrong direction by creating a new barrier to economic growth.

PATH 9

Work with the governments of Saskatchewan, Alberta and British Columbia to expand the New West Partnership Trade Agreement to include Ontario, creating a free-trade area within Canada with a population of 20 million and a GDP of \$1 trillion. The expanded provincial market will have real enforcement power and create a harmonized and seamless market for the good of Ontario and Canada.

PATH 10

Take a lead role in advocating for new international free trade agreements, such as the current federal discussions with the European Union and Trans-Pacific Partnership, and in strengthening existing economic relationships, such as our longstanding ties with the United States and more recent agreements with nations in Latin America.

Strong, modern trade agreements that include both goods and professional services give Ontario workers and entrepreneurs a level playing field to access foreign markets. Given this access, they will succeed and create jobs.

A PRO-GROWTH APPROACH TOWARD IMMIGRATION

We believe that every new Canadian should have a chance to work and prosper in the province of Ontario. That's Ontario's tradition. That's how Ontario was built.

We need skilled immigrants if Ontario is going to continue to grow, but here's the problem. Ontario's share of overall immigration has been declining. When it comes to attracting the best skilled immigrants, it's a competitive market, and Ontario is failing to compete.

Immigrants look at Ontario and see a province with high debt, high taxes, a big government deficit and a lack of job opportunities. With so many artificial barriers to putting their skills, education and experience to work, they are making the same calculation as the CEOs who are reluctant to expand here and the bond rating agencies which have cut Ontario's credit standing.

This is a problem we can solve, and it's one of the reasons why we are proposing changes that will make it simpler to run a business and easier to get into the skilled trades. Prospective immigrants who want to start a business in Ontario need to know we are on their side. They also need to know that Ontario has a government that can manage its finances so that services will be provided and taxes won't keep going up.

To attract the best skilled immigrants we need to do more to create real opportunities in our province. We need to be smarter, too, about using the immigration programs the federal government provides. While other provinces have been quick to take advantage of relatively new federal immigration programs, Ontario has done little.

Provinces drive immigration through two broad streams, the Federal Skilled Workers Program and the Provincial Nominee Program. Ontario is the last province in Canada to rely almost exclusively on the outdated, less effective Federal Skilled Workers Program.

The problem with that program is that it does not match immigration to labour needs. It merely allows new immigrants to settle here based on a set of credentials. While assessing credentials is a critical element to good immigration policy, it does not ensure that the individuals who settle in Ontario will have a job waiting for them. By not matching immigrants to our labour needs, we're compounding our unemployment problem.

By contrast, the Provincial Nominee Program is largely employer driven. The program is designed to fill labour shortages by allowing employers who can't find qualified Ontarians to sponsor

prospective immigrants, and allow the province to nominate these individuals on their behalf, tailoring immigration to the province's labour needs.

The effectiveness of this program is clearly demonstrated in job figures. For instance, while provinces like Manitoba and Saskatchewan have seen their immigration rates double and triple respectively, they also enjoy some of the lowest unemployment rates in the country. Undoubtedly, the Provincial Nominee Program is not only ensuring that new Canadians are working, but is increasing those provinces' productivity and lowering their unemployment rates.

Another new program developed by the federal government, the Canadian Experience Class, has the potential to fill labour needs, drive innovation and increase productivity. This program is designed to give international students who graduate from Canadian post-secondary institutions the opportunity to become a permanent resident and work in Canada.

This is a major marketing opportunity for our post-secondary institutions. How many more international students would pick a Canadian school as their destination of choice if they knew they could not only earn a degree, but also build a better life? This should be a huge selling point for our universities.

PATH 11

Ontario must maximize the latest federal immigration programs to compete with other provinces and make sure we get immigrants who are job-ready and can contribute to our economic growth. Ontario should take full advantage of the Provincial Nominee Program and Canadian Experience Class program to actively recruit talent.

