Court of Appeal File No.: **C65807**

COURT OF APPEAL FOR ONTARIO

IN THE MATTER OF A REFERENCE to the Court of Appeal pursuant to section 8 of the *Courts of Justice Act*, RSO 1990, c. C.34, by Order-in-Council 1014/2018 respecting the constitutionality of the *Greenhouse Gas Pollution Pricing Act*, Part 5 of the *Budget Implementation Act, 2018, No. 1*, SC 2018, c. 12

RECORD OF THE ATTORNEY GENERAL OF ONTARIO

VOLUME I OF IV

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Counsel for the Attorney General of Saskatchewan

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Ontario

Executive Council of Ontario
Order in Council

Conseil exécutif de l'Ontario
Décret

On the recommendation of the undersigned, the Lieutenant Governor of Ontario, by and with the advice and concurrence of the Executive Council of Ontario, orders that:

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure de l'Ontario, sur l'avis et avec le consentement du Conseil exécutif de l'Ontario, décrète ce qui suit :

WHEREAS

On June 21, 2018, the *Budget Implementation Act, 2018, No. 1*, SC 2018, c. 12 received Royal Assent.

Part 5 of the *Budget Implementation Act, 2018, No. 1* enacted the *Greenhouse Gas Pollution Pricing Act*.

Part 1 of the *Greenhouse Gas Pollution Pricing Act* levies charges on fuel delivered, used, brought into, or produced in a listed province and combustible waste burned in a listed province.

Part 2 of the *Greenhouse Gas Pollution Pricing Act* establishes a cap-and-trade regime for pricing industrial greenhouse gas emissions and levies a charge on facilities that emit greenhouse gases in a quantity that exceeds their emissions limit.

Sections 165 and 188 of the *Greenhouse Gas Pollution Pricing Act* require the Minister of National Revenue to distribute the revenues raised by the charges levied under the Act to the province in which they were levied or to other prescribed persons or classes of persons.

Sections 166 and 189 of the *Greenhouse Gas Pollution Pricing Act* permit the Governor in Council to determine in which provinces the Act will apply taking into account, as the primary factor, whether the federal government believes provincial pricing mechanisms for greenhouse gas emissions are sufficiently stringent.

On July 3, 2018, O.Reg. 386/18 (Prohibition Against the Purchase, Sale and Other Dealings with Emission Allowances and Credits) was filed, which revoked O.Reg. 144/16 (The Cap and Trade Program) under the *Climate Change Mitigation and Low-carbon Economy Act, 2016*, SO 2016, c. 7.

The Government of Ontario has announced it will introduce legislation that, if passed, would repeal the *Climate Change Mitigation and Low-carbon Economy Act, 2016*.

It is in the public interest that the issues raised concerning the constitutional validity of the *Greenhouse Gas Pollution Pricing Act* be settled authoritatively as soon as possible.

THEREFORE, there be referred to the Court of Appeal for Ontario for hearing and consideration pursuant to section 8 of the *Courts of Justice Act*, RSO 1990, c. C.43 the following question:

> Is the *Greenhouse Gas Pollution Pricing Act*, Part 5 of the *Budget Implementation Act, 2018, No. 1*, SC 2018, c. 12, unconstitutional in whole or in part?

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ATTENDU QUE

Le 21 juin 2018, la *Loi no 1 d'exécution du budget de 2018*, L.C. 2018, ch. 12, a reçu la sanction royale.

La partie 5 de la *Loi no 1 d'exécution du budget de 2018* a édicté la *Loi sur la tarification de la pollution causée par les gaz à effet de serre*.

La partie 1 de la *Loi sur la tarification de la pollution causée par les gaz à effet de serre* prévoit qu'une redevance s'applique aux combustibles qui sont livrés, utilisés, produits ou transférés dans une province assujettie et aux déchets combustibles qui sont brûlés dans une province assujettie.

La partie 2 de la *Loi sur la tarification de la pollution causée par les gaz à effet de serre* établit un système de plafonnement et d'échange prévoyant un mécanisme de tarification des émissions industrielles de gaz à effet de serre et exigeant le versement d'une compensation pour toute émission de gaz à effet de serre, par une installation, d'une quantité supérieure à la limite applicable.

Les articles 165 et 188 de la *Loi sur la tarification de la pollution causée par les gaz à effet de serre* exigent que le ministre du Revenu national distribue les revenus provenant des redevances perçues en vertu de la Loi à la province dans laquelle celles-ci ont été perçues ou à toute personne ou catégorie de personnes visée par règlement.

Les articles 166 et 189 de la *Loi sur la tarification de la pollution causée par les gaz à effet de serre* permettent au gouverneur en conseil de déterminer dans quelles provinces la Loi s'appliquera, en tenant compte, essentiellement, du fait que les mécanismes provinciaux de tarification des émissions de gaz à effet de serre sont suffisamment rigoureux.

Le 3 juillet 2018, le Règl. de l'ont. 386/18 (Interdiction d'effectuer des opérations relatives aux quotas d'émission et aux crédits) a été déposé. Ce règlement abroge le Règl. de l'Ont. 144/16 (Le programme de plafonnement et d'échange) pris en application de la *Loi de 2016 sur l'atténuation du changement climatique et une économie sobre en carbone*, L.O. 2016, chap. 7.

Le gouvernement de l'Ontario a annoncé qu'il déposerait un projet de loi qui, s'il était adopté, abrogerait la *Loi de 2016 sur l'atténuation du changement climatique et une économie sobre en carbone*.

L'intérêt public dicte que les questions soulevées au sujet de la validité constitutionnelle de la *Loi sur la tarification de la pollution causée par les gaz à effet de serre* soient réglées de manière définitive le plus tôt possible.

PAR CONSÉQUENT, la question qui suit est renvoyée à la Cour d'appel de l'Ontario pour examen, en vertu de l'article 8 de la *Loi sur les tribunaux judiciaires*, L.R.O. 1990, chap. C.43 :

La *Loi sur la tarification de la pollution causée par les gaz à effet de serre*, qui constitue la partie 5 de la *Loi no 1 d'exécution du budget de 2018*, L.C. 2018, ch. 12, est-elle totalement ou partiellement inconstitutionnelle?

Caroline Mulroney

Recommended: Attorney General
Recommandé par: La procureure générale

Concurred: Chair of Cabinet
Appuyé par : Le président du Conseil des ministres

Approved and Ordered:
Approuvé et décrété le : AUG 01 2018

E Dowdeswell

Lieutenant Governor
La lieutenante-gouverneure

Court of Appeal File No.: M49500

COURT OF APPEAL FOR ONTARIO

IN THE MATTER OF A REFERENCE to the Court of Appeal pursuant to section 8 of the *Courts of Justice Act*, RSO 1990, c. C.34, by Order-in-Council 1014/2018 respecting the constitutionality of the *Greenhouse Gas Pollution Pricing Act*, Part 5 of the *Budget Implementation Act, No. 1*, SC 2018, c. 12

ORDER

UPON the Lieutenant Governor of Ontario having referred to the Court of Appeal for Ontario for hearing and consideration pursuant to section 8 of the *Courts of Justice Act*, RSO 1990, c. C.43, a question regarding the constitutionality of the *Greenhouse Gas Pollution Pricing Act*, Part 5 of the *Budget Implementation Act, 2019, No. 1*, SC 2018, c. 12

IT IS ORDERED that the Attorney General of Ontario have carriage of the reference;

AND IT IS FURTHER ORDERED that Justice James MacPherson is appointed to case manage the reference.

GR Strathy C.J.O.

Chief Justice of Ontario

Court of Appeal File No.: C65807
M49500

COURT OF APPEAL FOR ONTARIO

The Honourable Justice J. C. MacPherson	**) THURSDAY, THE 30th**
	) DAY OF
	) AUGUST, 2018

IN THE MATTER OF A REFERENCE to the Court of Appeal pursuant to section 8 of the *Courts of Justice Act*, RSO 1990, c. C.34, by Order-in-Council 1014/2018 respecting the constitutionality of the *Greenhouse Gas Pollution Pricing Act*, Part 5 of the *Budget Implementation Act, No. 1*, SC 2018, c. 12

ORDER

THIS MOTION brought by the Attorney General of Ontario for directions regarding the conduct of this reference was heard on August 14, 21, and 28, 2018 by teleconference.

ON READING the Motion Record of the Attorney General of Ontario and hearing the submissions of Counsel for the Attorney General of Ontario and Counsel for the Attorney General of Canada;

1. **IT IS ORDERED** that the Attorney General of Canada shall be a party to the reference;

2. **IT IS ORDERED** that a copy of this Order and a hyperlink to a copy of Order in Council 1014/2018 shall be posted on the website of the Government of Ontario (news.ontario.ca) from September 7, 2018 to November 30, 2018;

3. **IT IS ORDERED** that the Attorney General of Ontario shall give notice of this reference to all provincial and territorial Attorneys General by serving a copy of this Order on them by September 7, 2018;

4. **IT IS ORDERED** that any provincial or territorial Attorney General may intervene as of right in this reference by serving notice of their intention to intervene on the Attorney General of Ontario and the Attorney General of Canada and filing their notice with the Court by December 21, 2018. The notice shall set out the Attorney General's address for service. The address for service on the Attorney General of Ontario and on the Attorney General of Canada shall be:

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Constitutional Law Branch
Civil Law Division
720 Bay Street, 4th Floor
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Fax: (416) 326-4015
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Attorney General of Canada
Department of Justice Canada
Prairie Regional Office (Winnipeg)
301 – 310 Broadway
Winnipeg, MB R3C 0S6
Fax: (204) 984-8495
Email: sharlene.telles-langdon@justice.gc.ca

5. **IT IS ORDERED** that if any Attorney General who files a notice of intention to intervene as of right wishes to file a record, they must seek leave of the Court by serving a Notice of Motion, supporting affidavit, and draft record, as well as an electronic copy of all materials, by December 21, 2018;

6. **IT IS ORDERED** that a party seeking leave to intervene in this reference shall serve a motion for leave to intervene on the Attorney General of Ontario and on the Attorney General of Canada and file the motion with the Court by December 21, 2018. The motion for leave shall contain a notice of motion, supporting affidavit, motion record and factum, not to exceed 5 pages. These documents should comply with the requirements set out in Rule 37 of the Ontario *Rules of Civil Procedure.* An electronic copy of the material must be filed at the same time.

7. **IT IS ORDERED** that any motions for leave to intervene and any motions by an Attorney General for leave to file a record shall be heard on January 15, 2019, at Osgoode Hall, 130 Queen Street West, Toronto;

8. **IT IS ORDERED** that the Attorney General of Ontario shall serve the Attorney General of Canada and file a statement of particulars of the arguments she intends to advance regarding why the *Greenhouse Gas Pollution Pricing Act* is unconstitutional by September 14, 2018;

9. **IT IS ORDERED** that the Attorney General of Ontario shall serve and file five copies of her record, and factum, not to exceed forty (40) pages, as well as an electronic copy of the record and factum by November 30, 2018;

10. **IT IS ORDERED** that the Attorney General of Canada shall serve and file five copies of her record, and factum, not to exceed forty (40) pages, as well as an electronic copy of the record and factum by February 15, 2019;

11. **IT IS ORDERED** that the Attorney General of Ontario and the Attorney General of Canada shall file a joint book of authorities by February 22, 2019;

12. **IT IS ORDERED** that the Attorney General of each province and territory that filed their notice of intention to participate as an intervener shall serve and file five copies of their record, book of authorities, and factum, not to exceed twenty (20) pages, as well as an electronic copy of the record, factum, and book of authorities by February 27, 2019;

13. **IT IS ORDERED** that all other interveners shall serve and file five copies of their factum, not to exceed ten (10) pages, as well as an electronic copy of the factum by February 27, 2019;

14. **IT IS ORDERED** that the Attorney General of Ontario and the Attorney General of Canada complete cross-examinations, if any, by March 30, 2019;

15. **IT IS ORDERED** that the Attorney General of Ontario and the Attorney General of Canada shall serve and file five copies of the reply factum, if any, not to exceed twenty (20) pages, as well as an electronic copy of their reply factum, by April 8, 2019;

16. **IT IS ORDERED** that the hearing of the reference shall take place from April 15-18, 2019.

August 30, 2018

J C MacPherson J.A.

Justice J. C. MacPherson

ENTERED AT / INSCRIPT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

AUG 30 2018

PER / PAR: ST

IN THE MATTER OF A REFERENCE to the Court of Appeal pursuant to section 8 of the *Courts of Justice Act*, RSO 1990, c. C.34, by Order-in-Council 1014/2018 respecting the constitutionality of the *Greenhouse Gas Pollution Pricing Act*, Part 5 of the *Budget Implementation Act, 2018, No. 1*, SC 2018, c. 12

Court of Appeal File No.: C65807 / M49500

COURT OF APPEAL FOR ONTARIO

Proceedings commenced at Toronto

ORDER

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Counsel for the Attorney General of Ontario

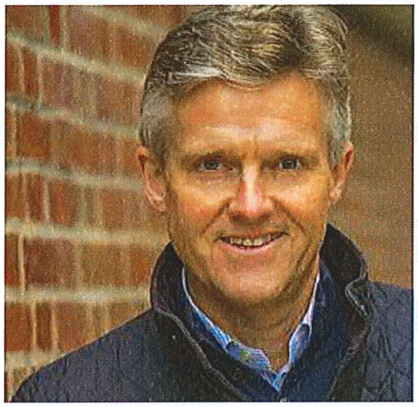
Preserving and Protecting our Environment for Future Generations

A Made-in-Ontario Environment Plan

Ministry of the Environment,
Conservation and Parks

Ontario

Minister's Message



Rod Phillips
Minister of the Environment, Conservation and Parks

The people of Ontario are passionate about the great outdoors and the natural spaces our communities offer. We recognize the importance of a clean environment to our health, our wellbeing and our economic prosperity for future generations. We also recognize the important responsibility we all have to our environment.

Ontario boasts hundreds of thousands of parks, hiking trails and forests to explore with our families and friends. Ontarians can camp in protected areas like Quetico Provincial Park in Northern Ontario and see firsthand the magnificence of a moose. We can also enjoy a family picnic at Victoria Park in Kitchener and enjoy local fresh fruits, vegetables and dairy products that were grown and produced on nearby farms. Ontario is home to hundreds of thousands of lakes, rivers and waterways that are the lifeblood of our province, where people fish, kayak and swim. We also rely on our waters to transport goods, feed our crops, and have a safe, reliable source of drinking water.

These waterways are under increasing pressure as urban development expands along their shorelines, invasive species expand on land and in water, and climate change causes changing weather patterns that can bring heavier rains resulting in damage to homes, businesses and public infrastructure.

Preserving and protecting our environment begins with a new vision for Ontario. One where hardworking taxpayers are protected and respected, and where environmental stewardship connects with the people of this province.

I am pleased to present the following made-in-Ontario plan to keep our province beautiful by protecting our air, land and water, preventing and reducing litter and waste, supporting Ontarians to continue to do their share to reduce greenhouse gas emissions, and helping communities and families prepare for climate change.

This plan will ensure we balance a healthy environment with a healthy economy, and will be reviewed on a four-year basis.

This is a plan that represents a clean break from the status quo.

We understand the pressure Ontarians feel with rising costs of living as well as skyrocketing energy costs that have hurt our economy and our competitiveness. They are understandably frustrated to see their hard-earned tax-dollars being put towards policies and programs that don't deliver results.

That's why a cap-and-trade program or carbon tax that seeks to punish people for heating their home or driving their cars remains unacceptable to the people of Ontario.

When the government does invest in environmental programs, taxpayers should not have to watch their hard-earned dollars be diverted towards expensive, ineffective policies and programs that do not deliver results.

The people of Ontario deserve recognition for the sacrifices they have made and the ones they continue to pay for.

Our plan reflects our province's specific needs and opportunities, and it does not include a carbon tax. We will continue to do our share to reduce greenhouse gases and we will help communities and families prepare to address climate change. With hard work, innovation and commitment, we will ensure Ontario achieves emissions reductions in line with Canada's 2030 greenhouse gas reduction targets under the Paris Agreement.

We will tap into the resourcefulness and creativity of our diverse and thriving private sector by helping them invest in and develop clean solutions to today's environmental challenges.

We have consulted extensively with the public, receiving more than 8,000 ideas and recommendations through our online portal. These comments have been considered alongside submissions from stakeholders and information from Indigenous communities who provided feedback on fighting climate change and other areas of environmental focus. We will continue to consult and engage on the proposals contained within this plan in the coming weeks and months.

All of us have a role to play in protecting the environment, and there are many great ideas across our province and country. It will be important that we continue to have constructive dialogue with other jurisdictions to tackle these environmental challenges together. One thing that has become particularly clear over the past few months is the fact that no one solution fits all provinces, regions or communities.

Our plan describes the actions Ontario is proposing to take and the ways we will enable industry, business, communities and people to continue to do their part.

Ontario families understand that we have a personal responsibility to leave behind a province better off than the one we inherited; not just environmentally, but financially as well.

I invite you to read our plan and join with us today, and every day, to create a better future for Ontario.

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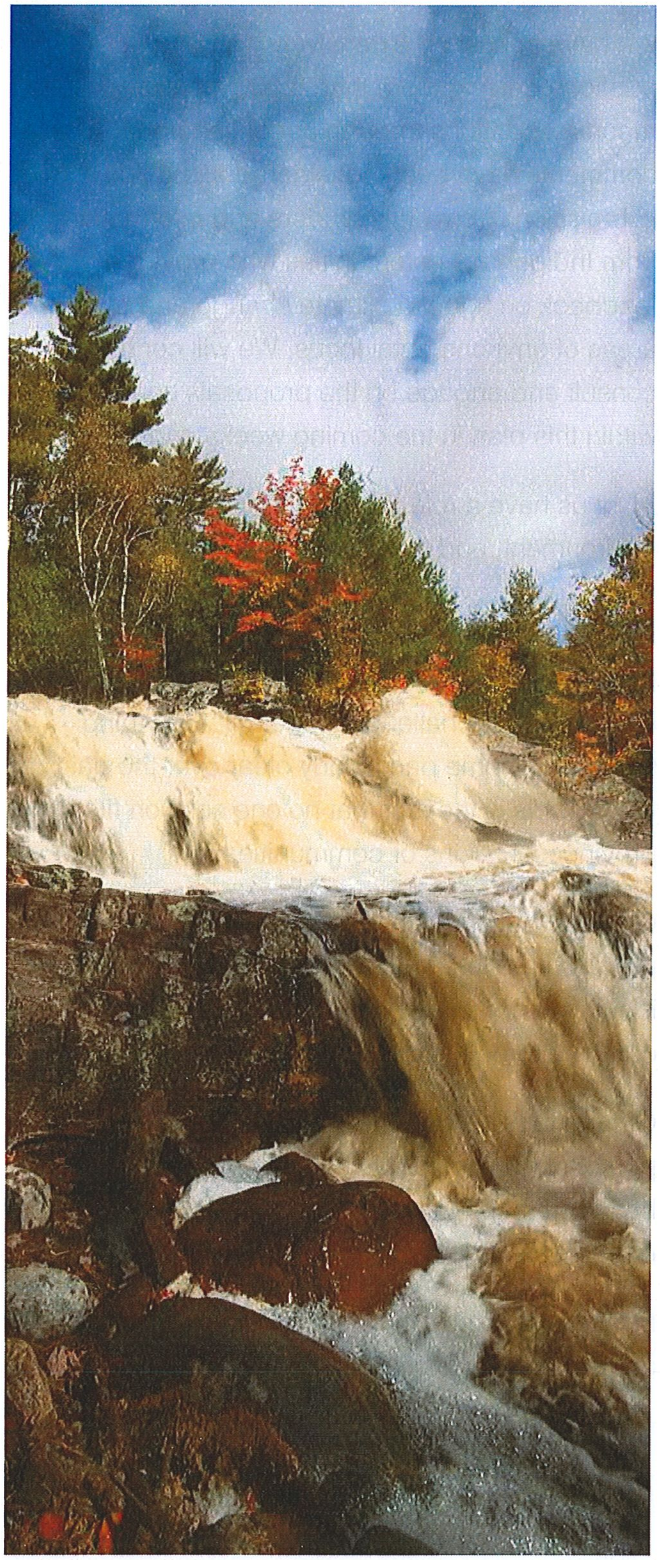


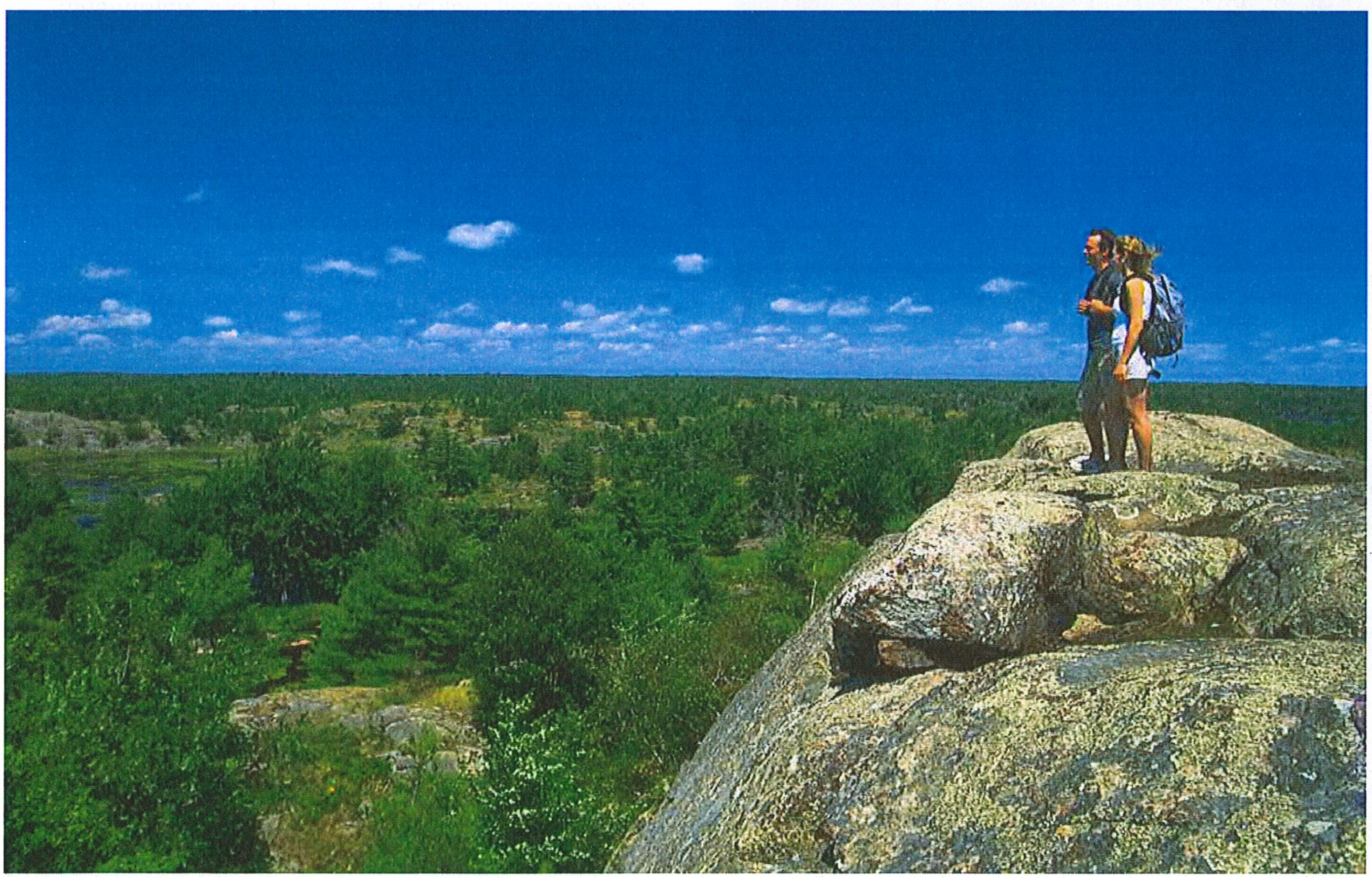
Our Province Today

Those of us who call Ontario home couldn't ask for a better place to live, work and raise a family. The quality of life in our communities and the success of our businesses depends to a great extent on the clean air we breathe, the safe water we drink, and the well-protected lands and parks we enjoy.

Today, the people of Ontario are breathing cleaner air with large reductions in levels of many harmful pollutants. In 2001, Ontario began the process of closing its coal plants and in the years since, we have significantly reduced pollutants such as nitrogen dioxide, sulphur dioxide, mercury and particulate matter.

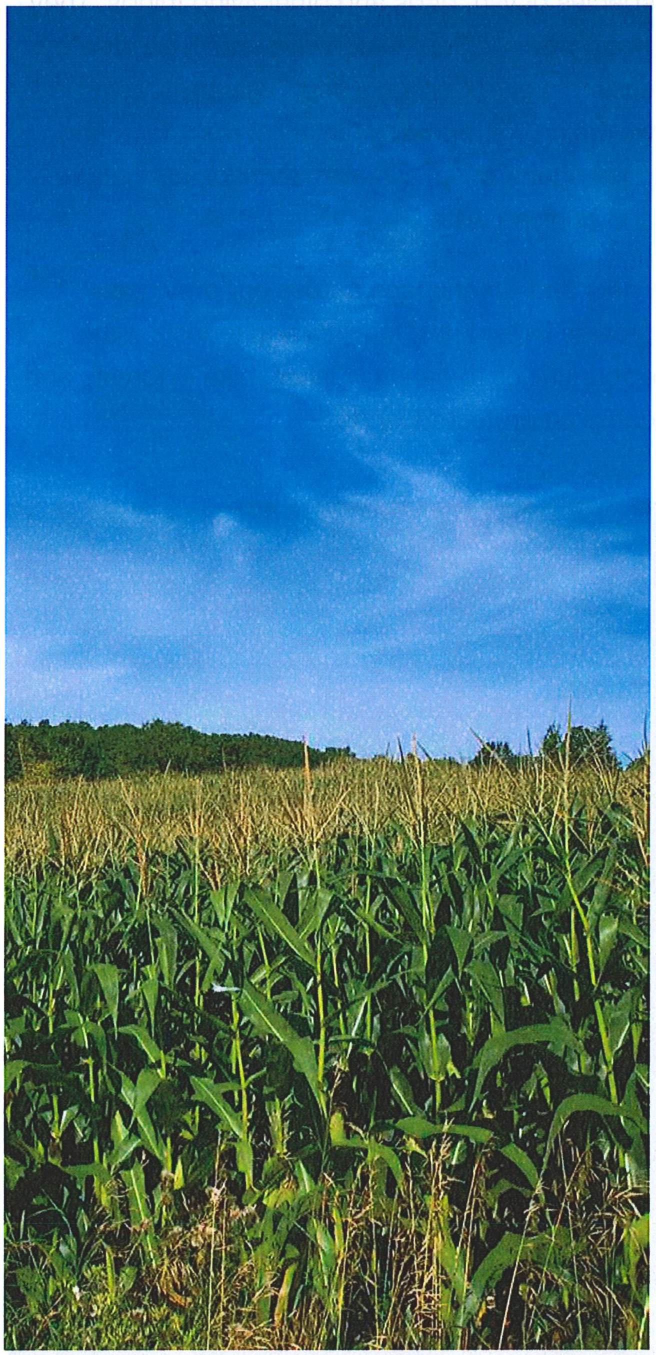
Our Great Lakes attract millions of residents and visitors to waterfront communities around the province each year. These lakes provide safe drinking water to more than 70% of Ontarians and their watersheds are home to more than 4,000 species of fish, birds and other living things. They, along with all of our waterways and groundwater, underpin our province's economic prosperity and wellbeing – supporting Ontario's manufacturing, power generation, fisheries, tourism, agriculture and drinking water.

Parks and greenspace across our province provide individuals, families and tourists with opportunities to canoe in lakes, hike in forests and camp on protected lands.



THE CHALLENGE AHEAD

At the same time, climate change threatens these resources and our homes, communities and businesses, infrastructure, and our locally grown food and crops. It also threatens food security and road access for remote First Nations, as well as the health of ecosystems across our great province.



We can do more to protect ourselves from the extreme weather events that have flooded houses, buildings and roads, overwhelmed aging stormwater and wastewater systems, damaged crops, and brought heavy ice and wind storms that knocked out power for hundreds of thousands of people, including those who are most vulnerable.

Heat waves and recent drought conditions in some areas of the province, coupled with anticipated impacts of climate change and population growth, have intensified concerns related to water security for farmers, Indigenous communities, industry and municipalities.

We also recognize that there is much more that can still be done to keep our lands and waterways clean and free of litter. Nobody wants to see plastic and litter polluting our waterways, neighbourhoods and parks. No one wants sewage and wastewater overflowing into our lakes and rivers or salt making its way into our waterways. These issues are happening now and need to be addressed. There is also a need to address specific air quality concerns in communities that continue to face air quality challenges. True environmentalism begins with a sense of civic responsibility that we foster through meaningful action close to home.

Our environment plan reflects our government's commitment to addressing these pressing challenges. We will use the best science, real-time monitoring where available, and strong, transparent enforcement to protect our air, land and water, prevent and reduce litter and waste, support Ontarians to continue to do their share to reduce greenhouse gas emissions, and help communities and families prepare for climate change.

DOING OUR PART

In 2001, the government of the day announced the closure of the Lakeview Generating Station, setting the stage for the phase out of coal-fired electricity generation which remains the largest single greenhouse gas reduction in Canadian history. Ontario's low-emission combination of hydroelectric, nuclear, natural gas and non-hydro renewable generating capacity has enabled the province to avoid up to 30 megatonnes of annual greenhouse gas emissions, equivalent to taking up to seven million vehicles off our roads. In 2017, approximately 96% of the electricity generated in Ontario was emissions-free.

The combination of nuclear, hydro, other renewables and efficient natural gas has given Ontario one of the cleanest energy grids in North America. Ontario's supply of clean electricity is one of its unique strengths. Ontario is currently a net exporter of electricity, with our clean power offsetting a higher emitting mix of coal and natural gas generation in neighbouring states, such as Michigan and New York.

Measured against the same base year of Canada's target under the Paris Agreement (2005), the province's total greenhouse gas emissions have dropped by 22% – even while the rest of Canada saw emissions increase by 3% during that same time.

Doing Canada's heavy lifting on greenhouse gas emission reductions came at a cost that was too high for Ontario families and businesses. In 2017, prior to the introduction of the Fair Hydro Plan Act, 2017, the cost associated with transitioning to Ontario's low emission electricity system was an estimated $33 per month for a typical residential electricity consumer and about $435 per month for a small business, such as a restaurant. Since 2005, about $40 billion has been spent in capital investments to transition the province to an electricity system that is virtually emissions-free. Now is not the time to add further costs to the price of electricity that is already very clean.

We will continue to do our share to address climate change and protect our environment. We will do so in a way that protects our economy and respects the people.

We will hold polluters accountable by ensuring strong enforcement with real consequences and penalties, especially for repeat offenders.

We will also help our urban and rural communities and landscapes become more sustainable and resilient. We will help others do their part, whether it's leveraging private sector investments to drive environmental solutions or making it easier for people and companies to go the extra mile to reduce emissions, clean up their communities, protect waterways, conserve lands and restore habitats.

Ontario has a long history of working cooperatively with other provinces and territories, as well as with the federal government through formal agreements such as the Canada-Ontario Agreement on Great Lakes Water Quality and Ecosystem Health and through intergovernmental forums such as the Canadian Council of Ministers of the Environment. There are also global environmental issues on which Ontario will continue collaborating with the federal government and participating in international meetings and agreements.

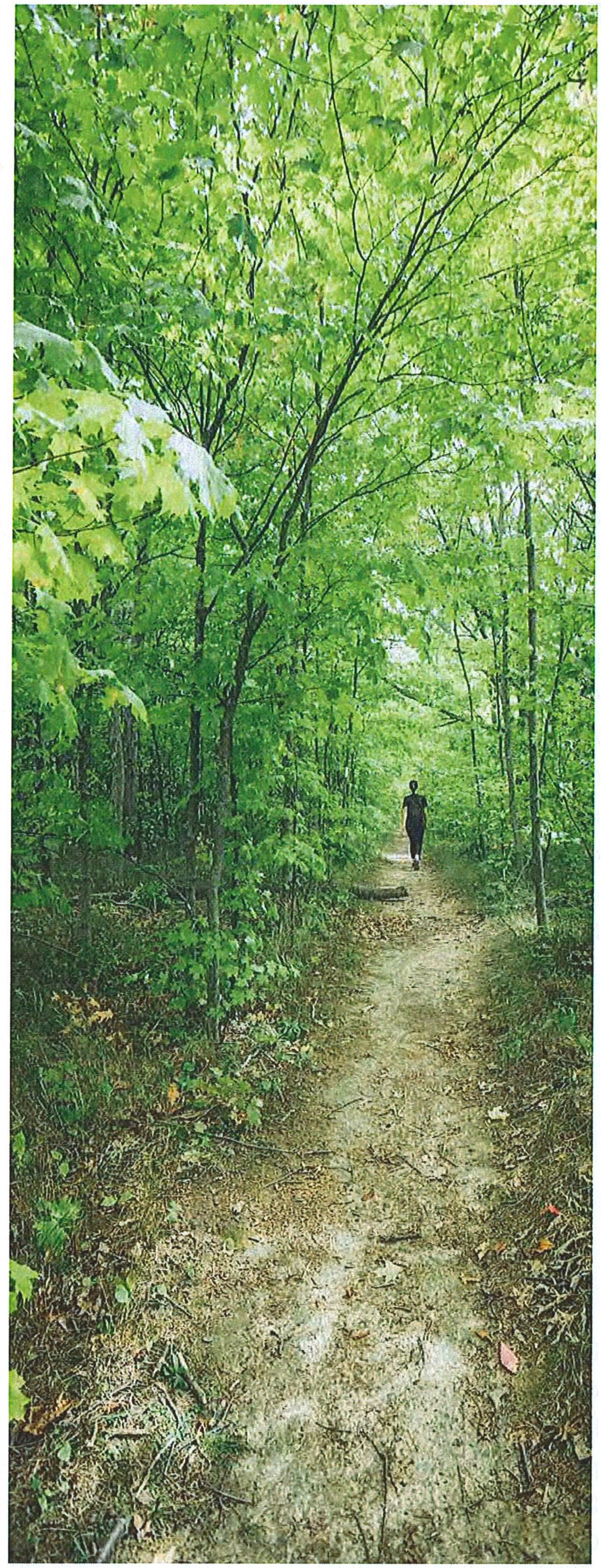
Protecting the environment is a responsibility of all of us who call Ontario home.

We will continue to work in partnership with other provinces, neighbouring jurisdictions, the federal government, municipalities, Indigenous communities, business and local partners to help protect our environment and ensure we pass on a cleaner environment to future generations.

GUIDING PRINCIPLES

Our guiding principles will help us address our most serious environmental challenges in a responsible, effective, measurable and balanced way.

- **Clear Rules and Strong Enforcement:** We will ensure that polluters are held accountable with tougher penalties, while reducing regulatory burden for responsible businesses.
- **Trust and Transparency:** We will provide Ontarians with the information and tools required – with a particular focus on real-time monitoring – to understand the current environmental challenges we face and how these challenges impact individuals, businesses and communities across the province.
- **Resilient Communities and Local Solutions:** We recognize that environmental impacts faced by communities across Ontario may be very different. We will work with these communities and use best scientific practices and other evidence-based methods to develop unique solutions to their challenges.



Protecting our Air, Lakes and Rivers

Ontario's water and air are life support systems for our province and our people. Pollution in our air and water increases healthcare costs, affects the enjoyment of our outdoors and contributes to lost economic opportunity. We will protect these critical systems by keeping our water and air clean while growing our economy.

Our plan will make it easier for people to report pollution that is impacting their lives by developing an online platform for reporting incidents that allows photos or video to be sent in, as well as reporting an incident by e-mail, phone or through an app.

Additionally, we will put in place an improved complaint response system that sets out the services Ontarians can expect from inspectors and investigators when they file a complaint, and new standards on the response time they can expect based on the type of incident they report. We will be transparent about pollution incidents and spills, and provide real-time information where it is available so that people can see if a spill or incident has already been reported, as well as the status of the ministry's response.

CLEAN AIR

Although Ontario's air quality has improved significantly, some areas of the province still experience poorer air quality due to pollution. We are committed to protecting our air, ensuring we have strong environmental standards that are protective of human health and the environment, and taking action to enforce local air quality standards.

Quick Fact: Ontario initiated the first closure of a coal plant in 2001. This action and the subsequent closure of 19 coal-fired units in five plants contributed to reducing the number of smog days in Ontario from a peak of 53 in 2005 to zero in 2017.

Actions

Improve air quality in communities by creating unique solutions to their individual challenges

- Focus on parts of the province that continue to experience air quality challenges due to pollution from transportation, industry and other sources.
- Work in partnership with municipalities, industry, public health units, other community stakeholders and Indigenous communities to address local air quality concerns and achieve clean air objectives.

Reduce emissions from heavy-duty vehicles

- Redesign the emissions testing program for heavy-duty vehicles (e.g. commercial transport trucks) and strengthen on-road enforcement of emissions standards.

Improve understanding of different sources of air pollution and their impact

- Monitor pollutants to evaluate long-term trends so we can gather the information we need to take action on air pollution.
- Increase road-side monitoring of traffic pollution and expand road-side monitoring of pollutants beyond the Greater Toronto Area to other heavily urbanized communities such as Sarnia, Sudbury and Hamilton.

Strengthen collaboration on addressing air pollution that comes from outside of Ontario's borders

- Call on the federal government to proactively address the impacts of air pollution from outside Ontario, including from the United States and international sources, and ensure continued cooperation and commitment to improve air quality.
- Expand collaboration with Michigan and Ohio to reduce the emission of contaminants of concern that impact southern Ontario, Michigan and Ohio airsheds.

Success story: Sarnia's air quality is improving

In partnership with industry, the Clean Air Sarnia and Area (CASA) advisory panel launched the website cleanairsarniaandarea.com so users could view contaminant levels from seven air monitoring stations in the Sarnia community. Air quality information is refreshed every hour on an interactive map so users can find out whether air quality is good, moderate or poor compared to provincial standards. While Ontario and industry have been monitoring air quality in the Sarnia area for decades, the CASA initiative marks the first time that data has been accessible to the public in real-time and in one location.

Ontario is also moving forward with a Sarnia Area Environmental Health Project to help address concerns about air pollution and other environmental stressors from local industries in the Sarnia area. The project will help enhance our understanding of the links between the environment and health in the community, with a focus on assessing exposures to air contaminants.

These projects are great examples of the collaborative efforts of local industry, the municipality, the Aamjiwnaang First Nation and interested community groups.

CLEAN WATER

Our lakes, waterways and groundwater are the foundation of Ontario's economic prosperity and wellbeing – supplying water to our communities, sustaining traditional activities of Indigenous peoples, supporting Ontario's economy, and providing healthy ecosystems for recreation and tourism.

Over past decades, Ontario has seen significant improvements in Great Lakes water quality due to efforts by governments and other partners. These partnerships have achieved a 90% reduction in releases of mercury, dioxins and polychlorinated biphenyls (PCBs), resulting in fish that are safer to eat, clean-up of polluted areas and the restoration of species.

Water resources in Ontario are facing many pressures. Population growth, rapid urban development, aging infrastructure and invasive species are threatening our waterways through pollution and loss of natural heritage. For example, excess road salt can damage roads, cause vehicle corrosion and be harmful to fish in our waterways. The changing climate is compounding these stresses with droughts, floods and extreme storms. Declining ice cover is causing shoreline erosion, warmer water is creating conditions for blooms of harmful algae, and shifting water conditions are changing when and where fish spawn.

Working together, we can help conserve and manage our water resources. Ontario's drinking water, for example, is among the best protected in the world as a result of the province's strong monitoring, reporting and enforcement activities and programs.

We will take strong enforcement action to protect our lakes, waterways and groundwater from pollution.

We will also work with municipalities and other partners to increase transparency through real-time monitoring of the sewage overflows from municipal wastewater systems, which too often flow into Ontario's lakes and rivers. We must step up efforts to ensure the public is aware and that proper monitoring occurs.

Quick Fact: 99.8% of more than 518,000 test results from municipal residential drinking water systems meet Ontario's strict drinking water quality standards.

Our plan focuses on key areas of action to protect our waters and keep our beaches clean for swimming, recreation, enjoyment and traditional use.

Actions

Continue work to restore and protect our Great Lakes

- Build on previous successes and continue efforts to protect water quality and ecosystems of the Great Lakes. This includes keeping coastlines and beaches clean, protecting native species and safeguarding against invasive species such as Asian carp or Phragmites, and reducing harmful algae by continuing partnerships and negotiations with the federal government under agreements and plans such as the Canada-Ontario Great Lakes Agreement (COA) and the Canada-Ontario Lake Erie Action Plan. Since signing the eighth COA in 2014, Ontario has directly invested $15.3 million per year in programs. This includes supporting the Lake Erie Action Plan and restoring geographic areas, known as areas of concern, where significant impairment or contamination has occurred as a result of human activities at the local level.
- Review and update Ontario's Great Lakes Strategy to continue to protect fish, parks, beaches, coastal wetlands and water by reducing plastic litter, excess algae and contaminants along our shorelines, and reducing salt entering waterways to protect our aquatic ecosystems.

Asian Carp:
A threat to the Great Lakes Fisheries and Economy

Asian carp typically weigh two to four kilograms but can weigh up to 50 kilograms and can grow to a length of more than one metre. They consume a significant amount of food and ca eat up to 20% of their body weight each day, which harms the Great Lakes ecosystem. Asian carp were introduced to aquaculture facilities in the southern U.S. in the 1970s to remove algae and suspended solids from their ponds. They escaped when the Mississippi River flooded and have spread northward in the Mississippi watershed towards the Great Lakes.

Asian carp pose a significant threat to recreational and commercial fisheries in Ontario which are worth almost $2.5 billion combined. Ontario is working with many partners including the Asian Carp Regional Coordinating Committee, a committee including all Great Lakes states and provinces, U.S. federal agencies, and Fisheries and Oceans Canada to facilitate collaboration on prevention, early detection, response, and monitoring activities.

Quick Fact: Ontario's more than 250,000 lakes, including the Great Lakes, contain about one fifth of the world's fresh water.

Continue to protect and identify vulnerable waterways and inland waters

- Build on previous successes and continue to implement the Lake Simcoe Protection Plan to protect and restore important natural areas and features of the lake. Ontario has invested annually in the implementation of the Lake Simcoe Protection Plan.
- Protect the quality of the Lake of the Woods by continuing to work with partners on reducing phosphorus that, in excessive quantities, can cause toxic blue-green algae.
- Build on the ministry's monitoring and drinking water source protection activities to ensure that environmental impacts from road salt use are minimized. Work with municipalities, conservation authorities, the private sector and other partners to promote best management practices, certification and road salt alternatives.
- Work with Indigenous communities and stakeholders, including the public, on the remediation of mercury contaminated sediments in the St. Clair and English-Wabigoon Rivers, including efforts such as:
  - ensuring clean-up of the remaining mercury contaminated sediments located in three areas downstream of the former Dow Chemical site.
  - participating in the work of the English and Wabigoon Rivers Remediation Panel to fund remediation activities from a trust that was established with $85 million under the *English and Wabigoon Rivers Remediation Funding Act, 2017.*

Action in Progress:
Protecting the Muskoka watershed

Through the Muskoka Watershed Conservation and Management Initiative, the community and province will work together to protect this vital area by identifying the issues facing the region. Ontario will invest $5 million and commit up to an additional $5 million in matching contributions.

Effective watershed management is important to the people in our communities, especially at times when watersheds are facing stresses such as increased development and flooding caused by severe weather events.

This initiative will also help us develop a more comprehensive approach to watershed management, which can inform current actions and future development.

Success story:
Celebrating recovery of freshwater fish in Lake Simcoe

Over the years, many organizations alongside the provincial and federal governments have worked hard to protect and restore the Lake Simcoe watershed against contaminants and excess nutrients like road salt and phosphorus that have had a negative effect on water quality. The Lake Simcoe ecosystem is showing encouraging signs of recovery and demonstrating that efforts to restore and protect the lake are having an impact. For example, populations of sensitive aquatic life such as lake trout, lake whitefish and cisco are trending upward.

Ensure sustainable water use and water security for future generations

- Thoroughly review the province's water taking policies, programs and science tools to ensure that vital water resources are adequately protected and sustainably used.
- Enhance how we manage water takings to ensure we have sustainable water resources in the face of a changing climate and continued population growth. We will do this by examining approaches to assessing and managing multiple water takings, establishing priorities for different water uses, and preparing and responding to drought conditions.
- Ensure the knowledge gained through the drinking water source protection program helps inform our water management programs.

Quick Fact: Thanks to local source protection committees and conservation authorities, Ontario has source protection plans being implemented across 38 watershed-based areas. These locally developed plans identify and protect areas where drinking water is vulnerable to contamination and depletion.

Help people conserve water and save money

- Promote the use of technologies and practices to ensure water is used more efficiently. This includes water conservation planning; water use tracking and reporting; improving standards for household fixtures and appliances, such as dishwashers or washing machines; and profiling provincial and broader public sector leadership in this area.

Improve municipal wastewater and stormwater management and reporting

- Increase transparency through real-time monitoring of sewage overflows from municipal wastewater systems into Ontario's lakes and rivers. Work with municipalities to ensure that proper monitoring occurs, and that the public is aware of overflow incidents.
- Update policies related to municipal wastewater and stormwater to make them easier to understand. We will consider how wastewater and stormwater financing could be updated to improve investment and support new and innovative technologies and practices.
- Encourage targeted investment and innovation in managing wastewater that overflows into our lakes and rivers.

Quick Fact: There were a total of 1,327 bypasses and/or overflows from all municipal wastewater sources in the 2017/18 fiscal year, as reported to the Ministry of the Environment, Conservation and Parks.

Success story: City of Kingston shows environmental leadership

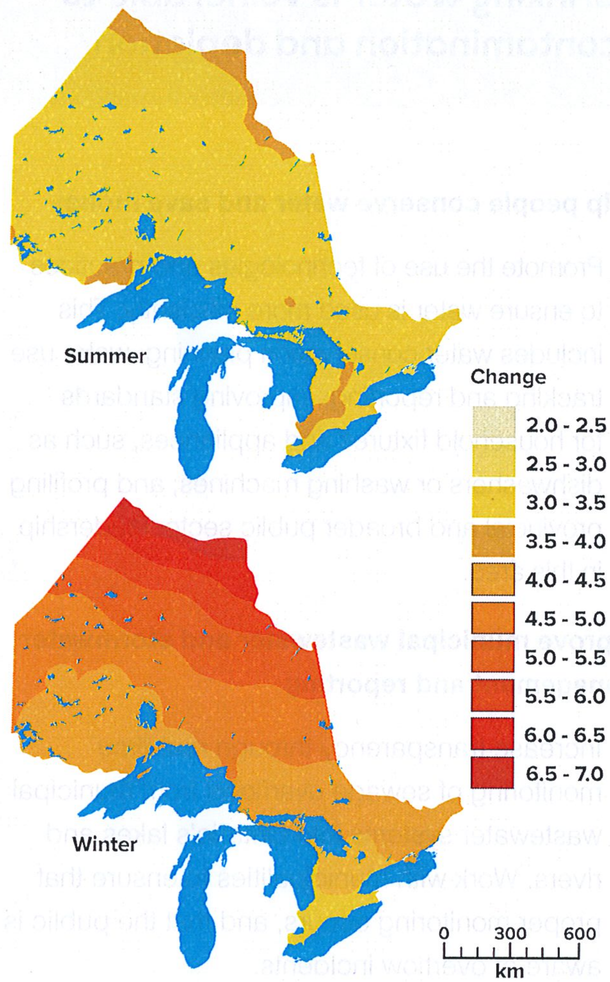
Utilities Kingston and the City of Kingston have shown leadership by providing real-time public reporting of sewage overflows, reducing pollution, and working with partners such as Swim Drink Fish Canada and the W. Garfield Weston Foundation to create the Gord Edgar Downie Pier at Breakwater Park, giving the community a new place to swim and enjoy a cleaner Lake Ontario waterfront.