ENDING THE RUNAROUND

We believe the main concerns for a person running or starting a business should be her customers and her shareholders, not filling in government forms that continue to multiply and studying constantly changing rules and regulations. This will require changing the attitude of government to be pro-jobs, pro-growth and to govern outcomes, not babysit procedures. We can only invest in core public services with a thriving economy.

Ontario is long overdue for a major reduction in the rules that tie up businesses. Some regulations are necessary, but Ontario has accumulated an absurd paperwork burden that costs the province's businesses too much time and money.

According to the Canadian Federation of Independent Business, complying with Ontario's regulatory requirements costs businesses approximately \$11 billion annually. It's hard to believe, but Ontario currently has 386,251 regulations

according to the Ministry of Economic Development and Innovation.

Perhaps nowhere is this burden felt more heavily than in Ontario's resource development and land-use planning sectors, two areas of our economy that have always been at the core of job creation. Governed by several government ministries, three dozen Conservation Authorities and endless amounts of legislation, we have heard through our consultations that there are simply too many regulatory bodies with overlapping mandates in these sectors to grow the economy. In addition to our comprehensive review of all 630 provincial agencies, boards and commissions, we would ensure decisions made by regulatory bodies like the Conservation Authorities are based on verifiable science, not ideology, and appealable to the Ontario Municipal Board.

It's time for a new attitude. Government shouldn't make rules simply because it can. We need fewer rules, and those rules must

meet a clear need. We can't afford to hold up job creation in the private sector economy simply to keep bureaucrats busy making rules.

We would legislate the requirement to publicly report the number of provincial regulations on an annual basis. Reform must begin with transparency and a legislated commitment to reduction. Currently British Columbia is the only province in Canada to enact regulatory reform legislation. We would then reduce the regulatory burden in Ontario by a minimum of 33 per cent – 128,750 regulations – over three years by enacting a series of systemic reforms. Our priority would be on those with the greatest economic impact.

Some people say this can't be done, but once again, Ontario has fallen behind other provinces. Since 2001, the B.C. government has eliminated more than 152,000 regulations – a regulatory reduction of over 42 per cent. British Columbia is committed to maintaining no net increase in regulations through 2012. Quebec and Nova Scotia met the target of a 20 per cent

Agriculture is one sector in particular that is forced to grapple with a burdensome number of laws, rules and regulations, such as the Livestock and Livestock Product Act, Pesticides Act, Milk Act, Health Promotion and Protection Act, Ministry of Agriculture, Food and Rural Affairs Act, Food Safety and Quality Act, Protection of Livestock and Poultry from Dogs Act, Safe Drinking Water Act, Nutrient Management Act, Farm Products Grades and Sales Act, Planning Act, Conservation Authority Act, Building Code Act, Drainage Act, Green Energy Act, Clean Water Act, Endangered Species Act, Occupational Health and Safety Act, Ontario Water Resources Act, Ontario Society for the Prevention of Cruelty to Animals Act, Farm Registration and Farm Organization Funding Act. It's a wonder our farmers have any time left to farm.

reduction, and Newfoundland and Labrador is committed to a 25 per cent reduction.

With all 386,251 regulations, 24 government ministries and 630 provincial agencies, boards and commissions, it's no surprise that

businesses and individuals complain that the rules are difficult to interpret and they get different answers depending on which bureaucrat they talk to. We would require that government ministries and agencies answer questions from entrepreneurs and businesspeople

in writing within one week. The interpretation given on a particular rule or regulation would be honoured. We believe this will bring a welcome dose of accountability to those who implement regulations.

“ Government agencies are drowning small businesses in red tape... It uses precious time from our small staff, and takes us away from tasks that are truly important to running our business. ”

Source: Ontario landscaping contractor, CFIB member, March 2012

PATH 12

Reduce the regulatory burden in Ontario by a minimum of 33 per cent (128,750 regulations) over three years. Individual ministers' cabinet pay would be tied to accomplishing these targets. To prevent future regulatory creep, require that for every new regulation, at least one other must be removed.

PATH 13

The Deputy Premier will be appointed the minister responsible for reducing Ontario's over-regulation. All proposed regulations will be subject to the Deputy Premier's approval. If the Deputy Premier believes a regulation is anti-competitive, he or she will be required to reject it.