Addressing Climate Change

Quick Fact: As of 2013, Canada is responsible for 1.6% of global emissions, with Ontario responsible for less than 0.4% of global emissions.

The climate is changing. Severe rain, ice and wind storms, prolonged heat waves and milder winters are much more common. Forests, waters and wildlife across the province are and will continue to be significantly impacted by these changes. People across the province – especially Northern communities – and all sectors of the economy are feeling the impacts of climate change and paying more and more for the costs associated with those impacts.

The following graph shows projected seasonal summer and winter temperature changes in Ontario by the 2050s.



Source: Ontario Climate Data Portal – http://lamps.math.yorku.ca/OntarioClimate/index_v18.htm.
Projected seasonal (summer and winter) temperature changes by the 2050s (relative to the average of 1986-2005), under the Inter-governmental Panel for Climate Change (IPCC) 5th assessment report (AR5) business as usual emission scenario (RCP8.5).

The people of Ontario have already made significant contributions to meaningful climate action. We have played an important role in fighting climate change and mitigating the threats to our prosperity and way of life, implementing significant changes to drastically reduce our greenhouse gas emissions.

The government of the day initiated the first closure of a coal plant in 2001. This action and the subsequent closure of 19 coal fired units in five plants by 2014 led to the largest single reduction of greenhouse gas emissions, not just in Ontario, but across Canada. It was also one of the largest actions to reduce emissions in North America.

Emission-free electricity generation also plays a significant role in Ontario. Nuclear power, along with our hydroelectric fleet, continues to generate the lion's share of our clean electricity.

Today, Ontario has one of North America's cleanest electricity grids. We also have effective natural gas conservation programs, helping homeowners, businesses and industry reduce their carbon footprint.

Quick Fact: Almost all of Canada's progress towards its 2030 Paris Agreement targets has been driven by Ontario.

But doing Canada's heavy lifting on greenhouse gas emission reductions has come at a cost to Ontario families. Our government understands the part that Ontarians have played and continue to play in reducing their emissions.

We have already been a leader when it comes to climate. **Indeed, we are on track to meet Canada's commitment under the Copenhagen Accord of 17% below 2005 levels by 2020.**

Now, we must look to find a balanced approach to reducing our emissions and prepare families for the impact of climate change in order to maintain both a healthy economy and healthy environment. This plan is our alternative to a carbon tax. It means finding effective and affordable ways to slow down climate change and build more resilient communities to prepare for its effects.

Ontario and the Rest of Canada's Greenhouse Gas Emissions from 2005 to 2016

We will work to unlock private capital to give Ontario businesses and residents new and more affordable ways to invest in energy efficiency, save money and reduce greenhouse gas emissions. One of the most effective ways we can combat climate change is encouraging innovation and reducing regulatory barriers to climate solutions. Through this plan, our government will focus on smart regulatory and policy approaches to facilitate and enable innovation rather than hindering it.

The following chapter of our environment plan acts as Ontario's climate change plan, which fulfills our commitment under the *Cap and Trade Cancellation Act, 2018.*

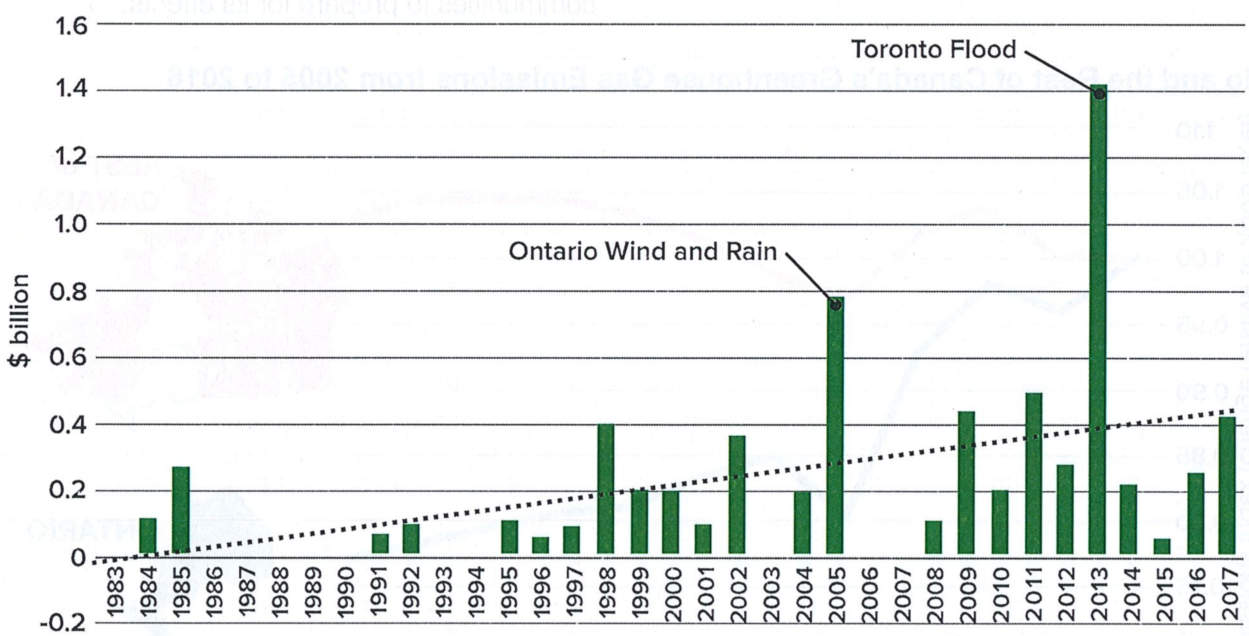
BUILDING RESILIENCE: Helping Families and Communities Prepare

We are committed to preparing families and communities for the costs and impacts of climate change, and to protecting our natural environment, communities, businesses and municipalities.

While our actions are important in the global fight to reduce emissions, we all understand the need to strengthen our resilience to the impacts of climate change such as more frequent extreme weather events.

The following graph shows the rising costs of insured property damage in Ontario between 1983 and 2017, providing an indication of the costs of climate change. The financial costs associated with extreme weather events in Ontario have increased over this period. Chief among factors affecting the increasing costs to Ontarians is the phenomenon of flooding, and more specifically, residential basement flooding.

Costs of Insured Property Damage in Ontario Between 1983 and 2017



Source: Insurance Bureau of Canada.

Building resilience is about having the right information, tools and resources to adapt and respond to our changing climate. We will access the best science and information to better understand where the province is vulnerable and know which regions and economic sectors are most likely to be impacted. Through this enhanced understanding, the province, local communities, businesses, Indigenous communities and the public will be more prepared for the impacts of a changing climate.

Case study:
Climate change impact assessments

Ontario has never completed a provincial-level climate change impact assessment. Since 2008, the United Kingdom has conducted two assessments using best available data and an up-to-date understanding of climate science and future climate impacts. Each assessment provides detailed analysis of the risks, vulnerabilities and impacts of climate change on key economic sectors, infrastructure, the environment and societal health and well-being.

Each assessment gives the government a roadmap to "high" and "low" climate change risks now and in future years.

Actions

Improve our understanding of how climate change will impact Ontario

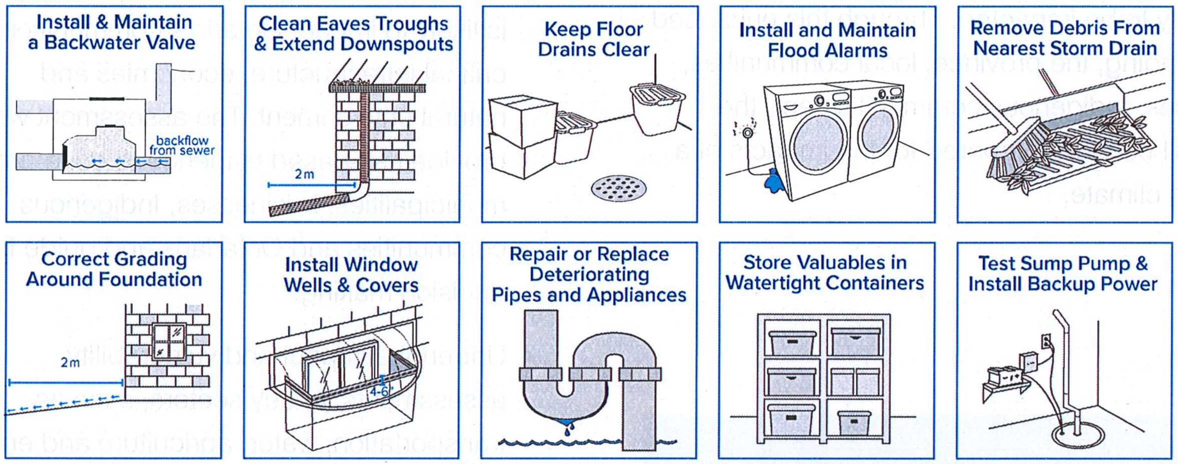
- Undertake a provincial impact assessment to identify where and how climate change is likely to impact Ontario's communities, critical infrastructure, economies and natural environment. The assessment would provide risk-based evidence to government, municipalities, businesses, Indigenous communities and Ontarians and guide future decision making.
- Undertake impact and vulnerability assessments for key sectors, such as transportation, water, agriculture and energy distribution.

Help Ontarians understand the impacts of climate change

- Develop a user-friendly online tool that makes practical climate change impact information available for the public and private sectors. This tool will help developers, planners, educators, homeowners and others understand the potential impacts of climate change in their communities.
- Work closely with climate science modelling experts, researchers, Indigenous communities, and existing climate service providers to identify and create adaptation solutions.
- Support communities by demonstrating how climate science can be applied in decision making to improve resilience.

The graphics below illustrate practical actions that homeowners can take – simply and affordably – to lower their risk of basement flooding. Home flood protection can include property level initiatives such as disconnecting downspouts from weeping tile systems, placing plastic covers over window wells, outfitting sump pumps with battery back-up supply, and installing back water valves on drain lines.

10 Ways to Prevent Home Basement Floods



Source: Home Flood Protection Program, Intact Centre on Climate Adaptation, University of Waterloo

Ontario will work with the real estate and insurance industries to raise awareness among homeowners about the increasing risk of flooding as we experienc more frequent extreme weather events. Flooding damage is the leading cause of insured property damage in Ontario. The risk of home flooding is als increasingly the reason why homeowners are unable to adequately insure their homes.

Flood damages can cost homeowners tens of thousands of dollars to repair. According to the National Flood Insurance Program in the U.S., a 15-centimetre flood in a 2,000-square-foot home is likely to cause about USD $40,000 in flood damage. Once flooding occurs, securing insuranc will become more difficult and may become unaffordable for individual homeowners.

However, simple steps, such as removing debris from nearby storm drains, ensuring correct grading around home foundations, clearing eaves troughs, and installing extended downspouts and window well covers can significantly mitigate basement flood risks

Update government policies and build partnerships to improve local climate resilience

- Modernize the Building Code to better equip homes and buildings to be better able to withstand extreme weather events. This could include affordable adaptation measures such as requiring backwater valves in new homes that are at risk of backflow, which would significantly reduce the impacts of basement flooding.
- Review the Municipal Disaster Recovery Assistance program to encourage municipalities to incorporate climate resilience improvements when repairing or replacing damaged infrastructure after a natural disaster. Since the Municipal Disaster Recovery Assistance program was launched in 2016, over $2.6 million has been provided to 11 municipalities.
- Consult on tax policy options to support homeowners in adopting measures to protect their homes against extreme weather events, such as ice and wind storms and home flooding.

- Review land use planning policies and laws to update policy direction on climate resilience. This will help make the way our communities are planned and designed more responsive and adaptive to changing weather conditions, such as improving the way that stormwater is managed.
- Build resilience in the province's critical infrastructure, through better technology as well as back-up generation and energy storage options, so that our vital services and infrastructure, such as hospitals, can better withstand and remain operational during extreme weather events.
- Support improvements to existing winter roads where they may be required to replace roads that are deteriorating as a result of changing weather conditions and shortened winter seasons, and develop a strategy to enhance all-season road connections to northern communities.
- Continue to support programs and partnerships intended to make the agriculture and food sectors more resilient to current and future climate impacts. We will support on-farm soil and water quality programming and work with partners to improve agricultural management practices.

Lake Erie Action Plan and 4R Nutrient Stewardship

Ontario's farmers continue to demonstrate leadership in environmental stewardship, which is important to their livelihood. Farmers are also embracing and championing innovative farming practices, such as 4R Nutrient Stewardship (Right Source @ the Right Rate, Right Time, and Right Place®), and other initiatives under the Canada-Ontario Lake Erie Action Plan, that are designed to enhance environmental protection and improve sustainability.

CONTINUING TO DO OUR SHARE:

Achieving the Paris Agreement Target

One of the key ways we are defining our vision for climate action in Ontario is by setting an achievable greenhouse gas reduction target. This will help us focus our efforts and provide a benchmark for our province to assess its progress on the climate change mitigation components of our plan.

Ontario will reduce its emissions by 30% below 2005 levels by 2030.

This target aligns Ontario with Canada's 2030 target under the Paris Agreement.

This is Ontario's proposed target for the reduction of greenhouse gas emissions, which fulfills our commitment under the *Cap and Trade Cancellation Act, 2018.*

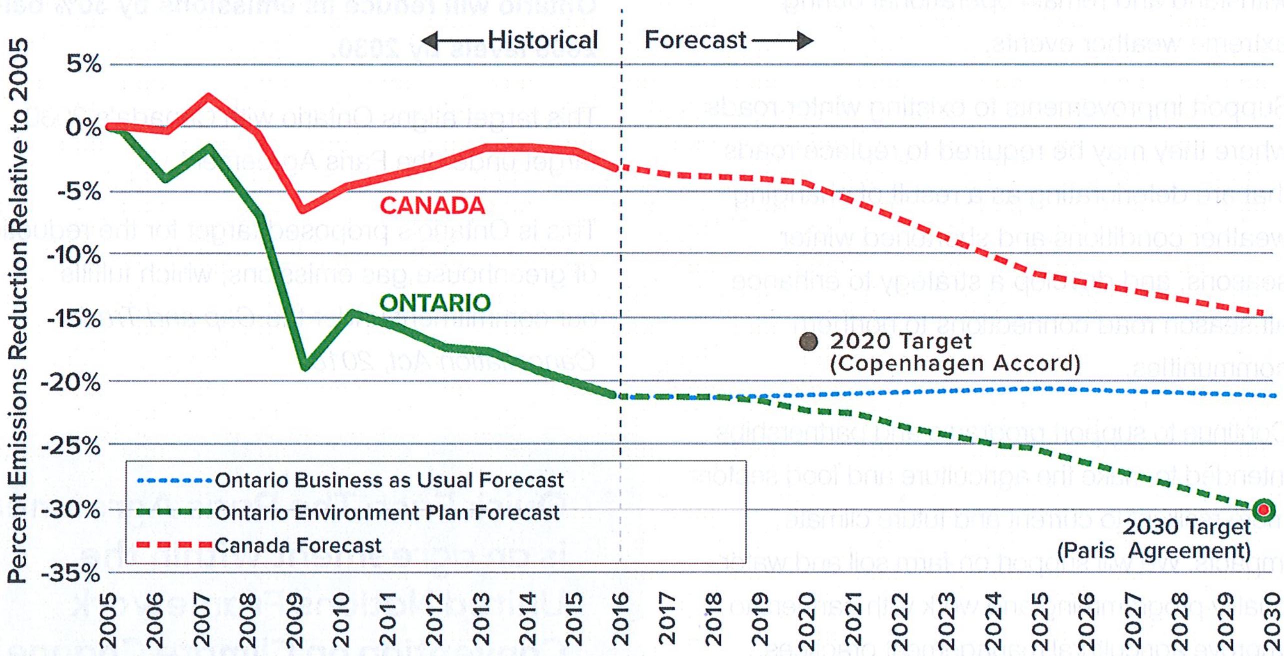
Quick Fact: The Paris Agreement is an agreement within the United Nations Framework Convention on Climate Change. Its goal is to keep the increase in global average temperature to well below 2 °C above pre-industrial levels, and pursue efforts to limit the increase even further to 1.5 °C, in order to reduce the risks and impacts of climate change.

This target takes into consideration the commitment the people of Ontario have already shown in reducing emissions, as well as our commitment to growing Ontario's economy while doing our part to tackle climate change.

There has been a steep decline in emissions from 2005, driven in large part by improvements in the electricity sector, including closing coal-fired electricity generation. As a result, we are on track to do better than the federal 2020 target set under the Copenhagen Accord in 2010.

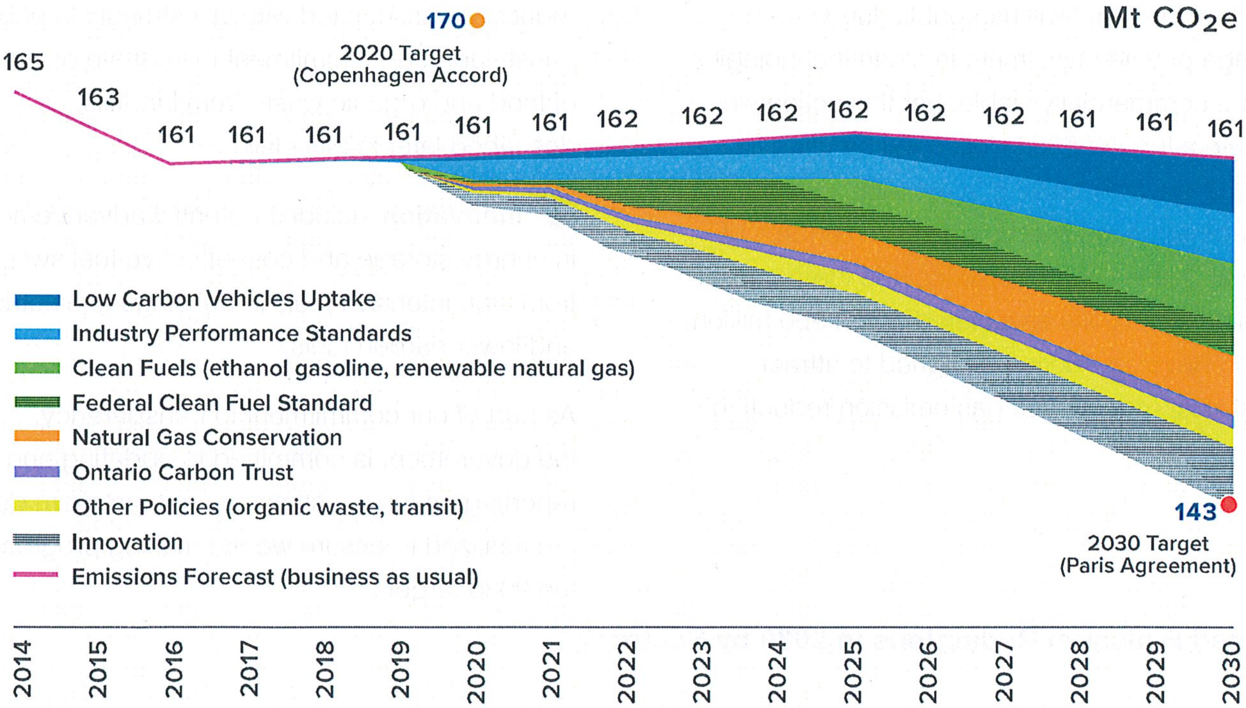
The following graph shows our 2030 target is achievable. The policies within this plan will put us on the path to meet our 2030 target, and we will continue to develop and improve them over the next 12 years. This plan will be reviewed and revised on a four-year basis.

Past and Projected Greenhouse Gas Emission Reductions for Canada and Ontario



Source: Environment and Climate Change Canada (2018) National Inventory Report 1990-2016: Greenhouse Gas Sources and Sinks in Canada. Canada 2017 Biennial Report and internal Ontario modelling.

Path to Meeting Ontario's 2030 Emission Reduction Target



The chart above shows where we expect Ontario's emissions to be if we take no action (161 megatonnes) compared to where we expect our emissions to go if we take actions in specific sectors. Our target is equivalent to 143 megatonnes in 2030 and we will need reductions in key sectors identified in the graph to get there.

The coloured portions of the chart above refer to emissions reductions we expect to see from actions in this plan and the shaded portions represent the potential we have to enhance some of those actions.

The actual reductions achieved will depend on how actions identified in our plan are finalized based on feedback we get from businesses and communities. The estimated reductions are explained in more detail below.

The **Low Carbon Vehicles** uptake portion refers primarily to electric vehicle adoption in Ontario and in small part to the expansion of compressed natural gas in trucking.

Industry Performance Standards refer to our proposed approach to regulate large emitters of greenhouse gas emissions, as described later in this plan. The final impact of this approach will depend on consultation with industry partners.

Clean Fuels refer to increasing the ethanol content of gasoline to 15% as early as 2025, and encouraging uptake of renewable natural gas and the use of lower carbon fuels.

The Federal **Clean Fuel Standard** is an estimate of the additional impact of the proposed federal standards, which could expand the use of a broad range of low-carbon fuels, energy sources and technologies, such as ethanol, renewable natural gas, greener diesel, electricity, and renewable hydrogen.

The Natural Gas Conservation action reflects programs that are well established in Ontario to conserve energy and save people money. This case assumes a gradual expansion of programs delivered by utilities, which would be subject to discussions with the Ontario Energy Board.

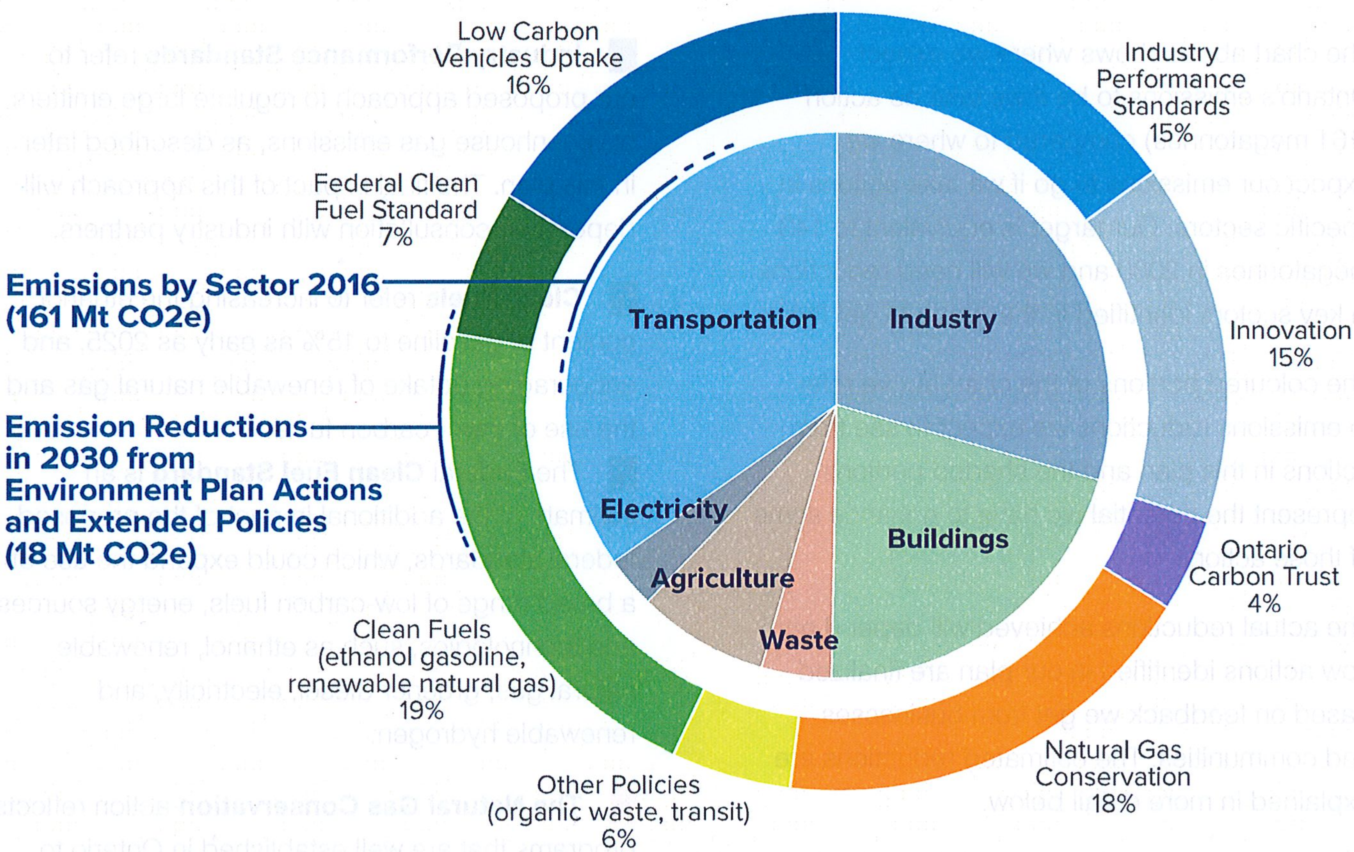
The **Ontario Carbon Trust** is an emission reduction fund that will use public funds to leverage private investment in clean technologies that are commercially viable. For this action we estimate a fund of $350 million will be used to leverage private capital at a 4:1 ratio. Estimates will depend on the final design and mandate of the trust. The estimates also include the potential emission reductions associated with a $50 million Ontario Reverse Auction designed to attract lowest-cost greenhouse gas emission reduction projects.

Other policies include the emission reductions associated with investments in public transit, and our commitment to improve diversion of food and organic waste from landfills, as described later in this plan.

Innovation includes potential advancements in energy storage and cost-effective fuel switching from high intensive fuels in buildings to electricity and lower carbon fuels.

As part of our commitment to transparency, the government is committed to updating and reporting on these estimates once program details are finalized to ensure we are making progress to the 2030 targets.

Planned Emission Reductions in 2030 by Sector



The chart above shows how the plan is tailored to address Ontario's greenhouse gas emissions. The inner pie shows the breakdown of Ontario's 2016 greenhouse gas emissions by sector. The outer ring colours show the policies from the environment plan that are targeted at reducing emissions in each sector.

The government is committed to balancing emissions reductions and economic growth. Ontario's economy has been growing, even as emissions are declining.

Tracking this improvement is an important part of Ontario's climate change plan. In coming months we will consult on the development of an economy wide carbon intensity target as a complementary metric to our absolute emissions target and to ensure that our climate change plan helps us to continue this positive trend.

The below areas are where we will focus our initiatives and actions to tackle and be more resilient to climate change and to meet our balanced target.

MAKE POLLUTERS ACCOUNTABLE

We know job creators in this province have made great strides to reduce greenhouse gas emissions, some leading their industry globally. We will ensure polluters pay their fair share for their greenhouse gas emissions, while also ensuring industry continues to make advances to help Ontario achieve its share of reductions.

Greenhouse gas emissions from the industrial sector, including smaller industrial facilities, accounted for 29% of Ontario's total emissions in 2016. We plan to regulate large emitters with a system that is tough but fair, cost-effective and flexible to the needs and circumstances of our province and its job creators. We will also ensure strong enforcement of these rules.

This system will recognize the unique situation of Canada's manufacturing and industrial heartland. Ontario depends on many industries that compete internationally. Our made-in-Ontario standards will consider factors such as trade-exposure, competitiveness and process-emissions, and allow the province to grant across-the-board exemptions for industries of particular concern, like the auto sector, as needed.

Actions

Implement emission performance standards for large emitters

We will create and establish emission performance standards to achieve greenhouse gas emissions reductions from large emitters. Each large industrial emitter will be required to demonstrate compliance on a regular basis. The program may include compliance flexibility mechanisms such as offset credits and/or payment of an amount to achieve compliance.

An emissions performance standard establishes emission levels that industrial facilities are required to meet and is tied to their level of output or production. This approach does not enforce a blanket cap on emissions across Ontario and takes into consideration specific industry and facility conditions while allowing for economic growth. It also recognizes industries in Ontario that are best-in-class while requiring improvements from sectors that have room to improve.

Case study: Saskatchewan's output-based performance standards (OBPS) system

In December 2017, Saskatchewan introduced a comprehensive Prairie Resilience climate change strategy, which included a plan to implement an OBPS system in 2019. The OBPS will apply to facilities in regulated sectors that emit more than 25,000 tonnes of greenhouse gas emissions per year. The OBPS is expected to be implemented by January 1, 2019, and the Government of Saskatchewan estimates it will cut annual emissions of covered sectors by 10% by 2030.

In addition, Saskatchewan is regulating emissions from electricity generation to achieve a 40% reduction in electricity emissions, and is regulating flared and vented methane emissions in the upstream oil and gas sector, which will lead to additional annual reductions of 40 to 45% in that sector by 2025.

ACTIVATE THE PRIVATE SECTOR

Ontario is home to the hub of the Canadian financial industry – banks, investment firms, pension funds and insurance companies. Ontario hosts the head offices of Canada's five largest banks, three of which rank among the world's largest 25 banks by market capitalization.

We recognize that our private sector has the capital, capability and know-how to transform clean technology markets and transition Ontario to a low-carbon economy. This is why we intend to help facilitate the private sector's best projects and ideas to drive emission reductions at the lowest cost to taxpayers. Our plan will ensure the prudent and responsible use of public resources to drive private sector investment.

We also want to enable consistent disclosure about financial risks associated with climate change so that companies can provide information to investors, lenders, insurers and other stakeholders.

Together, these actions will help improve the capacity of the sustainable finance sector in Ontario and position us as a global leader in this area.

Actions

Launch an emission reduction fund – The Ontario Carbon Trust – and a reverse auction to encourage private investment in clean technology solutions

Ontario will commit to ensuring funding of $400 million over four years. These funds will complement penalties paid into The Ontario Carbon Trust by polluters. This will ensure that over the next four years, The Ontario Carbon Trust should be able to leverage over $400 million to unlock over $1 billion of private capital.

If Canada's federal government returns to the Pan-Canadian Framework agreement with the people of Ontario, The Ontario Carbon Trust could be increased by $420 million through the Low Carbon Economy Leadership Fund. This would increase the fund to $820 million and unlock more than $2 billion of private capital. It would also ensure that the people of Ontario are provided the most cost-effective approach to reducing greenhouse gas emissions. Canada's commitment to partner with the people of Ontario through supporting The Ontario Carbon Trust would allow Ontario to reduce emissions beyond what is forecasted in this plan, and help Canada meet its Paris target.

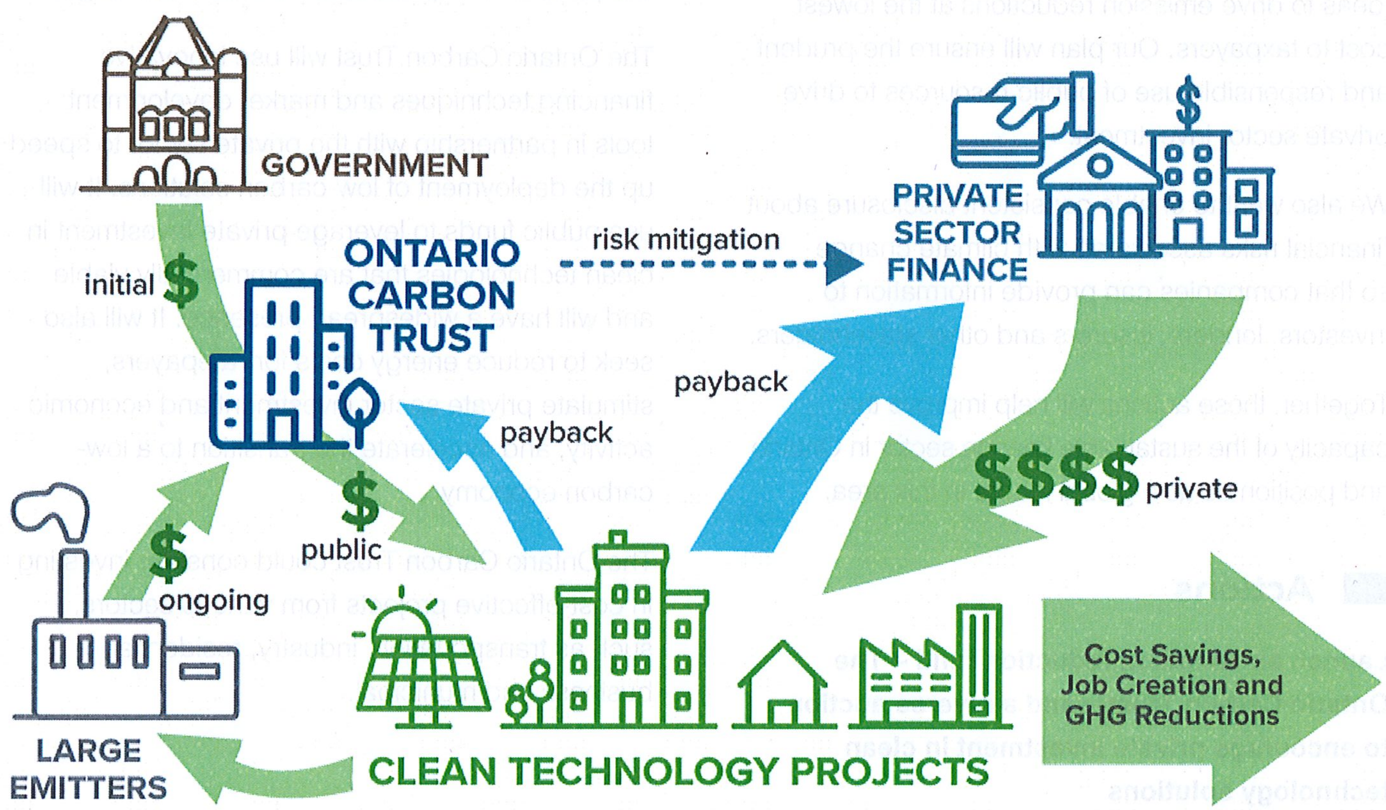
The Ontario Carbon Trust will use innovative financing techniques and market development tools in partnership with the private sector to speed up the deployment of low-carbon solutions. It will use public funds to leverage private investment in clean technologies that are commercially viable and will have a widespread presence. It will also seek to reduce energy costs for ratepayers, stimulate private sector investment and economic activity, and accelerate the transition to a low-carbon economy.

The Ontario Carbon Trust could consider investing in cost-effective projects from various sectors, such as transportation, industry, residential, business and municipal.

We will establish an independent board with the appropriate expertise, with a mandate to form The Ontario Carbon Trust, which will be tasked with working with the private sector to identify projects that will reduce emissions and deliver cost savings. We will:

- Create an emission reduction fund to support and encourage investments across the province for initiatives that reduce greenhouse gas emissions. The fund will leverage an initial investment from the government ($350 million) to attract funds from the private sector in order to drive investment in clean technologies.
- Launch an Ontario Reverse Auction ($50 million), allowing bidders to send proposals for emissions reduction projects and compete for contracts based on the lowest-cost greenhouse gas emission reductions.

The Ontario Carbon Trust



Source: Adapted from Coalition for Green Capital, Growing Clean Energy Markets with Green Bank Financing: White Paper, page 2, http://coalitionforgreencapital.com/wp-content/uploads/2015/08/CGC-Green-Bank-White-Paper.pdf.

Case study:
NY Green Bank

Created as a division of the New York State Energy Research and Development Authority, NY Green Bank is a state-sponsored, specialized financial entity that works with the private sector to increase investments in clean energy markets.

NY Green Bank's flexible approach to clean energy financing helps reduce the need for government support and increase investments into New York's clean energy markets, creating a more efficient, reliable and sustainable energy system.

By investing funds at market rates, NY Green Bank is able to cover its own costs and keep its funding base for future projects. As of September 30, 2018, NY Green Bank has committed $580.1 million to support clean energy projects with a total cost of between $1.44 and $1.68 billion.

What is a reverse auction? The buyer, in this case government, sends out a request for proposals, services or contracts. Bids are assessed and chosen based on the lowest cost, which in this case is the lowest cost per tonne of greenhouse gas emission reductions. The "bidders" in the auction compete to win the project or contract, often underbidding each other, resulting in lower costs for the buyer.

Enhance corporate disclosure and information sharing

- Work with the financial sector to promote climate-related disclosures in Ontario.
- Encourage the Ontario Securities Commission to improve guidance on climate-related disclosures.

Globally, many financial institutions ar adopting the recommendations of the Task Force on Climate-Related Financial Disclosures. Ontario's financial sector is also working to improve disclosures.

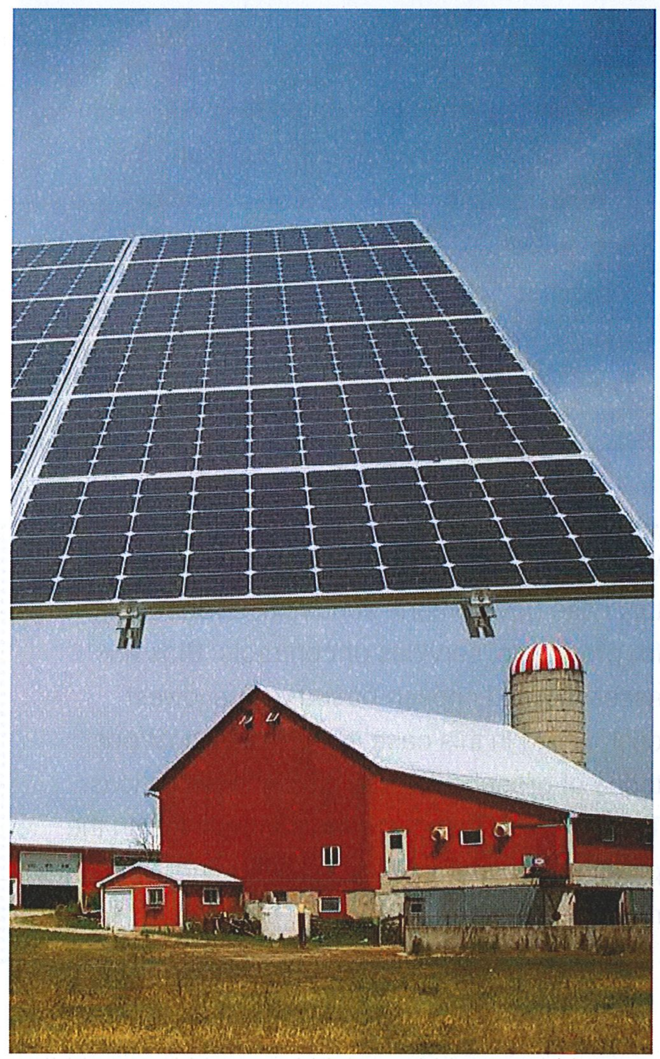
Encourage private investments in clean technologies and green infrastructure

- Ontario will parallel federal changes to the Accelerated Capital Cost Allowance, which will make technology investments in clean energy generation and energy conservation equipment more attractive.
- Work with the Ontario Financing Authority to issue Green Bonds by the end of the fiscal year, after realigning the Green Bond program to support our approach to addressing environmental challenges. This action was included in the Fall Economic Statement.
- Consider tax policy options to encourage the creation of clean technology manufacturing jobs in Ontario.

Green Bonds serve as an important tool to help finance projects that will help us address our environmental challenges. Project categories include transit initiatives, extreme-weather resistant infrastructure, and energy conservation and efficiency projects (including health and education-related projects). By capitalizing on low interest rates, Ontario's Green Bonds enable the Province to raise funds while respecting the taxpayers of Ontario and without adversely impacting businesses.

Success story:
Algae carbon capture

In 2012, Pond Technologies, an Ontario technology company, partnered with St. Marys Cement to run a pilot using CO2 generated by its cement plant to grow algae. Like plants, algae absorb carbon as they grow. Revenue generated from the sale of algae-derived bioproducts provide the economic basis for the adoption of this technology. Pond's pilot proved that reducing greenhouse gas emissions can generate revenue.

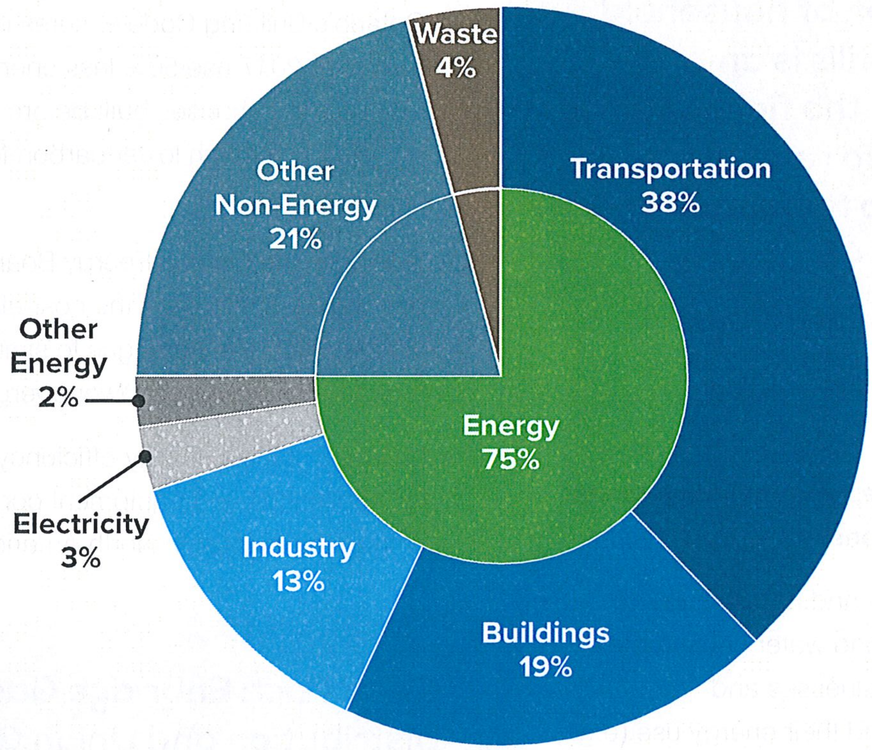


USE ENERGY AND RESOURCES WISELY

We will develop climate solutions that will save energy, resources and money.

About 75% of Ontario's greenhouse gas emissions come from using energy in our homes, buildings, vehicles and industry while 4% comes from waste.

Ontario's Energy Use by Sector



Source: Data from Environment and Climate Change Canada, 2018 National Inventory Report

We use gasoline and diesel fuel almost exclusively for transportation, while our main energy source for space and water heating is natural gas. Even though Ontario's vehicles have become more efficient, the number of vehicles on the road has increased.

Today, the transportation sector remains our largest source of emissions. That means we need to focus on using energy more efficiently, including in transportation, on expanding access to cleaner energy.

Our government will ensure the Ontario Energy Board keeps pace with consumer demands and the adoption of innovative energy solutions in this time of unprecedented technological change.

We also know that just over 60% of Ontario's food and organic waste is sent to landfills. In a landfill, it breaks down to create methane, a potent greenhouse gas that contributes to climate change. In fact, methane is 25 times more potent as a greenhouse gas than carbon dioxide. When food and organic waste is sent to landfill, opportunities are lost to preserve valuable resources that could be used to heat our homes, support healthy soils and reduce greenhouse gas emissions.

We will work with partners on ways to make it easier for residents and businesses to waste less food or reuse it for beneficial purposes such as compost.

Quick Fact: About 60% of Ontario's food and organic waste is sent to landfills which emits methane – a potent greenhouse gas – when it decomposes. Efficient diversion of household waste from landfills is an important tool in the fight against climate change. To read more about our plan to fight litter and waste, see page 40.

Actions

Conserve energy in homes and buildings to cut costs and reduce emissions

- Increase the availability and accessibility of information on energy and water consumption so that households, businesses and governments understand their energy use (e.g. collection of data related to electric vehicles, household-level energy and water consumption data). For example, provide customers with access to their energy data by working with electricity and natural gas utilities to implement the Green Button data standard. We will support water utilities to implement Green Button on a voluntary basis.
- Work with the Ontario Real Estate Association to encourage the voluntary display of home energy efficiency information on real estate listings to better inform buyers and encourage energy-efficiency measures.
- Review the Building Code and support the adoption of cost effective energy efficiency measures that can lower the cost of electricity and natural gas needed to operate buildings. Ontario is currently a leading jurisdiction in Canada when it comes to energy efficiency standards in its Building Code. Today, Ontario's Building Code ensures new homes built after 2017 use 50% less energy to heat and cool than houses built before 2005, resulting in a much lower carbon footprint than older homes.
- Work with the Ontario Energy Board and natural gas utilities to increase the cost-effective conservation of natural gas to simultaneously reduce emissions and lower energy bills.
- Ensure Ontario's energy-efficiency standards for appliances and equipment continue to be among the highest in North America.

Quick Fact: Enbridge Gas Distribution and Union Gas offer gas conservation programs that offer incentives for homeowners to complete upgrades that make their homes more energy efficient. Each dollar spent results in up to $2.67 in reduced energy bills for program participants.

Increase access to clean and affordable energy for families

- Continue to support connecting Indigenous communities in Northern Ontario to Ontario's clean electricity grid, to replace local diesel and other types of electricity generation.
- Increase the renewable content requirement (e.g. ethanol) in gasoline to 15% as early as 2025 through the Greener Gasoline regulation, and reduce emissions without increasing the price at the pump, based on current ethanol and gasoline prices.
- Encourage the use of heat pumps for space and water heating where it makes sense, as well as innovative community-based systems like district energy.
- Require natural gas utilities to implement a voluntary renewable natural gas option for customers. We will also consult on the appropriateness of clean content requirements in this space.
- Consult on tax policy options to make it easier for homeowners to increase energy efficiency and save money.
- Streamline and prioritize environmental approvals for businesses that use low-carbon technology, while maintaining high standards for environmental protection.
- Support the integration of emerging smart grid technologies and distributed resources – including energy storage – to harness and make best use of Ontario's clean electricity.
- Improve rules and remove regulatory barriers that block private investors from deploying low-carbon refueling infrastructure that will help increase the uptake of electric, hydrogen, propane, autonomous and other low-carbon vehicles without government subsidies.
- Collaborate with the private sector to remove barriers to expanding 24/7 compressed natural gas refueling stations for trucks along the 400-series highways, and maintain the existing tax exemption (gasoline and fuel tax) on natural gas as a transportation fuel. This will provide heavy-duty vehicles (such as transport trucks) with a cost-effective path to lower on-road transportation emissions.

Quick Fact: Natural gas is exempt from the fuel tax in Ontario, and natural gas trucks have a smaller carbon footprint compared to diesel trucks.

Success story:
Niagara Falls pump generating station produces zero-emissions power

Ontario Power Generation's Sir Adam Beck Pump Generating Station is an important source of flexible zero-emissions power for Ontarians. The station fills a 750-acre reservoir when demand for power is low, storing the equivalent amount of energy as 100,000 electric car batteries. The filled reservoir can then be used to generate hydroelectric power when needed, displacing 600 megawatts of fossil fuel generation for up to eight hours.

Case study:
Electrify Canada building an electric vehicle charging network

Electrify Canada is a new company that will build ultra-fast charging networks for electric vehicles across Canada, which are anticipated to be operational starting in 2019. This includes the installation of 32 electric vehicle charging sites near major highways and in major metro areas in British Columbia, Alberta, Ontario and Quebec.