PATH 14

All regulations – without exception – will be costed by the Ministry of Finance. This costing would be made public. Require all proposed regulations that the Ministry of Finance finds have a net cost to be subject to a vote in the Legislature.

ENCOURAGING ENTREPRENEURSHIP AND INNOVATION

Government has a part to play in encouraging a new business culture in Ontario. We believe in entrepreneurship, not government subsidies.

Entrepreneurs are the foundation of economic growth. They are the risk takers who create new businesses, launch new products and hire new people. We need an Ontario government that understands their

to work with business to help organize mentorship for those starting companies and to celebrate the success of those who start a business and create jobs. This leads to innovation and productivity, which leads to a growing economy.

Much of this interaction takes place at the university level. While it's normal for medical students to gain practical experience in a hospital,

giant themselves. This will require stronger links between businesses and Ontario's outstanding post-secondary institutions. Government is well placed to work with both sectors to expand those links and make them stronger.

Businesses flourish when they can learn from each other. That's the value of Ontario's successful clusters like financial businesses in Toronto and technology businesses in Waterloo and Ottawa. But many of our clusters in Ontario are still not as productive as they could be.

“If Ontario clusters were as effective as US clusters, wages would be \$14,000 per worker higher. As clustered industries account for 34.1 per cent of Ontario employment and given the relationship between wages and productivity, our overall productivity would rise by 14.3 per cent.”

Source: Task Force on Competitiveness, Productivity and Economic Progress, Tenth Annual Report, November 2011

vital role, not one that punishes their success with multiple income surtaxes.

We believe that government can play a guiding role, to help connect our entrepreneurs to the best people in their fields internationally,

many university students still lack access to market-driven programs that connect students' academic experience to industry leaders, with a focus on starting their own business. These students don't want to work for Microsoft, they want to start the next software

The most important thing is to foster a culture of entrepreneurship and innovation. We need people with the imagination and energy to turn Ontarians' best ideas into new businesses.

PATH 15

Encourage entrepreneurship and innovation by facilitating closer interaction between industry leaders, post-secondary institutions and Ontario start-ups.

CONCLUSION

Ontario is in a difficult situation. Too many workers have lost their jobs, our province has lost its leading position in the country and the government has lost its ability to balance its books. These are major blows, but there is one loss that we can't afford, and that's the loss of hope.

We believe that our plans for economic growth show that there is a credible path to economic prosperity, that this great province can once again lead the country in job creation and that our provincial government can end its deficit without another five years of digging itself into a deeper hole.

Before Ontario can lead again, we must begin by catching up. While the Ontario government has spent its time engaging in expensive energy experiments and contemplating bans on everything from pit bulls to dandelion spray to chocolate milk, other provinces have been modernizing their economies and eliminating their deficits.

The Ontario PC Caucus pays attention to what is happening elsewhere in Canada and the world. Many of the ideas we present here have already been implemented elsewhere. We don't believe that we need to reinvent the wheel in Ontario, we just need to make it go around.

Take manufacturing as an example. Some say that manufacturing in Ontario is dead, that the 300,000 jobs lost in that sector over the last

nine years will never come back. That's only true if we keep on making the same mistakes.

We know that manufacturing can be the engine of Ontario growth again, and the proof lies south of the border. The Americans are predicting a "manufacturing renaissance." A September 2012 report by Boston Consulting Group forecasts an export surge that will create five million new jobs by 2020.

Getting manufacturing back on its feet in Ontario requires not just a single change, but a combination of policies working together.

That's why our affordable energy plan presents concrete ideas to control Ontario's soaring power costs. That's why our labour reform plan attacks the bureaucracy and outdated rules that make it too

difficult and costly to create jobs in Ontario. That's why this discussion paper advocates tax cuts, fair treatment for all businesses, a new approach to skilled trades and eliminating the budgetary deficit.