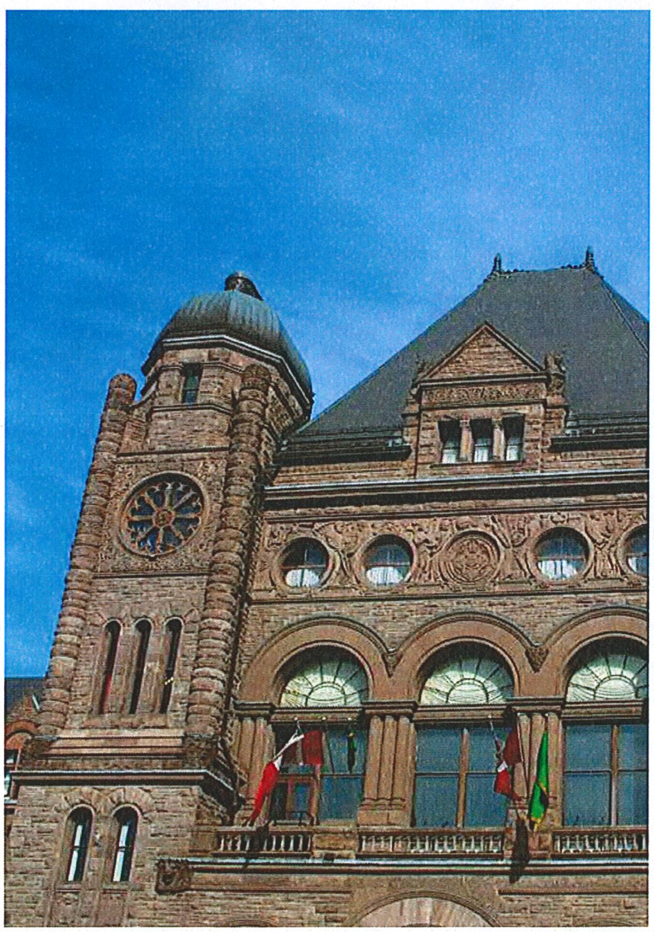
Success story:
Partnering to fuel lower-carbon heavy-duty transportation

In April 2018, Union Energy Solutions Limited Partnership, an unregulated affiliate of Union Gas Limited (an Enbridge Company), announced a partnership with Clean Energy to build three compressed natural gas fueling stations along Ontario's Highway 401. The initiative will enable heavy-duty vehicles (such as transport trucks) that use natural gas as a transportation fuel to travel and refuel along the 401, leading to lower on-road transportation emissions.

DOING OUR PART: Government Leadership

Ontario is committed to doing its part to address climate change. This includes leading by example. We will encourage local leadership on climate change, including municipal governments, the broader public sector, business associations, community groups, Indigenous communities and voluntary organizations to develop and promote climate solutions for their members and communities. We will continue to engage on international climate issues by providing Ontario's perspective to Canada's international climate negotiations.

As part of the government's commitment to curriculum renewal we will explore changes that embed learning about the environment in the classroom. Learning about protecting our air, land and water, addressing climate change, and reducing the amount of litter and waste in our communities will not only raise awareness in schools, it will also enable students to pass on this knowledge to their families.



Partnering with and enabling people, businesses, municipalities and schools will help us find ways to address local issues and needs, save energy and costs, and minimize climate risks to our schools, hospitals, highways and critical infrastructure.

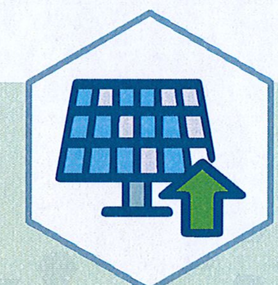
Actions

Make climate change a cross-government priority

- Improve our ability to consider climate change when we make decisions about government policies and operations by developing a Climate Change Governance Framework that will:
  - Establish clear responsibilities and requirements for ministries to track and report on climate change measures.
  - Consider climate change when we purchase goods and services across government, where it is cost-effective (i.e. low-carbon intensity steel and cement).
  - Explore opportunities to enhance coordination and guidance for municipalities to help them consider climate change in their decision-making.
  - Update Statements of Environmental Values to reflect Ontario's environmental plan.

- Continue to execute a high-performance building automation strategy for government buildings. This strategy uses advanced automation and integration to measure, monitor, and control operations and maintenance at the lowest cost, also reducing greenhouse gas emissions during day-to-day building operations. The strategy includes, but is not limited to, HVAC and lighting controls, security, elevators, fire protection, and life safety systems in order to improve performance and to reduce energy consumption.
- Ensure investments in future renovations of government buildings maximize energy cost savings. For instance, Ontario is building new correctional facilities to meet LEED standards, which ensures high environmental performance and will improve efficiency while saving money.
- Undertake a review of government office space, with an eye to optimizing our physical and carbon footprint. Ontario will reduce its per employee real estate footprint to reduce energy costs and emissions, as recommended in the Auditor General's 2017 Report.
- Support the adoption of low-carbon technologies and climate resilience measures by working to reduce costly and time-consuming regulatory and operational barriers.
- Encourage the federal government to ensure that climate negotiations under Article 6 of the Paris Agreement improve our cleantech sector's access to emerging global markets for low-carbon technologies. Ontario is a leader in clean technology and more access to global markets will help our local companies create new green jobs in Ontario.
- Develop tools to help decision makers understand the climate impacts of government activities. For example, we will identify and report on emissions reductions from school capital investments and enable school boards to access energy efficiency data to inform their investment decisions.
- Provide guidance to public property owners of heritage buildings to help them reduce their energy use and save on operating costs while continuing to conserve these important cultural heritage resources for future generations.
- Continue to support the purchase of electric ferries which will be in service in 2020 and 2021 connecting Wolfe and Amherst Islands to the mainland.

Quick fact: The government's annual procurement budget to purchase goods and services is $6 billion.



Success story: Ontario's private sector leads the country in cleantech

Ontario has the largest and fastest-growing cleantech sector in Canada, with $19.8 billion in annual revenues and over 5,000 companies employing 130,000 people.

Ontario is home to 35% of Canada's innovative cleantech companies.

Ontario is a leading hub for water technologies with over 900 companies and 22,000 employees.

Success story: Government building renovations to save energy and money

The Queen's Park Reconstruction Project is an eight-year initiative that involves the extensive reconstruction of the Macdonald Block Complex, which is located in downtown Toronto and includes the Macdonald Block Podium, Hearst, Hepburn, Mowat and Ferguson Towers.

The 47-year-old Macdonald Block Complex is home to the largest concentration of political and public service individuals in the province. It has never undergone a major renovation and the building's core systems, including electrical, water, cooling and heating, have reached the end of their useful life.

Following advice from an independent third-party expert panel, the government's Macdonald Block Complex is undergoing extensive reconstruction to achieve significant long-term cost and energy savings for the province over the next 50 years. Those savings will be achieved through reduced operating costs, lower energy and capital maintenance expenditures, and the reduction of costly third-party leases across the downtown Toronto core. The reconstructed Macdonald Block Complex will meet LEED silver certification.

Success story: City of Toronto Green Fleet

The City of Toronto's Green Fleet Plan focuses on reducing emissions from almost 10,000 vehicles as well as by equipment owned and operated by the city. The consolidated plan, led by the Fleet Services Division, brings together all five major City of Toronto fleets – City of Toronto Fleet Services Division, Emergency Medical Services, Toronto Fire Services, Toronto Police Service, and Toronto Transit Commission – under one plan.

As of 2017, the city had 2,091 green vehicles and pieces of equipment in its fleet, representing 24% of the total number of vehicles in the city's fleet.

Empower effective local leadership on climate change

- Work with municipalities to develop climate and energy plans and initiatives to support building climate resilience and transformation to the low-carbon future.
- Support the efforts of Indigenous communities to integrate climate action into local plans and initiatives for community power, economic development, health and sustainability.
- Encourage local leadership by forming stronger partnerships and sharing best practices with community groups and business associations.

Improve public transportation to expand commuter choices and support communities

Commit $5 billion more for subways and relief lines. Ontario will also invest in a two-way GO transit service to Niagara Falls, as part of the existing plan to build a regional transportation system.

- Establish a public education and awareness program to make people more aware of the environmental, financial and health impacts of their transportation choices.
- Develop a plan to upload the responsibility for Toronto Transit Commission (TTC) subway infrastructure from the City of Toronto to Ontario. An upload would enable the province to implement a more efficient regional transit system, and build transit faster. Moreover, this would allow the province to fund and deliver new transit projects sooner.

Support green infrastructure projects

We're also greening the government's fleet of vehicles. The Ontario Public Service currently has 1,632 hybrid, plug-in hybrid and full battery electric vehicles, which represent 70% of its entire passenger vehicle fleet.

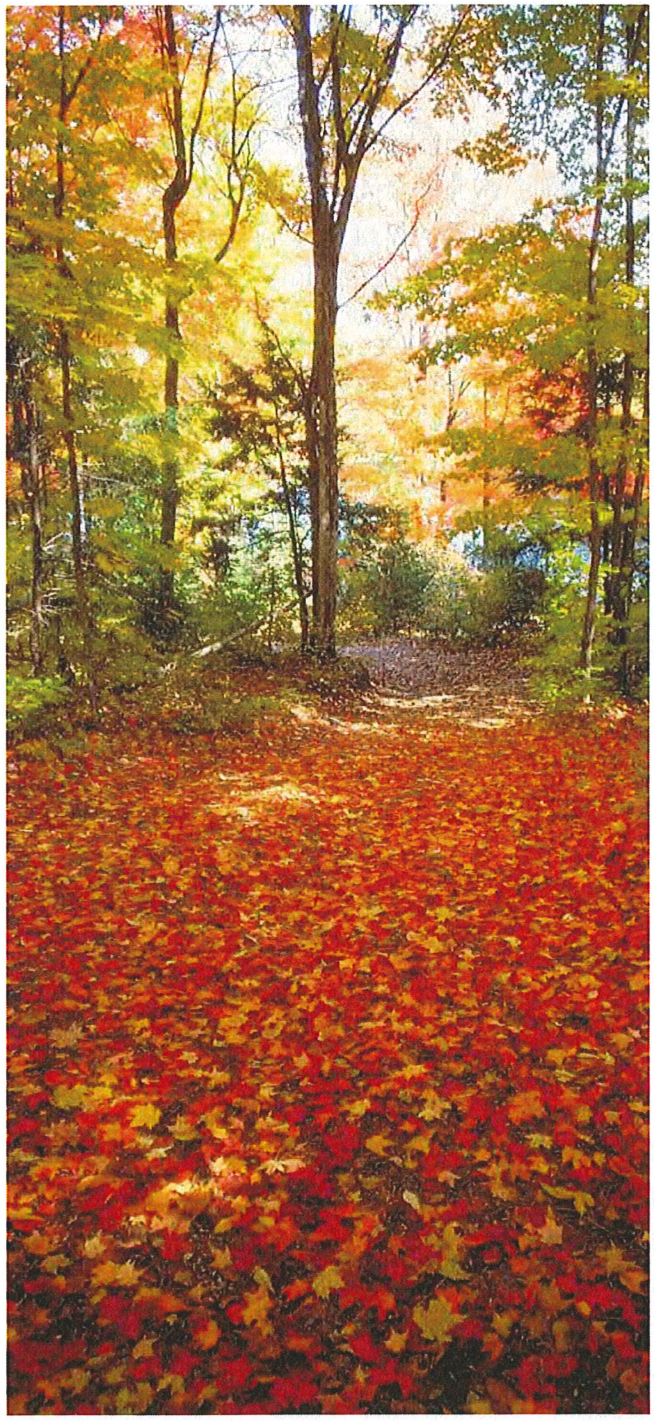
Work with federal and municipal governments through the green stream of the Investing in Canada Infrastructure Program to invest up to $7 billion in federal, provincial and municipal funding over the next 10 years. Funding could be for projects that lower greenhouse gas emissions, reduce pollution, and help make community infrastructure more resilient. Example investments could include improvements to transit and transportation infrastructure and improved local water, wastewater and stormwater systems.

Early actions: GO Train Service Increase

This government is expanding GO service and making it easier for commuters and members of the community to move around the GTHA. More riders in seats relieves congestion on the roads. We're providing more reliable, predictable journeys across the region – greatly improving the daily transit experience. These improvements bring us a step closer to our vision to deliver two-way, all-day GO service.

Reducing Litter and Waste in Our Communities & Keeping our Land and Soil Clean

Currently, Ontario generates nearly a tonne of waste per person every year and our overall diversion rate has stalled below 30% over the last 15 years. Ontario needs to reduce the amount of waste we generate and divert more waste from landfill through proven methods like Ontario's curbside Blue Box Program, existing and emerging municipal green bin programs and other waste recovery options. Existing and emerging technologies are increasingly allowing us to recover and recycle materials back into our economy rather than sending them to landfills. This is helping us to better protect our communities and keep our air, land and water clean and healthy.



To keep our land and water clean, we will take strong enforcement action to ensure waste, including hazardous waste, is properly stored, transported, recycled, recovered or disposed.

We are looking at proposed ways to:

- Reduce the amount of waste going to landfills or becoming litter
- Increase opportunities for Ontarians to participate in efforts to reduce waste
- Increase opportunities to use technologies, such as thermal treatment, to recover valuable resources in waste
- Manage excess soil and hauled sewage
- Redevelop brownfield sites to better protect human health and the environment

REDUCE LITTER AND WASTE

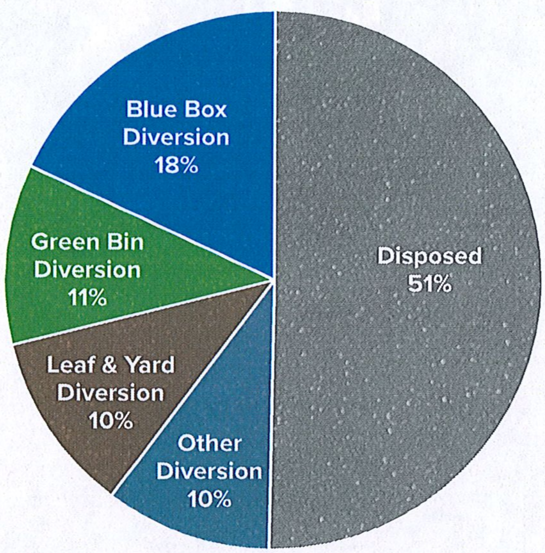
Today, some of the highest waste diversion rates in the province are in our homes. Ontarians divert almost 50% of their own household waste, through sorting what they throw away into their blue bin and, increasingly, their green bin.

However, Ontario's general waste diversion rate (residential, commercial and industrial) has been stalled at below 30% over the past 15 years – meaning that over 70% of our waste materials continue to end up in landfills. Such heavy reliance on landfills will require the province to either focus on siting new landfills or look for new ways to reduce what we send to them.

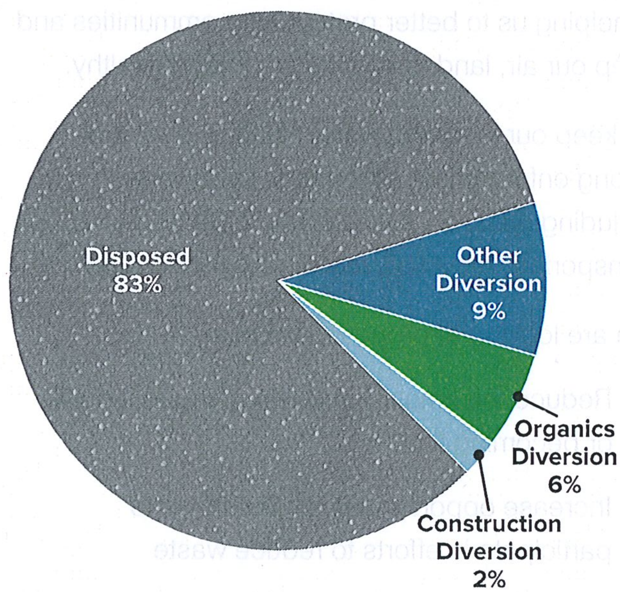
While some individual municipalities and businesses have shown leadership, Ontarians know there is still a lot more that can be done to reduce the amount of waste we produce, recover valuable resources from our waste and better manage organics.

We believe that producers should be responsible for managing the waste they produce. Placing responsibility squarely on those who produce the waste will help unleash the creative talents and energies of the private sector. Making producers responsible for the full life-cycle of their products and the waste they produce will help companies to consider what materials they use in and to package their products, and find new and innovative cost-effective ways to recycle them and lower costs for consumers. It can also make recycling easier and more accessible right across the province, keeping it clean and beautiful.

Ontario's Residential and Industrial, Commercial and Institutional Waste Management



Residential Waste: Managed by municipalities. Includes waste generated by residents in single-family homes, some apartments and some small businesses. Mix of mandatory and voluntary diversion programs.



Business Waste: Managed by the private sector. Includes food processing sites, manufacturing facilities, schools, hospitals, offices, restaurants, retail sites and some apartments. Largely voluntary diversion programs.

Sources: Statistics Canada, Waste Management Industry Survey 2016 for non-residential data; Resource Productivity and Recovery Authority, Datacall data and residential diversion rates for residential data. Data on organic waste from 2018 study prepared for MECP by 2cg.

Actions

Reduce and divert food and organic waste from households and businesses

- Expand green bin or similar collection systems in large cities and to relevant businesses.
- Develop a proposal to ban food waste from landfill and consult with key partners such as municipalities, businesses and the waste industry.
- Educate the public and business about reducing and diverting food and organic waste.
- Develop best practices for safe food donation.

Success story: Farmers receive support for food donations

The rescue of surplus food helps ensure food does not go to waste. Ontario supports these efforts through the following mechanisms:

- The Ontario Community Food Program Donation Tax Credit for Farmers provides tax credits up to 25% to farmers who recover and donate agricultural products to eligible programs.
- The Ontario Donation of Food Act, 1994, encourages donations, with certain limitations, and protects food donors from liability as a result of injuries caused by the consumption of donated food.

Success story: City of Stratford turning organic waste into natural gas

Stratford, Ontario, is improving its wastewater treatment infrastructure to produce renewable natural gas from organic waste and feed it back into the local gas distribution system. Renewable natural gas is a clean, carbon-neutral energy source.

Reduce plastic waste

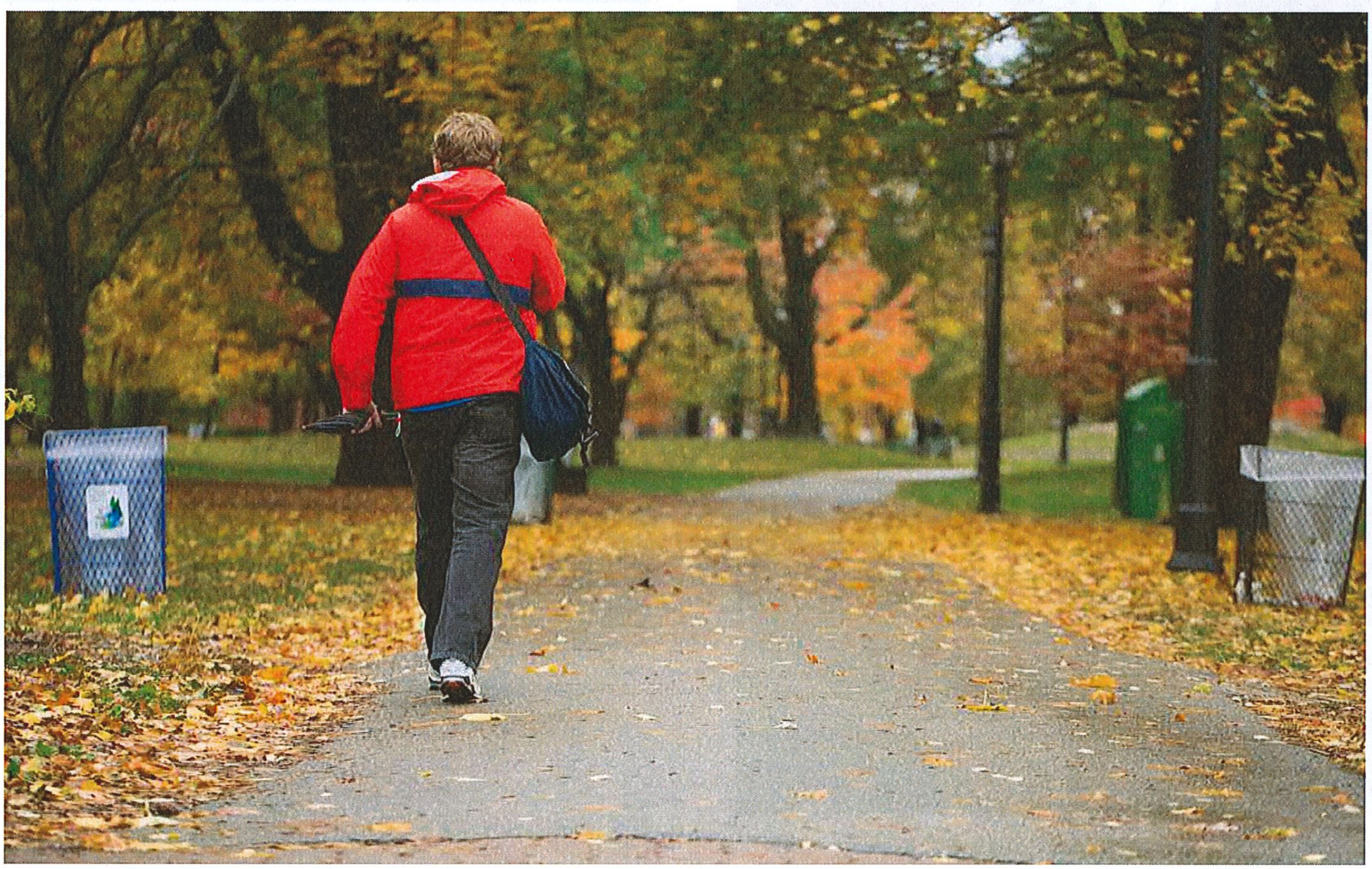
- Work with other provinces, territories and the federal government to develop a plastics strategy to reduce plastic waste and limit micro-plastics that can end up in our lakes and rivers.
- Seek federal commitment to implement national standards that address recyclability and labelling for plastic products and packaging to reduce the cost of recycling in Ontario.
- Work to ensure the Great Lakes and other inland waters are included in national and international agreements, charters and strategies that deal with plastic waste in the environment.

Reduce litter in our neighbourhoods and parks

Our environment plan reflects our government's commitment to keep our neighbourhoods, parks and waterways clean and free of litter and waste. When Ontarians walk their dog or take their children to the park they expect their time outdoors to be litter-free.

Ontario will establish an official day focused on cleanup of litter in Ontario, coordinated with schools, municipalities and businesses, to raise awareness about the impacts of waste in our neighbourhoods, in our waterways and in our green spaces.

- Work with municipal partners to take strong action against those who illegally dump waste or litter in our neighbourhoods, parks and coastal areas.



- Develop future conservation leaders through supporting programs that will actively clean up litter in Ontario's green spaces, including provincial parks, conservation areas and municipalities.
- Connect students with recognized organizations that encourage environmental stewardship so they could earn volunteer hours by cleaning up parks, planting trees and participating in other conservation initiatives.

Increase opportunities for Ontarians to participate in waste reduction efforts

- Work with municipalities and producers to provide more consistency across the province regarding what can and cannot be accepted in the Blue Box program.
- Explore additional opportunities to reduce and recycle waste in our businesses and institutions.

Make producers responsible for the waste generated from their products and packaging

- Move Ontario's existing waste diversion programs to the producer responsibility model. This will provide relief for taxpayers and make producers of packaging and products more efficient by better connecting them with the markets that recycle what they produce.

Explore opportunities to recover the value of resources in waste

- Investigate options to recover resources from waste, such as chemical recycling or thermal treatment, which have an important role – along with reduction, reuse and recycling – in ensuring that the valuable resources in waste do not end up in landfills.
- Encourage increased recycling and new projects or technologies that recover the value of waste (such as hard to recycle materials).

Provide clear rules for compostable products and packaging

- Ensure new compostable packaging materials in Ontario are accepted by existing and emerging green bin programs across the province, by working with municipalities and private composting facilities to build a consensus around requirements for emerging compostable materials.
- Consider making producers responsible for the end of life management of their products and packaging.

Success story: Making products compostable to reduce waste

Club Coffee makes a compostable coffee pod used by brands including Loblaw Companies Limited (President's Choice), Ethical Bean, Muskoka Roastery, Melitta Canada and Jumping Bean. Club Coffee works with municipalities so coffee drinkers can put these pods in their green bins; however they are not yet accepted in every program. We will work to support businesses that are trying to do the right thing and with leading municipalities that are working to reduce waste going to landfills. This will include working with industry and municipal partners to help ensure contamination of the Blue Box and green bin programs is minimized and that the public is provided with accurate information on how to properly manage compostable products and packaging.

Support competitive and sustainable end-markets for Ontario's waste

- Cut regulatory red tape and modernize environmental approvals to support sustainable end markets for waste and new waste processing infrastructure.
- Provide municipalities and the communities they represent with a say in landfill siting approvals. While we work to reduce the amount of waste we produce, it is recognized that there will be a need for landfills in the future. The province will look for opportunities to enhance municipal say while continuing to ensure that proposals for new and expanded landfills are subject to rigorous assessment processes and strict requirements for design, operation, closure, post-closure care and financial assurance.

CLEAN SOIL

Rural and urban communities benefit from healthy soil and land. Soils with contaminants need to be cleaned up to ensure new home owners or property users are safe, and contaminated soils are not relocated to farms where our food is grown. Having clear rules and standards around how extra soil from construction projects is managed, relocated and reused makes it easier for construction businesses to know what soils they can reuse and what soils need to be disposed of or treated before reusing.

Proper management of excess soil can reduce construction costs and unnecessary landfilling while ensuring soil from construction projects is safe for the environment and human health. By clarifying what soil can be reused locally, we can also reduce greenhouse gas emissions generated by trucking soil from place to place unnecessarily.

Redevelopment of underused, often contaminated sites (brownfields) also provides an opportunity to clean up historical contamination and put vacant prime land back into good use.

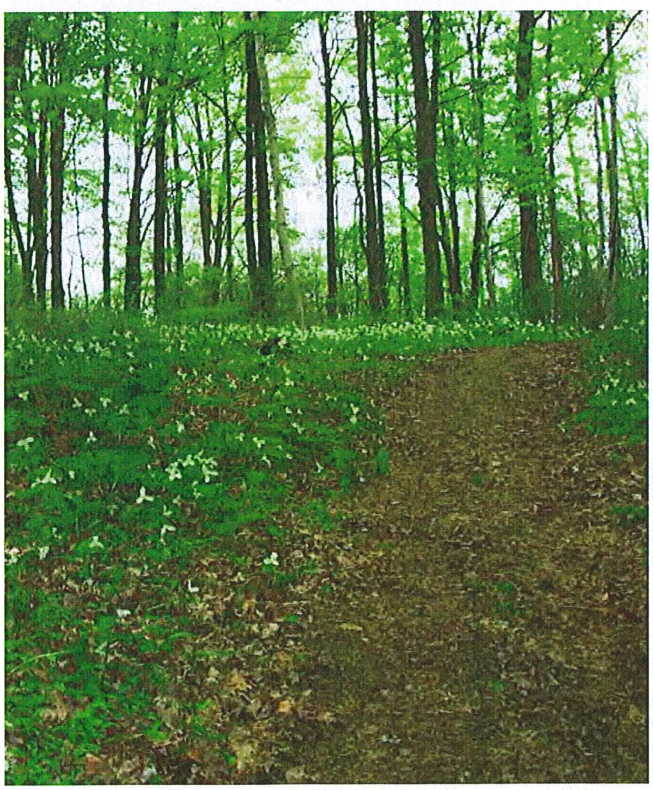
Actions

Increase the redevelopment and clean-up of contaminated lands in Ontario to put land back into good use

- Revise the brownfields regulation and the record of site condition guide to reduce barriers to redevelop and revitalize historically contaminated lands, putting vacant prime land back to good use.

Make it easier and safer to reuse excess soil

- Recognize that excess soil is often a resource that can be reused. Set clear rules to allow industry to reduce construction costs, limit soil being sent to landfill and lower greenhouse gas emissions from trucking by supporting beneficial reuses of safe soils.



- Work with municipalities, conservation authorities, other law enforcement agencies and stakeholders to increase enforcement on illegal dumping of excess soil.

Economic benefits of reusing soi

Traditional excess soil management using "dig and dump" approaches is substantially more expensive than using best practices for reusing soil from construction. According to a recent industry study, projects that use excess soil management best practices for reuse experienced an average of 9% in cost savings (Ontario Society of Professional Engineers, Greater Toronto Sewer and Watermain Contractors Association, Residential and Civil Construction Alliance of Ontario). Savings are due to reduced hauling distances and diverting soils away from landfills.

Improve management of hauled sewage

- Consider approaches for the management and spreading of hauled sewage to better protect human health and the environment (including land and waterways) from the impacts of nutrients and pathogens.

Conserving Land and Greenspace

People travel from around the world to experience the natural wonders that we often take for granted in the province of Ontario. The natural spaces across Ontario, such as forests, wetlands and parks purify our air and water, protect biodiversity and natural heritage, provide recreational opportunities and support Indigenous traditional practices.

We as Ontarians have a long history of putting a strong focus on expanding Ontario's parks and protected areas. In 1999, Ontario's Living Legacy Land Use Strategy was announced. A clear and major goal of this plan was to complete Ontario's system of parks and protected areas. Our government remains dedicated to maintaining the natural beauty of our province.

As mentioned earlier in the plan, we know that climate change poses a serious threat to Ontario's natural areas and that conservation of these areas can play an important role in mitigating and adapting to climate change. We will protect and enhance our natural areas, support conservation efforts, continue to conserve species at risk, develop adaptation strategies, and promote the importance of healthy natural spaces for future generations to use and enjoy.

Quick Fact: Ontario's Living Legacy commitment was one of the greatest expansions of Ontario's provincial parks and conservation reserves in recent history. Over the immediate years that followed, the commitment resulted in the creation of 58 new provincial parks and 268 new conservation reserves, a total area of 1,996,214 hectares.

Action Areas

Improve the resilience of natural ecosystems

- Collaborate with partners to conserve and restore natural ecosystems such as wetlands, and ensure that climate change impacts are considered when developing plans for their protection.
- Strengthen and expand grassland habitats by implementing the province's Grassland Stewardship Initiative that supports on-farm conservation activities to benefit grassland birds at risk.
- Protect against wildland fire incidents through the ongoing development of Community Wildfire Protection Plans and update technical guidance to protect people and property from flooding and water-related hazards.
- Work with leaders in land and water conservation, like Ducks Unlimited Canada and the Nature Conservancy of Canada, to preserve areas of significant environmental and ecological importance.

Success story: Innovative Wetland in Middlesex County protects Lake Erie

Ducks Unlimited Canada, the Municipality of Southwest Middlesex, Ontario NativeScape and the Ministry of Natural Resources and Forestry built three retention ponds to capture water draining from more than 200 acres of farmland. The wetland acts as a filter to reduce excess nutrients (such as phosphorus that can create harmful algal blooms in water) reaching the Thames River and eventually Lake Erie.

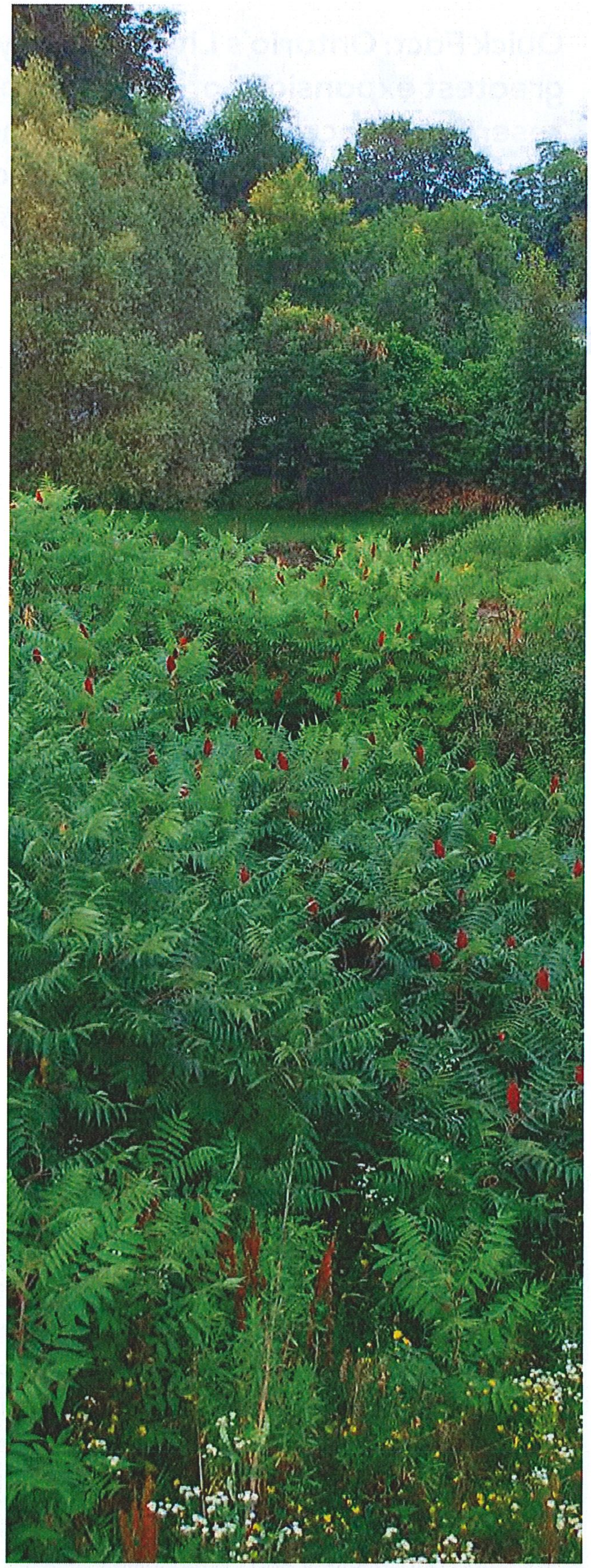
Forest fires increase in Ontario in 201

Prolonged dry conditions throughout Ontario made 2018 one of the most active forest fire seasons in recent years, with more than 1,300 forest fires burning over 265,000 hectares of forest, nearly double the 10-year average. While the number and intensity of fires varies greatly from year to year and it is difficult to connect any given forest fire to the effects of climate change, most research suggests that Ontario will experience more fires and longer fire seasons in the years ahead. While forest fires pose a serious threat to public safety, communities, and infrastructure, they are also an important natural process in Ontario's forest ecosystems. Managing forest fires in Ontario is about balancing the benefits of forest fires, and protecting public safety and communities.

Support conservation and environmental planning

- Work in collaboration with municipalities and stakeholders to ensure that conservation authorities focus and deliver on their core mandate of protecting people and property from flooding and other natural hazards, and conserving natural resources.
- Look to modernize Ontario's environmental assessment process, which dates back to the 1970s, to address duplication, streamline processes, improve service standards to reduce delays, and better recognize other planning processes.
- Protect vulnerable or sensitive natural areas such as wetlands and other important habitats through good policy, strong science, stewardship and partnerships.
- Improve coordination of land use planning and environmental approval processes by updating ministry guidelines to help municipalities avoid the impacts of conflicting land uses.

The Ontario government is committed to protecting the Greenbelt for future generations. The Greenbelt consists of over two million acres of land in the Greater Golden Horseshoe including farmland, forests, wetlands and watersheds. It includes the Oak Ridges Moraine and the Niagara Escarpment, and provides resilience to extreme weather events by protecting its natural systems and features.



Promote parks and increase recreational opportunities

- Support the creation of new trails across the province.
- Provide Ontario families with more opportunities to enjoy provincial parks and increase the number of Ontarians taking advantage of parks by 10% or approximately one million more visitors while protecting the natural environment.
- Look for opportunities to expand access to parks throughout the province, but ensure Ontario Parks has the tools it needs to conduct its business and create a world-class parks experience.
- Work to ensure that all fish and wildlife licence fees, fines and royalties collected in the Special Purpose Account go towards its stated purpose of conservation, with transparency for hunters and anglers in Ontario.
- Promote the link between nature and human health by supporting the worldwide movement for Healthy Parks Healthy People through Ontario Parks' events, education, and the development of a discussion paper to engage the public.
- Review management of provincial parks and conservation reserves to ensure effectiveness by exploring internationally recognized tools and best practices.
- Share the responsibility of conserving Ontario's protected lands by continuing to partner with municipalities, conservation authorities, Indigenous communities, conservation organizations and other community groups such as trail groups.

Conservation of Ontario's rich biodiversity and natural resources is a shared responsibility - success relies on Ontario working together with First Nation and Métis communities, hunters and anglers, conservation groups and other partners to achieve positive outcomes for our environment.

Quick Fact: Ontario manages and protects 340 provincial parks and 295 conservation reserves totalling 9.8 million hectares or 9% of the province – an area larger than the entire province of New Brunswick. In 2018, Ontario celebrated the 125th anniversary of the provincial parks system and of Algonquin Provincial Park.

Sustainable Forest Management

- Work with Indigenous organizations, the forestry industry and communities involved in managing Ontario's forests under sustainable forest management plans. Ontario will support forest managers to further reduce emissions and increase carbon storage in forests and harvested wood products. Ontario's sustainable forest management provides for the long-term health of Ontario's forests by providing potential opportunities to reduce and store greenhouse gases as trees capture and store carbon dioxide.
- Promote the use of renewable forest biomass, for example, in the steel industry and as heating fuel for northern, rural and Indigenous communities.
- Improve data and information, informed by Indigenous Traditional Knowledge where offered, on greenhouse gas emissions and carbon storage from forests, the changing landscape and permafrost.
- Increase the use of Ontario timber in building, construction and renovation to reduce emissions and increase long-term carbon storage.

What is carbon storage? Carbon storage refers to capturing carbon dioxide – and other greenhouse gases in the atmosphere – through vegetation and soils. Practices that remove carbon dioxide from the atmosphere include sustainable forest management, conserving and restoring natural ecosystems, and enhancing soil carbon in agriculture.

Forests begin to emit greenhouse gases as the trees age and die, while younger forests that are growing vigorously sequester carbon from the atmosphere. Sustainable forestry practices can encourage forests to grow and to increase carbon stored in forests and harvested wood products.

Quick Fact: Sandbanks Provincial Park is one of the busiest parks in the province, welcoming over 750,000 visitors every summer. To meet a growing demand for camping, Ontario Parks opened a new campground in Sandbanks Provincial Park in May 2017, featuring 75 campsites.

Protect species at risk and respond to invasive species

- Reaffirm our commitment to protect species at risk and their habitats, as we mark the 10th anniversary of Ontario's Endangered Species Act. We are committed to ensuring that the legislation provides stringent protections for species at risk, while continuing to work with stakeholders to improve the effectiveness of the program.
- Protect our natural environment from invasive species by working with partners and other governments and using tools to prevent, detect and respond to invasions.

Invasive species impact fish and wildlife, and hurt Ontario's economy

Invasive species like the emerald ash borer are killing our trees, phragmites (a type of grass) are taking over wetlands, and zebra mussels are clogging water intakes for industry and cottagers. Second to habitat loss, invasive species are recognized as the second leading global cause to the loss of biodiversity. In addition, invasive species are impacting our recreational opportunities such as boating, swimming, angling, and hunting, and their economic costs are staggering. A recent study estimated impacts of invasive species in Ontario at $3.6 billion annually with municipalities spending at least $38 million in 2017/18.

Preventing invasive species from arriving and establishing themselves is the single most effective and least costly method to manage invasive species. Ontario is working with a number of conservation partners to coordinate prevention, control, research and management activities to help address this serious threat. Raising public awareness and engaging individuals in taking preventive action is key in preventing new species from arriving and surviving.

Next Steps

IMPLEMENTING OUR PLAN

Ontario's environment plan presents new direction for addressing the pressing challenges we face to protect our air, land and water, clean up litter and waste, build resiliency and reduce our greenhouse gas emissions.

Our plan includes proposed incentives to stimulate growth in clean technologies, enhance leadership and collaboration to build a province-wide commitment to protecting the environment, and take action on climate change.

Our plan will help people and businesses across Ontario take actions that will save money, enhance communities, create new jobs and grow the economy.

Next steps

As part of our work on this plan, we are also undertaking several important steps to finalize our environment actions for Ontario. Over the coming months, we will:

- **Continue to consult with the public and engage with Indigenous communities**
  Throughout the environment plan we have identified areas of action and key initiatives. These are areas where we are engaging with stakeholders and Indigenous communities to develop new approaches that support our common goals for environmental and climate leadership.

- **Establish an advisory panel on climate change**
  An advisory panel on climate change will be established to provide advice to the Minister on implementation and further development of actions and activities in our plan specific to climate change.
- **Begin implementing priority initiatives**
  In the plan we have identified a number of priority initiatives. Some of these initiatives are already underway and we will begin implementation of the remaining initiatives following consultation.
- **Measure and report on progress**
  We want Ontarians to see how our plan is helping them save money and improve the quality of their lives and communities. We are committed to reporting regularly on the progress we make on our plan and to developing key indicators of progress because we believe that transparency is important to the success of this plan. We are also committed to reviewing the environment plan every four years.

Our consultations and engagement with various stakeholders, Indigenous communities and the public will help refine our environment initiatives by incorporating valuable insights that ensure the actions we adopt reflect the needs of Ontarians.

Comments, ideas and suggestions on the actions and initiatives in Ontario's plan to protect the environment can be made on the Environmental Registry.

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Ontario

A PLAN FOR THE PEOPLE

ONTARIO ECONOMIC OUTLOOK AND FISCAL REVIEW

THE HONOURABLE VICTOR FEDELI
MINISTER OF FINANCE

2018
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For general inquiries regarding *A Plan for the People — 2018 Ontario Economic Outlook and Fiscal Review, Background Papers*, please call:

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EVERY DOLLAR COUNTS

As part of its ongoing commitment to respect the taxpayers' money while emphasizing digital delivery of services, the government is only printing one-third of the typical print run of past Ontario Economic Outlook and Fiscal Reviews. In addition, the government is not formally publishing a booklet with the Minister's Statement.

Together, this will save taxpayers approximately $11,000. The full *2018 Ontario Economic Outlook and Fiscal Review* is available digitally at ontario.ca/fallstatement

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FOREWORD

INTRODUCTION

A few months ago, our Government for the People shared a new vision for Ontario. The vision was clear — put more money back in people's pockets, lower hydro bills, create and protect jobs, cut hospital wait times, and restore people's trust in the institutions that were supposed to serve them and not the other way around. It is a government that would keep its promises and work hard to make life more affordable for the people of Ontario.

Ours is a government that holds true to its values. Those values include the belief that hard work should be rewarded, that taxpayers should be respected, and that the role of government is to help those who need it most and to protect the most vulnerable in our communities.

Our plan envisions a prosperous Ontario, an Ontario that is once again the economic engine of the federation. The government will create economic opportunities for all by setting up the right conditions for entrepreneurs to start a business, grow a business, and create jobs right here at home. It will help businesses of all sizes thrive by lowering taxes, reducing red tape, and increasing choice for consumers.

Our seniors built this country, and our government believes they should be able to count on public services to be there for them as they grow older. Our government believes our men and women in uniform on the front lines should be treated with respect, while ensuring law-abiding individuals and families are protected from violent crime, including drug, gun and gang-related violence.

Above all, our government believes that balancing the budget and reducing Ontario's debt burden is not only a fiscal imperative, it is a moral imperative. The government owes it to future generations to ensure vital services, such as our schools and hospitals, are there for them down the road.

During prosperous times, the government should shore up its finances, so that it is better prepared to weather shocks to the system such as recessions or financial crises. Sadly, for too long, the previous government's legacy of reckless spending has left Ontario extremely vulnerable to future shocks. Sound financial management enables the government to provide more funding for key services and programs instead of paying interest on debt. This will help its citizens during tough economic times.

A government that puts its fiscal house in order is a government that is truly working for the people today and tomorrow.

ONTARIO'S PLAN FOR THE PEOPLE

Restoring Trust, Transparency and Accountability

Rebuilding trust between the people and their government is a top priority, starting with the Province's books. Through the work of the Independent Financial Commission of Inquiry and the line-by-line review of Ontario's books, the people of Ontario now know the true state of the Province's finances. The Province inherited a $15 billion deficit and over a third of a trillion dollars in public debt from the previous government. Immediate action is required to mitigate the negative consequences of the previous government's reckless spending on policies and programs we could not afford.

Our government is adopting a new direction in its management of the Province's finances that puts the taxpayer at the centre of all decision-making processes. It will restore the people's confidence in government by achieving fiscal balance, pursuing a debt reduction strategy, and strengthening fiscal transparency and accountability measures. It will re-invent the way government operates and delivers services to the people to ensure value for money and outcomes. It will also conduct an ongoing review of government agencies, put in place controls on discretionary spending in the public service, and freeze executive compensation in the broader public sector. Our government will also fight to ensure Ontario taxpayers receive fair and adequate funding from the federal government.

Making Ontario Open for Business

Our government made a core commitment to individuals, families and businesses in Ontario to create and protect jobs. It will create an environment across the province that will help reduce costs for businesses, strengthen their ability to invest and grow, and stimulate job creation.

Making Ontario open for business starts with our Open for Business Action Plan, which would cut job-killing red tape and would repeal the harmful provisions in the *Fair Workplaces, Better Jobs Act, 2017* (Bill 148) that have hurt so many businesses. The Province understands the challenges of high electricity rates for businesses of all sizes and has already cancelled 758 unnecessary and expensive renewable energy contracts, and is launching a review of industrial electricity rates. To help apprentices, the government proposes to transform and modernize the apprenticeship system by updating the journeyperson-to-apprenticeship ratio and winding down the Ontario College of Trades. Our government will work to expand safe, responsible sales of cannabis and alcohol through private retail in Ontario in order to provide consumers with more choice, while acting decisively to protect children and youth, undermine the illegal cannabis market, and keep our roads and highways safe.

Our support for rural and Northern communities in Ontario is unwavering. The government will work with the private sector to expand natural gas and broadband networks to more communities, and we will stand up to protect farmers and farm jobs in our supply-managed agricultural sectors in the wake of the new United States-Mexico-Canada Agreement. Resource revenue sharing in the development of natural resources will allow a win-win situation for Northern communities and businesses. Our Provincial forestry strategy has already attracted historic investments in Northern Ontario, and the government will move forward with a new approach to unlock the vast potential of the Ring of Fire.

Respecting Consumers and Families

Our Government for the People is a government working for you and your family. Your hard-earned tax dollars will be respected by the government, and it will ensure that money is being prioritized for the services you rely on every day.

It will respect patients by cutting hospital wait times and ending hallway health care with more long-term care beds and a $1.9 billion investment in mental health and addictions services over the next decade, matching the federal government commitment.

It will respect drivers by bringing them relief at the gas pumps, freezing drivers' fees, and scrapping the outdated Drive Clean program for passenger and light-duty vehicles.

It will respect workers by providing an income tax credit known as the Low-income Individuals and Families Tax (LIFT) Credit that will benefit low-income individuals and families, including those who earn minimum wage.

It will respect homeowners and renters by protecting rent control and enabling new partnerships with municipalities and the private sector to build more supply to address housing affordability.

It will respect ratepayers by lowering the electricity bills of residential, farm and small business customers by 12 per cent.

It will respect parents and students by consulting them on what should be taught in schools, ensuring that students learn the fundamentals to succeed in life, and by upholding free speech on college and university campuses.

It will respect victims by enforcing the law, protecting law-abiding individuals and families from drug, gun and gang-related violence, and investing in the right tools and equipment to help our men and women in uniform fight violent crime.

It will respect veterans by honouring the sacrifice of those who fought in the war in Afghanistan with a new memorial and by proposing to exempt Royal Canadian Legion branches in our communities from property taxes.

CONCLUSION

The previous government's reckless spending and mismanagement left an unprecedented fiscal burden on the shoulders of all individuals, families and businesses in Ontario.

The fiscal hole is deep. The road ahead is not an easy one, and it will require difficult decisions.

Everyone in Ontario will be required to make sacrifices, without exception.

However, this is also an opportunity to embrace reform and transform how government serves the people.

People must all come together now more than ever to work towards solutions.

During the short time our government has been in office, it has started making real progress. Our path forward is clear, and that is why it is important to maintain our resolve to pursue fiscal discipline and, ultimately, restore our books to balance. It is for the betterment of the province, and more importantly, for all those families and individuals who call Ontario home.

The government must never forget who it is working for — the people of Ontario.

Original signed by

The Honourable Victor Fedeli
Minister of Finance

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ONTARIO'S ECONOMIC AND FISCAL OUTLOOK IN BRIEF

ONTARIO'S ECONOMIC AND FISCAL OUTLOOK IN BRIEF

Restoring trust and accountability in Ontario starts with a clear and transparent reporting of the state of the Province's finances. Unlike the previous administration, this government is committed to full transparency in the presentation of key economic and fiscal information. That is why the government created this new chapter in the *2018 Ontario Economic Outlook and Fiscal Review*. The Province's fiscal situation is challenging — but the people of Ontario need access to this important information to fully understand the difficult but necessary choices that lie ahead in restoring fiscal balance and sustainability.

As the foundation for the *2018 Ontario Economic Outlook and Fiscal Review*, this new first section provides, with clarity and transparency, the financial state of the Province of Ontario.

INDEPENDENT FINANCIAL COMMISSION OF INQUIRY

Immediately after taking office, the government established an Independent Financial Commission of Inquiry (Commission) under the *Public Inquiries Act, 2009*. The Commission was mandated to look into the previous government's accounting practices and provide a baseline for the Province's fiscal outlook to support planning moving forward.

The Commission delivered its report to the government on August 30, 2018, and concluded that the government inherited a deficit of $15 billion for 2018–19 from the previous administration. A summary of the Commission's estimated deficit outlook is provided below.

INDEPENDENT FINANCIAL COMMISSION OF INQUIRY'S ADJUSTMENTS TO THE *2018 BUDGET* SURPLUS/(DEFICIT) PROJECTION FOR 2018–19

($ Billions)

	2018–19
Surplus/(Deficit) from the *2018 Budget*	**(6.7)**
Proposed Revisions to the Revenue Outlook	
Revise economic growth forecast	(0.4)
Revise impact of housing market	(0.4)
Revise impact of minimum wage increase	(0.1)
Revise impact of U.S. tax reform	(0.8)
Reflect updated 2017 tax assessment information	0.2
Projected Revenue Shortfall Relative to the *2018 Budget*	**(1.5)**
Proposed Revisions to the Expense Outlook	
Provisionally adopt Auditor General's accounting treatment of pension expenses	2.7
Adopt Auditor General's accounting treatment of global adjustment refinancing	2.4
Reverse year-end savings and program review savings targets	1.4
Projected Expense Increase Relative to the *2018 Budget*	**6.4**
Revision to reserve relative to the *2018 Budget*	0.3
Impact on *2018 Budget* Surplus/(Deficit)	**(8.3)**
2018–19 Surplus/(Deficit) as identified by the Commission	**(15.0)**

Note: Numbers may not add due to rounding.
Source: Details reproduced from the *Report of the Independent Financial Commission of Inquiry* released September 21, 2018.

ONTARIO'S FISCAL OUTLOOK

Building on the Commission's recommendations and taking into account new information as well as government actions and decisions to date, the government is now projecting a deficit of $14.5 billion in 2018–19. This is a $0.5 billion improvement compared to the baseline for planning provided by the Commission just 11 weeks ago.

The updated deficit target for 2018–19 reflects the actions undertaken by the government to find efficiencies and reduce spending — resulting in $3.2 billion in program expense savings since the government took office on June 29, 2018. In addition, the government has reduced the previous government's deficit, while also providing meaningful tax relief to people and businesses. This tax relief has reduced revenue by almost $2.7 billion through eliminating tax increases planned or imposed by the previous government, and cancelling the cap-and-trade carbon tax. It also supports other measures that will strengthen economic competitiveness.

As recommended by the Commission, the fiscal outlook for 2018–19 includes a reserve of $1.0 billion, returning it to its historical level.

The government is committed to returning the Province to balanced budgets on a modest, reasonable and pragmatic timetable.

See Chapter III: *Ontario's Fiscal Plan and Outlook* for more details on the Province's fiscal outlook.

FISCAL SUMMARY

($ Billions)

	Actual 2017–18	Commission Revised Baseline 2018–19	Change	Current Outlook 2018–19
Revenue	**150.6**	**150.9**	***(2.7)***	**148.2**
Expense				
Programs	142.4	152.4	*(3.2)*	149.2
Interest on Debt	11.9	12.5	–	12.5
Total Expense	**154.3**	**164.9**	***(3.2)***	**161.8**
Surplus/(Deficit) Before Reserve	**(3.7)**	**(14.0)**	***0.5***	**(13.5)**
Reserve	–	1.0	–	1.0
Surplus/(Deficit)	**(3.7)**	**(15.0)**	***0.5***	**(14.5)**
Net Debt as a Per Cent of GDP	39.2	40.8		40.5
Accumulated Deficit as a Per Cent of GDP	25.3	N.A.		26.1

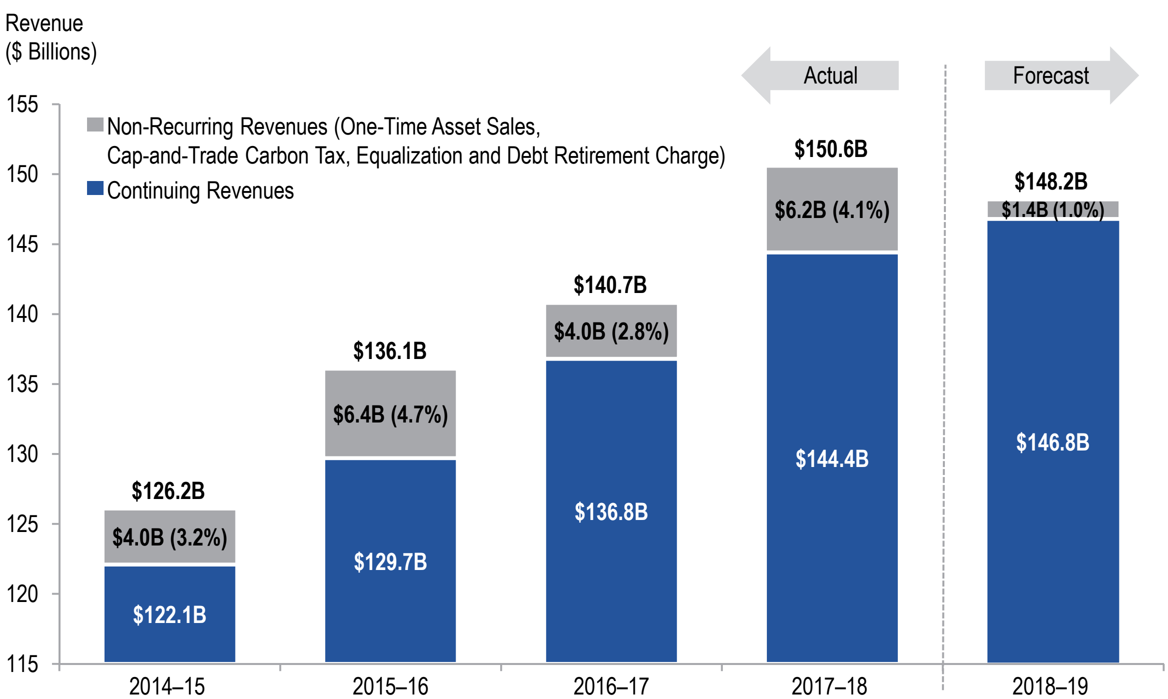
Notes: Numbers may not add due to rounding. To ensure consistency and comparability of numbers between the current outlook, the Commission's baseline forecast and prior year results, the Commission's Net Debt as a Per Cent of GDP estimate has been revised from 40.5 per cent after updating GDP with the most recent numbers from Statistics Canada's *Provincial and Territorial Economic Accounts, 2017.*

INFLATED NON-RECURRING REVENUES

The Commission's findings affirmed the Auditor General of Ontario's observation that the previous government's *2018 Pre-Election Report on Ontario's Finances,* based on the *2018 Budget*, was "not a reasonable presentation of Ontario's finances."[1] It is also clear that the fiscal challenge has been further amplified as a result of the previous government's significant reliance on non-recurring revenues that inflated revenues temporarily to support attempts to meet short-term fiscal targets and a balanced budget target date of 2017–18, which was not achieved. In fact, by selling a number of its assets, including Hydro One shares, the Liquor Control Board of Ontario (LCBO) headquarters' site and the Ontario Power Generation (OPG) head office and Lakeview properties, the government was able to secure revenue that would then reduce significantly in 2018–19.

The graph below provides an overview of the extent of these non-recurring revenues.

THE IMPACT OF NON-RECURRING REVENUES AS A SHARE OF TOTAL REVENUES



Note: Numbers may not add due to rounding.
Source: Ontario Ministry of Finance.

1 Office of the Auditor General of Ontario, "Review of the 2018 Pre-Election Report on Ontario's Finances," (2018), http://www.auditor.on.ca/en/content/specialreports/specialreports/2018Pre-Election_en.pdf

ONTARIO'S ECONOMIC OUTLOOK

Ontario's economy has struggled over the past 15 years, with its performance slipping compared to other provinces. Ontario also faces a number of challenges that have the potential to adversely affect its growth in the short-term and dampen economic prospects and prosperity in the longer term. These challenges include regulatory barriers for businesses, a lack of tax competitiveness, as well as uncertainty related to global trade tensions. In addition, many workers find themselves not suitably trained for today's job market, which hinders income growth and contributes to higher household debt.

Over the 2018 to 2021 period, Ontario's economy is expected to grow, with rising employment, higher incomes, improved business investment and gains in exports.

A summary of Ontario's economic outlook is presented below. See Chapter II: *Economic Outlook* for more details.

SUMMARY OF ONTARIO'S ECONOMIC OUTLOOK

(Per Cent)

	2015	2016	2017	2018p	2019p	2020p	2021p
Real GDP Growth	2.5	2.3	2.8	2.0	1.8	1.7	1.5
Nominal GDP Growth	4.6	4.4	4.1	3.8	3.8	3.5	3.2
Employment Growth	0.7	1.1	1.8	1.5	1.2	1.0	0.8
CPI Inflation	1.2	1.8	1.7	2.5	2.1	2.0	1.6

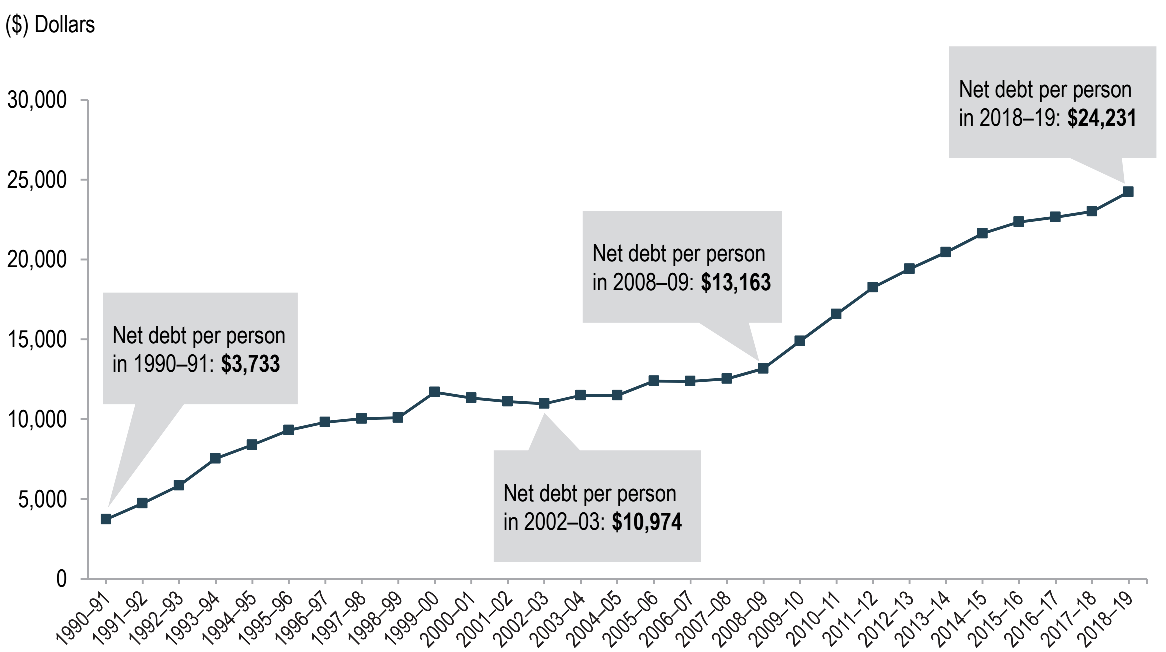
p = Ontario Ministry of Finance planning projection based on information up to October 22, 2018.
Sources: Statistics Canada and Ontario Ministry of Finance.

ONTARIO'S DEBT

The Province has reported deficits in 24 of the last 29 years. Ontario now has the highest subnational debt of any jurisdiction in the world. Ontario's net debt has grown to more than one-third of a trillion dollars – $347 billion in 2018-19. Net debt per capita has increased from $13,163 per person or $52,652 per family of four at the beginning of the 2008–09 global economic downturn to a projected $24,231 per person or $96,924 per family of four in 2018–19. Additionally, there are daily interest charges that accumulate on the debt. In 2018–19, the government is forecasting $12.5 billion in interest payments to service that debt, or almost $900 this year alone for every man, woman and child in Ontario.

The chart and table below provide information on Ontario's debt burden and borrowing program. See Chapter IV: *Borrowing and Debt Management* for more details.

NET DEBT PER CAPITA



Note: Net debt has been restated to include broader public-sector net debt, starting in 2005–06. Net debt has been restated from 2001–02 for the adjustments resulting from the revised accounting treatment of jointly sponsored pension plans.

Sources: Statistics Canada and Ontario Ministry of Finance.

2018–19 BORROWING PROGRAM

($ Billions)

	2018 Budget	Outlook Based on Commission of Inquiry	Change from Commission of Inquiry Outlook	Current Outlook
Deficit/(Surplus)	6.7	15.0	(0.5)	14.5
Investment in Capital Assets	14.2	14.2	(1.4)	12.8
Non-Cash Adjustments	(7.1)	(7.4)	–	(7.4)
Loans to Infrastructure Ontario	0.4	0.4	–	0.4
Other Net Loans/Investments	1.5	0.5	(0.6)	(0.0)
Debt Maturities	21.5	21.5	0.3	21.8
Debt Redemptions	0.1	0.1	0.1	0.1
Total Funding Requirement	**37.3**	**44.3**	**(2.1)**	**42.1**
Canada Pension Plan Borrowing	(0.0)	(0.0)	–	(0.0)
Decrease/(Increase) in Short-Term Borrowing	–	–	–	–
Increase/(Decrease) in Cash and Cash Equivalents	6.0	3.3	0.2	3.5
Pre-Borrowing from 2017–18	(11.5)	(12.4)	–	(12.4)
Total Long-Term Public Borrowing	**31.7**	**35.1**	**(1.9)**	**33.2**

Note: Numbers may not add due to rounding.

CHAPTER I
ONTARIO'S PLAN FOR THE PEOPLE

SECTION A: RESTORING TRUST, TRANSPARENCY AND ACCOUNTABILITY

INTRODUCTION

The province faces significant financial challenges in the years ahead, not least of which is addressing the significant deficit and high levels of debt it inherited from the previous government.

For 13 out of the last 15 years, the previous government ran a deficit, spending more money than it took in through revenues which were inflated by several non-recurring or one-time factors in 2017–18 and in prior years. During the previous government's mandate, Provincial net debt more than doubled and net debt-to-gross domestic product (GDP) grew from 27.5 per cent to 40.8 per cent. As a result, interest payments on debt are now the fourth largest line item in Ontario's budget, after health care, education and social services — threatening to crowd out the government's ability to adequately fund important services people use every day.

To determine the state of the Province's finances, upon taking office, the Government for the People took immediate action to restore the public's confidence in Ontario's books. It established an Independent Financial Commission of Inquiry (Commission) under the *Public Inquiries Act, 2009*. The Commission was mandated to look into the previous government's accounting practices and provide advice on the Province's financial position going forward.

The government also engaged EY Canada (Ernst & Young) to undertake a detailed, independent line-by-line review of government spending over the last 15 years, to identify ways to make programs more efficient and serve citizens better. Together, the reports from the Commission and EY Canada provide a clear picture of the state of Ontario's finances and a roadmap to making positive changes, enabling the government to work better for its citizens.

In addition, a Select Committee on Financial Transparency of the Ontario Legislature is currently reviewing the accounting practices that were identified by the Commission. The government looks forward to reviewing and acting on the Select Committee's recommendations.

The government has already undertaken a number of actions to drive efficiencies and ensure value for taxpayer dollars spent. These actions include, introducing a freeze on discretionary spending, including travel and meal expenses; reining in Hydro One executive compensation through the *Hydro One Accountability Act, 2018*; updating existing government programs, for example, by providing more choice to families through changes to child care programming; and removing underutilized telephone landlines and fax lines from some government offices.

With this *2018 Ontario Economic Outlook and Fiscal Review*, the Government for the People defines a new, responsible approach to the management of public finances. The government is demonstrating that its actions are achieving results in the form of savings and a reduction in the deficit inherited from the previous administration, now projected at $14.5 billion, $0.5 billion less than the $15 billion reported by the Commission 11 weeks ago. The government has accomplished this while providing almost $2.7 billion in planned tax relief to families and businesses this year.

INDEPENDENT FINANCIAL COMMISSION OF INQUIRY

On July 17, 2018, the government took action to restore the public's confidence in Ontario's books. The Independent Financial Commission of Inquiry (Commission) was created to look into the Province's past spending and accounting practices. The Commission was chaired by former Premier of British Columbia, the Honourable Gordon Campbell, and supported by former federal Deputy Minister of Finance, Michael Horgan, and Dr. Al Rosen, founder of Rosen & Associates Limited, one of Canada's leading investigative accounting firms.

The Commission was given broad, discretionary powers and complete independence to do its work, as set out under the province's *Public Inquiries Act, 2009*. The legislation is a robust tool to independently uncover and assess questionable practices or situations. The Commission's mandate was to perform a retrospective assessment of the previous government's accounting practices and review, assess and provide an opinion on Ontario's actual budgetary position compared to what was reported in the *2018 Budget.*

The Commission delivered its final report to the Minister of Finance and Attorney General on August 30, 2018, and the report was made public, in its entirety, on September 21, 2018.

The report's recommendations are intended to provide certainty and enhance transparency in the spending and accounting practices used for Ontario's public finances.

The Commission's findings reaffirm the position of the Auditor General of Ontario (the Auditor General) that the previous government's *2018 Budget* numbers were "not a reasonable presentation of Ontario's finances."[1] With the findings of the Commission, the *Public Accounts of Ontario 2017–2018* show that Ontario ran a $3.7 billion deficit in 2017–18, compared to the balanced budget projected in the previous government's *2017 Budget*. In addition, the Auditor General provided a clean audit opinion on the *Public Accounts of Ontario 2017–2018* for the first time in three years.

The Commission's report estimated that the deficit inherited from the previous government for 2018–19 is $15 billion. See Chapter III: *Ontario's Fiscal Plan and Outlook* for more details on the Commission's projections.

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1 Office of the Auditor General of Ontario, "Review of the 2018 Pre-Election Report on Ontario's Finances," (2018), http://www.auditor.on.ca/en/content/specialreports/specialreports/2018Pre-Election_en.pdf

The government is committed to restoring accountability and trust in Ontario's public finances. To this end, it has accepted the Commission's recommendations, including working to restore a constructive and professional relationship with the Auditor General in a manner that respects the Auditor General's legislated independence. The Commission's budgetary baseline for 2018–19 serves as a starting point for the government's own forward-looking fiscal policy. The Commission's advice will inform the development of the *2019 Budget* plan, as will the results of the external line-by-line review of government spending.

THE CURRENT FISCAL ENVIRONMENT

The government has inherited a challenging fiscal situation from the previous government. Ontario currently has the highest subnational debt of any jurisdiction in the world. The Commission has revealed that the starting point for 2018–19 is a $15 billion deficit. This deficit trajectory would worsen without meaningful government action. The government is committed to working through these challenges and restoring fiscal sustainability to the Province's finances.

For most of the past 15 years, unsustainable levels of spending have resulted in structural deficits and an unprecedented increase in public debt. EY Canada's review of the Province's spending patterns since 2002–03 revealed that total operating expenditures increased by 55 per cent or $2,226 per person in today's dollars.

EXPENDITURES

The line-by-line review revealed that after adjustments for inflation, operating expenditures out-paced population growth by a compound annual growth rate (CAGR) of 1.9 per cent over the past 15 years. Had expenditure growth been kept in-line with population growth, the people of Ontario would have saved $331 billion in public spending, nearly enough to eliminate the Province's net debt.

Steady deficits since 2008–09 contributed to mounting debt levels in Ontario. Ontario's current forecast level of net debt, at $347 billion in 2018–19, is the direct result of past fiscal policy choices. The previous government pursued stimulus spending policies during the difficult economic times of the recession. However, during the recent period of economic growth, the previous government continued unsustainable spending rather than restoring fiscal balance, further contributing to the rising debt levels.

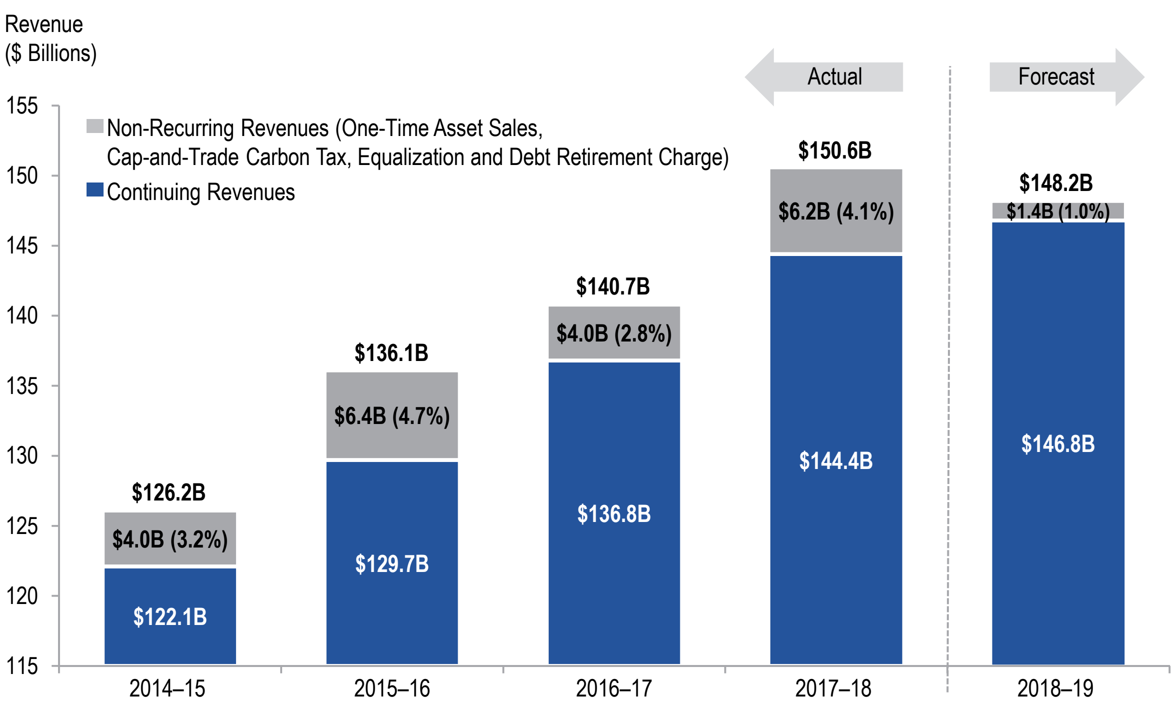
The fiscal challenge has been further amplified as a result of the previous government generating non-recurring revenues. For example, the Province sold a number of its assets, including Hydro One shares, the Liquor Control Board of Ontario (LCBO) headquarters' site, and the Ontario Power Generation (OPG) head office and Lakeview properties. In 2017–18 alone, asset sales generated over $1.8 billion in one-time revenues. Other non-recurring revenue sources that inflated 2017–18 revenues, included:

- Cap-and-trade carbon tax proceeds ($2.4 billion);
- Federal Equalization payments[2] ($1.4 billion); and the
- Electricity Debt Retirement Charge ($0.6 billion).

Furthermore, for 2018–19, Ontario will receive $0.5 billion less from the federal Equalization program. Collectively, these non-recurring revenue sources have tapered off significantly in 2018–19.

Chart 1.1

THE IMPACT OF NON-RECURRING REVENUES AS A SHARE OF TOTAL REVENUES



Note: Numbers may not add due to rounding.
Source: Ontario Ministry of Finance.

[2] Ontario's Equalization payments are expected to be eliminated as early as 2019–20.

The Province is experiencing a structural deficit resulting from deficits that have been run consecutively over the last decade by the previous government. Immediate and tangible action is required to break this cycle, eliminate the deficit, reduce the debt burden and bring sustainability to the Province's finances.

A NEW DIRECTION

The Government for the People believes that respect for the taxpayer is a top priority. The people of Ontario work hard for their money, and the government must use those hard-earned dollars wisely. To that end, the government must pursue a fiscal blueprint for the Province that puts the taxpayer at the centre of government decision-making.

This new approach to public finances will serve three important objectives: restore fiscal balance, reduce the debt burden, and strengthen accountability and transparency.

In order to meet these commitments, the government will not raise taxes or engage in measures that make life unaffordable for the people of Ontario. It will also ensure value for money and sustainable outcomes for vital public programs that serve seniors, children, families and vulnerable individuals in society.

The government will pursue efficiencies and prioritize funding for front-line services that directly serve the people of Ontario and help those who need it most. It will plan smarter, spend smarter and work smarter to achieve these goals. It will reinvent the way government operates and delivers services.

Government Action to Date

The government has already made a number of positive changes to help improve the Province's fiscal situation as part of its Plan for the People.

As a result of this new approach, efforts have been made to focus spending on programs and services that are absolutely critical. While $2.1 billion of the new spending as part of the *2018 Budget* was for new initiatives, other incremental funding of $3.5 billion went towards maintaining front-line services such as hospital base funding, student financial assistance and child care spaces. This combined $5.7 billion[3] change in program spending and a lower revenue outlook of $1.1 billion resulted in a $6.7 billion deficit projected for 2018–19 in the *2018 Budget*, which was included in the Commission's baseline outlook.

[3] Numbers do not add due to rounding.

Given the size of the deficit inherited from the previous government, the Province is already taking decisive steps to control the growth in spending. As a matter of policy, the government rejects the spending in its predecessor's *2018 Budget* unless specified otherwise. The government is taking the necessary time to carefully review status quo programs and services to find innovative ways to make them more impactful for individuals and families. It is also reviewing and cancelling new initiatives promised by the previous government that are found to deliver no value for money.

FOR THE PEOPLE: EVERY DOLLAR COUNTS

The government implemented expenditure restrictions for all ministries across the Ontario Public Service. These restrictions include a hiring freeze, with the exception of essential front-line services; a freeze on discretionary spending; cancellation of all subscription-based services; and a restriction on travel, meals and hospitality spending. Some government offices also removed underutilized telephone landlines and fax lines.

Taken together, these actions — which represent only the start of the government's plan to restore balance — have resulted in efficiencies in 2018–19 of $3.2 billion, out of the $5.7 billion in new spending from the *2018 Budget*.

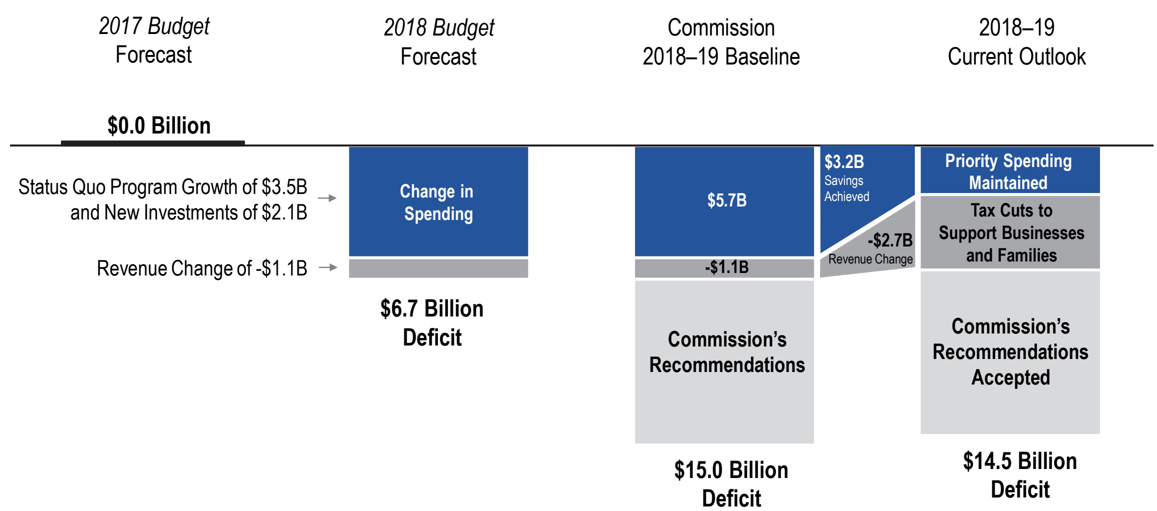
At the same time, the government is eliminating tax increases of $0.3 billion planned by the previous government and scrapping the cap-and-trade carbon tax, while committing to introduce other tax reductions to strengthen Ontario's economy. Collectively, these decisions to support businesses and families have resulted in a $2.7 billion lower revenue forecast relative to the Commission's outlook.

The net impact of expenditure management decisions, the elimination of taxes planned or imposed by the previous government, and new measures announced in this document to make Ontario open for business, reduced the deficit to $14.5 billion.

Chart 1.2

EVOLUTION OF THE 2018–19 OUTLOOK

Fiscal Balance
($ Billions)



Note: Numbers may not add due to rounding.
Source: Ontario Ministry of Finance.

ENSURING VALUE FOR MONEY IN THE POSTSECONDARY SECTOR

Early action has already been taken to rein in program costs while preserving public services. This new discipline is also reflected in capital and transfer payment expenditures in order to ensure they represent value for money within the current fiscal environment.

In light of these inherited budget challenges, on October 23, 2018, the Province announced that it would not be proceeding with funding three university campus expansions within the Greater Toronto Area (GTA). Upon further review of the Province's fiscal situation, the government will also be cancelling plans to proceed with a new French-language university.

Restoring Fiscal Balance

For 13 out of the last 15 years, the previous government ran deficits. Revenues did not keep pace with the level of spending. This cycle of deficits led to more borrowing and debt for the Province which is unsustainable.

Improving the Province's fiscal health is paramount, which means returning the budget to balance on a modest, reasonable and pragmatic timetable.

Balancing the budget will reduce Ontario's vulnerability to economic shocks, such as any potential downturns in the economy, or unexpected adverse changes to the revenue and expense outlook. Restoring balance will reduce Ontario's net debt-to-gross domestic product (GDP) ratio, which will improve business confidence in Ontario and support jobs and economic growth.

Transparency and accountability are central tenets of the government's plan to balance the budget in a responsible timeframe. Other principles that will guide the process of restoring balance include:

- Outlining how balance will be achieved and what actions will be taken by transparently articulating the objectives and the trade-offs implied in government decisions;
- Grounding plans in the economic outlook of the province and globally, as well as in government policy direction;
- Maximizing the value of government assets, while avoiding the use of solutions that simply generate one-time revenues;
- Prioritizing spending on investments that support government priorities, while maintaining an efficient and effective use of resources that generate outcomes;
- Ensuring that today's recurring costs are paid with today's recurring revenues instead of being passed on to the next generation of taxpayers; and
- Building sufficient prudence into the fiscal plan to allow for unforeseen developments, including to safeguard essential services during economic downturns.

Further details on the Province's path to balance will be released in the *2019 Budget*.

Ontario's Debt Reduction Strategy

The government's approach to public finances is not very different from how families across the province manage their household budgets. They take on temporary debt — a mortgage, a car loan, or a major home renovation — to enhance their quality of life, but then they pay down this debt within a reasonable timeframe.

If families choose to run a deficit of $15,000 year after year indefinitely, the negative consequences are clear. They know every dollar going to mounting credit card debt or debt servicing costs crowds out money for their children's education or retirement savings. Rising interest costs on Ontario's public debt are similarly crowding out sustainable investments in vital public programs.

Ontario owes more than one-third of a trillion dollars in net debt — $347 billion in 2018–19. The Province has the largest subnational debt in the world. If divided among Ontario's population, every man, woman and child living in the province would owe $24,231. If the government made payments of $1 billion a year against the debt, it would take Ontario until year 2366 to become debt free.

Additionally, there are daily interest charges that accumulate on the debt. In 2018–19, the government is forecasting $12.5 billion in interest payments to service that debt, or almost $900 this year alone for every man, woman and child in Ontario. Those interest payments represent one-fifth of the health care budget, almost half the education budget, and over $1 billion more than Provincial spending on postsecondary education and training. Every tax dollar that goes to debt interest payments is one less dollar going to vital public services that benefit individuals and families.

INTEREST ON DEBT

Servicing the debt is Ontario's fourth largest line item after health care, education and social services. This year, Ontario's interest on debt is costing taxpayers over $1.4 million every hour.

Ontario needs a meaningful strategy to address its debt problem.

DEBT

Net debt-to-GDP measures the government's net debt relative to the size of the economy and is a key indicator of the government's fiscal health.

The government is taking steps to address public debt. As recommended by the Commission, the government will determine and set an appropriate target and timeline to reduce the net debt-to-GDP ratio as part of the development of a comprehensive debt reduction strategy to improve Ontario's fiscal health.

Reviewing the *Fiscal Transparency and Accountability Act, 2004*

Taxpayers have a right to know how the government is using their money, and if it is being used in the best possible way. The government must ensure the principles of transparency and accountability underpin the preparation of all Provincial financial reports, including the *2018 Ontario Economic Outlook and Fiscal Review* and future budgets.

The *Fiscal Transparency and Accountability Act, 2004* (FTAA) provides a framework for the government to carry out responsible fiscal policy development and regular reporting on Provincial finances with the objective of achieving balanced budgets. The Act sets out the government's obligations to the public to keep it informed, and undertake prudent and responsible fiscal planning, including a requirement for the government to develop a recovery plan for achieving a balanced budget if it plans to run a deficit.

However, the limitations of the current legislation became particularly clear with the release of the previous government's *2018 Budget*. As the Commission pointed out, the recovery plan published in the *2018 Budget* met the minimum requirements set out in the Act, but did not inform the people of Ontario of the policy consequences of the government's decision not to balance the budget until much later than planned. Exceeding the government's fiscal means by taking on additional spending while at the same time trying to balance the budget, can lead to policy decisions that either raise taxes, cut funding to vital public programs or lead to one-time asset sales. In this way, the Act falls short in delivering transparency and accountability to the people of Ontario.

As recommended by the Commission, the government will undertake a review of FTAA for the first time in 14 years. The review will look at the provisions around the governing principles, the recovery plan, public reporting and non-compliance.

The goal of the review will be to improve the law's effectiveness in guiding government fiscal planning and reporting to put taxpayers first, and to enhance those provisions that uphold transparency and accountability to the people.

LINE-BY-LINE REVIEW OF GOVERNMENT SPENDING

The government committed to an external line-by-line review of public spending over the last 15 years. It took immediate action in July 2018 to issue an open request for bids by outside experts to conduct this review. In addition to the review, the successful bidder had a mandate to compare Ontario government expenditures and the rate of spending growth with other provinces; find ways to save money and improve services; look at programs and sectors that may need more focused review; and incorporate input from public consultations.

Following the open bidding process, EY Canada was selected as the successful bidder to conduct the review. The external review complements the Commission's report by explaining how and why the new government inherited a $15 billion deficit and over one-third of a trillion dollars in public debt.

The government is committed to establishing a process of ongoing review and scrutiny of all programs and services to ensure public spending is delivering value for the people of Ontario.

External Review

In September 2018, EY Canada provided the government with the results of its review, a report entitled *Managing Transformation — A Modernization Action Plan for Ontario*. The firm reviewed over half a million lines of financial data, conducting a thorough review of the Province's books.

The detailed analysis demonstrates that, over the past 15 years, the previous government allowed significant and unsustainable expenditure growth. Key findings include:

- Ontario's total operating expenditures increased by 55 per cent, representing $2,226 for every person living in the province;
- Had expenditures been held to population growth, the government of Ontario would have spent $331 billion less over 15 years;
- Growth of total operating expenditures outpaced Ontario population growth by 1.9 per cent;
- Total operating expenditures through transfer payments have grown by $46.3 billion; and
- Ontario's expenditures on health care, education, social services and justice have grown faster than either British Columbia's or Quebec's.

When read alongside the Commission's report, the line-by-line review illustrates that, while Ontario faces a challenging fiscal environment, there are opportunities to make positive changes to ensure the Province's finances are returned to a fiscally sustainable position.

In fact, the review provided a modernization agenda to help drive efficiencies, find cost savings and enable transformation of public services. The following four recommendations came out of EY Canada's line-by-line review:

- Modernizing services through better use of digital and shared service models;
- Finding more cost-efficient ways of administering government;
- Ensuring government funding is directed to those that require it the most; and
- Maximizing the value of government assets and putting taxpayer investment to its most productive use.

FOR THE PEOPLE: EVERY DOLLAR COUNTS

In the Offices of the Minister of Finance and the President of the Treasury Board, every staff member had a landline and a government issued cell phone. However, given the digital era, landlines were rarely being used. Accordingly, all landlines were removed from the Ministers' Offices to eliminate duplication. In addition, the Ministers' Offices' fax lines were removed. This change will result in almost $20,000 per year in combined savings. Replicating this kind of efficiency across the public service will lead to significant savings in the long run.

The external review of government spending was supported by two related initiatives that offered the people of Ontario an opportunity to contribute their ideas on how government could transform itself to better meet the needs of its citizens.

The Planning for Prosperity public survey and the Big Bold Ideas challenge inside the Ontario Public Service, gathered over 15,000 submissions from people across the province with ideas on ways to transform how government services are delivered. The government is carefully reviewing the areas highlighted through both consultations and the external review. It will use this information to inform strategic changes in how the Ontario Public Service operates and, along with its broader public-sector partners, delivers services to people.

Agency Review

Ontario is taking steps to ensure all Provincial agencies are relevant, efficient, effective and provide value for money for taxpayers.

The government has assembled a task force to lead a comprehensive review of Ontario's Provincial agencies such as the Ontario Geographic Names Board and the Rabies Advisory Committee, as well as a number of other entities that work on behalf of the government to support the government's commitment to restore accountability and trust. The review is part of the government's broader efforts to ensure services are delivered in the most efficient and effective ways possible for the people. The work of the task force will build on the work of the Commission's report and the line-by-line review of all government spending.

The task force will focus on:

- Identifying immediate opportunities to enable efficiencies;
- Ensuring agencies remain transparent and sustainable over the long term;
- Ensuring agencies use taxpayer dollars appropriately and effectively;
- Aligning agencies with current government priorities; and
- Ensuring agencies have appropriate oversight structures in place.

Ongoing Review through Multi-Year Planning

Given the size of the deficit inherited from the previous administration, the government is already taking decisive steps to control growth in spending to support a return to balance. To this end, the government is committed to a multi-year framework for ongoing review of programs and services to ensure they provide real benefits to the people of Ontario. The goal is to ensure each program, ministry, and the government overall, is doing everything it can to deliver results for the people of Ontario in a responsible and sustainable way.

Building on the foundation provided by the external review, this ongoing process will include:

- An assessment of all programs and expenditures to ensure relevance and best value for taxpayers;
- Modernization plans for every ministry that puts the end-user, the people, at the centre of its plans, while also moving forward with some of the opportunities identified in the line-by-line review, the Planning for Prosperity public survey and the Big Bold Ideas challenge; and
- Detailed program inventories that will show how the government spends money in an open and transparent way.

A Renewed Approach to Managing Compensation

The government values the collective bargaining process and is committed to working with public-sector employers and bargaining agents to ensure negotiated agreements support service transformation and drive productivity improvements. Moving forward, managing compensation costs represents a key element in the government's plan to restore sustainability to the Province's finances, and is an important step in making government more efficient and effective.

As an initial step, Provincial agencies will now be required to obtain approval of their bargaining mandates and ratification of collective agreements. This requirement will apply to agencies with collective agreements that expire on or after December 31, 2018.

This requirement will allow the government to better manage the estimated $2.6 billion that Provincial agencies spend each year on compensation, and align with broader efforts to ensure that all agencies are relevant, efficient, effective and provide value for money. Looking ahead, the government is also exploring additional opportunities to expand collective bargaining oversight to other areas of the broader public sector.

Broader Public-Sector Executive Compensation

The government has suspended all pending broader public-sector executive compensation increases while it works to complete a full regulatory review by June 7, 2019. As part of this process, the government has begun engaging with stakeholders to seek their input.

These restrictions apply to over 300 designated employers under the *Broader Public Sector Executive Compensation Act, 2014,* including colleges, hospitals, Provincial agencies, school boards and universities.

This suspension is an interim measure as the government works toward developing a long-term approach to broader public-sector executive compensation, one that supports the government's fiscal priorities, and recognizes the value of leaders within the broader public sector in driving efficiencies, transformation and better outcomes for the people of Ontario.

Ensuring Fairness for Ontario Taxpayers

Transfers from the federal government are an important source of Provincial revenues and directly impact the Province's ability to move towards long-term fiscal sustainability. In its *Fiscal Sustainability Report 2018,* the federal Parliamentary Budget Officer shows that by constraining transfers to the provinces, the federal government has achieved fiscal sustainability for itself over the long term at the expense of resulting fiscal challenges for the provinces and territories, including Ontario.

Meanwhile, provincial and territorial governments are finding themselves cash-strapped due to ever-increasing health care costs as the population ages. At the same time, federal health transfers are declining significantly over time as a share of Provincial spending. The line-by-line review echoed these findings, pointing out that federal transfers to Ontario are not adequate to help meet the growing costs of health care and other services provided to Ontario families.

Additionally, both the line-by-line review and the report of the Parliamentary Budget Officer found that some federal transfers are not allocated based on clear and consistent principles. The line-by-line review highlighted research that shows Ontario taxpayers contribute $12.9 billion more to the federal government through tax revenue than the Province or its taxpayers receive in federal spending.

The federal government has also imposed increasingly prescriptive rules in many federal–provincial agreements that create fiscal challenges for Ontario and limit its flexibility to pursue provincial priorities. A review of overall federal transfers is needed to ensure that transfers are not adding a fiscal and administrative burden to the Province, and that Ontario businesses, individuals and families receive a fair and adequate share of the funding.

A lack of federal leadership and action in certain areas of federal and shared responsibility such as irregular migration and Indigenous programming is also imposing costs on Ontario. The government will continue to stand up for its citizens and hold the federal government accountable for these decisions. Ontario calls on the federal government to provide adequate funding in areas of federal responsibility.

Ontario's Fight against the Carbon Tax

The 2018 provincial election was a decisive referendum on carbon taxation in Ontario. The result of that election is clear — Ontario families and businesses cannot afford a cap-and-trade carbon tax, as such a plan results in large increases in the cost of living and places a new job-killing tax burden on Ontario businesses.

The government has already acted decisively to protect families from carbon taxation in Ontario. On October 31, the Ontario Legislature passed the *Cap and Trade Cancellation Act, 2018,* which officially liberates Ontario families and businesses from the previous government's cap-and-trade carbon tax scheme.

The government, as a foundational matter of policy, intends to use every tool within its jurisdiction to protect the people of Ontario from being selectively punished by a discriminatory federal carbon tax.

The government contends that the federal carbon tax is as unconstitutional as it is unethical and unfair. To that end, the government has filed a reference case to challenge the federal carbon tax at the Ontario Court of Appeal.

Ontario and Saskatchewan have released a joint statement on combining forces to fight the carbon tax. Ontario will be participating in Saskatchewan's constitutional challenge of the federal carbon tax and welcomes Saskatchewan's intention to participate in the Ontario challenge as well. The government also welcomes other provinces, including Manitoba, who are also opposed to the federal carbon tax.

Carbon Tax Transparency

In 2019, the federal government intends to impose a job-killing carbon tax on the people of Ontario, while attempting to hide the true cost of its carbon tax plans. The federal carbon tax will increase gasoline, diesel, natural gas, propane and heating oil bills for the people of Ontario. The next stage of Ontario's fight against the carbon tax will involve ensuring the federal government is no longer able to deceive the public about the new costs that its proposed carbon tax will place on Ontario families and businesses.

The Ontario government intends to pursue new transparency measures to ensure the public is appropriately informed about the true cost of the federal carbon tax. The government is actively exploring measures to ensure that the true cost of the carbon tax is broken out and listed on items such as natural gas bills, directly on gas pumps and on gas receipts for consumers.

TRANSPARENCY IN GOVERNMENT ACCOUNTING

For the first time in three years, the Auditor General issued a clean audit opinion on the *Public Accounts of Ontario 2017–2018*. The financial results were informed by the report issued by the Independent Financial Commission of Inquiry (Commission) which had a mandate to assess and provide advice on past accounting practices.

In preparing the *Public Accounts of Ontario 2017–2018*, the government accepted the Commission's recommendation on the accounting for the net pension assets of the Province's jointly sponsored pension plans, and on the global adjustment refinancing, and is committed to working closely with the Auditor General on these issues. The annual fiscal results in this document have been restated to reflect the impacts of any required valuation allowance against previously reported net pension assets. For this reason, the historical results may vary from those previously published.

Openness and transparency in the government's financial reporting is of the utmost importance in communicating the value delivered to the people of Ontario from every tax dollar. The government is committed to working with the Office of the Auditor General to restore accountability and trust in the Province's finances.

ONTARIO STRENGTHENING RELATIONSHIP WITH MUNICIPALITIES

The Province is committed to working with municipalities to benefit communities and their residents.

Municipalities are often the level of government that is closest to the day-to-day lives of Ontario families. The decisions municipalities make on service delivery and infrastructure have real impact on people's daily lives.

The Province is committed to working constructively with local governments to work harder, smarter and more efficiently to make life better for everyone.

FOR THE PEOPLE: FIRE SERVICES LABOUR RELATIONS REFORM

The government is proposing amendments to the *Fire Protection and Prevention Act, 1997* in order to:

- Enable municipalities to employ full-time firefighters who volunteer in their own or other communities ("double-hatters"); and
- Reform collective bargaining arbitration between municipalities and firefighting associations to make it more transparent, efficient and accountable.

These changes address longstanding concerns, including regarding the availability of firefighters and making the arbitration process more efficient.

Since coming into office, the government has:

- Reinforced its partnership with municipalities by signing a joint Memorandum of Understanding (MOU) with the Association of Municipalities of Ontario (AMO);
- Committed to provide $40 million over two years to help municipalities with the implementation costs of recreational cannabis legalization, while permitting municipalities to opt-out of retail stores;
- Further committed that, if Ontario's portion of the federal excise duty on recreational cannabis over the first two years of legalization exceeds $100 million, the Province will provide 50 per cent of the surplus to those municipalities that have not opted-out as of January 22, 2019; and
- Made reforms to deliver better local government.

The Province also intends to introduce legislation to amend the *Municipal Act, 2001* and the *City of Toronto Act, 2006* to further clarify municipalities' authority to further restrict rules around the consumption of cannabis, similar to the rules already in place for tobacco.

Local governments benefit from a range of provincial transfer payments. As recommended in *Managing Transformation — A Modernization Action Plan for Ontario*, the government is committed to driving greater efficiencies and value for money. This commitment will also be required from all partners, including municipalities.