Our plan doesn't curry favour with particular sectors or businesses by showering them with public money. We believe that's wrong. We believe in markets, in entrepreneurialism, in competition and in free trade. These are the values that have driven economic success around the world.

It is telling that, while 300,000 manufacturing jobs were lost under the current government's regime, 300,000 jobs were added to the public sector in Ontario.

The public sector is important, but it's easy to forget that 8 out of 10 of all jobs are in the private sector. With a structural deficit, we know that the public sector won't be growing.



The new jobs and tax revenue that Ontario requires will have to come from private sector growth.

Ours is a plan for prosperity. It is also a plan of action that is ready for immediate implementation. By contrast, the current government has appointed a Jobs and Prosperity Council and told it to report back in a year. That followed a similar approach with the Drummond Commission,

which produced an exhaustive plan to eliminate the provincial deficit, a plan the government has mostly ignored. That's not leadership.

We believe that Ontario needs a government that is ready to govern, not one that buys time by pretending to seek the advice of commissions and councils. We can put a price on buying time in Ontario. Every year that our deficit is not tackled adds

another \$13 billion to our debt.

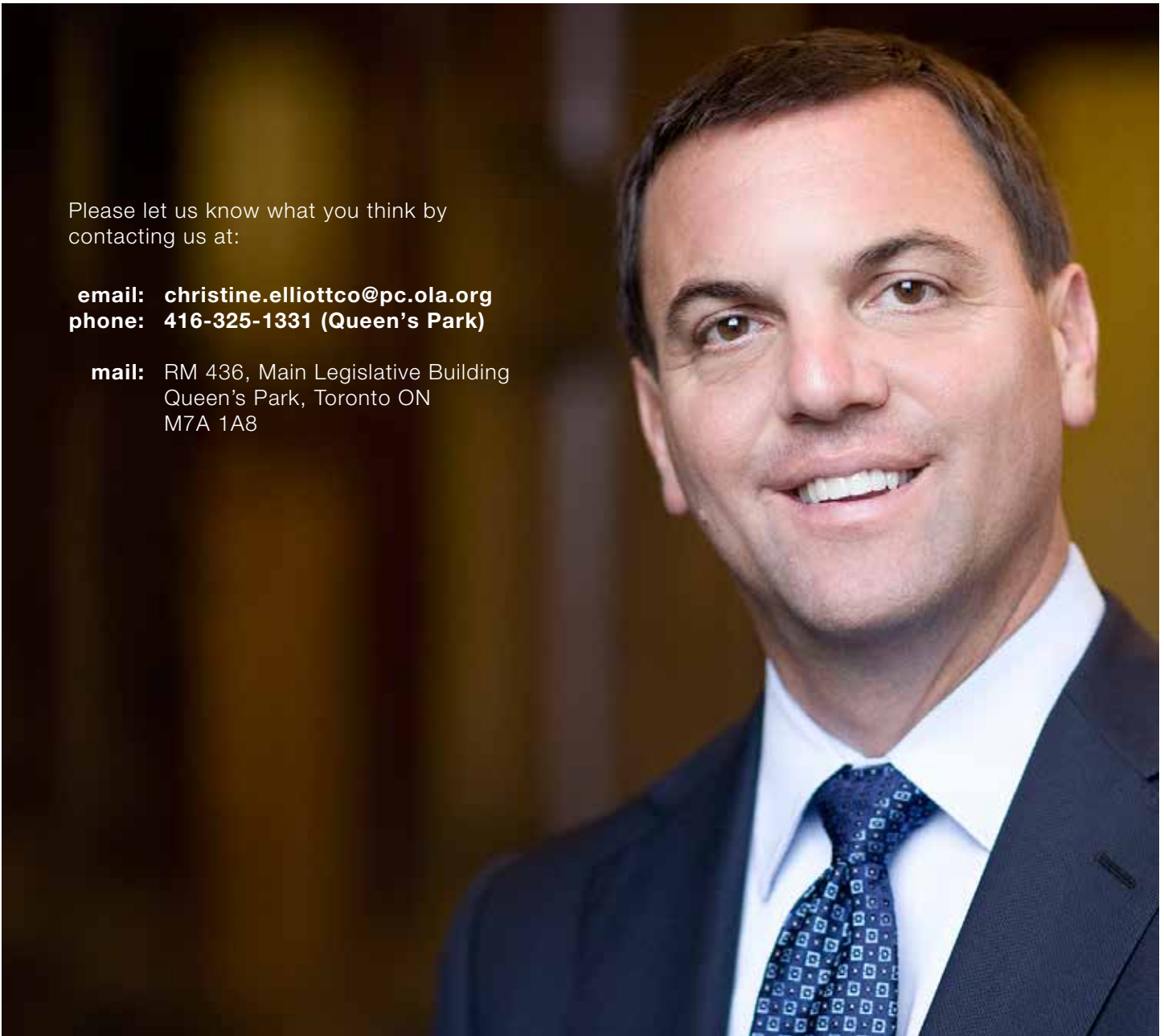
Government can't create jobs, but government can lead economic growth with policies that address our real problems. That means change, big change, but we aren't afraid of change. We embrace it.