IMPROVING LEGISLATIVE ACCOUNTABILITY

The government is acting to improve both political and legislative accountability in Ontario.

To reduce unnecessary cost while preserving critical functions, the government is proposing amendments to statutes governing the Officers of the Legislative Assembly. This will include reducing the number of Legislative Officers from nine to six, effective no later than May 1, 2019.

In addition, amendments will be proposed to standardize statutory provisions relating to the Legislative Officers, including the Clerk of the Assembly. Amendments will also be put forward to set a threshold percentage for the number of seats required to achieve "recognized party" status. A "recognized party" will include any party that obtains at least 10 per cent of the seats in the Legislative Assembly. The proposed legislation will also deem Legislative Security Service members to be peace officers for the purposes of the protection of the Legislative Precinct.

Election Finances Act Amendments

The government believes that taxpayers should not be forced to pay more and work harder to make life easier for politicians. Currently, eligible political parties receive a subsidy for each vote received in the previous provincial general election. The government believes that tax dollars are best left in the hands of taxpayers, not political parties. For that reason, the government is introducing legislation that would reduce the allowances to registered political parties and constituency associations in 2021. The government will eliminate allowances in 2022. The proposed legislation would more closely align Ontario with federal rules on contribution limits and fundraising events. The proposed changes will result in savings of $5.6 million in 2021–22, growing to almost $15 million annually beginning in 2022–23.

FIXING THE HYDRO MESS

Restoring Public Confidence in Hydro One

In July 2018, the government accepted a proposed agreement from Hydro One that included the retirement of Hydro One's former chief executive officer (whose total compensation was over $6 million in 2017) and the resignation of the board of directors.

In August 2018, a new, highly qualified board was appointed and the *Hydro One Accountability Act, 2018* was proclaimed. The Act requires the board to establish a new executive compensation framework within six months, and Hydro One is required to annually publish a record of executive compensation amounts and any proposed changes to its compensation policies. An amendment was also made to the *Ontario Energy Board Act, 1998* to ensure that compensation paid to Hydro One executives is not funded from electricity rates.

These changes will help improve transparency and accountability at Hydro One, and address executive and board compensation.

Rate Mitigation Mechanism Replacing Global Adjustment Refinancing

The government believes that electricity bills for Ontario households are still too high. The government is continuing to implement additional price mitigation measures to lower electricity bills further. This will be in addition to existing government funded electricity support programs, such as the Ontario Rebate for Electricity Consumers.

The government also agrees with the recommendations of the Commission on the accounting treatment used for global adjustment (GA) refinancing, which is a major component of the *Ontario Fair Hydro Plan Act, 2017*. To reflect this and enhance transparency, the *Public Accounts of Ontario 2017–2018* included the cost of GA refinancing as an expenditure that contributed about $1.8 billion to the deficit in 2017–18, consistent with the recommendations of the Commission and the Auditor General.

In September 2018, the government also made a decision to propose future changes to the *Ontario Fair Hydro Plan Act, 2017* to cancel the GA refinancing component as designed, including reducing the amount of the current electricity price reduction to be borne by future ratepayers, and making any recovery from future ratepayers optional. The government intends to introduce proposed legislation to address GA refinancing. The government also intends to provide government funding that maintains electricity rates in 2018 at the level provided for under GA refinancing, but in a more transparent manner.

The Province will finance this interim mechanism, which will be cheaper, recognizing that the Province is able to borrow at a lower interest rate than the Fair Hydro Trust can.

SECTION B: MAKING ONTARIO OPEN FOR BUSINESS

INTRODUCTION

Ontario's economy underperformed compared to its provincial peers in 12 of the past 14 years under the previous government. Business investment has been weak, slowing Ontario's economic growth. Unnecessary red tape and regulatory burdens have stifled business growth, and made it more difficult for many people in Ontario, especially youth, to find meaningful jobs. The cost of doing business has become prohibitive, as key inputs like electricity have seen significant price increases. Many sectors that have traditionally contributed to Ontario's prosperity, such as manufacturing, have suffered, hurting the regions and communities where these industries are located. At the same time, rising global competition has challenged the province's position in international markets. Taken together, this business environment has driven jobs and investment out of the province. See Chapter II: *Economic Outlook* for more details on Ontario's economic challenges.

Ontario's economy is at a crossroads. The province's historical position as the economic engine of Canada has been eroding over the last 15 years. Without a change in direction, this erosion will worsen.

Ontario's Government for the People is committed to, once again, make Ontario a premier destination for job creation, investment, entrepreneurship and growth. The government recognizes that it is the private sector that creates the prosperity from which all the people of Ontario benefit. What government can do is create the right environment to make Ontario open for business, helping to grow the economy, and create and protect jobs across the province. Because when businesses succeed, workers succeed, families succeed and communities succeed.

As outlined in this chapter, Ontario's Government for the People has already taken a number of steps to create a business-friendly environment. Actions taken to cancel the cap-and-trade carbon tax, reduce Workplace Safety and Insurance Board (WSIB) premiums, and keep the minimum wage at $14 per hour will provide Ontario's businesses with $3.6 billion in direct savings in 2019. As well, Ontario is urging the federal government to take action to accelerate the income tax deduction for the cost of depreciable assets in order to further reduce business costs and increase competitiveness.

The government will take further action to ensure future growth and prosperity for all of the people of Ontario. The Province will:

- Improve economic competitiveness through its Open for Business Action Plan and its proposed repeal of *Fair Workplaces, Better Jobs Act, 2017* (Bill 148) provisions, helping to significantly reduce the regulatory burden on businesses;
- Reduce the cost of doing business by ending expensive green energy contracts and undertaking a review of electricity prices for industry;
- Take steps to encourage more economic growth with such initiatives as the forestry strategy and Ring of Fire, benefiting Northern Ontario and other regions;
- Vigourously defend and advance the province's economic interests at home and abroad to maintain the competitiveness of Ontario's vital industries; and
- Make changes to improve the skilled trades and apprenticeship system, such as winding down the Ontario College of Trades, which will remove a layer of bureaucracy.

Through these actions, the province will again become an attractive destination for the private sector to start and grow a business, helping to keep and create good jobs right here in Ontario.

CANCELLING THE CAP-AND-TRADE CARBON TAX

As part of the plan to reduce costs and regulations for Ontario businesses, the Province cancelled the cap-and-trade carbon tax. This will bring about savings through lower energy bills and fuel costs relating to gasoline, diesel and natural gas. The direct savings to Ontario private-sector businesses are estimated to be $880 million dollars in 2019. The elimination of the cap-and-trade carbon tax also removes cost burdens and unnecessary regulations for Ontario's businesses, allowing them to grow, create jobs and compete around the world.

OPEN FOR BUSINESS

Chart 1.3

RETURNING MONEY TO HARDWORKING BUSINESS OWNERS

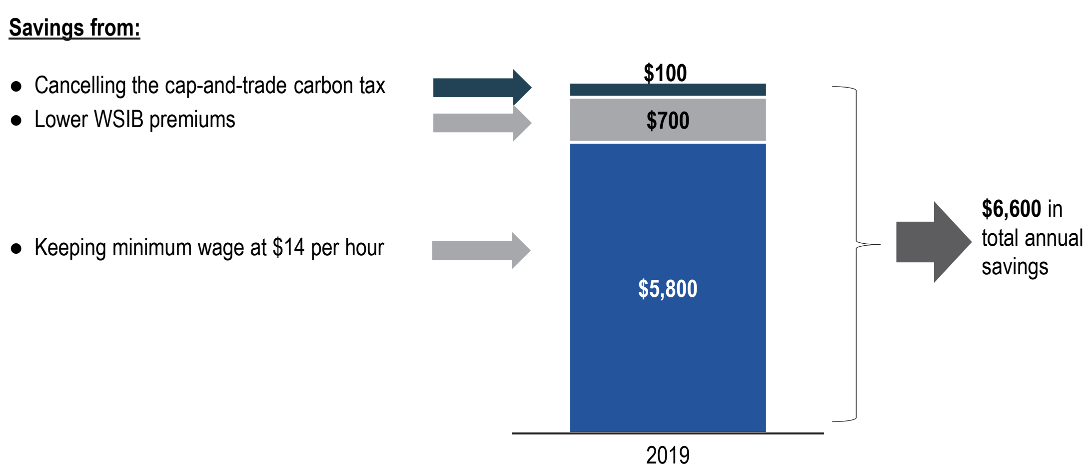
Illustrative Savings for a Small Restaurant

The government is delivering immediate savings to small businesses across Ontario through lowering taxes, stabilizing hydro bills and cutting job-killing red tape.

To illustrate the impact, imagine a small restaurant owner, Raj, who employs seven staff, including four students making minimum wage. With the rapid minimum wage hike from $11.60 to $14 on January 1, 2018, Raj's payroll costs dramatically increased, and he was forced to cut staff hours to make ends meet. Added to that, the cap-and-trade carbon tax introduced hidden costs to his business that made everything from buying his restaurant supplies to his food delivery costs more expensive.

The government's reduction of WSIB premiums and cancellation of the cap-and-trade carbon tax immediately saves Raj's business $800 a year. On top of that, the government's commitment to pause further minimum wage hikes until 2020 will save Raj's restaurant an additional $5,800 annually. The combined savings amount to a total of $6,600 in 2019, money that can be reinvested back into the restaurant's staff and supplies to help Raj's business grow.

The following chart illustrates the combined impact from reducing WSIB premiums, cancelling the cap-and-trade carbon tax, and keeping the minimum wage at $14 an hour on a small restaurant with similar characteristics.



Note: While this example does not represent an actual business, the financial and employment profiles are based on tax administration and Statistics Canada survey data for businesses in the restaurant industry.
Source: Ontario Ministry of Finance.

CREATING AND PROTECTING JOBS

Open for Business Action Plan

Cutting Red Tape

Reducing red tape will help boost productivity, competitiveness and investment. The government promised to cut red tape to make it cheaper, faster and easier to do business in Ontario. Currently, Ontario has approximately 331 statutes and over 380,000 regulatory requirements, many of which affect businesses. For example, requirements for businesses to provide their name and location a few times when completing a single permit or licence application form can create unnecessary burden and reduce productivity, leaving owners less time to manage their business.

REGULATORY BURDEN AND THE COST OF RED TAPE

The Canadian Federation of Independent Business[1] reported that Ontario's total cost of regulations in 2017 was the highest among the provinces, amounting to $15.1 billion, followed by Quebec's at $6.9 billion, British Columbia's at $5.3 billion, and Alberta's at $4.5 billion. A recent Ontario 360 paper[2] adjusted these costs by the number of active businesses in each province and concluded that Ontario has the highest regulatory cost of all provinces, at nearly $33,000 per business, followed by Manitoba at $28,892, British Columbia at $27,194, and Quebec at $26,859.

To grow good jobs and investment in the province, the government is developing its Open for Business Action Plan that will lower costs, reduce the regulatory burden and make businesses more competitive. The Action Plan is setting a target of reducing regulatory red tape by 25 per cent by 2022, supported by an ongoing review of the Province's laws and regulations. It will also promote best practices on requirements for businesses, assisting them on a case-by-case basis. As part of the first phase, the government will introduce one high-impact burden reduction bill each fall and spring throughout its mandate.

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1 Queenie Wong, "The Cost of Government Regulation on Canadian Business," Canadian Federation of Independent Business, (2018). https://www.cfib-fcei.ca/sites/default/files/2018-01/Cost-Red-Tape-Snapshot-2018_0.pdf

2 Charles Lammam and Sean Speer, "The Case for Regulatory Reform in Ontario," Ontario 360, (2018). http://on360.ca/policy-papers/the-case-for-regulatory-reform-in-ontario/

Making Ontario Open for Business

The government is moving to ease the burden on businesses by introducing the Making Ontario Open for Business Act, 2018 (Bill 47). If passed, this legislation would remove the onerous provisions of Bill 148, and repeal the scheduled increase in the minimum wage to $15 per hour.

In raising the minimum wage from $11.60 to $14, the previous government introduced an unexpected change to a key input cost which was difficult for businesses to absorb. It had a negative impact on business, consumers and some workers, particularly young workers seeking the career-starting jobs that may pay minimum wage. Over the first 10 months of 2018, there were 31,000 fewer part-time positions in Ontario. Positions in sales and service occupations have decreased by 17,200 year over year. Holding the minimum wage to $14 per hour will encourage job creation and protect existing jobs and incomes. It will lower employer costs by an estimated $1.4 billion in 2019, while preserving the recent minimum wage increase for workers. If passed, Bill 47 will restore minimum wage increases based on inflation beginning in October 2020. Ontario's workers and businesses deserve a minimum wage based on sound economics, not politics.

Following consultations and review by the Minister of Labour, the government is proposing amendments to other provisions of Bill 148, including:

- Removing requirements for four days' notice for scheduling changes and on-call pay;
- Providing workers with three sick days, two bereavement days, and three family responsibility days;
- Repealing provisions for equal pay for equal work on the basis of employment status, e.g., part-time and full-time workers, temporary and permanent workers; and
- Changing the *Labour Relations Act, 1995* to repeal card-based certification in specific sectors, revoking access to employee lists based on a 20 per cent threshold and bringing back the six-month limit on reinstatement following strikes.

A report commissioned by the Ontario Chamber of Commerce[3] estimated that the reforms in Bill 148 added a $23 billion challenge for businesses over two years. The proposed changes to Bill 148 will lower costs and administrative burden for employers, protect jobs and help ensure Ontario is open for business.

The government will also introduce regulations exempting Crown employees from hours of work rules to better manage delivery, cost and compliance issues for critical public services.

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[3] Canadian Centre for Economic Analysis (CANCEA), "Bill 148: Fair Workplaces, Better Jobs Act, 2017 – Assessment of the Risks and Rewards to the Ontario Economy," (September 2017). http://www.occ.ca/wp-content/uploads/Proposed-Changes-to-Ontarios-Employment-and-Labour-Laws-CANCEA-Final-September-2017.pdf

Key provisions that deliver real benefits for Ontario workers, such as domestic and sexual violence leave and a minimum three weeks of vacation after five years of service, are being retained.

In addition, the government is proposing to delay the implementation date for the *Pay Transparency Act, 2018* to allow for consultation. Complying with the Act's current reporting requirements would have significantly increased costs for businesses and affected some sectors more than others.

Trade

United States-Mexico-Canada Agreement on Trade

Ontario exports billions of dollars' worth of goods to the United States every year, with one in five Ontario jobs relying directly or indirectly on these exports. Ontario is the top export destination for 19 U.S. states, and the second largest for nine others. It is critical for both Ontario and its trading partners south of the border that the new United States-Mexico-Canada Agreement (USMCA) helps build upon that success.

During the negotiations, the Ontario government made it clear that any deal must keep the province's industries and economic interests top of mind. On September 30, 2018, Canada, the United States and Mexico announced the completion of negotiations of the USMCA.

While the government is optimistic that the USMCA will create continued opportunities, it remains concerned about the impact on the province's agriculture sector, specifically from: Canada's concession on Class 7 milk; increased access to Ontario's supply-managed markets, particularly dairy; and, export limits. Addressing these concessions is a federal responsibility and Ontario has called on the federal government to compensate the supply-managed sector and support the families and livelihoods that are now at risk, along with any other negative impacts to the province from the new agreement.

The Ontario government also remains concerned about the remaining steel and aluminum tariffs. The government, under Premier Ford's leadership, is speaking directly with lawmakers of the United States and industry representatives on both sides of the border to try to get the tariffs lifted.

Ontario welcomes the opportunity for business to expand trade through agreements like the USMCA and the recent Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). However, the government will vigourously defend and advance Ontario's economic interests at home and abroad to maintain the competitiveness of Ontario's vital industries, such as the province's automotive, steel, aluminum and supply-managed agri-food sectors. In October 2018, the government appointed Ian Todd to be Ontario's Trade Representative in Washington, D.C. to promote Ontario's interests in the United States, including cross-border trade and investment issues.

The Importance of Interprovincial Trade to Ontario

Interprovincial trade plays a central role in supporting jobs and growth across Ontario, providing additional opportunities for companies throughout the province in a highly competitive and often uncertain global economy. In 2017, Ontario's services exports to other provinces and territories amounted to $104 billion — almost double Ontario's services exports to other countries. Given Ontario's strength in key sectors, there is potential for increased trade with other provinces and territories. According to BMO Capital Markets,[4] the net positive impact to Ontario's GDP from free interprovincial trade would build to a range of between $15 billion to $20 billion over 10 years. Building a strong internal trade market allows Ontario companies to capitalize on opportunities at home, and shows the rest of Canada that Ontario is open for business.

Ontario is already a leader, but can and will do more — both in working directly with other provinces and territories, and by implementing the Canadian Free Trade Agreement. In the areas of trucking regulation and interprovincial business registration, provinces have already reduced costs and cut the regulatory burden to promote trade across our borders. Going forward, provinces will make further progress to harmonize or reconcile regulations. Ontario will be a leader in cutting red tape and removing interprovincial barriers to trade. Working with provincial and territorial partners, the Province will enhance the economic competitiveness and opportunities for growth for Ontario businesses.

PREMIER DOUG FORD AND SASKATCHEWAN PREMIER SCOTT MOE TO WORK TOGETHER AND ENCOURAGE INTERPROVINCIAL TRADE

On October 29, 2018, Premier Doug Ford hosted Saskatchewan Premier Scott Moe at Queen's Park to discuss ways that their respective governments can cooperate to protect taxpayers and encourage job creation in both provinces. The premiers discussed their shared commitment to reducing interprovincial trade barriers and announced a Memorandum of Understanding to begin discussions on lowering interprovincial barriers.

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[4] Douglas Porter and Robert Kavcic, "Sizing Up Provincial Trade Barriers," BMO Capital Markets, (October 2018). https://economics.bmocapitalmarkets.com/economics/reports/20181026/sr181026-interprovincial.pdf

Promoting Growth within the Forestry Sector

Ontario's forest industry is an important driver of the province's economy, generating more than $15 billion in revenues and directly employing more than 46,000 workers. Forestry provides a significant number of jobs across Northern Ontario.

RESOLUTE FOREST PRODUCTS INVESTMENT

In October 2018, the government announced that Resolute Forest Products will be investing $40 million into Ontario's Northwestern operations, and an additional $13.5 million into maintenance and job creation at the Thunder Bay pulp and paper mill.

"This investment builds on the momentum of Premier Ford's policies that have declared Ontario open for business. Minister Yurek's first words to me last July were that his ministry would be working with the forest industry and its workers. Premier Ford's government will be a supporter of job creators like Resolute, not a barrier to jobs and growth."

Yves Laflamme, President and Chief Executive Officer, Resolute Forest Products

This fall, the government will hold consultations to help the Province develop a strategy for encouraging economic growth within the forestry sector and promoting the sector as open for business. A Provincial strategy will help unleash the potential of Ontario's forest industry, creating the conditions for the industry to innovate, attract investment and create jobs and prosperity for the North and for all communities that depend on this sector.

FOR THE PEOPLE: SUPPORTING THE FORESTRY SECTOR

In August 2018, the government made a $1.375 million investment in the forestry sector of the Township of Emo, through the Province's Northern Ontario Heritage Fund Corporation. In supporting Manitou Forest Products and Henry's Trucking, this investment will help these businesses expand their forest harvesting operations by purchasing new equipment and creating 10 full-time jobs.

Creating a Pro-Business Environment

The private sector is the key source of prosperity in the provincial economy. The Province is committed to creating an economic climate that makes it more attractive to start and grow a business and encourage investment, allowing more Ontario workers to find a good job. To achieve this goal, the government needs the right mix of programs and policies that support the efforts and activities of business. It means creating a framework that will make Ontario truly open for business.

An important step in developing a pro-business environment is to better understand what employers require to compete and grow, and then align the government's programs to complement the needs of the private sector. For this reason, the government will undertake a review of all business support programs to determine their effectiveness, value for money and sustainability. The review will help to ensure that the Province's business support programs are not outdated, but instead, are making Ontario a place where the private sector can thrive.

Ontario Place Governance

Ontario Place has the potential to become a spectacular world-class, year-round destination that would attract local, provincial and international visitors. Unfortunately, for far too long, Ontario Place has been mismanaged, and its potential has not been realized. Ontario Place lost $4.2 million in 2017 and is forecasting a loss in 2018. The government will introduce legislation that, if passed, would streamline accountability and governance for the redevelopment of a bold new Ontario Place.

Ontario's Support for the Film and Television Industry

The film and television industry is making significant and growing contributions to Ontario's economy and quality of life.

Supported by Ontario film and television tax credits, the industry employs world-class creative talent and highly skilled technical production workers. It also supports a large number of indirect and spinoff jobs across the province. With almost $3 billion in Ontario production spending in 2016–17, the industry supported over 50,000 jobs in the province.[5]

With a vibrant film and television industry, the province's creators and producers can share Ontario's unique stories and perspectives with domestic and international audiences, enriching the cultural landscape and enhancing Ontario's profile.

The government is committed to providing stability and support for this key industry, while reviewing all business support programs. Ontario's existing tax credits help ensure the industry continues to contribute to the Ontario economy.

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[5] Canadian Media Producers Association (CMPA), in collaboration with the Department of Canadian Heritage, Telefilm Canada, the Association québécoise de la production médiatique (AQPM) and Nordicity, *Profile 2017: Economic Report on the Screen-based Media Production Industry in Canada*, (February 2018). http://cmpawebsite.wpengine.com/wp-content/uploads/2018/04/Profile-2017.pdf

ONTARIO'S THRIVING FILM AND TELEVISON INDUSTRY

Ontario's film and television industry is thriving. Thanks to the province's world-class talent and crews, cutting-edge studios and a diversity of film locations across the province, Ontario has been home to Hollywood blockbusters and Canadian success stories. Major productions have included films such as *The Shape of Water*, *Suicide Squad*, and Stephen King's *It*; television shows such as *Suits*, *Star Trek: Discovery* and *The Handmaid's Tale*; and Canadian productions such as *Kim's Convenience*, *Murdoch Mysteries*, *Indian Horse*, *The Tragically Hip: Long Time Running,* and *Cardinal* and *Carter,* both filmed in North Bay.

The province's film and television production capacity is growing, with expanded facilities like the new William F. White International Inc. location in Northern Ontario and new studios in development including:

- Pinewood Toronto Studios' expansion;
- Cinespace Film Studios' new facility at Toronto's Marine Terminal 51;
- The 400,000 square foot Markham Movieland; and
- CBS Television Studios' new Mississauga location.

This growth is creating good jobs for Ontario film and television workers.

Business Tax Competitiveness

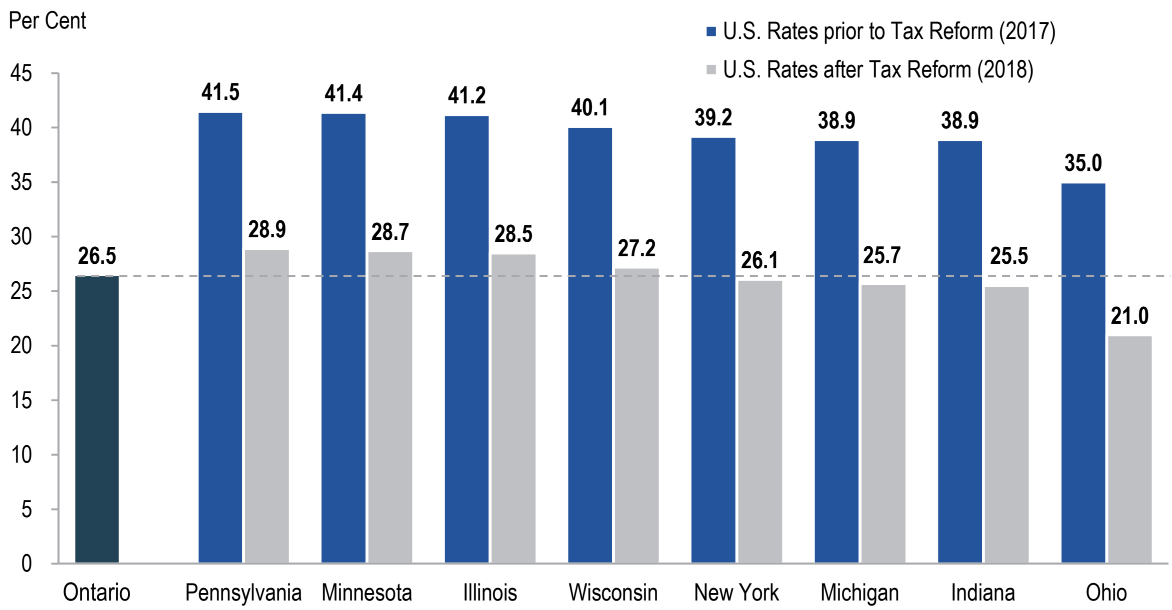
Creating an open for business environment in Ontario requires a competitive business tax system.

Recent U.S. tax reform cut the U.S. federal corporate income tax (CIT) rate and implemented other measures, such as immediate expensing for a wide range of depreciable assets, which together dramatically improve the country's tax competitiveness and encourage greater business investment in the United States. A recent report from PwC Canada for the Business Council of Canada finds that 635,000 jobs are at risk in Canada if the competitive challenges stemming from the U.S. tax reform are not addressed.

The U.S. federal CIT rate dropped from 35 per cent to 21 per cent in 2018, resulting in an average combined U.S. federal–state CIT rate of about 26 per cent. This compares to a combined federal–Ontario general CIT rate of 26.5 per cent (25 per cent for manufacturing and processing income).

Chart 1.4

COMBINED CORPORATE INCOME TAX RATES — ONTARIO VS. GREAT LAKE STATES



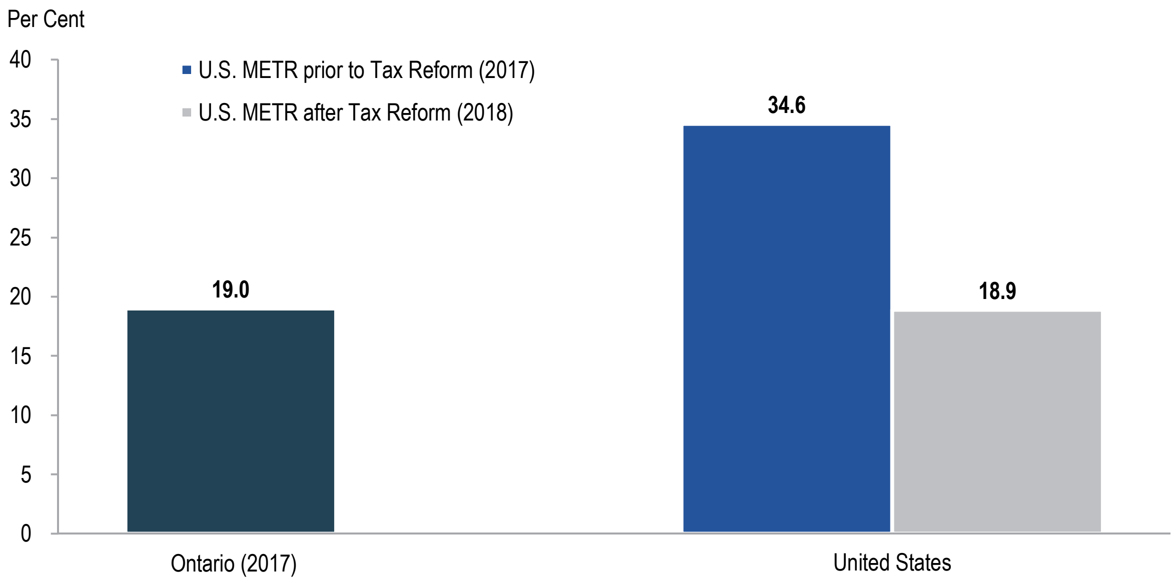
Notes: Rates are based on legislated combined national-subnational general corporate income tax rates. Ohio imposes a commercial activity tax (based on gross receipts) rather than a corporate income tax.

Sources: Organisation for Economic Co-operation and Development (OECD), Federation of Tax Administrators and Ontario Ministry of Finance, as of October 19, 2018.

A more comprehensive measure of tax competitiveness is the marginal effective tax rate (METR) on new business investment. The METR takes into account federal and provincial/state corporate income taxes, capital taxes and sales taxes.

In 2017, prior to U.S. tax reform, the METR in Ontario was substantially lower than the average U.S. METR of 34.6 per cent. Following U.S. tax reform, the METRs in Ontario and the United States are almost equal, eliminating Ontario's tax advantage and weakening Ontario's attractiveness as a location for business investment.

Chart 1.5
MARGINAL EFFECTIVE TAX RATES (METRs) — ONTARIO AND UNITED STATES



Notes: The METR excludes the resource and financial sectors and tax provisions related to research and development. The "U.S. METR after Tax Reform (2018)" reflects the reduced federal corporate income tax rate and the immediate expensing of eligible depreciable property.

Sources: Philip Bazel, Jack Mintz and Austin Thompson, "2017 Tax Competitiveness Report: The Calm Before the Storm," The School of Public Policy, University of Calgary, Research Paper vol. 11:7, (February 2018).

Philip Bazel and Jack Mintz, "Tax Policy Trends: Canadian Policy Makers Consider Response to U.S. Tax Overhaul," The School of Public Policy, University of Calgary, (October 2018).

Restoring Ontario's Business Tax Competitiveness

Accelerated Depreciation

A key commitment of the government is to create and protect good jobs in Ontario. The government intends to create conditions that make it more attractive to start and grow a business and to invest in Ontario.

To help maintain Ontario's tax competitiveness for business investment, Ontario's Minister of Finance and Minister of Economic Development, Job Creation and Trade wrote to the federal government strongly encouraging initiatives such as the immediate expensing of depreciable assets similar to the United States.

If the federal government introduces a measure that accelerates the expensing of new depreciable assets, Ontario will parallel this measure. This would support jobs and growth opportunities in Ontario and strengthen Ontario's competitiveness in the global economy.

Ontario is Standing Up for Small Businesses

The Province supports small businesses by providing the Ontario small business deduction (SBD), which reduces the Ontario general Corporate Income Tax (CIT) rate from 11.5 per cent to 3.5 per cent. The federal government introduced a measure which phases out access to the federal small business CIT rate based on the amount of passive investment income earned by a corporation.

In the *2018 Budget,* the previous administration proposed to parallel the federal measure for the purposes of the Ontario SBD. The Budget proposal would have reduced or eliminated the benefit of the lower small business CIT rate for some of Ontario's small businesses. The Budget estimated that this measure would have increased taxes on Ontario small businesses by about $160 million annually by 2020–21.

The government is committed to helping small businesses and cutting taxes. Ontario is proposing to not parallel this federal measure and will not proceed with the *2018 Budget* proposal.

KEEPING TAXES LOW FOR SMALL BUSINESSES

Ontario is proposing to not proceed with the previous government's announcement that would have phased out the Ontario small business tax rate and increased taxes by up to $40,000 per year for about 7,900 of Ontario's small businesses.

Employer Health Tax Relief

Ontario employers will also benefit from an increase in the amount of their Ontario payroll that is exempt from the Employer Health Tax (EHT). For eligible private-sector employers, the first $450,000 of payroll is already exempt from EHT. Based on indexation, this amount is scheduled to increase to $490,000 in 2019, providing about $40 million in additional tax relief.

See the Annex: *Details of Tax Measures* for more information on these measures.

ENERGY

Further Reducing Electricity Rates by 12 Per Cent

The cost of electricity in Ontario has become a burden for families, farms and small businesses and a disincentive for business investment. As announced in the 2018 Speech from the Throne, the government will take action to further lower electricity bills in Ontario. One of the government's first actions was to cancel 758 energy contracts, which will contribute towards the government's plan to cut electricity bills by 12 per cent.

Ending Green Energy Contracts

Ontario families and businesses have been forced to pay inflated hydro prices as the result of unnecessary, expensive and subsidized energy initiatives.

Ontario ratepayers will benefit from $790 million in savings thanks to the government's decision to cancel 758 renewable energy contracts. Cancellation of these unnecessary and wasteful contracts is part of the plan to cut electricity rates by 12 per cent for families, farms and small businesses.

All of the projects that were cancelled have not yet reached advanced development milestones under the terms of their contracts. The government intends to introduce a proposed legislative amendment to protect electricity consumers from any costs incurred from the cancellations to maximize benefits for ratepayers.

Thunder Bay Generating Station

There is currently a surplus of power in Ontario. The Thunder Bay Generating Station was used for electricity generation an average of only 2.5 days each year. Ontario Power Generation Inc. (OPG) and the Independent Electricity System Operator (IESO) announced in July that it is in the best interests of electricity customers to shut down the Thunder Bay Generating Station due to high capital repair and operational costs, and lack of demand. This will save Ontario electricity customers $40 million and save $5 million in costs to OPG. No OPG employees will lose their jobs from the closing of the Thunder Bay Generating Station. OPG is in discussions with employee unions on redeployment opportunities for affected staff and work reassignments.

CONTINUED OPERATIONS AT PICKERING NUCLEAR GENERATING STATION

The government supports the continued operation of the Pickering Nuclear Generating Station until 2024, protecting 4,500 local jobs in Durham Region and an additional 3,000 jobs provincewide.

Pickering Nuclear produces enough power to supply one and one-half million homes, or about 14 per cent of Ontario's total electricity needs for families and businesses. The station is part of a larger Canadian nuclear sector centred in Ontario that supports 60,000 jobs. OPG has stated that the low-cost energy produced at Pickering Nuclear will save Ontario ratepayers $600 million by 2024.

Ontario Energy Board

The Ontario Energy Board (OEB) is Ontario's independent regulator of the electricity and natural gas sectors. The OEB Modernization Review Panel has been exploring how the mandate, role and structure of the OEB can respond to a rapidly changing energy sector by modernizing the Board's governance to deliver accountability and predictability.

The OEB has also conducted a review of its customer service rules for electricity distributors, rate-regulated natural gas distributors and unit sub-meter providers. It is proposing a suite of changes to strengthen the customer service rules that protect electricity and natural gas consumers throughout the province.

Review Industrial Electricity Prices

The government understands the challenges to Ontario industry caused by the high cost of electricity. This is why the government, as part of its open for business policy, is launching a public review of current electricity pricing for industrial users. It will also review written submissions to assess what makes sense and what does not, to better align with the needs of industrial consumers.

Supporting Consolidation of the Electricity Distribution Sector

Ontario is committed to encouraging consolidation and efficiencies in the electricity distribution sector. The goal is to reduce costs and improve services for customers through innovation and efficiency gains. The government recognizes that private-sector investment, expertise and innovation can play an important role in achieving these goals.

To encourage and allow for more time to achieve consolidations, the government is extending two time-limited transfer tax incentives and an exemption for capital gains under the deemed disposition rules, which are scheduled to expire on December 31, 2018, until December 31, 2022. See the Annex: *Details of Tax Measures* for more information. Ontario will consider additional ways to promote efficiency and modernization of the electricity distribution sector in consultation with consumers and other stakeholders.

SUPPORTING PIPELINE CONSTRUCTION

The federal carbon tax will affect Ontario's — indeed, all of Canada's — ability to compete globally. As Ontario takes steps to attract and retain good jobs, the Province will also seek to support economic development in other provinces that could be hindered by the federal carbon tax.

The government will not stand in the way of a project that would transport oil from Western Canada to Ontario or Canada's East Coast. To that end, Ontario will seek to increase energy market access through any necessary changes to the Canadian Free Trade Agreement negotiated by the previous government. Pipelines create good jobs, both in Ontario and across the country. In every way possible, Ontario will support its partners looking to expand oil distribution, and at the same time, protect their competitiveness from the federal carbon tax.

NATURAL GAS

There is significant demand for natural gas, particularly among families and businesses in rural and Northern Ontario. Natural gas is the most common heating source in Ontario and is more affordable than other sources, such as electricity, oil or propane. The government is committed to meeting this demand and is taking action to expand access to natural gas across Ontario.

On September 18, 2018, the government introduced the Access to Natural Gas Act, 2018 which if passed, would enable private sector participation in the expansion of natural gas and encourage more private gas distributors to partner with communities to develop projects that expand access to affordable and efficient natural gas.
Under the proposed program, communities would continue to partner with gas distributors to bring forward natural gas expansion applications to the Ontario Energy Board. The government will work with the Ontario Energy Board to develop regulations to enable the program.

The new proposed program would help provide decades of benefits to communities across Ontario by providing natural gas connections for over 70 communities and connecting approximately 33,000 households. Switching to natural gas will also make life easier and more affordable by saving the average residential customer between $800 and $2,500 a year. Expanding natural gas would make Ontario communities more attractive for job creation and new business growth, and send a clear message that Ontario is open for business.

Previously, natural gas expansion was managed by a taxpayer-funded program. Savings from this program will be reinvested to expand broadband and cellular projects. Attracting private capital to facilitate development of new natural gas networks demonstrates the government's commitment to expand natural gas across Ontario, while ensuring that taxpayers do not bear the cost for this expansion.

BROADBAND EXPANSION

In a quickly evolving world, broadband and cellular connectivity are critical to job creation, economic growth and the delivery of public services such as education and health care.

Most residents in Ontario have access to the internet, but the speed, quality and cost varies significantly across the province. There are also coverage gaps in rural and Northern communities, as well as in some urban areas. Investing in broadband infrastructure to expand access to reliable, fast and affordable broadband internet connectivity will allow communities and businesses to fully participate and compete in the digital economy. It will also support increased access to digital technology and a digital first approach to providing government services (e.g., access to data and online services).

This government is committed to ensuring that communities across Ontario have access to critical broadband and cellular connectivity. To support this commitment, and help promote job creation and economic competitiveness, the Province will release a broadband and cellular strategy in early 2019, outlining an action plan to expand broadband, digital services and cellular access in unserved and underserved areas.

MINISTER'S AGRICULTURE TASK FORCE

The agri-food sector is critical to Ontario's continued growth and prosperity. In 2017, it contributed $39.5 billion to Ontario's economy and employed over 170,000 people. The contribution of agriculture and agri-food should be recognized in the province with meaningful consultation on issues that impact this sector. That is why, as part of the government's efforts to reduce regulatory burden and create growth, the Ministry of Agriculture, Food and Rural Affairs is planning to launch a formal agricultural advisory group that will hear from leaders across the agriculture and agri-food sector and provide the government with an important perspective on key policies from the experts themselves.

The group will meet regularly to discuss issues that impact the industry, such as trade, and provide input on crucial future decisions such as changes to the Ontario Food Terminal network.

Industry input will ensure policies and programs foster economic growth and do not impose additional regulatory burden or costs on farmers or agri-food businesses.

LABOUR MARKET IMPROVEMENTS FOR BUSINESS

Skills and Training — Dissolution of the Ontario College of Trades

Ontario's skilled trades offer careers leading to secure jobs and a good quality of life, and are also vital to the health and growth of the economy. Apprenticeship opportunities help businesses harness new talent, while equipping workers with the practical skills and qualifications that the economy needs now and in the future.

The government's priorities to improve Ontario's skilled trades and apprenticeship system include:

- Reducing the regulatory burdens placed on businesses, apprentices and journeypersons;
- Closing the skills gap by establishing programs that encourage the people of Ontario to enter the skilled trades, get re-trained and become aware of the benefits of good paying jobs in the trades; and
- Reviewing Ontario's apprenticeship system and enacting reforms to increase access to apprenticeship opportunities.

To achieve these goals, the government is proposing a phased approach to the dissolution of the Ontario College of Trades (OCOT) and creating a more modern, outcomes-focused system.

The proposed Making Ontario Open for Business Act, 2018 includes:

- Setting journeyperson-to-apprentice ratios at 1:1 for all 33 trades that are subject to ratios;
- Implementing a moratorium on trade classifications and reclassifications;
- Providing the Minister of Training, Colleges and Universities with the authority to take charge and control of the College's Board of Governors, and to appoint an administrator to act on his/her behalf if required; and
- Winding down OCOT by repealing the *Ontario Colleges of Trades and Apprenticeships Act, 2009* on a date to be proclaimed.

These amendments represent the first phase to support employers in getting more individuals into apprenticeships. They will also support apprentices in completing their programs of study and becoming eligible for good-paying jobs in the skilled trades.

Ontario's Support for Businesses that Train Apprentices

The government plans to review the supports available to apprentices and to the businesses that employ and train those apprentices. The plan is to ensure that the right supports are available to maintain a strong and highly skilled workforce in Ontario.

Workplace Safety and Insurance Board Review

This fall, the Workplace Safety and Insurance Board (WSIB) announced that the average WSIB premium rate will decline from $2.35 to $1.65 on every $100 of insurable payroll, effective January 1, 2019.

The reduction represents a 29.8 per cent cut to the WSIB's average premium rate and comes after eliminating a long-standing liability. The reduction will support Ontario being open for business by delivering cost savings to employers estimated at $1.45 billion in 2019. Combined with a new WSIB premium rate framework in 2020, this will help safeguard Ontario's workplace health and safety system, ensuring it remains accountable, sustainable and able to meet its obligations.

The government is launching a review of the workers compensation system to ensure it remains sustainable in the future. The review will assess whether risks are being appropriately considered while providing rate predictability for employers. It will also consider, as part of the review of Provincial agencies, whether the WSIB is operating efficiently and effectively, and whether the governance framework can fulfill its mandate.

CREATING EFFICIENCIES IN THE PENSION SECTOR

Supporting Mergers and Conversions

As the population ages and more people retire, it is more important than ever to look at making pensions more efficient. Broader public-sector employers have been working towards the conversion of their single-employer pension plans to jointly sponsored pension plans (JSPPs). There are several mergers into JSPPs currently under way to reduce costs and improve efficiencies, including a number in the hospital, municipal and university sectors. Several universities are working to merge their individual plans into a single JSPP which will be available to the university sector.

The government is committed to improving the pension system for the university sector. A new JSPP is a means of obtaining efficiencies of scale, improved investment opportunities and savings in plan administration. The new JSPP would allow universities to focus on their core mandate of providing high-quality education for students rather than diverting resources to managing their single-employer pension plans.

Based on the shared risk structure between plan members and employers, it is expected that this newly established plan would be treated similarly to other broader public-sector, solvency-exempt JSPPs following a successful conversion and a request from the newly established university plan.

Enabling Electronic Designation of Beneficiaries

Currently, beneficiary designations in pension plans are primarily done through paper-based processes. The government is proposing amendments to the *Pension Benefits Act* that if passed, would allow administrators of pension plans to permit electronic beneficiary designations, making it easier for plan members, while reducing red tape for pension plans throughout Ontario.

BUILDING MORE EFFICIENT REGULATORS

Attracting Further Investment to Ontario

The government is committed to making Ontario the most attractive place in North America in which to invest, grow businesses and create jobs for the people.

Critical to accomplishing this goal, is creating a globally competitive, efficient and strong capital markets regulatory system that attracts investments from around the world, streamlines capital-raising for businesses, and protects investors from financial system risk and misconduct.

Currently, Canada is the only G20 country without a national regulator. Instead, the country's capital markets are regulated by a patchwork of 13 different securities regulators with different laws and regulations in each of the provinces and territories. This does not contribute to the goal of making the regulatory system more efficient and more competitive relative to other countries.

Canadian businesses — including those in Ontario — seeking to raise money to expand and create jobs, as well as global investors seeking to invest in those businesses, must spend significant resources to understand and comply with a needlessly complex regulatory system. It also means Canada does not have the ability to effectively monitor and respond to systemic risk on a national basis, and provide investors timely and uniform protections across jurisdictions.

Ontario's Minister of Finance is playing a leadership role in the implementation of the Cooperative Capital Markets Regulatory System (CCMR). This would help Ontario's businesses raise capital more efficiently and better protect investors. Minister Fedeli serves as Co-Chair of the Council of Ministers of the CCMR, an initiative of the governments of Ontario, British Columbia, New Brunswick, Saskatchewan, Prince Edward Island, Yukon and Canada to implement a streamlined capital markets regulatory system.

Ontario will respect the decision of the Supreme Court of Canada in pursuing streamlined capital markets regulation.

Enhancing Confidence and Competitiveness in Capital Markets

In recent years, enforcement action was taken against several international banks for manipulating the London Interbank Offered Rate (LIBOR), a widely used benchmark for short-term interest rates referenced in securities, financial instruments and loans valued at hundreds of trillions of dollars. The banks falsely inflated or deflated rates to benefit their own trading positions or improve the perception of their creditworthiness. The banks were fined billions of dollars, and some employees were sentenced to jail terms. This situation precipitated several reports and consultations on financial benchmarks and their regulation, and various jurisdictions have started to enact new laws to regulate benchmarks.

The Ontario government is committed to enhancing competitiveness and confidence in its capital markets. That is why the government is proposing to amend Ontario capital markets legislation to regulate critical financial benchmarks in Canada. The Canadian Dollar Offered Rate (CDOR) and the Canadian Overnight Repo Rate Average (CORRA), the two most widely used Canadian benchmarks, are referenced in tens of thousands of financial contracts worth trillions of dollars in notional value, involving parties such as governments, pension funds, banks, asset managers and businesses within Ontario, Canada and around the world. CDOR is also used in many commercial loan agreements in Canada. Ensuring that these benchmarks are subject to internationally recognized rules will provide more confidence for investors and businesses as they engage in the province's capital markets, and help Ontario and Canada compete in the global economy.

Financial Services Regulatory Authority of Ontario

The new Financial Services Regulatory Authority of Ontario (FSRA) will deter fraud, foster competition and innovation, and streamline regulatory processes for consumers and stakeholders, investors and plan beneficiaries in Ontario. The government is working with FSRA on a plan to make it fully operational, with a focus on reducing red tape and finding more efficient and effective ways to deliver regulatory services.

To support the FSRA in its launch as a strong and efficient regulator, the government is introducing legislative amendments that would, if passed, provide for the amalgamation of the Deposit Insurance Corporation of Ontario, including the Deposit Insurance Reserve Fund, with FSRA. The amalgamation of these entities would simplify the regulatory landscape by establishing one regulator for non-securities-related financial services in Ontario, while maintaining the sector specific expertise to regulate effectively.

FSRA should be focused on its mandate to regulate auto insurance, financial services and pensions in Ontario. To ensure this happens, the government is introducing legislative amendments that would, if passed, allow it to transfer administrative responsibility for the Motor Vehicle Accident Claims Fund, a non-regulatory function performed by the current regulator, to the Ministry of Government and Consumer Services (MGCS). This move would allow FSRA to focus its resources on the regulated sectors, while leveraging existing expertise and resources within MGCS.

SUPPORTING THE NORTH

Northern Ontario's economy is supported by its vast natural resources that fuel mining and forestry activities, in addition to other industries such as steel manufacturing, transportation, tourism, and traditional hunting, fishing and trapping. The communities and resources in the North have great potential for additional economic growth and development. The Province is committed to supporting economic development and job creation in the North by cutting through delays and investing in infrastructure.

Ring of Fire

The Ring of Fire is a large, geologically rich potential mining development area in Ontario's Far North. Located about 535 kilometres northeast of Thunder Bay, it holds significant deposits of minerals including chromite, nickel, copper, vanadium, platinum group metals and gold, among others. Given the volume of the deposits, it is estimated that the Ring of Fire could support mining operations for more than a century. Recent estimates suggest that the value of the mineral resources in the area could be more than $60 billion,[6] due in large part to known chromite and nickel deposits. The Ring of Fire represents a significant opportunity to open up the resources of Northern Ontario and create jobs in the region.

The government is committed to addressing the delays blocking the development of the Ring of Fire by working with willing partners to ensure sustainable development in the North.

Review of the *Far North Act, 2010*

The previous government enacted the *Far North Act, 2010* to develop land use plans in the Far North. Since enactment, little progress has been made to promote collaboration with First Nation communities, which has hindered investment opportunities in Northern Ontario and limited the possibilities for jobs and economic growth among First Nations. The Act also complicated economic development possibilities and opportunities, resulting in additional planning processes for some 225,000 square kilometres of land, or about 25 per cent of Ontario's total land mass and 28 per cent of the province's North.