Offered that choice, we are convinced that Ontarians will, too.

Please let us know what you think by contacting us at:

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phone: 416-325-1331 (Queen's Park)

mail: RM 436, Main Legislative Building
Queen's Park, Toronto ON
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PATHS TO PROSPERITY

AN AGENDA FOR GROWTH

PATH 1

Balance the budget before 2017. Ontario is scheduled to be the last province in Canada to balance its books. The others have made tough decisions. We must too.

PATH 2

Significantly reduce Ontario tax rates to attract investment, create jobs and expand the economy.

Acknowledging Ontario's debt crisis drastically reduces manoeuvring room to reduce taxes as much as we would like, use this *Paths to Prosperity* discussion paper to solicit the best advice from Ontario's businesses, individuals, economists, think tanks and associations on which tax cut would have the most impact on job creation: the corporate income tax, the personal income tax or the provincial portion of the harmonized sales tax.

PATH 3

Get out of the business of corporate welfare and use this money instead for broad-based tax relief to create jobs. Restrict the ability of government to hand out corporate welfare by requiring a full vote of the legislature for approval of any grant or loan to an individual for-profit business. Citizens and businesses alike deserve this transparency and accountability for their tax dollars.

PATH 4

World class cities build underground. When finances are available, our priority for Toronto will be to build subways.

PATH 5

Metrolinx should be put in charge of planning and operation of what will become a truly regional system that moves people faster and more efficiently. This requires transferring operations of TTC subways and LRTs, expanding the transportation and transit network, and ultimately integrating all regionally important assets like highways and certain bus routes under Metrolinx.

PATH 6

Ontario should have a model of one journeyman to one apprentice across all trades. Seven other provinces have already modernized their apprenticeship systems in this way, leaving Ontario at a competitive disadvantage.

PATH 7

Certification of trades by the province should be evidence based, limited to those where there is a public safety issue and then subject to a sunset review within five years. Certification decisions should not be influenced by special interest groups who have an incentive to limit access.

PATH 8

The so-called College of Trades should be abolished. A new system should be designed in co-operation with stakeholders to address our shortage of skilled workers. We don't need an expensive new bureaucracy run by the special interests that puts a tax on job creation.

PATH 9

Work with the governments of Saskatchewan, Alberta and British Columbia to expand the New West Partnership Trade Agreement to include Ontario, creating a free-trade area within Canada with a population of 20 million and a GDP of \$1 trillion. The expanded provincial market will have real enforcement power and create a harmonized and seamless market for the good of Ontario and Canada.

PATH 10

Take a lead role in advocating for new international free trade agreements, such as the current federal discussions with the European Union and Trans-Pacific Partnership, and in strengthening existing economic relationships, such as our longstanding ties with the United States and more recent agreements with nations in Latin America.

Strong, modern trade agreements that include both goods and professional services give Ontario workers and entrepreneurs a level playing field to access foreign markets. Given this access, they will succeed and create jobs.