The government's goal is to encourage economic growth, diversification, job creation and self-reliance in communities in Northern Ontario. To ensure a collaborative approach to development, the Province will undertake a review of the *Far North Act*, *2010* to ensure land use planning aligns with local, First Nations' and Provincial priorities.

[6] Estimates presented by Dr. James Franklin (Franklin Geosciences Ltd., and former chief geoscientist at the Geological Survey of Canada), The Canadian Chamber of Commerce, "Policy Resolutions 2016."

Resource Revenue Sharing

The government will continue to explore ways to encourage development of natural resources across the North, by helping Northern towns and Indigenous communities share in the benefits of resource development from mining, forestry and aggregates.

SUGAR ZONE MINE

Ontario is one of the most attractive jurisdictions for mineral exploration in the world and consistently accounts for about 25 per cent of Canada's total exploration and deposit appraisal spending. On October 24, 2018, Harte Gold's Sugar Zone Gold Mine near White River officially opened. The mining project will create about 150 jobs and demonstrate that Ontario is open for business.

The government supported Harte Gold's participation in a number of international marketing missions that ultimately led to secured financing. The Sugar Zone mine is expected to be in operation for over a decade, during which time it could produce more than 900,000 ounces of gold. It will also generate increased activity for businesses that support Northern Ontario's mining supply and services sector. Once the Sugar Zone mine reaches full commercial production, Ontario will have 39 operating mines, including 18 gold mines.

Mining Working Group

The government will establish a special mining working group that will focus on opening Ontario for business by speeding up regulatory approvals and attracting major new investments.

Algoma

Algoma Steel is the mainstay of Sault Ste. Marie's economy. Algoma is the second largest private-sector employer in Northern Ontario, supporting approximately 7,400 direct and indirect jobs. The government is putting workers, pensioners and families first by supporting the restructuring of Algoma's business, allowing it to continue for future generations. The successful restructuring will protect thousands of jobs and the environment, and secure a long-term commitment to fund Algoma's pension plans, benefiting approximately 2,100 current and 6,300 former or retired employees' pensions.

Emergency Forest Firefighting

When natural disasters occur, the government of Ontario stands shoulder-to-shoulder with those that are affected. Annually, the government provides base funding of approximately $70 million to deliver front-line operations for forest fires. On August 8, 2018, the government committed an additional $100 million to fight forest fires across the province, addressing escalated fire activity in parts of Central and Northern Ontario.

Ontario will continue to dedicate as many resources as necessary to fight forest fires across the province, and help ensure the safety and protection of communities and private property.

Northern Transportation Improvements

A number of expansion projects along Highway 11/17 are planned or underway. Increasing the capacity along various stretches of the highway from two lanes to four lanes will help improve the safety and reliability of the Trans-Canada Highway system. As well, the government will continue to review other initiatives to meet Northerners' transportation needs, including passenger rail and bus services. This work is an important part of the government's plan to promote economic development and keep people moving in Northern Ontario.

SECTION C: RESPECTING CONSUMERS AND FAMILIES

INTRODUCTION

The government's plans for consumers and families begins with respecting taxpayers and putting more money back in their pockets. This is why the government is taking action to reduce gas prices, cancel the cap-and-trade carbon tax, cut taxes for low-income individuals and families, and end the Drive Clean Program for passenger and light-duty vehicles.

It is also about putting patients first by ending hallway health care, and implementing a new model for Consumption and Treatment Services to save lives and prevent overdoses.

It is about respecting parents, teachers and students: focusing on math fundamentals in the classroom, and consulting parents on the health and physical education curriculum. It is also about ensuring a sustainable postsecondary education system.

And it is about ensuring law-abiding individuals and families are protected from drug, gun and gang-related violence.

THE LOW-INCOME INDIVIDUALS AND FAMILIES TAX (LIFT) CREDIT

The government is taking steps to help people keep more of their hard-earned money by proposing the Low-income Individuals and Families Tax (LIFT) Credit, which would benefit about 1.1 million people. Ontario Personal Income Tax paid by low-income tax filers, including those earning minimum wage, is among the lowest in Canada. With the introduction of the proposed LIFT Credit, more low-income workers would pay little or no Ontario Personal Income Tax.

The LIFT Credit would be effective January 1, 2019. Tax filers who have employment income would be able to claim it when they file their 2019 tax returns and receive up to $850 in tax relief (or up to $1,700 for couples).

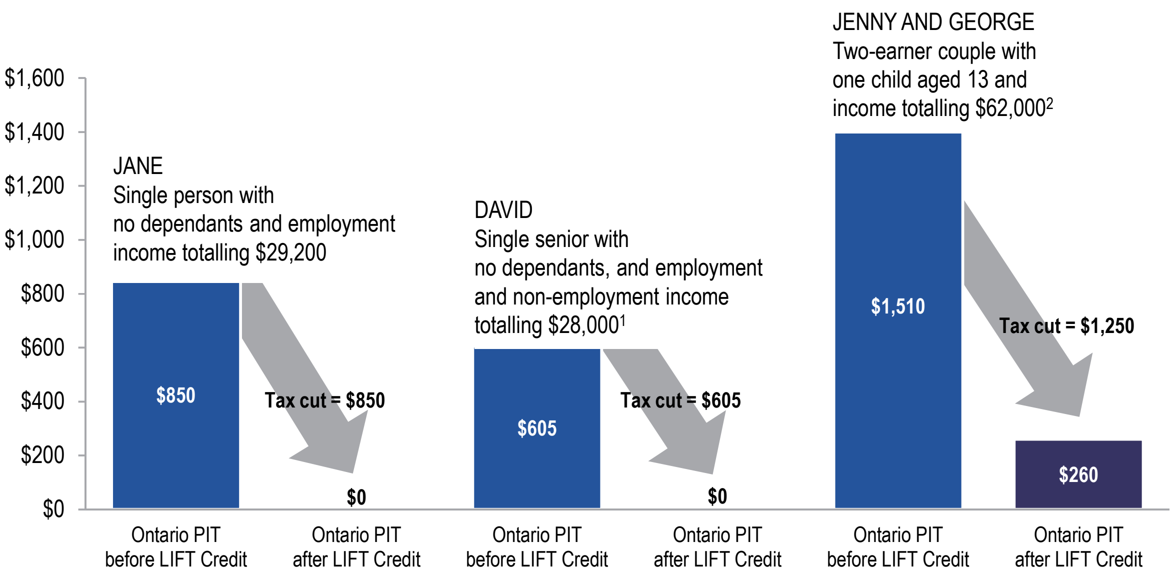
With this tax relief, a person who works full-time at minimum wage (earning nearly $30,000) would pay no Ontario Personal Income Tax. Tax relief would be gradually reduced for taxpayers with individual incomes greater than $30,000 and family incomes greater than $60,000. This would minimize disincentives to earn additional income.

One in six Ontario taxpayers would receive about $450 in tax relief, on average. Ontario Personal Income Tax would be eliminated for about 580,000 taxpayers, while tax would be reduced for another 520,000. Combined with existing tax relief, about 90 per cent of all Ontario tax filers with taxable incomes below $30,000 would pay no Ontario Personal Income Tax.

In 2019, the proposed LIFT Credit would provide about $495 million of new tax relief to Ontario families.

Chart 1.6

TAX RELIEF FOR LIFT CREDIT RECIPIENTS



Note: Ontario Personal Income Tax (PIT) excludes the Ontario Health Premium, which would continue to be payable on taxable income exceeding $20,000.

[1] David has employment income of $15,500, Canada Pension Plan benefits of $5,500 and Old Age Security payments of $7,000.

[2] Jenny has employment income of $29,000 and other income of $3,500. George has employment income of $29,500. This couple does not incur child care expenses.

ENVIRONMENT AND ENERGY

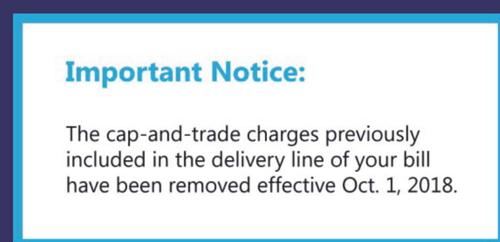
Ending Green Energy Contracts and the Cap-and-Trade Carbon Tax, and Introducing New Environmental Initiatives

The government will tackle climate change in a balanced and responsible way, without placing an additional burden on Ontario taxpayers. Specifically, the government has cancelled the cap-and-trade carbon tax, is challenging the federal government's carbon tax plan, and reducing taxes to encourage a more competitive business climate.

As part of the plan to reduce costs for Ontario families and businesses, the Province took immediate action to end the cap-and-trade carbon tax. This will ensure that no additional carbon costs are passed on by fuel suppliers to consumers. The Province also developed a responsible and transparent plan to wind down the cap-and-trade carbon tax, and through the *Cap and Trade Cancellation Act, 2018,* will offer some support for eligible participants of Ontario's previous cap-and-trade carbon tax program.

FOR THE PEOPLE: CANCELLING THE CAP-AND-TRADE CARBON TAX

Ontario residents saw home heating prices drop as a direct result of the government's decision to cancel the cap-and-trade carbon tax. The Province will never back down from delivering on its promises to the people. By ending the cap-and-trade carbon tax, gas prices and home heating prices are down.


Important Notice:

The cap-and-trade charges previously included in the delivery line of your bill have been removed effective Oct. 1, 2018.

The above image was reproduced from an actual gas bill.

Through the government's actions, the average Ontario household will now save about $260 a year in fuel and other costs. Business savings as a result of lower energy costs will benefit Ontario residents through lower prices in everyday purchases, and help businesses to grow and create jobs. Eliminating the cap-and-trade carbon tax reduced gasoline prices by 4.3 cents per litre, saving people and businesses money.

In addition, the Province has cancelled 758 renewable energy contracts across Ontario to help lower electricity bills for Ontario residents and businesses. By cancelling these unnecessary, wasteful and highly subsidized energy contracts as part of the plan to cut electricity rates, the government is saving $790 million for ratepayers. Ontario currently has surplus electricity supply, and there are better and less expensive options to meet future electricity supply and capacity needs.

The Province is also fighting against the federal government's plan to impose a carbon tax on Ontario families and businesses. The Ontario government has filed a statement with the Court of Appeal summarizing the arguments it will make challenging the constitutionality of the federal government's *Greenhouse Gas Pollution Pricing Act*. Premier Ford and Saskatchewan Premier Scott Moe have jointly released a statement on combining forces to challenge the federal government's authority to impose a carbon tax on the people of Ontario and Saskatchewan. Along with Ontario and Saskatchewan, a growing number of provinces, including Manitoba, are planning to oppose the federal carbon tax.

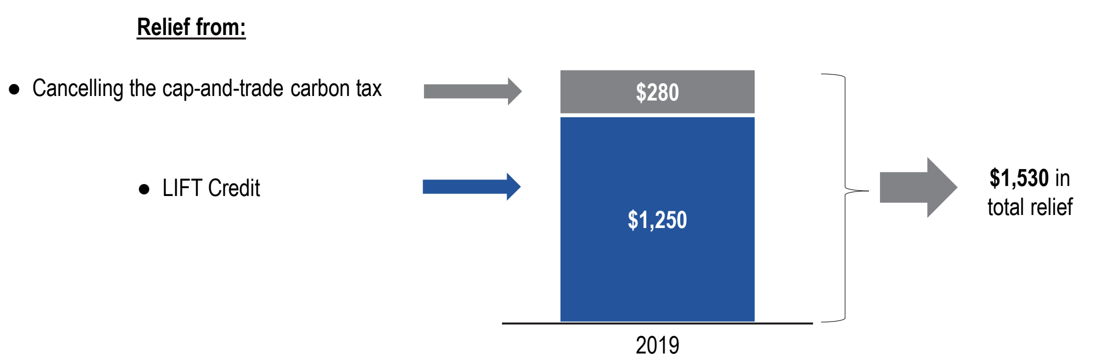
Chart 1.7

JENNY AND GEORGE

Putting More Money in People's Pockets

The government is delivering immediate pocketbook relief to the people of Ontario through the proposed new Low-income Individuals and Families Tax (LIFT) Credit and cancellation of the cap-and-trade carbon tax.

To illustrate the impact, imagine a couple, Jenny and George, who work full-time and have one child. They take home a combined family income of $62,000 annually. The LIFT Credit would put $1,250 a year back in their pockets, and the cancellation of the cap-and-trade carbon tax would save them an estimated additional $280 a year — for total savings of $1,530 in 2019.
This would represent significant relief for this family.



Notes: This example is for illustrative purposes. The LIFT Credit amount is based on Personal Income Tax filer data and is representative of actual families who would receive the LIFT Credit, and whose main characteristics include: first-earner employment income of $29,000 and other income of $3,500, second-earner employment income of $29,500, and no child care expenses. Average savings from cancelling the cap-and-trade carbon tax are based on Statistics Canada survey data. Impacts on individual households would vary depending on many factors, such as consumption patterns. Estimates include direct and indirect savings and additional savings from the Harmonized Sales Tax.

Source: Ontario Ministry of Finance.

In the coming months, the government will release an integrated made-in-Ontario environmental plan to fight climate change and keep the province's air, land and water clean for future generations. Consultations will be held to ensure Ontario will continue to be a leader in protecting the environment, while at the same time, respecting and protecting taxpayers.

Renewable Energy Approvals

The previous government had ratepayers subsidize unnecessary and expensive new energy projects to produce energy that people do not need. The proposed legislation to repeal the *Green Energy Act, 2009* would make amendments to the *Environmental Protection Act*, which would enhance the government's authority to make regulations prohibiting the issuance of Renewable Energy Approvals where the need for the electricity has not been demonstrated.

Green Bonds

Green Bonds serve as an important tool to help finance projects that support the government's approach to addressing environmental challenges. Project categories include transit initiatives, extreme-weather resistant infrastructure, and energy conservation and efficiency projects (including health- and education-related projects). By capitalizing on low interest rates, Ontario's Green Bonds enable the Province to raise funds while respecting the taxpayers of Ontario and without adversely impacting businesses. See Chapter IV: *Borrowing and Debt Management* for more details on Ontario's Green Bond program.

Restoring Public Confidence in Hydro One

In July 2018, the government accepted a proposed agreement from Hydro One that included the retirement of Hydro One's former chief executive officer (whose total compensation was over $6 million in 2017) and the resignation of the board of directors.

In August 2018, a new, highly qualified board was appointed and the *Hydro One Accountability Act, 2018* was proclaimed. The Act requires the board to establish a new executive compensation framework within six months, and Hydro One is required to annually publish a record of executive compensation amounts and any proposed changes to its compensation policies. An amendment was also made to the *Ontario Energy Board Act, 1998*, to ensure that compensation paid to Hydro One executives is not funded from electricity rates.

These changes will help improve transparency and accountability at Hydro One, and address executive and board compensation.

HEALTH CARE TRANSFORMATION

The government is committed to transforming the province's public health care system centred around patients and their families, and finding ways to make the system run more efficiently. To ensure the people of Ontario receive the care they deserve, the government is targeting funding to provide better coordinated care now and in the future. For patients and their families, this means improved access to integrated health care.

Ending Hallway Health Care

The health care system is facing significant capacity challenges with unsustainable hospital occupancy levels contributing to the use of hallway health care. This significantly impedes patient access to safe, high-quality care. Without additional capacity and the development of innovative solutions and approaches, current challenges will increase.

With advice from the Premier's Council on Improving Health Care and Ending Hallway Medicine, the government will continue to take actions that will ease pressure on hospitals, and help doctors, nurses and other health care providers provide better, faster health care for patients and their families.

The government has started delivering on its promise to end hallway health care. In 2018–19, the government has invested an additional $90 million for 1,100 beds and spaces in hospitals and the community, including the creation of over 640 new beds and spaces as an immediate measure. This investment will help communities and reduce the strain on the health care system in advance of the flu season.

The Province is also adding 6,000 new long-term care beds across Ontario. The government is committed to investing more than $300 million to support these new beds, which represent the first wave of more than 15,000 new long-term care beds the government committed to build over the next five years.

Mental Health and Addictions

Approximately 30 per cent of people in Ontario age 15 and up will experience a mental health or addictions challenge at some point in their lives, with one in 40 experiencing a serious mental illness. The government made a promise to the people of Ontario to take mental health and addictions as seriously as any health issue. Ontario has committed to spending $1.9 billion over 10 years on mental health and addictions services, matching the federal government's 2017 budget commitment.

The government will be working closely with front-line care providers, along with mental health and addictions organizations, hospitals and, most importantly, patients to ensure that the people of Ontario get the mental health care they need. Investments this year will provide much-needed relief that will help end hallway health care and connect people struggling with mental health and addictions issues with crucial supports. Most importantly, these investments focus on people, not process.

The investments will:

- Prioritize a reduction in wait times and focus on creating support today to intervene early, so patients can receive the help they need to recover sooner;
- Provide faster access by investing in mental health and opioid addiction treatment services; and
- Provide a new, enhanced approach to addictions treatment and rehabilitation services through the new Consumption and Treatment Services model.

Access to Treatment

The government knows that demand for addictions services exceeds supply in Ontario, often leaving people waiting for services while in a vulnerable state.

The Province is providing funding to expand the scope and coverage of Rapid Access Addiction Medicine (RAAM) clinics for individuals with substance abuse issues that require specialized, evidenced-based addiction medicine support by creating new or expanded RAAMs in communities of high need.

RAAM clinics provide patients with immediate access to low-barrier, short-term addictions treatment until the patient is stabilized and can be linked with appropriate care in the community for ongoing support.

FOR THE PEOPLE: FENTANYL PATCH FOR PATCH (P4P) PROGRAM

In 2016, a private member's bill, the *Safeguarding our Communities Act (Patch for Patch Return Policy), 2015,* came into force to govern the Patch for Patch Program across Ontario. The program serves as one tool in reducing the abuse, misuse and diversion of fentanyl patches.

This legislation places stricter controls on prescribing and dispensing fentanyl patches and requires patients to return used patches to their pharmacy before new patches can be obtained.

OHIP+ and Ontario Drug Benefit Program Reform

Ontario's Government for the People is fixing OHIP+ to focus benefits on those who need them most. Starting in March 2019, children and youth under the age of 25 who are not covered by private plans will continue to receive coverage for eligible prescription medications from the government; while children and youth who are covered by private insurance will bill those plans. This plan will be affordable, while ensuring that children and youth will still receive the prescription drugs they need.

These reforms are expected to generate annual savings of at least $250 million. The government promised that it would find efficiencies while ensuring that vital public services are affordable and sustainable, now and in the years to come. Promise made, promise kept.

The government will also review opportunities to establish a smarter, more efficient and fiscally responsible approach to delivering publicly funded health benefits, one that would treat everyone fairly, while maintaining patient care.

As a first step, the government will examine the Ontario Drug Benefit Program with the objective of creating an easier to understand, more consistent and more sustainable drug system.

Personal Support Worker Agency Review

Some programs initiated by the previous government simply do not work. That is why the government has wound down the Self-Directed Personal Support Services Ontario agency to reduce the administrative burden of delivering home care. This decision aligns with the government's review of all Provincial agencies to ensure they are relevant, efficient, effective and provide value for money for taxpayers.

Taxpayer savings will be redirected to patient care. Since this agency was in the set-up phase and not yet providing services, the wind down has had no impact on home care clients. The Local Health Integration Networks (LHINs) will continue to provide services and support to eligible clients and families under another self-directed care initiative, the Family-Managed Home Care program.

Home care services are vital to patients and families in Ontario's health care system. Home care includes nursing, personal support and other professional services that are delivered in a person's home, school or community.

Ontario is committed to engaging with partners to ensure the home care system works for patients, seniors and families, and that dollars are best spent on client care.

FOR THE PEOPLE: RESPONSE FROM HOME CARE ONTARIO

"Home Care Ontario fully supports Minister Christine Elliott's decision to wind down the Self-Directed Personal Support Services Ontario agency and thanks the Ford government for their leadership and support."

Sue VanderBent, CEO, Home Care Ontario

CELEBRATING SPECIAL HOCKEY DAY

Special Hockey is a version of ice hockey played by athletes with developmental disabilities or cognitive disorders. It promotes confidence, socialization, team work and physical fitness for its players.

The government proposes to formally recognize March 27, 2019 as Special Hockey Day. This coincides with the start of the 25th Annual Special Hockey International tournament which will be held in Toronto. Recognizing Special Hockey Day will bring awareness about the many special hockey organizations across Ontario, and celebrates the contributions of teams, players and organizers involved in this important initiative.

ENSURING THE SUSTAINABILITY OF THE ONTARIO HOCKEY LEAGUE (OHL)

For many Ontario families, Friday nights and Sunday afternoons are characterized by get-togethers to cheer on the local Ontario Hockey League team. Hockey isn't just woven into the fabric of Ontario's proud heritage — it is also an economic driver. The OHL makes significant economic contributions to local communities across the province.

The Ontario government is committed to protecting amateur hockey in Ontario. To ensure OHL teams have a level playing field, the Province will exclude OHL players from the *Employment Standards Act*, *2000,* while guaranteeing they receive scholarships for postsecondary education. This change will bring Ontario in line with other provinces, helping to ensure the long-term sustainability of the league.

TRANSIT AND TRANSPORTATION

Ontario's economy loses billions of dollars each year in lost productivity due to gridlock. Infrastructure investments in the province's biggest cities and smallest towns are closely tied to economic and productivity growth. The government is keeping its promise to build a safe and efficient transportation network, in order that businesses, families and workers can count on an Ontario that will move faster than ever before.

The government looks forward to completing its review of all capital projects and intends to share details in the coming months.

FOR THE PEOPLE: IMPROVING COMMUTE TIMES

According to the 2016 Canadian Census, the people of Ontario have the longest commute in Canada, with an average commute time of 28.8 minutes.[1] For some, travel times are much longer: almost 22.5 per cent of people spend more than 45 minutes commuting to work.[2] This is one of the reasons why the government of Ontario is committed to supporting modern, integrated multi-modal transportation systems to drive economic development, enhance transit and alleviate traffic congestion.

Toronto Transit Commission Subway Upload

Ontario will develop a plan to upload responsibility for the Toronto Transit Commission (TTC) subway infrastructure from the City of Toronto to the Province. Taking this action would allow the Province to implement a more efficient and modern regional transit system that will serve the Greater Toronto and Hamilton Area's growing communities, while helping to manage traffic congestion, reduce costs and drive economic development.

The TTC system is critical to the economic success of the region. Uploading the subway system will enable the Province to fund and deliver additional transit projects sooner, and support an integrated regional network. In August 2018, the government appointed a special advisor to help determine the best approach for the upload, including the building and maintenance of new and existing subway lines.

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[1] Ministry of Finance, "Commuting to Work, 2016 Census Highlights: Factsheet 14," (2018). https://www.fin.gov.on.ca/en/economy/demographics/census/cenhi16-14.html

[2] Ministry of Finance, (2018).

Review of High-Speed Rail

Planning work is underway to analyze a range of transportation options to meet the needs of the people and businesses of Southwestern Ontario. The Province is exploring the potential for a faster and more reliable passenger rail service, including options to either upgrade existing rail corridors, create new ones or utilize other forms of transportation. The results of this planning work will include input from stakeholders such as rural and farming communities, and will help inform future transportation decisions so that the Province can implement the right transportation options for the people of Ontario.

Freezing Driver's Licence Fees

As part of the strategy to make life more affordable, the government reversed a decision by the previous administration to escalate fees on September 1, 2018. This freeze means that individuals who are getting their driver's licence for the first time — or simply getting their licence renewed — will save money. This freeze also applies to fees for road and knowledge tests for all driver's licence classes. This leaves more money in the pockets of individuals and families in Ontario.

End of Mandatory Drive Clean Testing for Light-Duty Vehicles

On September 28, 2018, the government announced the cancellation of the outdated Drive Clean passenger vehicle program, saving Ontario taxpayers approximately $40 million annually. This change will reduce regulations by shifting focus to the biggest polluters on Ontario's roads. Effective April 1, 2019, drivers will no longer be required to get Drive Clean emissions tests for their passenger and light-duty vehicles.

At the time of its introduction, the Drive Clean program effectively reduced vehicle pollution. However, auto industry standards have significantly improved since the program was created in 1999, making this outdated program no longer necessary.

A new, enhanced program will focus on heavy-duty vehicles such as commercial transport trucks and will ensure that Ontario continues to reduce harmful smog-causing pollutants.

This change will lead to better environmental outcomes at a lower overall cost, meaning better value for taxpayer dollars.

Greater Toronto Area West Highway Corridor

Ontario is doing the work necessary to resume the Environmental Assessment (EA) for the Greater Toronto Area West Highway Corridor, which was suspended in 2015. The EA will identify and address transportation needs in a corridor study area covering portions of York, Peel and Halton regions. Building more transportation infrastructure would speed up travel, and help alleviate traffic congestion in the Greater Toronto Area.

Metrolinx Agency Review

As urban areas across Central Ontario and particularly the Greater Golden Horseshoe become more integrated and connected, a regional transit system is an increasingly important element to promoting mobility and economic competitiveness. Metrolinx has a critical role in building and expanding a regional transit network that meets the needs and expectations of a growing customer base. Subject to approval by the legislature, the government is proposing amendments to the *Metrolinx Act, 2006* that would modernize the outdated legislation to enhance the agency's focus on regional transit delivery and service excellence. The Ministry of Transportation will continue work on a broader transportation plan for the Greater Golden Horseshoe that will guide Metrolinx's transit implementation work, and ensure that highway and transit investments are coordinated to keep people and businesses in the region moving. The Metrolinx Agency Review aligns with the government's review of all Provincial agencies to ensure they are relevant, efficient, effective and use taxpayer dollars appropriately.

FOR THE PEOPLE: METROLINX AGENCY REVIEW

Fast, affordable transit is vital to travellers in the Greater Toronto and Hamilton Area and beyond. The Province is committed to building more transit to get people moving faster than ever before. The government is proposing amendments to the *Metrolinx Act, 2006* to ensure that Metrolinx has the tools to deliver the Province's ambitious transit agenda to keep people and business in the region moving.

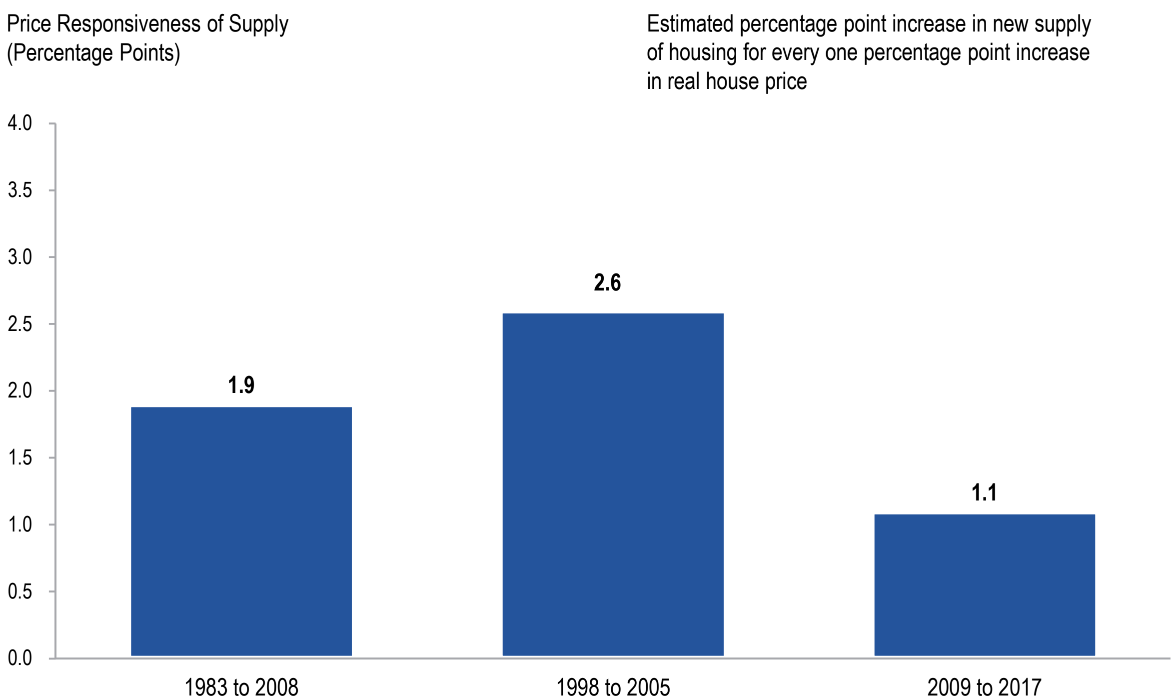
HOUSING SUPPLY ACTION PLAN

Increasing Housing Supply

A growing number of individuals and families face housing affordability challenges, in part because of inadequate supply. In recent years, demand for housing in Ontario, particularly in the Greater Toronto Area, has risen at a rapid rate, driven in part by strong population growth and low interest rates. At the same time, new housing supply has not kept pace, leading to sharply higher prices and rents. The responsiveness of housing supply to changes in demand has declined since the last recession and compared to other periods of strong housing demand.

Chart 1.8

NEW RESIDENTIAL CONSTRUCTION LESS RESPONSIVE TO CHANGING DEMAND



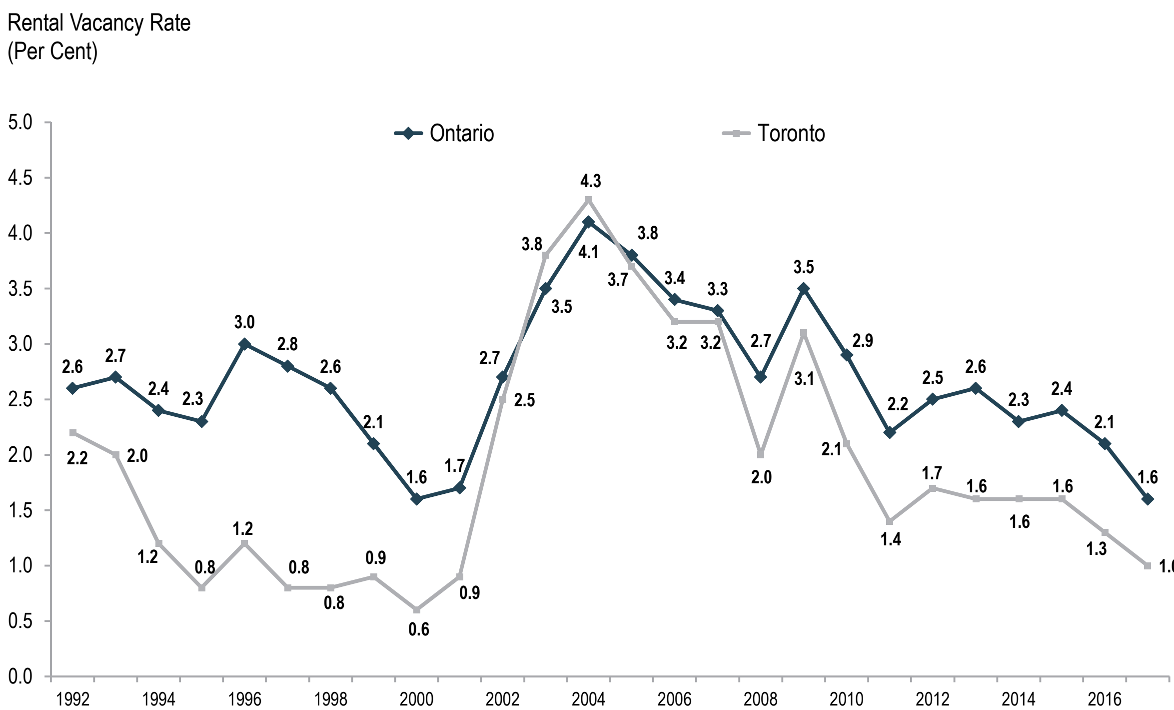
Sources: Statistics Canada, Canadian Real Estate Association and Ontario Ministry of Finance.

The Ministry of Municipal Affairs and Housing will launch a Housing Supply Action Plan in spring 2019. The multi-pronged Action Plan will be aimed at increasing housing supply by addressing barriers that inhibit the development of ownership and rental housing. This plan will be informed by public and stakeholder consultation that will begin immediately. The focus of the Action Plan will be on actions that can be taken to help increase supply quickly as well as longer term actions that will be rolled out over the next 18 months.

Rental Housing Market in Ontario

Good quality, affordable housing is critical to building a strong economy. Many people in Ontario face challenges in finding suitable, affordable rental accommodations, in part due to an extended period of underbuilding of rental units. Since 1992, rental unit construction has not matched household formation. Approximately 20 per cent of Ontario households live in purpose-built rental housing. In 2017, the level of new rental construction would accommodate only 10 per cent of new Ontario households. If construction of rental units had kept pace with underlying demand, construction would have started on an additional 6,100 units in 2017.

Chart 1.9
LOW RENTAL VACANCY RATES



Source: Canada Mortgage and Housing Corporation.

This undersupply of purpose-built rental units contributed to historically low vacancy rates in the rental market. Rent control policies that weaken investment incentives and construction activity have played a role in limiting supply growth in purpose-built rental housing. Strong increases in the supply of condominiums, which until recently were not subject to rent-control guidelines, have helped keep the market better balanced.

FOR THE PEOPLE: REFORMING RENT CONTROL

"Rent control is the exact opposite of what the GTA market needs. We need more rental units not less. If history is a guide, such policy will mostly hurt the people it's trying to protect."

Benjamin Tal, Deputy Chief Economist, CIBC

To address these challenges, the government will enact policies to increase the supply of housing across Ontario. Part of this initiative will be the reintroduction of the rent control exemption that will apply to new rental units first occupied after today. This will help create market-based incentives for supply growth that will encourage an increase in housing supply to meet the needs of the people of Ontario. As well, the government will cancel the Development Charges Rebate Program. This program is an expensive and ineffective method to incentivize new housing supply and cancelling it will result in savings of approximately $100 million over four years. The Province will follow through on its commitment to preserve rent control for existing tenants. This balanced approach will protect existing renters while creating the right conditions to increase the supply of rental units.

BUILDING MORE EFFICIENT REGULATORS

Auto Insurance

Making Auto Insurance More Affordable

The government is committed to lowering auto insurance rates to make life more affordable for the nearly 10 million drivers across the province. The government is working with stakeholders across the auto insurance system to explore options to lower rates in a responsible way, while ensuring that the needs of the people are served.

Ending Discrimination in Auto Insurance Rates

Ensuring fairness in auto insurance rate setting and ending discriminatory practices is a goal of this government. Under the leadership of the Member of Provincial Parliament for Milton, Parm Gill, legislation has been introduced that, if passed, would eliminate the unfair practice of discriminating against drivers simply based on where they live. The government will work with the insurance industry to ensure that the auto insurance system puts Ontario drivers first, offers more consumer choice, and promotes fairness and personal responsibility.

Reducing Regulatory Burden in Auto Insurance

The government is seeking to reduce burden in the auto insurance market by conducting a review of how auto insurance rates are regulated. The government will be conducting this review jointly with the Financial Services Regulatory Authority of Ontario, a new independent regulator that is designed to be flexible and responsive to dynamic changes in the marketplace, as well as industry and consumer expectations. The review will examine practices in other jurisdictions and identify opportunities to achieve greater efficiencies and introduce more competition in the system.

Fostering Auto Insurance Innovation

Recent innovations in the insurance sector require an equally innovative response from the regulator. The government is committed to creating a regulatory framework that allows for a more modern auto insurance sector, including:

- Electronic communications, and electronic proof of auto insurance;
- Innovative insurance products, such as usage-based insurance technology; and
- Full electronic commerce, similar to what is already provided by other financial institutions, including banks and credit unions.

Ensuring Consumer Confidence in Financial Advice

In Ontario today, there is no consistent regulatory oversight of financial planners and advisors. Families risk receiving financial planning and advisory services from individuals who may not be appropriately qualified to help them save for the future. The government will review measures to ensure that families can be confident in their choice of financial planner or advisor, knowing they are dealing with someone who has received appropriate training and is subject to regulatory oversight.

EDUCATION

Consultations for Parents

The Province is currently engaging in public consultations on education reform. The consultations, which began in September, focus on ways to improve Ontario's education system. Approaches to teaching math, important life skills such as financial literacy, and a new Health and Physical Education curriculum that includes subjects such as mental health, sex-ed and the legalization of cannabis, are being considered. Consultations are conducted across multiple channels, including an online survey and telephone town halls in every region of Ontario.

To ensure that the rights of parents are respected, the Province will also begin drafting a Ministry of Education Parents' Bill of Rights. Parents are being asked what elements they want to see included in the Parents' Bill of Rights as part of the provincewide consultation.

College of Teachers' Reform

The government is proposing to amend the *Ontario College of Teachers Act, 1996* and *Early Childhood Educators Act, 2007* in order to strengthen disciplinary measures so that any member found guilty of sexual abuse by the College's Discipline Committee would be subject to the mandatory revocation of their certificate of registration. This change would protect Ontario's children, ensure that schools and early years and child care settings are safe, and respect the rights of parents.

FOR THE PEOPLE: SERVICE ANIMALS IN SCHOOLS

An increasing number of students with special education needs are using service animals (typically a dog) to support them in their daily lives. In some cases, families have had their requests to have a dog accompany their child to school denied. Informed by the advocacy of the Member of Provincial Parliament for Kitchener South-Hespeler, Amy Fee, the government is providing clarity for school boards and families around the appropriate use of service animals in schools, while respecting the rights and needs of other students and staff.

Ending Discovery Math

Math test scores among public elementary school students in Ontario have been steadily declining over the past decade. A comparison of student achievement results for the 2008–09 and 2017–18 school years, as published by the Education Quality and Accountability Office (EQAO), shows the percentage of students who met the Provincial standard in mathematics fell from 70 per cent to 61 per cent among third graders, and from 63 per cent to 49 per cent among sixth graders.[3]

A discovery-based learning environment does not teach students the fundamentals of basic math. Good math skills are critical for students striving to be scientists and engineers. Recognizing the central role that education systems play in developing foundational math skills, the government has directed school boards to focus on the fundamentals in the delivery of the math curriculum. Beginning in 2020, new teachers will have to pass a math content knowledge test to be certified to teach in Ontario.

Numeracy is an essential skill to succeed in school, the workforce and in everyday life. Early math skills are a strong predictor — even more so than reading skills — of later academic achievement and success in the labour market.[4]

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3 Education Quality and Accountability Office, "Highlights of the Provincial Results," (2013). http://www.eqao.com/en/assessments/results/communication-docs/provincial-report-highlights-elementary-2013.pdf
Education Quality and Accountability Office, "Highlights of the Provincial Results," (2018). http://www.eqao.com/en/assessments/results/communication-docs/provincial-report-highlights-mathematics-2018.pdf

4 Anna Stokke, *What To Do about Canada's Declining Math Scores*, Commentary No. 427, C. D. Howe Institute, (2015).

Free Speech on Campus

Colleges and universities should be places for open discussion and debate. This is why the government is taking immediate action to protect free speech, and respect the open exchange of ideas and opinions on every Ontario publicly funded university and college campus.

Colleges and universities will have until January 1, 2019 to develop, implement and comply with a free speech policy that meets a minimum standard set by the government and is based on best practices from around the world. The policy will uphold free speech, while discouraging hate speech, discrimination or speech that violates the law on campus.

Starting September 2019, the Higher Education Quality Council of Ontario (HEQCO) will monitor progress. Each institution will be required to prepare an annual report on its progress in complying with its free speech policy, publish it online and submit it to HEQCO. A college or university that does not introduce, report on, or comply with its free speech policy may be subject to a reduction in operating grant funding. Students who contravene free speech policy are subject to existing campus disciplinary measures.

SOCIAL ASSISTANCE

Reforming Social Assistance

Social assistance programs are an important part of Ontario's social safety net, and the government is committed to helping those who are most vulnerable. Ontario will present a plan to reform social assistance that will improve employment outcomes and cut red tape to help more people break the cycle of poverty, re-enter the workforce and get back on track.

PENSIONS

Cutting Red Tape for Retirees

The government is moving forward with legislative and regulatory changes that, if passed, will facilitate the implementation of variable benefit accounts, allowing retired members of defined contribution pension plans to receive income directly from their plans. The introduction of variable benefit accounts will expand the options available and reduce red tape for retirees with defined contribution pension plans.

SECURE COMMUNITIES AND SAFER STREETS

People need to feel safe in their homes and communities. The government is taking action to provide police services with the resources they need to enforce the law and protect innocent families from drug, gun and gang-related violence.

Guns and Gangs Initiative

Ontario is committed to continuing to work with its policing partners to combat gun crime and gang violence. The government is investing $25 million in new funding over four years to fight guns and gangs in the City of Toronto. This investment is in addition to the $76 million over four years already being provided to support the Toronto Police Service. This funding would provide additional digital, investigative and analytical resources necessary for fighting drug gangs and criminals. In addition, the government has established an Intensive Firearm Bail Support Team, led by five Crown Attorneys, who are working with police to develop local expertise to ensure that the strongest possible evidence is placed before the court when the Crown is seeking detention for serious firearm charges. This team has been up and running since October 1, 2018. At the same time, another team will focus exclusively on ensuring that those offenders who are out on bail are not violating any terms of their release.

FOR THE PEOPLE: RESPONSE FROM TORONTO POLICE SERVICE

"Premier Ford and his government have listened to our concerns and have invested in the Toronto Police Service, giving us the ability to be surgical with apprehending those who use guns and ensuring the courts have the resources they need to deal with violent criminals."

Mark Saunders, Chief of Police, Toronto Police Service

Investing in Community Infrastructure

The government is investing to replace aging facilities with nine new Ontario Provincial Police (OPP) detachments so communities can continue to receive modern, cost effective and high-quality police services that are essential to public safety. All nine detachments will be replaced under one major infrastructure project.

The government will also be taking immediate action to keep the people of Ontario safe and protect communities by replacing the province's crumbling Public Safety Radio Network, which front-line and emergency responders rely on during emergencies. Replacing this aging system with state-of-the-art technology will provide a critical resource to paramedics, police officers, fire services and other front-line and emergency responders to protect and keep individuals and families safe across Ontario.

Improving Access to Justice

To improve access to justice and promote program efficiency, the government plans to review those adjudicative tribunals and tribunal clusters that are accountable to the Ministry of the Attorney General. This review is part of the government's plan to ensure that programs are effective, affordable and sustainable.

Illegal Tobacco

The availability of illegal, untaxed tobacco undermines Ontario's tax system, creates an unfair business advantage, and compromises the health and public safety of Ontario families. EY Canada's line-by-line review estimates illegal tobacco accounts for $750 million in lost Provincial revenue annually.

That is why the Ministry of Finance will launch a public awareness campaign that informs the public about how to identify illegal tobacco, and the consequences and risks of participating in the illegal market.

The ministry is also undertaking a comprehensive review of tobacco tax regulation and enforcement with a view to reducing the size of the illegal tobacco market through new partnerships with law enforcement and First Nations.

The Contraband Tobacco Enforcement Team within the Ontario Provincial Police, which focuses on links between organized crime and illegal tobacco, has hired additional staff over the summer and will soon have doubled in size. The ministry will also launch a tobacco enforcement grants program to create incentives for local and regional police to take on more investigations into illegal tobacco.

Sudden and sharp increases to tobacco taxation rates over recent years have played a role in pushing individuals into the illegal market. In an effort to stem this flow, Provincial Tobacco Tax rates will remain at their current levels in 2019.

FOR THE PEOPLE: REDUCING THE ILLEGAL TOBACCO MARKET

The Contraband Tobacco Enforcement Team has been involved in a number of high-profile seizures of illegal tobacco, guns and drugs. Expanding this team will help protect the health and public safety of Ontario families.

HONOURING ONTARIO'S VETERANS

Afghanistan Veterans' Memorial

Ontario is committed to building a monument within the legislative precinct at Queen's Park to honour the Canadian veterans who served in the war in Afghanistan. The monument will memorialize those who did not make it home, and symbolize the sacrifices these heroes made to protect our values and freedoms. Completion is expected by fall 2019.

Property Tax Exemption for the Royal Canadian Legion

The Royal Canadian Legion provides important support to veterans and their families in many communities across Ontario.

Currently, most municipalities support their local Legion branch by providing property tax relief. Like these municipalities, the Province recognizes the valuable services that Legions provide to local veterans, their families and the broader community. That is why the government is proposing an amendment to the *Assessment Act* which would, if passed, create a provincewide property tax exemption for properties occupied by Ontario branches of the Royal Canadian Legion, starting in 2019.

The government is proud of the work that Legions do in making Ontario communities a better place. This long-overdue measure would ensure that all Legion branches in every Ontario community are treated consistently and equitably with respect to property taxes.

INCREASING CONVENIENCE FOR THE PEOPLE

Putting Money Back in Consumers' Pockets

To prevent an immediate increase in beer prices, the government is taking action to halt the legislated three cents per litre increase in beer basic tax rates scheduled for November 1, 2018. This tax hike, put in place by the previous government, would have cost consumers an additional 25 cents for a 24-pack. The proposed changes would lock the current basic tax rates for beer at their current levels and leave more money in the pockets of Ontario beer fans.

Going forward, the government will continue to review the tax regime with respect to beverage alcohol as part of its plan to save money for consumers, reduce red tape and put people first.

Earlier this year, the government also brought back buck-a-beer by reducing the minimum price floor for beer to $1.00 per bottle plus deposit. To encourage brewers to lower their prices, the Premier formally launched the "Buck-a-Beer Challenge." Barley Days Brewery, Cool Beer Brewing Company and President's Choice all accepted this challenge, and a number of buck-a-beer products were available at the LCBO and the Beer Store. Since this initiative was launched on August 27, 2018, the people of Ontario have purchased more than 50,000 cases and have saved $600,000. Consumers can continue to purchase buck-a-beer products at select LCBO locations and online.

Increasing Choice in the Retail Distribution of Alcohol

Alcohol reform is something long-desired by the people of Ontario. The government is committed to modernizing the rules for the retail and consumption of beverage alcohol in Ontario by acknowledging that the province is mature enough for this change and ready to join other jurisdictions in making life a little more convenient. As part of this commitment, a level playing field will be encouraged by expanding the sale of beer and wine into corner stores, grocery stores and big-box stores based on market demand as opposed to government decree. To inform this plan, a comprehensive review of the beverage alcohol sector will be completed. This review will include opportunities for consumers and businesses to provide input on a range of issues that impact Ontario's rules around the sale and consumption of beer, cider, wine and spirits.

As an immediate first step in modernizing the sector, the Alcohol and Gaming Commission of Ontario will align the permissible hours of operation for retailers, including the Beer Store, the LCBO and authorized grocery stores, by enabling them to sell beverage alcohol from 9:00 a.m. to 11:00 p.m., seven days a week. This change will improve choice, access and convenience, and will allow consumers to make responsible choices that work best for them.

CANNABIS RETAIL IMPLEMENTATION

The federal government legalized recreational cannabis beginning on October 17, 2018. In response, the government of Ontario has been working to develop a robust distribution and private retail system that protects children and youth, keeps roads safe and combats the illegal market.

The government consulted on legislation with municipalities, Indigenous communities, law enforcement agencies, public health advocates, school boards, and business and consumer groups. The main message heard was to ensure that cannabis distribution and retail is tightly controlled.

The message was received loud and clear. That is why the government established the Alcohol and Gaming Commission of Ontario (AGCO) as the regulator for private cannabis retail stores. The government heard from many people, including municipal leaders, who agreed that the AGCO could leverage its existing experience, expertise and infrastructure to effectively regulate cannabis retail stores, and build on its mandate to regulate in the public interest. The AGCO, which has an embedded Ontario Provincial Police unit, would strictly enforce the Provincial rules, including the minimum age of 19 years for those who purchase recreational cannabis and a zero-tolerance approach to any retailer who sells cannabis to a minor. Those who do not follow the rules will face hefty fines and risk losing their retail licence. There will be serious consequences for retailers who break the law.