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Ontario must maximize the latest federal immigration programs to compete with other provinces and make sure we get immigrants who are job-ready and can contribute to our economic growth. Ontario should take full advantage of the Provincial Nominee Program and Canadian Experience Class program to actively recruit talent.

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Reduce the regulatory burden in Ontario by a minimum of 33 per cent (128,750 regulations) over three years. Individual ministers' cabinet pay would be tied to accomplishing these targets. To prevent future regulatory creep, require that for every new regulation, at least one other must be removed.

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All regulations – without exception – will be costed by the Ministry of Finance. This costing would be made public. Require all proposed regulations that the Ministry of Finance finds have a net cost to be subject to a vote in the Legislature.

PATH 15

Encourage entrepreneurship and innovation by facilitating closer interaction between industry leaders, post-secondary institutions and Ontario start-ups.

PATHS TO PROSPERITY

AFFORDABLE ENERGY

PATH 1

Monetize Ontario Power Generation and Hydro One – the publicly-owned power generation, transmission and distribution companies – first through a pension-led equity stake, followed later by an initial public offering of shares that will open them to other future investors. The goal is to create more efficient companies that are not entirely reliant on public money.

PATH 2

Abolish the 33 per cent transfer tax to encourage cost-efficient consolidation of local power companies and direct the Ontario Energy Board to make sure those efficiency savings are passed on to consumers.

PATH 3

Encourage voluntary consolidation by ensuring that rigorous efficiency, service quality and reliability standards are being achieved by all distribution companies, regardless of their size.

PATH 4

Establish a new power rate for manufacturing and resource-based industry. This rate should be set independently by the Ontario Energy Board using objective economic criteria like the average of what similar businesses pay in surrounding, competitive states and provinces.

PATH 5

Affirm nuclear as the key future source of Ontario's basic energy supply.

PATH 6

Cancel the non-competitive feed-in tariff program.

PATH 7

Subject future wind and solar projects to tests like demand assessment, competitive bidding and local approval.

PATH 8

Explore options like green hydrogen as a way to deal with Ontario's oversupply of power, for use in power plants, industrial operations, and vehicle fleets.

PATH 9

Eliminate impediments to electricity trade wherever possible, engaging other levels of government in these discussions where appropriate.

PATH 10

Enter into trade agreements with neighboring jurisdictions to export our predictable surpluses of power at a reasonable price and treat imports as competitive alternatives to new provincial generation.

PATH 11

Provide consumers more renewable offerings through their electricity bill or online to make it easier to choose green energy from private sector retailers voluntarily.

PATH 12

End all subsidies for electric cars and charging stations.

PATH 13

Phase out the provincial power subsidy by cutting it every year until 2015.

PATHS TO PROSPERITY

FLEXIBLE LABOUR MARKETS

PATH 1

Follow the example of jurisdictions from Scandinavia to New Zealand to the United States by offering worker choice reforms that put power and choice back in the hands of unionized employees. No clauses in any provincial legislation, regulation or collective agreement should require a worker to become a member of a union or pay union dues as a condition of employment.

PATH 2

Union leaders, not employers, should collect dues from the workers they represent. The provincial government should lead the way by ending these automatic paycheque deductions. Private sector employers should have the option.

PATH 3

Amend legislation so that unions must provide full and transparent disclosure of their revenues and how they spend their funds.

PATH 4

Restore the Canadian principle of a secret ballot in all certification votes in Ontario. The Ontario Labour Relations Act should be amended to protect this basic right. A supervised secret ballot shields workers from intimidation at the hands of both union organizers and employers equally by ensuring that their vote to join a union remains private.

PATH 5

Abolish the practice of closed tendering across Ontario's municipal and broader public sectors.

PATH 6

Ensure the Ontario Labour Relations Board functions as an impartial and efficient arbiter of disputes. Its role should be strictly adjudicatory with rules and regulations as minimally invasive as possible. The current mandate of the Board must clearly establish these parameters.

PATH 7

Allow private companies to compete with the WSIB for the provision of workplace insurance coverage.



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