The Province has also aligned cannabis consumption rules with the restrictions set out in the *Smoke-Free Ontario Act, 2017*. Under the Act, smoking and vaping cannabis is strictly prohibited near schools, children's playgrounds, hospitals and child care facilities — among other areas. Any form of recreational cannabis consumption is prohibited in motor vehicles and boats. In addition, municipalities have the ability to toughen the rules to further restrict smoking, including in other outdoor spaces such as parks, through bylaws. Municipalities can establish more restrictive rules for smoking to fit their specific communities and their specific needs. The Province intends to introduce legislation to amend the *Municipal Act, 2001* and the *City of Toronto Act, 2006* to further clarify municipalities' authority in this respect.

In order to protect young people and keep Ontario roads and communities safe, the government has made the safe distribution and retail of cannabis its number one concern. The government has taken a balanced approach with tough rules to prevent selling to children and youth, while at the same time allowing the market to develop in order to drive the illegal operators out of business. The government's decision to move to private retail stores means that it has avoided Ontario Cannabis Store capital expenditures of $1 million per planned store, for savings of nearly $150 million by 2020.

Clearly, cannabis is not a benign substance. Those who choose to consume cannabis should use responsibly, exercise moderation and never consume and drive.

CHAPTER II

ECONOMIC OUTLOOK

INTRODUCTION

Ontario's economy has struggled over the past 15 years, with its performance slipping compared to the other provinces. Growth has also been uneven across the regions and sectors of the province. Business investment has been weak, and many workers are not fully utilizing their skills in the labour market.

Ontario also faces a number of challenges that have the potential to adversely affect the province's growth in the short term, and dampen economic prospects and prosperity in the longer term. The business community is finding it hard to compete because of regulatory barriers, a lack of tax competitiveness and the lingering effects of uncertainty related to global trade tensions. As a result, investment has underperformed, limiting labour productivity growth. Workers too often find themselves not suitably trained for today's job market demands, which hinders income growth and contributes to higher household debt.

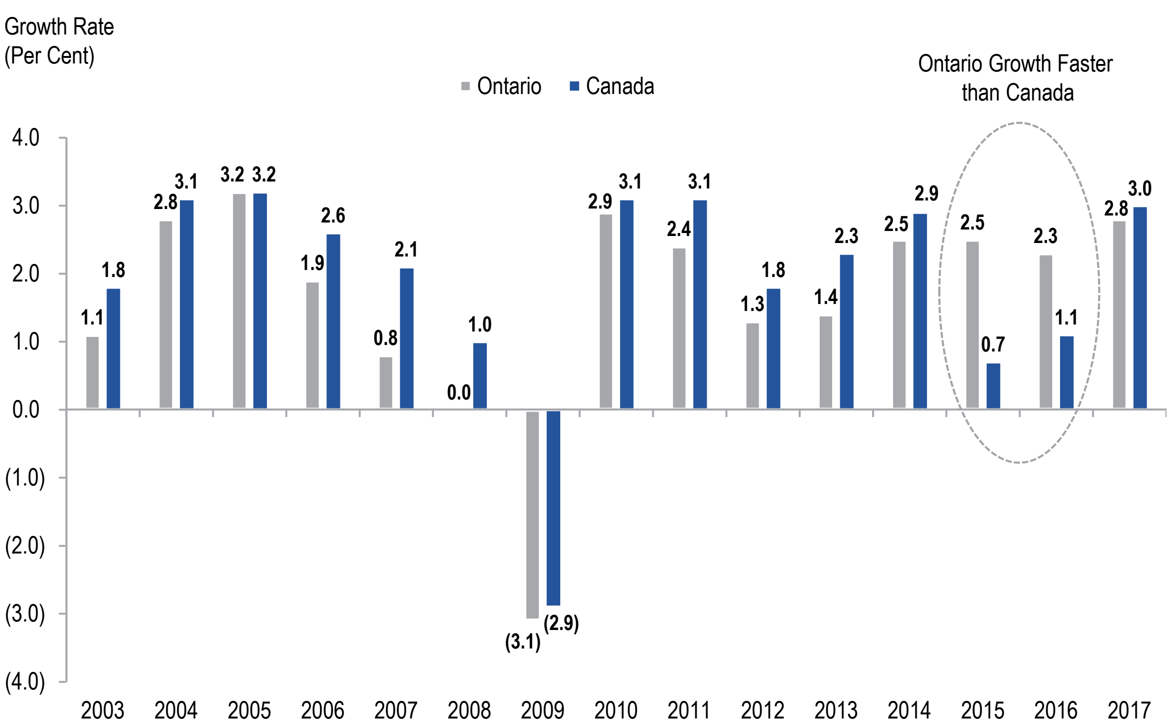
As interest rates and the Canadian dollar rise and the pace of U.S. growth slows, there are several risks that could affect Ontario's economic expansion, including high household debt, volatility in the housing market and evolving global trade discussions.

ONTARIO'S RECENT ECONOMIC PERFORMANCE

Ontario's Lagging Economic Growth Since 2003

Ontario's economic growth has been lagging behind Canada's since 2003, when global commodity prices began to rise. Ontario's real gross domestic product (GDP) has grown faster than that of Canada as a whole just twice since 2003, occurring only when the external economic environment was extremely favourable for the province. This relatively slow growth has resulted in Ontario's share of Canada's economy declining from 40.7 per cent in 2003 to 36.5 per cent in 2014. It increased to 38.6 per cent in 2017 mainly due to the adverse impact of lower commodity prices in recent years on the nominal GDP of major resource producing provinces.

Chart 2.1
ONTARIO GROWTH OUTPACED CANADA IN TWO OF THE PAST 15 YEARS



Sources: Statistics Canada and Ontario Ministry of Finance.

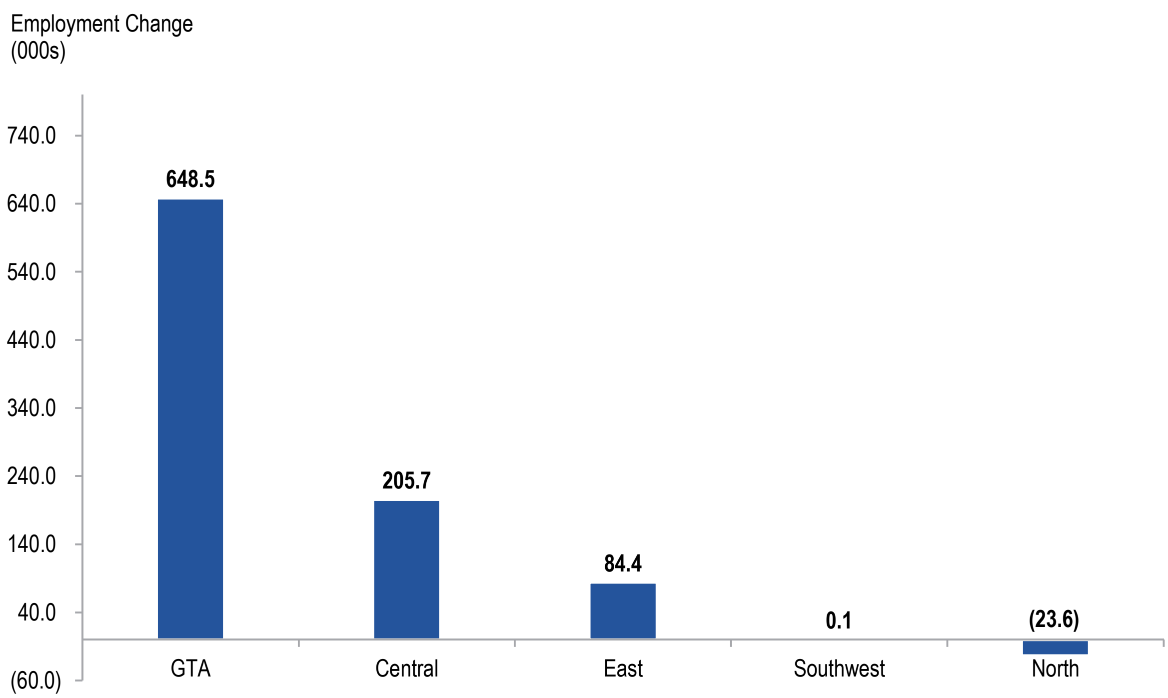
Significant Regional Imbalances

Despite a challenging business environment, employment has grown but has not been experienced across all regions in Ontario. Between 2003 and 2017, the Greater Toronto Area (GTA) and Central Ontario (i.e., the area around the GTA) accounted for more than 93 per cent of the 915,100 net jobs created in the province. In contrast, Eastern Ontario and Southwestern Ontario gained 84,400 and 100 net new jobs respectively, while Northern Ontario saw employment decline by 23,600 net jobs.

Average growth in GDP has also varied by region, with annual growth in the GTA of 2.3 per cent between 2003 and 2017 outpacing all other regions, including Central Ontario (+2.0 per cent), Eastern Ontario (+1.5 per cent), Southwestern Ontario (+0.9 per cent), and Northern Ontario (+0.2 per cent).[1]

Chart 2.2

ONTARIO EMPLOYMENT GROWTH BY REGION, 2003 TO 2017



Source: Statistics Canada and Ontario Ministry of Finance.

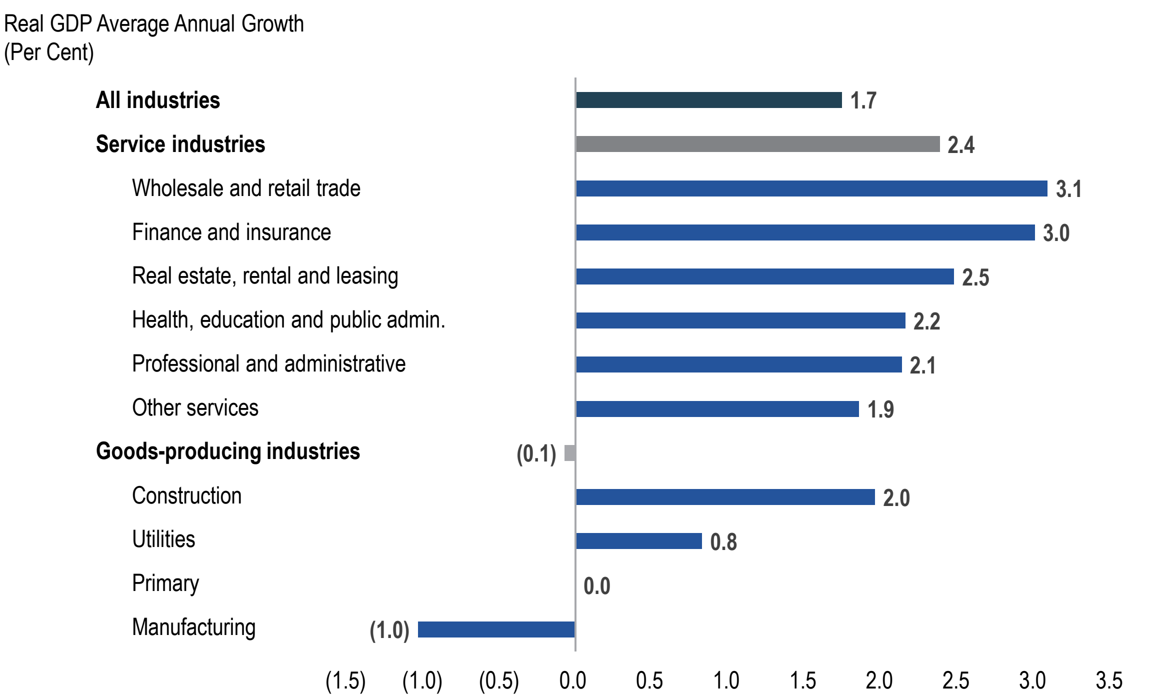
[1] Stokes Economics, "Ontario Regional Economic Outlook September 2018," and Ontario Ministry of Finance.

Some Sectors Struggling

Growth has varied considerably across sectors since the recession, with the service-producing sector growing faster and creating jobs at a greater pace than goods-producing industries. Since its peak in 2004, employment in Ontario's manufacturing sector has declined by 337,000 jobs.

Chart 2.3

GDP GROWTH HAS VARIED BY SECTOR, 2003 TO 2017

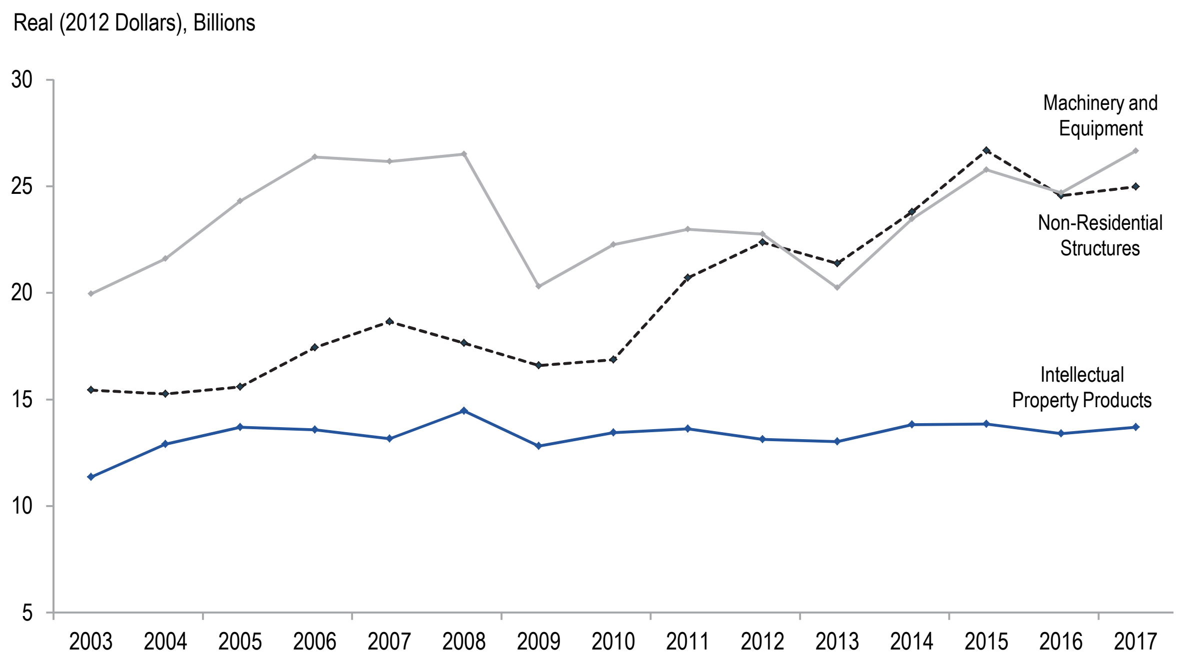


Note: Based on *Provincial and Territorial Economic Accounts* (preliminary May 2017).
Sources: Statistics Canada and Ontario Ministry of Finance.

Weak Business Investment

Business investment in Ontario has been lagging, limiting labour productivity growth. Business investment accounted for 8.8 per cent of provincial GDP in 2017, below the long-run average of 10.0 per cent. Since the recession, investment in non-residential structures is the only category of business investment which has exceeded its historical growth rate and is now 34.0 per cent above its pre-recession peak. Machinery and equipment investment has lagged and is now just 0.6 per cent above its pre-recession peak. Business investment in Ontario has been impacted by an increasingly competitive and uncertain global economic environment. The weakness in business investment is limiting the capacity of the economy to grow and create jobs.

Chart 2.4
ONTARIO REAL BUSINESS INVESTMENT

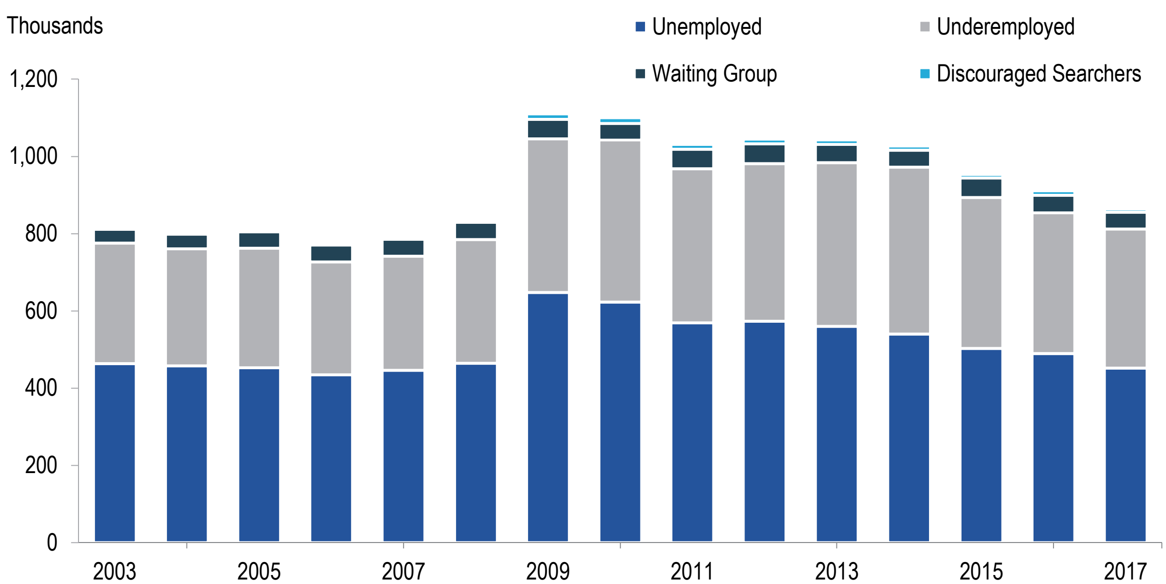


Sources: Statistics Canada and Ontario Ministry of Finance.

Underutilized Skills

The benefits of recent economic growth and prosperity have not been shared among all individuals and households because many workers are unable to fully participate in the labour market. In 2017, about 864,000 workers were underutilized in Ontario. This was down from the recessionary peak of 1.1 million in 2009, but still higher than the pre-recession level of 836,000 in 2008. Over the first 10 months of 2018, there were 31,000 fewer part-time positions in Ontario.

Chart 2.5
UNDERUTILIZED LABOUR IN ONTARIO



Notes: Unemployed are those without work, but are available and looking. Underemployed are those working part-time, but want and are available to work full-time. The waiting group are those expecting recall or reply, or plan to start a job in the future. Discouraged searchers are those who want and are available to work, but stop looking, believing no jobs are available.
Sources: Statistics Canada and Ontario Ministry of Finance.

CHALLENGES

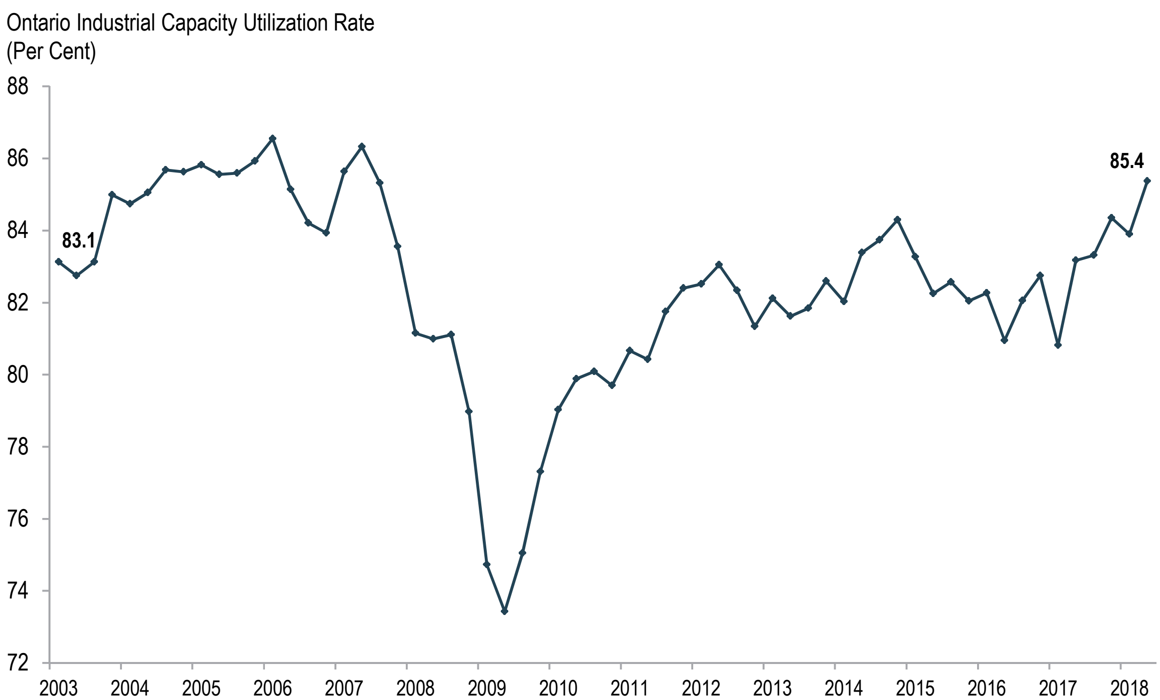
Ontario's economy faces a number of challenges that can adversely affect growth in the near term, and limit the province's prospects and prosperity over the longer term. If these trends are left unchecked, Ontario will fail to live up to its economic potential, providing fewer job opportunities and lower incomes for individuals and families, and leaving businesses struggling to compete.

Near-Term Challenges

Weak Investment Limits Capacity for Growth

Ontario's economy is operating near its full capacity. The industrial capacity utilization rate in Ontario is estimated to have risen to 85.4 per cent in the second quarter of 2018, recovering to pre-recession levels. As the economy operates near the upper bounds of productive capacity, due to previous underinvestment, opportunities for growth are limited.

Chart 2.6
INDUSTRIAL CAPACITY UTILIZATION



Note: Ontario Ministry of Finance Estimate.
Sources: Statistics Canada and Ontario Ministry of Finance.

Continued Trade Uncertainty

Uncertainty may continue to limit business investment and operations as the new United States-Mexico-Canada Agreement (USMCA) on trade proceeds through ratification processes in all three countries, and businesses begin to assess the implications of the agreement for their North American operations. Some of the provisions in the agreement could reduce the opportunities for growth in supply-managed industries.

Additional trade issues, such as existing U.S. tariffs on Canadian steel and aluminum and softwood lumber, could continue to affect those sectors. Recently imposed U.S. tariffs on steel and aluminum, and associated Canadian retaliations are contributing to higher costs for Ontario industries.

High and sustained import tariffs between China and the United States would raise prices around the world, potentially disrupting global supply chains and causing a slowdown in global trade. The detrimental effect on consumer and business confidence and on business investment could reduce global growth, including in Canada and Ontario. However, Ontario may increase its exports to the United States and other partners as a result of the escalating United States-China trade dispute. Higher tariffs on U.S. imports from China may enable Ontario exporters to increase their market share in the United States, as Chinese exports become less competitive.

It is also important that open trade and partnerships exist within Canada. Leveraging interprovincial trade and reducing trade barriers between provinces will enable Ontario to stay competitive and continue to create and protect jobs. See Chapter I, Section B: *Making Ontario Open for Business* for details.

Uncertainty Related to a Federal Carbon Tax on Businesses

A federal carbon tax will lead to higher fuel prices and increase costs for businesses in Ontario and across the country. This is also creating uncertainty for businesses because the federal government has yet to finalize plans for its output-based pricing system for industrial emissions. The uncertainty and higher costs created by the federal carbon tax will reduce business competitiveness, adversely affecting investment and employment. There is a further risk that the businesses most impacted by the federal carbon tax will move their operations out of the province and into jurisdictions that do not have carbon taxes, negatively impacting the Canadian economy without reducing overall global emissions.

U.S. Tax Reform Reduces Canadian Competitiveness

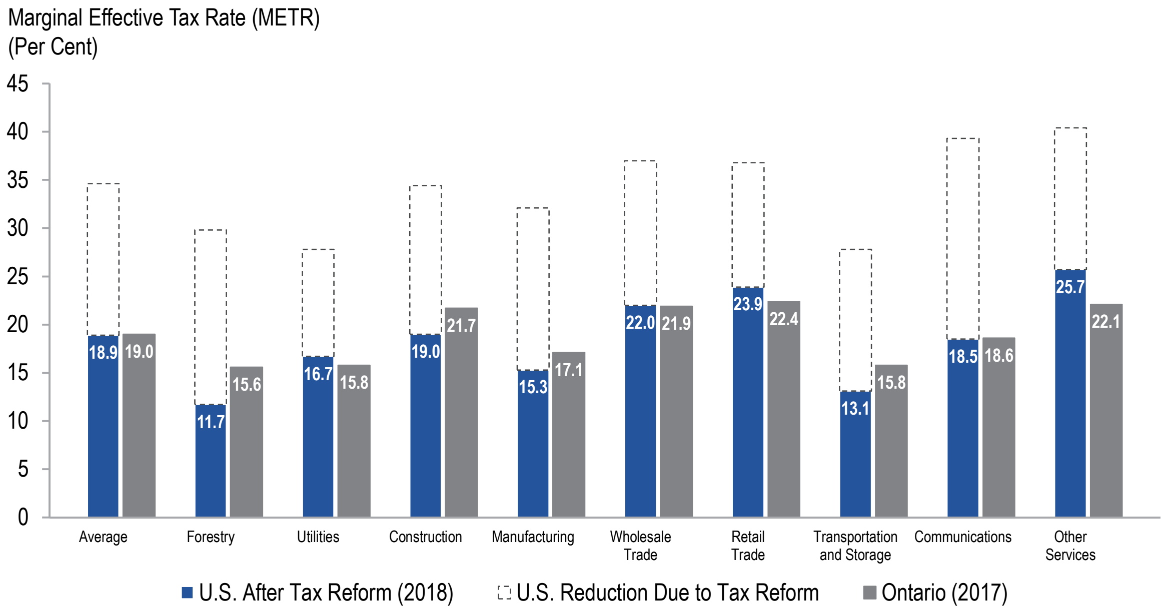
As outlined in Chapter I, Section B: *Making Ontario Open for Business*, U.S. federal tax reform has changed the competitiveness landscape by reducing corporate income tax rates, temporarily allowing immediate expensing of certain assets and making other changes that favour U.S. domestic investment.

Before the U.S. federal tax reform, Ontario had a substantial tax advantage over the United States as measured by the marginal effective tax rate (METR). The average METR for Ontario was about 45 per cent lower than in the United States. The provincial industries with the largest competitive advantage compared to the United States were communication services and forestry, where METRs were respectively around 53 per cent and 48 per cent lower than in the United States. The manufacturing METR was around 47 per cent lower.

The U.S. federal tax reform greatly reduced or eliminated Ontario's tax advantage with the magnitude of the loss of competitiveness varying by industry. Currently the average U.S. METR is just below Ontario's, and the industries now facing the greatest competitiveness challenges are forestry, and transportation and storage, which have METRs that are now respectively 33 per cent and 21 per cent higher than in the United States. The METR for Ontario's manufacturing industry is now 12 per cent higher than in the United States.

In response to U.S. federal tax reform and other challenges that reduced both Ontario's and Canada's competitiveness, Ontario's Minister of Finance and Minister of Economic Development, Job Creation and Trade sent a letter to the federal government formally asking that it take action to address this imbalance with initiatives such as the immediate expensing of depreciable assets. Ontario is willing to work with the federal government and other provinces on initiatives such as introducing immediate expensing, before there are further impacts on jobs, investment, and growth opportunities in Ontario and Canada. See Chapter I, Section B: *Making Ontario Open for Business* and Annex: *Details of Tax Measures* for more information on the government's plan to support tax competitiveness.

Chart 2.7
CORPORATE TAX COMPETITIVENESS



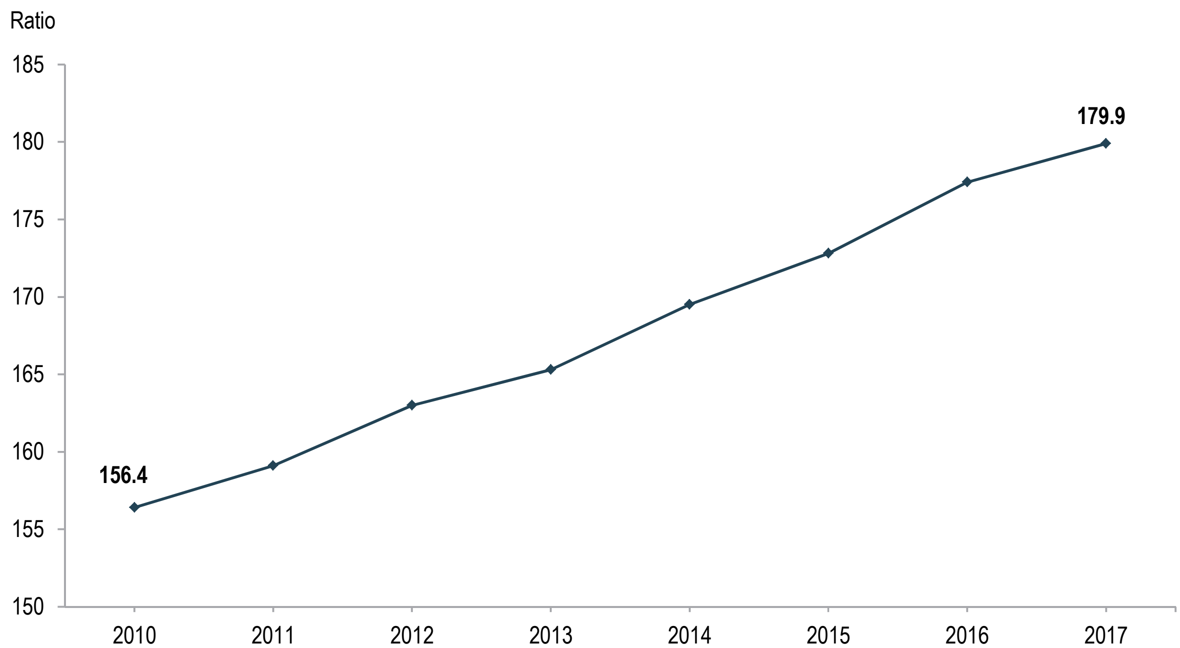
Sources: Philip Bazel, Jack Mintz and Austin Thompson, "2017 Tax Competitiveness Report: The Calm Before the Storm," The School of Public Policy, University of Calgary, Research Paper vol. 11:7, February 2018. Philip Bazel and Jack Mintz, "Tax Policy Trends: Canadian Policy Makers Consider Response to U.S. Tax Overhaul," The School of Public Policy, University of Calgary, October 2018.

High Household and Government Debt in a Rising Interest Rate Environment

While household and government spending have supported economic growth since the recession, they have led to elevated levels of debt. Ontario's household debt-to-income ratio has steadily risen from 156.4 per cent in 2010 to 179.9 per cent in 2017. The government's net debt-to-GDP ratio, a measure of debt relative to the size of the economy, has also grown over this period. See Chapter IV: *Borrowing and Debt Management* for details. Low borrowing rates have kept debt servicing costs manageable for both households and government in recent years. However, interest rates have started to rise, putting pressure on households with significant monthly mortgage payments and other loans.

Chart 2.8

ONTARIO HOUSEHOLD DEBT-TO-INCOME RATIO



Source: Statistics Canada.

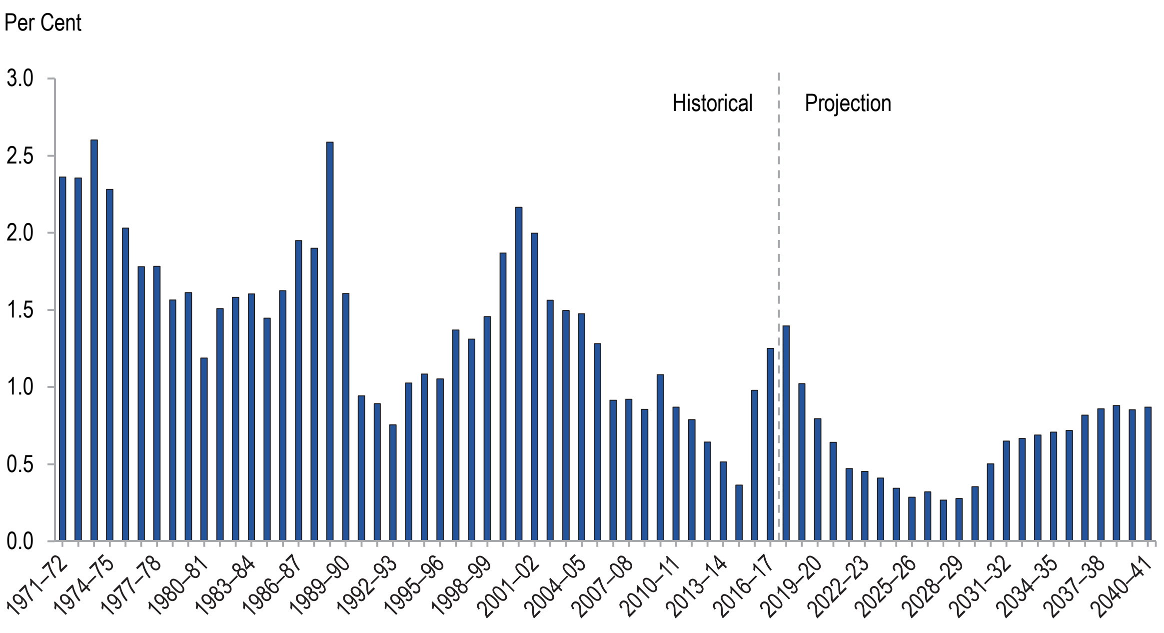
Long-Term Challenges

Demographic Pressures

Demographic change has a significant impact on Ontario's long-term economic and fiscal outlook. While the provincial population is projected to continue growing at a steady pace, sustained by immigration, the average age will continue to rise. Over the next 15 years, baby boomers will retire. As a result of these large cohorts leaving the provincial workforce, growth in the working-age group (15 to 64) will slow down significantly. A slower growing labour force may restrain future economic growth, unless productivity accelerates.

Population aging, driven by increasing life expectancies and low fertility rates, is projected to accelerate as baby boomers become seniors. Over the next two decades, the number of seniors in the province will nearly double, putting pressure on the government's capacity to deliver appropriate services and programs to this fast-growing age group. Long-term population growth and aging will also affect government spending, notably on health care and infrastructure, as well as on transfer programs and services for seniors.

Chart 2.9
GROWTH RATE OF WORKING-AGE POPULATION (15 TO 64)



Sources: Statistics Canada for 1971 to 2017 and Ontario Ministry of Finance projections.

Labour Productivity Underperformance

Productivity growth is a key driver of increased economic prosperity and enhanced living standards. Over the past decade, Ontario's business sector labour productivity[2] growth has slowed significantly from an annual average rate of 1.4 per cent over 1998 to 2007 to 0.8 per cent in 2008 to 2017.

Over the coming years, as the growth of Ontario's labour force slows due to population aging, productivity growth will need to strengthen further to ensure future advances in prosperity. Ontario's open-for-business approach will help build confidence and support private-sector investment opportunities that will raise productivity growth in the future.

Regulatory Barriers Inhibit Firm Growth

Excessive government regulations create burdensome administrative cost for businesses and impede the investment and entrepreneurship that is critical for firms to grow. Regulatory barriers can also prevent people from starting businesses, and discourage existing companies when making decisions on new locations to expand their operations. According to the survey of businesses conducted by the Canadian Federation of Independent Business in 2017, about three-fifths of small business owners in Canada felt that excessive government regulations discouraged them from growing their business, and over two-thirds of owners stated that excessive government regulations significantly reduce productivity in their business. According to the same survey, Ontario's total cost of regulations in 2017 was the highest among the provinces, followed by Quebec's and British Columbia's. Reducing regulatory burden through regulatory reform has been found to increase GDP, enabling employers to respond quicker to changing economic conditions. See Chapter I, Section B: *Making Ontario Open for Business* for more details on the government's plan to address the regulatory burden.

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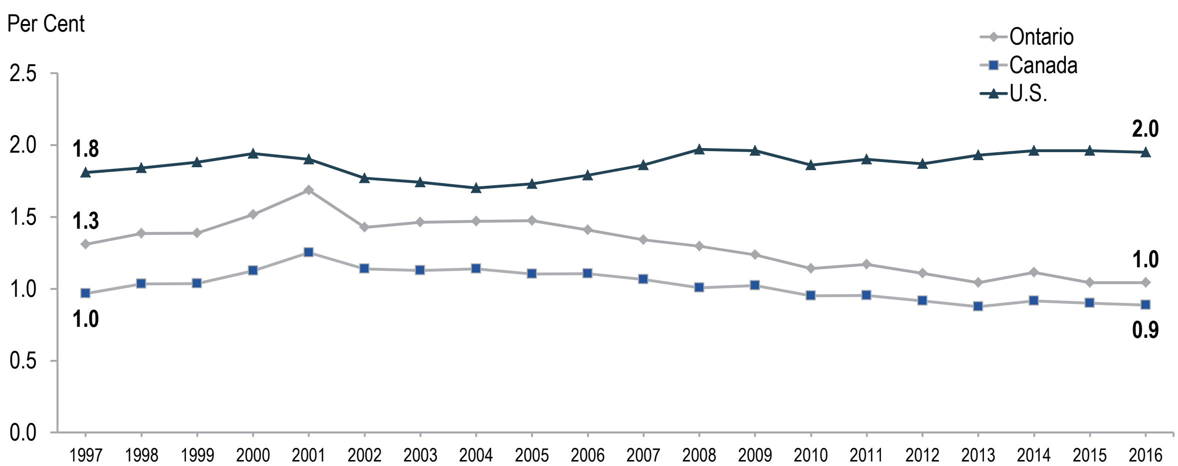
2 Labour productivity is defined as real output per hour worked.

Declining Research and Development Performance

Business expenditures on research and development (R&D) declined in real terms by 17 per cent in Ontario between 2005 and 2016. The province's intensity of business expenditures on R&D, expressed as a percentage of GDP, has also generally been trending downwards since its peak at 1.7 per cent in 2001. Between 2012 and 2016, it averaged 1.1 per cent. A drop in R&D spending suggests that companies in the province could be falling behind competitors elsewhere and may be losing their ability to compete in the introduction of innovative products to the global market. In contrast, business R&D intensity in the United States averaged 1.9 per cent between 2012 and 2016, and edged up by 0.1 percentage point over this period.

Chart 2.10

ONTARIO BUSINESS R&D INTENSITY



Note: Business expenditures on R&D (BERD) are expressed as a share of GDP.

Sources: Statistics Canada, National Science Foundation and Ontario Ministry of Finance.

OUTLOOK

Ontario's economy is expected to grow over the 2018 to 2021 period, with rising employment, higher incomes, improved business investment and gains in exports. A summary of Ontario's economic outlook is presented in Table 2.1.

Table 2.1
SUMMARY OF ONTARIO'S ECONOMIC OUTLOOK

(Per Cent)

	2015	2016	2017	2018p	2019p	2020p	2021p
Real GDP Growth	2.5	2.3	2.8	2.0	1.8	1.7	1.5
Nominal GDP Growth	4.6	4.4	4.1	3.8	3.8	3.5	3.2
Employment Growth	0.7	1.1	1.8	1.5	1.2	1.0	0.8
CPI Inflation	1.2	1.8	1.7	2.5	2.1	2.0	1.6

p = Ontario Ministry of Finance planning projection based on information up to October 22, 2018.
Sources: Statistics Canada and Ontario Ministry of Finance.

Private-Sector Forecasts

The Ministry of Finance regularly consults with private-sector economists and continually tracks their forecasts to inform the government's planning assumptions. Private-sector economists are projecting continued growth for Ontario over the forecast horizon. On average, they are calling for real GDP growth of 2.1 per cent in 2018, 1.9 per cent in 2019, 1.8 per cent in 2020, and 1.6 per cent in 2021. For prudent fiscal planning, the Ministry of Finance's real GDP growth projections are slightly below the average of private-sector forecasts.

Table 2.2
PRIVATE-SECTOR FORECASTS FOR ONTARIO REAL GDP GROWTH
(Per Cent)

	2018	2019	2020	2021
BMO Capital Markets (October)	2.2	1.8	–	–
Central 1 Credit Union (October)	2.2	1.8	1.7	1.8
CIBC World Markets (October)	2.1	1.8	1.3	–
The Conference Board of Canada (July)	1.8	1.9	2.3	2.0
Desjardins Group (September)	2.1	1.9	1.5	0.3
Laurentian Bank Securities (September)	1.9	1.7	1.8	–
National Bank of Canada (October)	2.0	1.8	1.6	–
RBC Financial Group (September)	2.0	1.9	–	–
Scotiabank Group (October)	2.1	2.1	1.6	–
Stokes Economics (July)	1.9	1.9	2.0	1.8
TD Bank Financial Group (September)	2.2	2.2	1.7	–
University of Toronto (October)	2.2	1.9	2.1	2.2
Private-Sector Survey Average	**2.1**	**1.9**	**1.8**	**1.6**
Ontario's Planning Assumption	**2.0**	**1.8**	**1.7**	**1.5**

Source: Ontario Ministry of Finance Survey of Forecasters (October 22, 2018).

Global Economic Context

Developments in the global economic environment have a strong influence on the pace of economic activity in Ontario. Forecasts for key external factors are summarized in Table 2.3. These are used as the basis for the Ministry of Finance's forecast for economic growth in the province.

Table 2.3
OUTLOOK FOR EXTERNAL FACTORS

	2015	2016	2017	2018p	2019p	2020p	2021p
World Real GDP Growth (Per Cent)	3.5	3.3	3.7	3.7	3.7	3.7	3.6
U.S. Real GDP Growth (Per Cent)	2.9	1.6	2.2	2.9	2.6	1.8	1.8
West Texas Intermediate (WTI) Crude Oil ($US per Barrel)	49	43	51	68	69	68	66
Canadian Dollar (Cents US)	78.2	75.5	77.0	77.6	78.0	78.8	79.4
Three-Month Treasury Bill Rate[1] (Per Cent)	0.5	0.5	0.7	1.4	2.1	2.5	2.6
10-Year Government Bond Rate[1] (Per Cent)	1.5	1.3	1.8	2.3	2.8	3.3	3.4

p = Ontario Ministry of Finance planning projection based on external sources.

[1] Government of Canada interest rates.

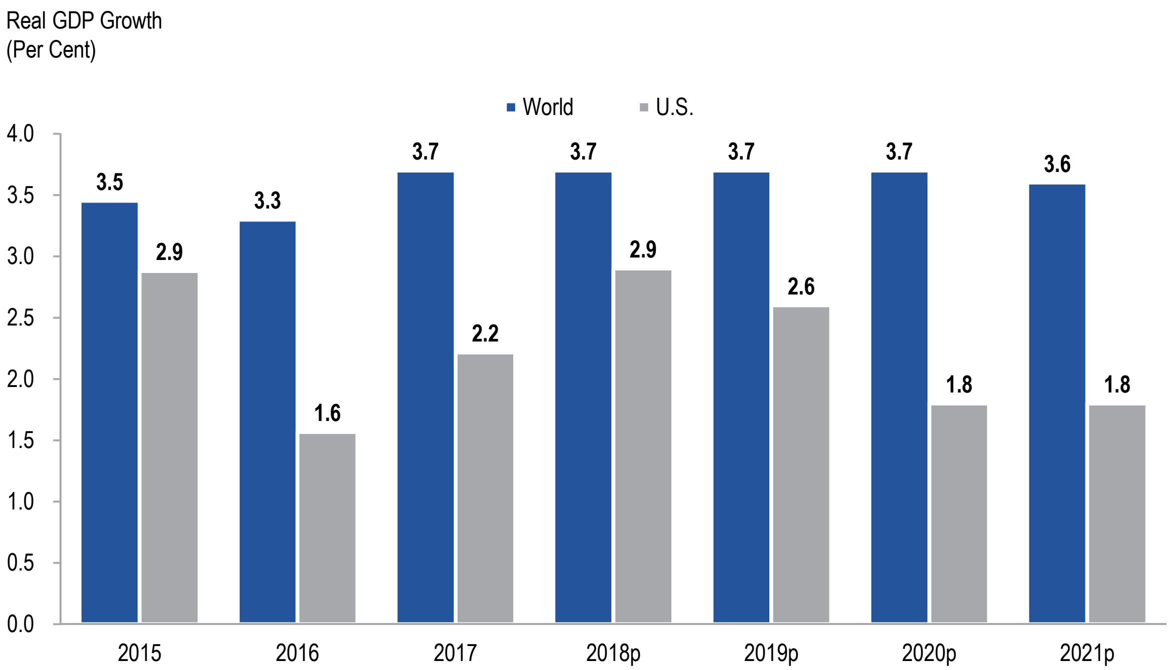
Sources: IMF World Economic Outlook (October 2018), United States Bureau of Economic Analysis, "Blue Chip Economic Indicators" (October 2018), U.S. Energy Information Administration, Bank of Canada, Ontario Ministry of Finance Survey of Forecasters (October 22, 2018) and Ontario Ministry of Finance.

Global economic growth is expected to be strong in 2018, driven largely by a strengthening U.S. economy. According to the International Monetary Fund (IMF), global real GDP is expected to rise by 3.7 per cent annually during 2018 to 2020, followed by a 3.6 per cent increase in 2021.

Private-sector forecasters project U.S. real GDP to rise by 2.9 per cent in 2018 and 2.6 per cent in 2019, supported by tax cuts and infrastructure spending. As this fiscal stimulus fades, real GDP is expected to rise by 1.8 per cent in both 2020 and 2021. U.S. auto sales are expected to moderate, but remain at a healthy level, supporting Ontario exporters.

Chart 2.11

WORLD AND U.S. GDP GROWTH



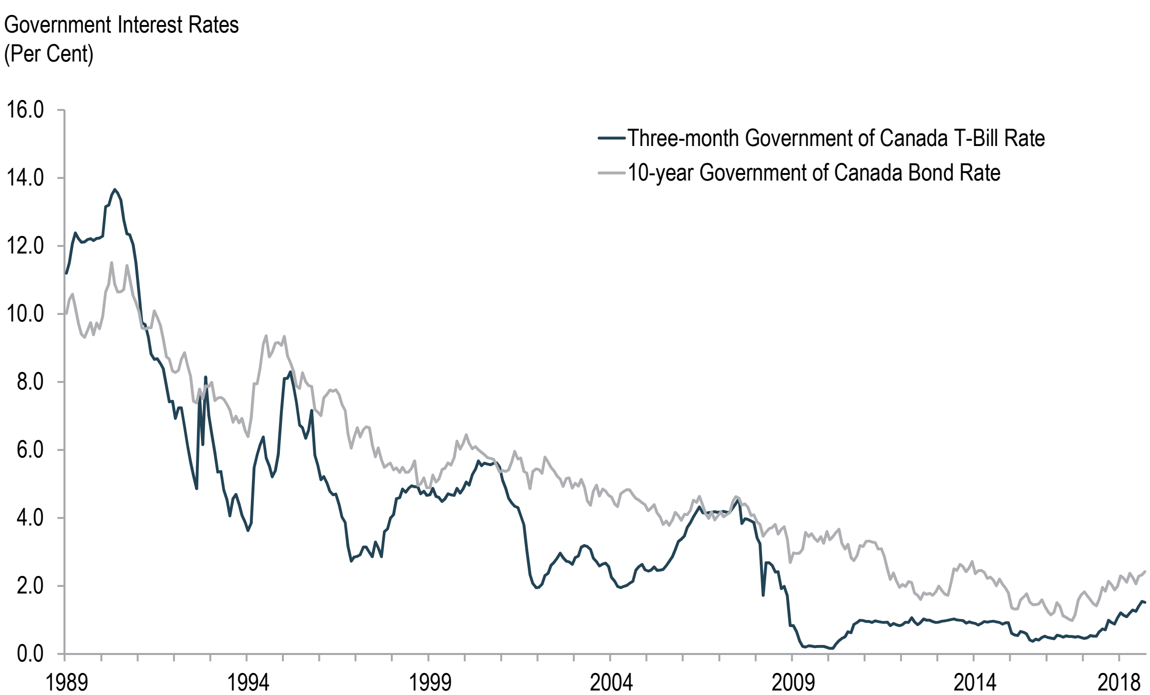
p = Ontario Ministry of Finance planning projection.

Sources: IMF World Economic Outlook (October 2018), United States Bureau of Economic Analysis and "Blue Chip Economic Indicators" (October 2018).

At the same time, a number of developments have contributed to a more negative global backdrop. Escalating trade disputes between the United States and its trade partners have elevated global uncertainty, which is impacting investment decisions. These tensions have caused prices of some producer and consumer goods to rise. Recent trade issues between the United States and China are adding to uncertainty and could disrupt trade patterns, affecting global economic growth.

Interest rates in both Canada and the United States have increased over the past year. Responding to modestly higher inflation and tighter labour markets, the U.S. Federal Reserve has increased policy rates by 2.0 percentage points since December 2015. The Bank of Canada has increased rates by 1.25 percentage points over the same period. Stronger economic growth and ongoing government borrowing in the United States have contributed to rising longer term interest rates. Near-term interest rates have risen more quickly than longer term rates recently. Should this continue and short-term rates exceed long-term rates, it potentially signals a slower pace of economic activity, based on past experience.

Chart 2.12
INTEREST RATES RISING BUT STILL LOW



Source: Bank of Canada.

Private-sector forecasters expect interest rates to rise modestly over the forecast period. The three-month Government of Canada T-bill interest rate is projected to rise from 1.4 per cent in 2018 to 2.6 per cent in 2021. Recently, the Bank of Canada signalled their policy interest rate will need to rise from the current rate of 1.75 per cent to a neutral stance, which is estimated to be between 2.5 per cent and 3.5 per cent. Long-term interest rates are expected to rise from 2.3 per cent in 2018 to 3.4 per cent in 2021.

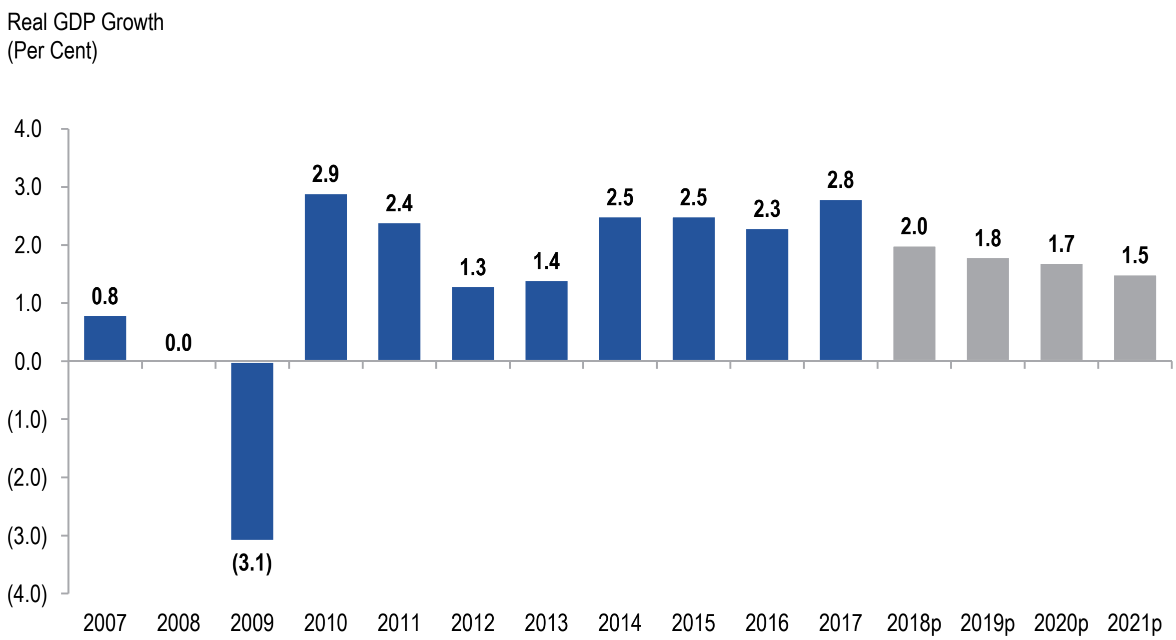
Oil prices have risen markedly over the past year with West Texas Intermediate prices increasing by 40 per cent from $50 US per barrel in September 2017 to $70 US in September 2018. Solid growth in global demand alongside concerns about international supply disruptions, such as the reimposition of U.S. sanctions on Iran and collapsing Venezuelan oil production, have contributed to the rise in oil prices. The price environment is expected to support continued robust growth in U.S. oil production. Solid gains in North American oil supply are expected to keep pace with demand and limit price increases over the projection period.

The Canada-U.S. exchange rate has declined moderately so far in 2018, and the outlook is for modest increases in the Canadian currency. The Canadian dollar is expected to average 77.6 cents US in 2018 and rise gradually to 79.4 cents US in 2021.

Moderate Real GDP Growth Projected

The Ministry of Finance is projecting steady, moderate growth in Ontario's economy. Real GDP is forecast to rise by 2.0 per cent in 2018, 1.8 per cent in 2019, 1.7 per cent in 2020, and 1.5 per cent in 2021. Growth is expected to be more modest over the next four years due to limited economic capacity, higher interest rates and slowing U.S. growth.

Chart 2.13
GROWTH PROJECTED TO MODERATE



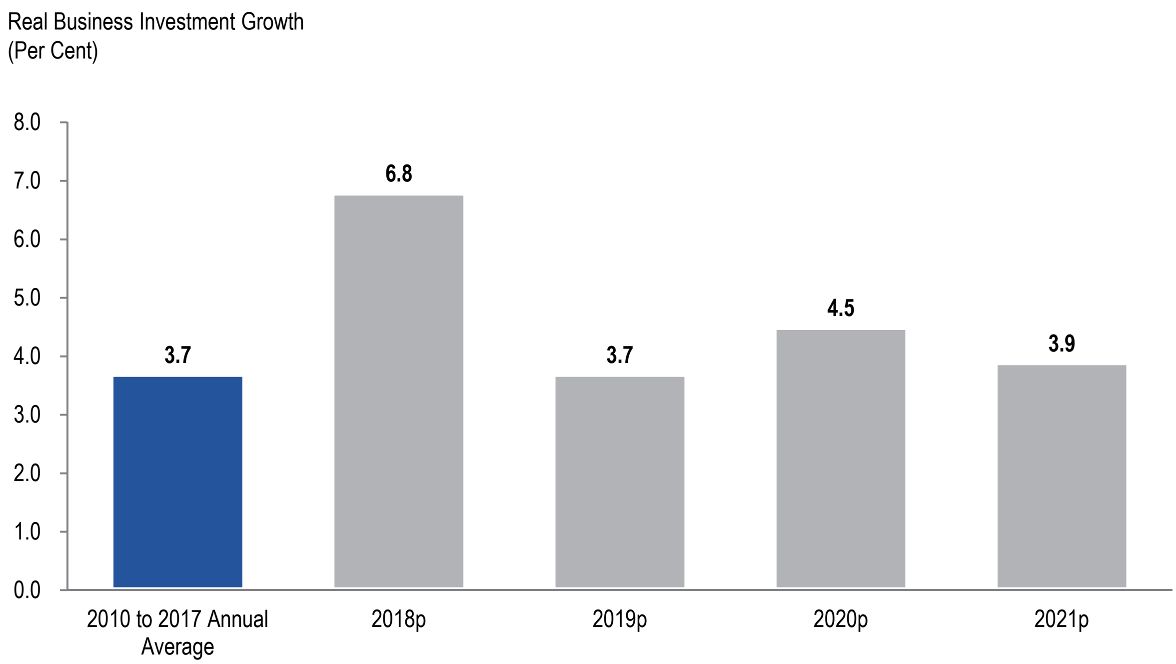
p = Ontario Ministry of Finance planning projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

Growth in consumer spending is expected to remain supportive but moderate given elevated household debt loads. As interest rates rise, growth in household consumption is projected to slow to an average 1.9 per cent between 2018 and 2021. Consumer spending is also expected to shift away from interest rate sensitive items, such as motor vehicles, and towards non-durables and services. Over the next four years, a tight labour market, rising wages and government policies to reduce the cost of living will support increases in disposable incomes, allowing households to improve their overall financial positions.

Residential investment is projected to decline during the 2018 to 2019 period before recording modest gains over the outer years of the forecast. As highlighted in Chapter I, Section C: *Respecting Consumers and Families*, there is evidence housing construction has fallen short of meeting underlying demand. Supporting stronger residential construction would help individuals and households, benefiting overall economic growth. The recent stabilization and improvement in the resale housing market is expected to continue, tempered by rising mortgage rates.

Business investment is projected to grow, supported by Ontario's open-for-business policies and an economy operating close to full potential. Also, the resolution of United States, Mexico and Canada trade negotiations may provide a greater degree of certainty and help lift business confidence and investment over the medium term. Non-residential business investment is expected to grow by 6.2 per cent in 2018 and average 4.3 per cent annually during 2019 to 2021. Investment in machinery and equipment is expected to increase 8.2 per cent in 2018 and by an average annual rate of 3.9 per cent in the 2019 to 2021 period.

Chart 2.14
STRONG BUSINESS INVESTMENT GROWTH PROJECTED



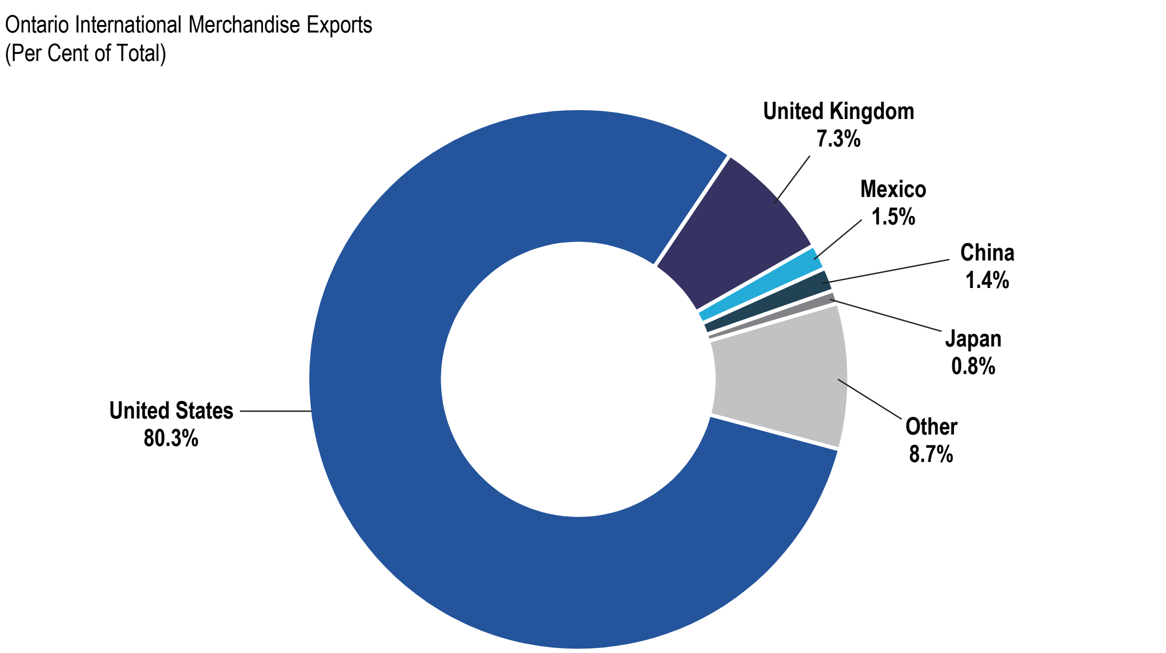
p = Ontario Ministry of Finance planning projection.

Note: Business investment includes non-residential construction, machinery and equipment and intellectual property products.

Sources: Statistics Canada and Ontario Ministry of Finance.

Ontario's economy is highly export-oriented, with important trade linkages to other provinces and countries, which provide opportunities for businesses and support jobs for the people. The recently announced USMCA on trade will support growth in Ontario exports which are expected to average 1.9 per cent annually in the 2019 to 2021 period, after growing by 1.0 per cent in 2018. The large majority of Ontario's international exports are goods products. Ontario's most important international trading partner, the United States is the destination for 80 per cent of all international goods exports. Maintaining a close, productive trading relationship with the United States will help support Ontario's exporters and boost economic growth.

Chart 2.15
UNITED STATES IS ONTARIO'S LARGEST TRADE PARTNER, 2017



Sources: Statistics Canada and Ontario Ministry of Finance.

The government is concerned about the impacts of U.S. steel and aluminum tariffs and the USMCA on Ontario's steel, aluminum and supply-managed sectors. U.S. tariffs on steel and aluminum products have been impacting Ontario's businesses and workers by increasing costs to industry on both sides of the border. The Province has called on the federal government to support the families and workers whose livelihoods are now at risk. See Chapter I, Section B: *Making Ontario Open for Business* for more details.

Labour Market

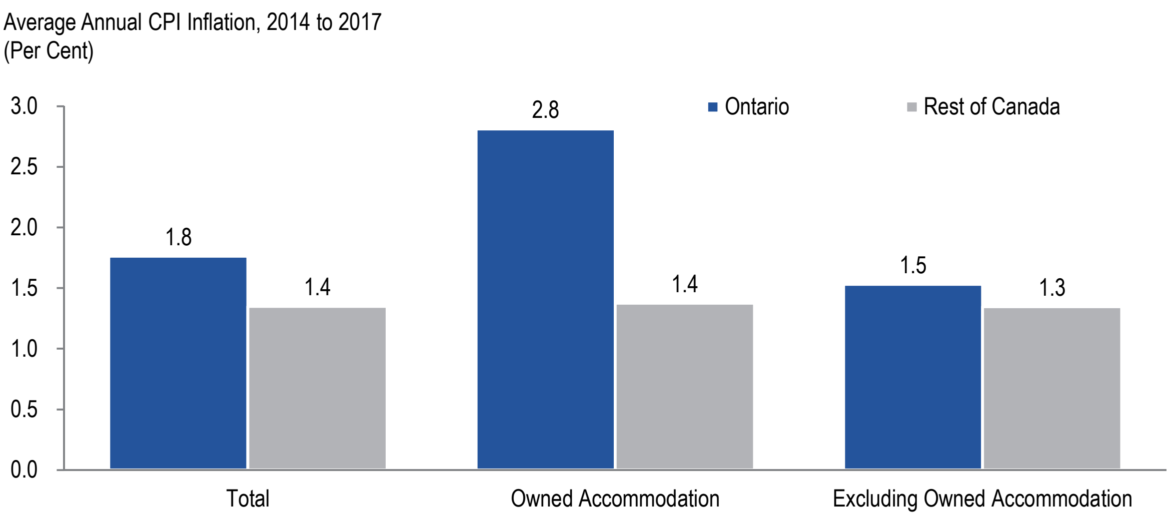
The Ministry of Finance is projecting continued growth in employment which will help keep the unemployment rate low. Employment is forecast to rise by 1.5 per cent in 2018 and average 1.0 per cent annually during 2019 to 2021. The average annual unemployment rate is expected to be 5.6 per cent in 2018 and then remain at 5.5 per cent from 2019 to 2021. Historically, lower unemployment rates have been accompanied by stronger wage growth. Wages and salaries are expected to remain relatively healthy over the forecast, rising 4.8 per cent in 2018 and by an average 4.0 per cent annually over the 2019 to 2021 period.

Prices

The Ministry of Finance is projecting Consumer Price Index (CPI) inflation to be 2.5 per cent in 2018 before moderating to 2.1 per cent in 2019 and averaging 1.8 per cent annually in 2020 and 2021. Over 2014 to 2017, Ontario CPI inflation averaged 1.8 per cent annually, faster than the average CPI inflation rate of 1.4 per cent annually across the rest of Canada. High home prices and related housing expenses have played a role in elevating the cost of living in Ontario. CPI inflation for owned accommodation averaged 2.8 per cent annually from 2014 to 2017, double the comparable inflation rate in the rest of Canada.

After rising by 9.7 per cent in 2017, Ontario resale house prices are expected to decline by 3.1 per cent in 2018. This decline largely reflects weakness earlier in the year in sales of higher priced, detached homes in the Greater Toronto Area, as well as a softer sales environment due to rising mortgage rates and changes to federal mortgage regulations. As the housing market adjusts, resale home prices are projected to rebound by 1.4 per cent in 2019, 2.0 per cent in 2020 and 3.6 per cent in 2021.

Chart 2.16
HOUSING COSTS ELEVATED ONTARIO CPI INFLATION



Sources: Statistics Canada and Ontario Ministry of Finance.

RISKS TO ONTARIO'S ECONOMIC OUTLOOK

Rising U.S. protectionism and related uncertainty around global trade likely had an impact on the Ontario economy in 2018, negatively affecting exports and investment. The recently announced USMCA on trade will lessen uncertainty in Ontario and potentially boost economic growth by prompting higher business investment and exports. Business investment growth may be reinforced by an economy nearing capacity and strong U.S. growth, prompting firms to expand spending on structures and machinery and equipment.

Interest rates rising faster than expected could have a significant negative impact on household and government spending, given historically high levels of debt. The Bank of Canada recently noted that consumption levels are currently more sensitive to interest rate increases than in the past due to elevated debt levels. Higher interest rates will raise debt service burdens which could cause reduced spending.

Housing affordability continues to pose a challenge, though declines in house prices alongside continued gains in household income this year have helped to moderate risks. Recent volatility in Ontario's housing market could resume, posing further risks to the economic outlook.

Table 2.4 provides current estimates of the impact of sustained changes in key external factors on the growth of Ontario's real GDP, assuming other external factors are unchanged. The relatively wide range of the estimated impacts reflects uncertainty regarding how the economy could respond to these changes in external conditions.

Table 2.4
IMPACTS OF SUSTAINED CHANGES IN KEY EXTERNAL FACTORS ON ONTARIO'S REAL GDP GROWTH

(Percentage Point Change)

	First Year	Second Year
Canadian Dollar Depreciates by Five Cents US	+0.1 to +0.7	+0.2 to +0.8
Crude Oil Prices Decrease by $10 US per Barrel	+0.1 to +0.3	+0.1 to +0.3
U.S. Real GDP Growth Increases by One Percentage Point	+0.2 to +0.6	+0.3 to +0.7
Canadian Interest Rates Increase by One Percentage Point	(0.1) to (0.5)	(0.2) to (0.6)

Source: Ontario Ministry of Finance.

DETAILS OF THE ONTARIO ECONOMIC OUTLOOK

Table 2.5 provides details of the Ministry of Finance's economic outlook for the 2018 to 2021 period.

Table 2.5
THE ONTARIO ECONOMY, 2016 TO 2021

(Per Cent Change)

	Actual		Projection			
	2016	**2017**	**2018**	**2019**	**2020**	**2021**
Real Gross Domestic Product	**2.3**	**2.8**	**2.0**	**1.8**	**1.7**	**1.5**
Household Consumption	2.7	3.9	2.1	1.9	1.9	1.9
Residential Construction	7.5	1.0	(4.0)	(0.3)	1.6	0.5
Non-Residential Construction	(7.9)	1.7	6.2	4.5	5.0	3.5
Machinery and Equipment	(4.2)	7.9	8.2	3.5	4.5	3.7
Exports	2.7	1.8	1.0	2.1	2.1	1.7
Imports	1.3	5.1	1.7	1.9	2.0	2.0
Nominal Gross Domestic Product	**4.4**	**4.1**	**3.8**	**3.8**	**3.5**	**3.2**
Primary Household Income	1.5	4.7	4.4	3.7	3.9	3.8
Compensation of Employees	1.8	4.7	4.8	4.0	4.1	3.9
Net Operating Surplus — Corporations	15.8	1.8	0.6	3.4	3.0	4.7
Other Economic Indicators						
Retail Sales	6.9	7.7	4.0	3.8	4.0	3.1
Housing Starts (000s)	75.0	79.1	75.0	71.1	72.0	71.4
Home Resales	8.7	(9.8)	(11.5)	14.3	4.3	4.6
Home Resale Prices	15.4	9.7	(3.1)	1.4	2.0	3.6
Consumer Price Index	1.8	1.7	2.5	2.1	2.0	1.6
Employment	1.1	1.8	1.5	1.2	1.0	0.8
Job Creation (000s)	76	128	107	87	72	58
Unemployment Rate (Per Cent)	6.5	6.0	5.6	5.5	5.5	5.5
Key External Variables						
U.S. Real Gross Domestic Product	1.6	2.2	2.9	2.6	1.8	1.8
WTI Crude Oil ($ US per Barrel)	43	51	68	69	68	66
Canadian Dollar (Cents US)	75.5	77.0	77.6	78.0	78.8	79.4
Three-Month Treasury Bill Rate[1]	0.5	0.7	1.4	2.1	2.5	2.6
10-Year Government Bond Rate[1]	1.3	1.8	2.3	2.8	3.3	3.4

[1] Government of Canada interest rates (per cent).

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Bank of Canada, United States Bureau of Economic Analysis, "Blue Chip Economic Indicators" (October 2018), U.S. Energy Information Administration and Ontario Ministry of Finance.

Comparison to the *2018 Budget*

Based on updates to private-sector forecasts, the Ministry of Finance's planning assumption for Ontario real GDP growth is 2.0 per cent in 2018, down from 2.2 per cent projected at the time of the *2018 Budget*. The change in outlook reflects relatively slow growth in the first quarter of 2018 and the uncertainty related to global trade arrangements. In addition, the outlook over the 2019 to 2021 period has moved slightly lower compared to the projections in the *2018 Budget*.

Key changes since the *2018 Budget* include:

- Lower real GDP growth in 2018 with slightly lower average growth over the outlook period;
- Lower nominal GDP growth over the outlook period, notably in 2020 and 2021, to incorporate new private-sector forecast information; and
- Modestly lower Canadian dollar and interest rates over the outlook period.

Table 2.6

CHANGES IN ONTARIO MINISTRY OF FINANCE KEY ECONOMIC FORECAST ASSUMPTIONS: *2018 BUDGET* COMPARED WITH *2018 ONTARIO ECONOMIC OUTLOOK AND FISCAL REVIEW* (FES)

(Per Cent Change)

	2018p		2019p		2020p		2021p	
	2018 Budget	*2018 FES*	*2018 Budget*	*2018 FES*	*2018 Budget*	*2018 FES*	*2018 Budget*	*2018 FES*
Real Gross Domestic Product	2.2	2.0	1.8	1.8	1.9	1.7	1.7	1.5
Nominal Gross Domestic Product	4.1	3.8	3.9	3.8	4.0	3.5	3.9	3.2
Retail Sales	4.3	4.0	3.8	3.8	3.9	4.0	3.3	3.1
Housing Starts (000s)	72.4	75.0	69.5	71.1	71.7	72.0	71.5	71.4
Primary Household Income	5.3	4.4	4.3	3.7	4.0	3.9	4.1	3.8
Compensation of Employees	5.9	4.8	4.5	4.0	4.2	4.1	4.2	3.9
Net Operating Surplus — Corporations	1.5	0.6	3.5	3.4	2.8	3.0	4.1	4.7
Employment	1.7	1.5	1.1	1.2	0.9	1.0	0.8	0.8
Job Creation (000s)	121	107	77	87	62	72	60	58
Consumer Price Index	2.2	2.5	2.2	2.1	2.1	2.0	1.9	1.6
Key External Variables								
U.S. Real Gross Domestic Product	2.8	2.9	2.4	2.6	2.1	1.8	2.0	1.8
WTI Crude Oil ($ US per Barrel)	59	68	59	69	59	68	60	66
Canadian Dollar (Cents US)	80.1	77.6	80.9	78.0	81.2	78.8	81.2	79.4
Three-Month Treasury Bill Rate[1] (Per Cent)	1.4	1.4	2.2	2.1	2.7	2.5	2.7	2.6
10-Year Government Bond Rate[1] (Per Cent)	2.4	2.3	3.0	2.8	3.5	3.3	3.5	3.4

p = Ontario Ministry of Finance planning projection.

[1] Government of Canada interest rates.

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Bank of Canada, U.S. Energy Information Administration, United States Bureau of Economic Analysis, “Blue Chip Economic Indicators” (October 2018) and Ontario Ministry of Finance.

CHAPTER III

ONTARIO’S FISCAL PLAN AND OUTLOOK

INTRODUCTION

The government is committed to restoring trust, transparency and accountability in Ontario's finances. To this end, the government has accepted the recommendations of the Independent Financial Commission of Inquiry (Commission) and undertaken a number of targeted tax and efficiency measures to enhance economic growth and ensure value for every tax dollar spent. The Government for the People is demonstrating that these actions are achieving results with a lower projected deficit than the baseline provided by the Commission. Improving the Province's fiscal health is paramount, which means returning the budget to balance on a modest, reasonable and pragmatic timetable.

CURRENT FISCAL OUTLOOK

On July 17, 2018, the government took action to restore the public's confidence in Ontario's books by establishing the Independent Financial Commission of Inquiry to look into the Province's past spending and accounting practices.

The Commission's report provided the government with a revised 2018–19 fiscal outlook compared to the *2018 Budget*. The report states that, instead of the $6.7 billion deficit projected in the *2018 Budget*, the Province's revised baseline deficit is $15 billion.

Actions undertaken by the government to find efficiencies and reduce spending have resulted in $3.2 billion in program expense savings relative to the Commission's outlook. Savings of $2.7 billion for taxpayers, largely due to eliminating planned tax increases and cancelling the cap-and-trade carbon tax, have been reflected in the revenue outlook. Taken together, these changes result in a projected deficit of $14.5 billion, a $0.5 billion improvement to the Commission's baseline deficit forecast.

Table 3.1
FISCAL SUMMARY

($ Billions)

	Actual 2017–18	Commission Revised Baseline 2018–19	Change	Current Outlook 2018–19
Revenue	**150.6**	**150.9**	***(2.7)***	**148.2**
Expense				
Programs	142.4	152.4	*(3.2)*	149.2
Interest on Debt	11.9	12.5	–	12.5
Total Expense	**154.3**	**164.9**	***(3.2)***	**161.8**
Surplus/(Deficit) Before Reserve	**(3.7)**	**(14.0)**	***0.5***	**(13.5)**
Reserve	–	1.0	–	1.0
Surplus/(Deficit)	**(3.7)**	**(15.0)**	***0.5***	**(14.5)**
Net Debt as a Per Cent of GDP	39.2	40.8		40.5
Accumulated Deficit as a Per Cent of GDP	25.3	N.A.		26.1

Notes: Numbers may not add due to rounding. To ensure consistency and comparability of numbers between the current outlook, the Commission's baseline forecast and prior year results, the Commission's Net Debt as a Per Cent of GDP estimate has been revised from 40.5 per cent after updating GDP with the most recent numbers from Statistics Canada's *Provincial and Territorial Economic Accounts, 2017.*

INDEPENDENT FINANCIAL COMMISSION OF INQUIRY INTO ONTARIO'S FINANCES

In order to restore trust and accountability in the Province's finances, one of the first actions of this government was to establish the Independent Financial Commission of Inquiry to look into past financial practices, specifically accounting practices, and to provide advice on the Province's budgetary position for 2018–19 as compared to the fiscal position presented in the *2018 Budget*.

The Commission's report, released publicly in September 2018, reaffirms the position of the Auditor General of Ontario that the previous government's *2018 Budget* numbers were "not a reasonable presentation of Ontario's finances."[1] The Commission concluded that the government inherited a deficit of $15.0 billion for 2018–19, $8.3 billion higher than the outlook presented in the *2018 Budget*.

Table 3.2 provides a breakdown of the Commission's adjustments to the *2018 Budget* plan for 2018–19. For additional details on the Commission's recommendations please see https://www.fin.gov.on.ca/en/report/ifci-2018.pdf.

Table 3.2

INDEPENDENT FINANCIAL COMMISSION OF INQUIRY'S ADJUSTMENTS TO THE *2018 BUDGET* SURPLUS/(DEFICIT) PROJECTION FOR 2018–19

($ Billions)

	2018–19
Surplus/(Deficit) from the *2018 Budget*	**(6.7)**
Proposed Revisions to the Revenue Outlook	
Revise economic growth forecast	(0.4)
Revise impact of housing market	(0.4)
Revise impact of minimum wage increase	(0.1)
Revise impact of U.S. tax reform	(0.8)
Reflect updated 2017 tax assessment information	0.2
Projected Revenue Shortfall Relative to the *2018 Budget*	**(1.5)**
Proposed Revisions to the Expense Outlook	
Provisionally adopt Auditor General's accounting treatment of pension expenses	2.7
Adopt Auditor General's accounting treatment of global adjustment refinancing	2.4
Reverse year-end savings and program review savings targets	1.4
Projected Expense Increase Relative to the *2018 Budget*	**6.4**
Revision to reserve relative to the *2018 Budget*	0.3
Impact on *2018 Budget* Surplus/(Deficit)	**(8.3)**
2018–19 Surplus/(Deficit) as identified by the Commission	**(15.0)**

Note: Numbers may not add due to rounding.
Source: Details reproduced from the *Report of the Independent Financial Commission of Inquiry* released September 21, 2018.

[1] Office of the Auditor General of Ontario, "Review of the 2018 Pre-Election Report on Ontario's Finances," (2018), http://www.auditor.on.ca/en/content/specialreports/specialreports/2018Pre-Election_en.pdf

2018–19 IN-YEAR REVENUE CHANGES

In addition to the $1.5 billion in revenue changes recommended by the Commission, the revenue outlook also reflects decisions and actions undertaken by this government. As a result, revenue is now projected to be $2.7 billion lower in 2018–19 than the Commission's forecast.

Table 3.3
2018–19 IN-YEAR REVENUE CHANGES[1]
($ Millions)

	2018–19
Not Proceeding With *2018 Budget* and Prior Planned Tax Increases	(308)
Cancelling Cap-and-Trade Carbon Tax	(1,507)
Low-Income Individuals and Families Tax (LIFT) Credit	(125)
Ontario Power Generation Inc./Hydro One Ltd.	(59)
Cannabis Implementation	(3)
Other Changes	(689)
Total In-Year Revenue Changes	**(2,691)**

[1] Changes shown are in addition to those recommended by the Commission.
Note: Numbers may not add due to rounding.

A number of tax changes planned by the previous government are being cancelled, benefiting taxpayers and reducing the 2018–19 revenue forecast by $308 million, including not proceeding with:

- Adjustments to rates, brackets, surtax and credits for Ontario Personal Income Tax;
- Phasing out the Small Business Limit;
- Ontario Research and Development Tax Credit enhancements;
- Targeting the Employer Health Tax exemption; and
- Increasing the beer basic tax rate on November 1, 2018.

The government's decision to cancel the cap-and-trade carbon tax results in a reduction in revenues of $1,507 million in 2018–19.

The Low-income Individuals and Families Tax (LIFT) Credit announced in this document reduces the 2018–19 revenue forecast by $125 million related to the impact on revenues during the January 1, 2019 to March 31, 2019 period. See the Annex: *Details of Tax Measures* for more information.

The Province's projected combined revenue from Ontario Power Generation Inc. and Hydro One Limited has been reduced based on their current updated outlook.

Revised federal timelines and changes in implementing legalized cannabis sales have resulted in a net reduction of $3 million in revenues related to cannabis. This is due to lower projected revenues from the Provincial share of the federal excise duty by $18 million. This is partially offset by avoiding $15 million in net costs primarily related to construction of retail storefronts by the Ontario Cannabis Store.

Other changes include an updated estimate of the impact of past budget tax measures, freezing driver's license fees and a provision built into the fiscal plan for tax measures to strengthen Ontario's economy. This could include options for paralleling a potential federal government response to Ontario's written request to accelerate capital cost depreciation of new depreciable assets to address the competitiveness challenges posed by U.S. tax reform.

2018–19 IN-YEAR EXPENSE CHANGES

In addition to the $6.4 billion in expense changes recommended by the Commission, the program spending outlook also reflects savings of $3.2 billion, reflecting decisions and actions undertaken by the government to put in place immediate spending controls and return the Province to a more fiscally sustainable path. As a result, spending is now projected to be $3.2 billion, or about two per cent lower, in 2018–19 than the Commission's baseline forecast.

Table 3.4
2018–19 IN-YEAR EXPENSE CHANGES[1]
($ Millions)

	2018–19
Savings from Expenditure Management Restrictions and Updated Forecasts	**(1,146.7)**
The government is actively reviewing all spending to ensure government expenditures are delivering the best value for the people of Ontario. Savings have been found in the following areas: 1. Restrictions on ministry discretionary spending, including government restrictions on travel, meal and hospitality spending and a hiring freeze that excludes essential front-line services. 2. Updated forecasts for programs, including employment and training programs, electricity price mitigation and social assistance.	
Savings from Ongoing Review of Programs	**(1,835.6)**
The government has undertaken a comprehensive review of investments from the *2018 Budget* and has taken steps to reduce expenditures. Savings include: not proceeding with previously planned spending related to Cap-and-Trade Carbon Tax proceeds and budget measures such as reform of OHIP+, regional infrastructure projects and other expenditure programs that did not provide value for money.	
In-Year Approvals	**302.6**
The government has made targeted investments for communities and families in the following areas: 1. Investing in more than 1,100 hospital and community beds and spaces as an immediate measure to help communities reduce the strain on the health care system in advance of the flu season. 2. Providing new tools and resources for police to protect the people of Ontario from drug, gun and gang-related violence. 3. Protecting the Muskoka Watershed. 4. Additional resources to fight forest fires across the province.	
Other Changes, Including Changes to the Contingency Fund and Offsets for In-Year Approvals	**(484.8)**
Interest on Debt Change	**–**
Net In-Year Expense Changes	**(3,164.6)**

[1] Changes shown are in addition to those recommended by the Commission.
Note: Numbers may not add due to rounding.

FISCAL PRUDENCE

The *Fiscal Transparency and Accountability Act, 2004* requires Ontario's fiscal plan to incorporate prudence in the form of a reserve to protect the current outlook against unforeseen adverse changes in the Province's revenue and expense. As recommended by the Independent Financial Commission of Inquiry, the reserve is set at $1.0 billion, consistent with its historical level.

The current outlook also maintains contingency funds to safeguard essential services. The Commission has stated in its report, that the contingency fund which was set significantly higher in 2018–19 than in the preceding eight years, is likely sufficient to cover expense risks for the remainder of the 2018–19 fiscal year.

DETAILS OF ONTARIO'S FINANCES

Table 3.5
REVENUE
($ Millions)

	2015–16	2016–17	Actual 2017–18	Current Outlook 2018–19
Taxation Revenue				
Personal Income Tax	31,141	30,671	32,900	34,946
Sales Tax[1]	23,455	24,750	25,925	26,727
Corporations Tax	11,428	14,872	15,612	13,766
Education Property Tax[2]	5,839	5,868	5,883	6,076
Employer Health Tax	5,649	5,908	6,205	6,494
Ontario Health Premium	3,453	3,575	3,672	3,870
Gasoline Tax	2,459	2,626	2,701	2,699
Land Transfer Tax	2,118	2,728	3,174	2,710
Tobacco Tax	1,226	1,230	1,244	1,250
Fuel Tax	751	742	760	784
Beer, Wine and Spirits Taxes	582	589	601	630
Ontario Portion of the Federal Cannabis Excise Duty	–	–	–	17
Electricity Payments in Lieu of Taxes	3,247	334	494	369
Other Taxes	470	453	552	563
	91,818	**94,346**	**99,723**	**100,901**
Government of Canada				
Canada Health Transfer	13,089	13,910	14,359	14,934
Canada Social Transfer	4,984	5,146	5,314	5,486
Equalization	2,363	2,304	1,424	963
Infrastructure Programs	146	732	1,065	1,703
Labour Market Programs	927	965	969	998
Social Housing Agreement	455	441	419	386
Other Federal Payments	893	761	996	1,235
Direct Transfers to Broader Public-Sector Organizations	284	285	314	301
	23,141	**24,544**	**24,860**	**26,006**
Income from Government Business Enterprises				
Ontario Lottery and Gaming Corporation	2,234	2,358	2,487	2,245
Liquor Control Board of Ontario	1,956	2,349	2,207	2,234
Ontario Cannabis Store	–	–	(6)	(25)
Ontario Power Generation Inc./Hydro One Ltd.[3]	719	860	1,464	794
	4,909	**5,567**	**6,152**	**5,248**

continued…

Table 3.5
REVENUE (CONTINUED)

($ Millions)

	2015–16	2016–17	Actual 2017–18	Current Outlook 2018–19
Other Non-Tax Revenue				
Reimbursements	991	988	1,000	995
Vehicle and Driver Registration Fees	1,565	1,727	1,912	2,001
Electricity Debt Retirement Charge	859	621	593	–
Power Supply Contract Recoveries	875	838	185	183
Sales and Rentals	2,102	1,999	2,426	1,409
Carbon Allowance Proceeds	–	–	2,401	472
Other Fees and Licences	964	974	1,029	1,006
Net Reduction of Power Purchase Contracts	172	129	74	41
Royalties	274	272	290	295
Fees, Donations and Other Revenues from Hospitals, School Boards and Colleges	7,493	7,957	8,309	8,552
Miscellaneous Other Non-Tax Revenue	985	772	1,640	1,122
	16,280	**16,277**	**19,859**	**16,076**
Total Revenue	**136,148**	**140,734**	**150,594**	**148,231**

[1] Sales Tax revenue is net of the Ontario Sales Tax Credit and the energy component of the Ontario Energy and Property Tax Credit.

[2] Education Property Tax revenue is net of the property tax credit component of the Ontario Energy and Property Tax Credit and the Ontario Senior Homeowners' Property Tax Grant.

[3] Includes income from Brampton Distribution Holdco Inc. for 2015–16 to 2016–17 from its interest in Hydro One Brampton Networks Inc. On February 28, 2017, the Province sold its entire interest in Hydro One Brampton Networks Inc. and it is no longer included as a Government Business Enterprise.

Note: Numbers may not add due to rounding.

Table 3.6
TOTAL EXPENSE[1]

($ Millions)

Ministry Expense	**2015–16**	**2016–17**	**Actual 2017–18**	**Current Outlook 2018–19**
Agriculture, Food and Rural Affairs (Total)	**929**	**1,031**	**1,006**	**1,177.2**
Attorney General (Total)	**1,859**	**1,937**	**2,041**	**1,970.7**
Board of Internal Economy (Total)	**205**	**219**	**303**	**352.3**
Children, Community and Social Services (Total)	**15,313**	**15,789**	**16,416**	**17,008.3**
Community Safety and Correctional Services (Total)	**2,687**	**2,683**	**2,792**	**2,906.8**
Economic Development, Job Creation and Trade (Total)	**966**	**1,118**	**1,098**	**1,025.9**
Education (Base)	25,967	26,580	27,300	29,012.0
Teachers' Pension Plan[2]	1,590	987	1,659	1,725.0
Education (Total)	**27,557**	**27,567**	**28,958**	**30,737.0**
Energy, Northern Development and Mines (Total)	**1,933**	**1,734**	**4,225**	**4,829.7**
Environment, Conservation and Parks (Total)	**601**	**639**	**894**	**975.0**
Executive Offices (Total)	**37**	**46**	**48**	**46.7**
Finance (Base)	1,048	862	875	945.7
Ontario Municipal Partnership Fund	513	505	506	510.0
Power Supply Contract Costs	875	838	185	182.8
Finance (Total)	**2,436**	**2,205**	**1,567**	**1,638.5**
Government and Consumer Services (Total)	**767**	**715**	**793**	**652.9**
Health and Long-Term Care (Total)	**55,267**	**56,293**	**59,260**	**61,678.2**
Indigenous Affairs (Total)	**79**	**128**	**1,210**	**95.3**
Infrastructure (Base)	93	90	71	112.9
Federal–Provincial Infrastructure Programs	–	8	248	603.3
Infrastructure (Total)	**93**	**97**	**320**	**716.2**
Labour (Total)	**304**	**308**	**317**	**319.3**

continued…

Table 3.6
TOTAL EXPENSE (CONTINUED)

($ Millions)

Ministry Expense	2015–16	2016–17	Actual 2017–18	Current Outlook 2018–19
Municipal Affairs and Housing (Total)	**1,088**	**1,544**	**1,375**	**1,211.6**
Natural Resources and Forestry (Base)	624	635	678	655.1
Emergency Forest Firefighting	95	107	117	169.8
Natural Resources and Forestry (Total)	**719**	**742**	**795**	**824.9**
Office of Francophone Affairs (Total)	**8**	**5**	**6**	**6.1**
Seniors and Accessibility (Total)	**37**	**37**	**48**	**65.0**
Tourism, Culture and Sport (Total)	**2,289**	**1,561**	**1,590**	**1,450.2**
Training, Colleges and Universities (Total)	**9,927**	**10,154**	**11,150**	**11,374.2**
Transportation (Base)	3,284	3,636	4,113	4,373.2
Federal-Provincial Infrastructure Programs	–	–	404	887.5
Transportation (Total)	**3,284**	**3,636**	**4,517**	**5,260.8**
Treasury Board Secretariat (Base)	180	190	190	292.9
Employee and Pensioner Benefits[2]	1,338	1,082	1,442	1,335.0
Operating Contingency Fund	–	–	–	1,006.6
Capital Contingency Fund	–	–	–	275.0
Treasury Board Secretariat (Total)	**1,518**	**1,272**	**1,632**	**2,909.5**
Interest on Debt[3]	11,589	11,709	11,903	12,542.8
Year-End Savings	–	–	–	–
Total Expense	**141,494**	**143,169**	**154,266**	**161,775.0**

1 Numbers reflect current ministry structures that were announced on June 29, 2018.

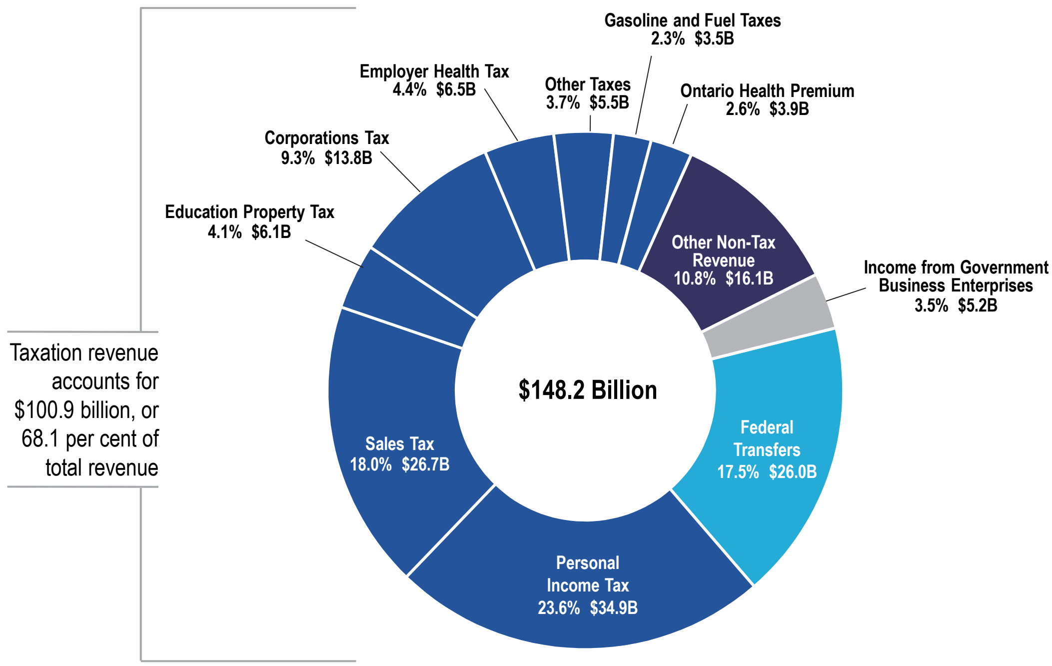
2 Numbers reflect the pension expense that was calculated based on recommendations of the Independent Financial Commission of Inquiry, as described in Note 19 to the Consolidated Financial Statements in *Public Accounts of Ontario 2017–2018*.

3 Interest on debt is net of interest capitalized during construction of tangible capital assets of $165 million in 2015–16, $159 million in 2016–17, $157 million in 2017–18 and $456 million in 2018–19.

Note: Numbers may not add due to rounding.

Chart 3.1

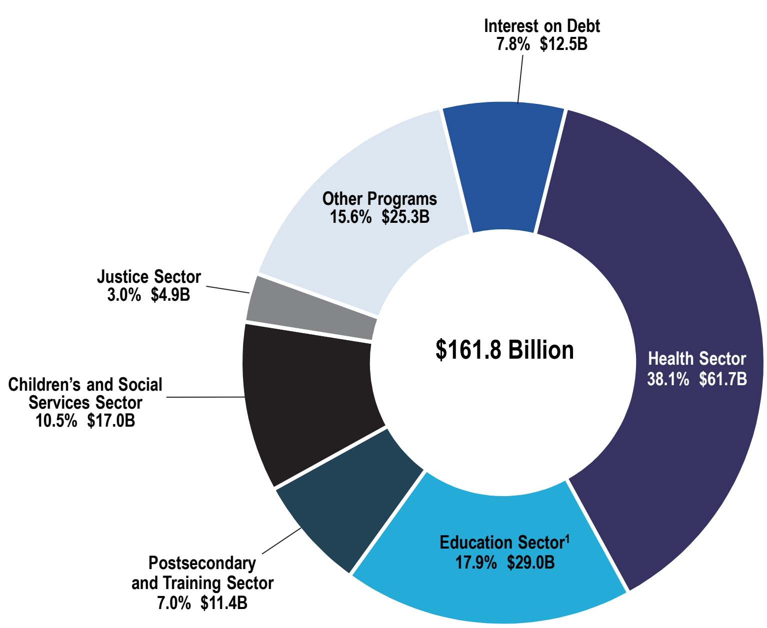
COMPOSITION OF REVENUE, 2018–19



Note: Numbers may not add due to rounding.

Chart 3.2

COMPOSITION OF TOTAL EXPENSE, 2018–19



[1]Excludes Teachers' Pension Plan. Teachers' Pension Plan expense is included in Other Programs.

Note: Numbers may not add due to rounding.

Table 3.7
2018–19 INFRASTRUCTURE EXPENDITURES

($ Millions)

Sector	Total Infrastructure Expenditures 2017–18 Actual[1]	2018–19 Current Outlook		
		Investment in Capital Assets[2]	Transfers and Other Infrastructure Expenditures[3]	Total Infrastructure Expenditures[4]
Transportation				
Transit	4,657	4,725	1,364	6,088
Provincial Highways	2,534	2,697	275	2,972
Other Transportation, Property and Planning	237	217	75	292
Health				
Hospitals	2,403	2,559	66	2,625
Other Health	239	84	190	273
Education	2,188	2,476	511	2,987
Postsecondary				
Colleges and Other	639	757	9	765
Universities	572	–	250	250
Social	595	14	361	374
Justice	284	292	261	553
Other Sectors[5]	1,009	816	1,063	1,879
Total Infrastructure Expenditures	**15,358**	**14,637**	**4,422**	**19,059**

1 Includes Provincial investment in capital assets of $12.2 billion.
2 Includes $456 million in interest capitalized during construction.
3 Includes transfers to municipalities, universities and non-consolidated agencies.
4 Includes third-party investments in hospitals, colleges and schools; and provisional federal contributions to Provincial infrastructure investments.
5 Includes government administration, natural resources, and culture and tourism sectors.
Note: Numbers may not add due to rounding.

Table 3.8

TEN-YEAR REVIEW OF SELECTED FINANCIAL AND ECONOMIC STATISTICS[1,2]

($ Millions)

	2009–10	2010–11	2011–12
Revenue	**102,553**	**113,594**	**116,401**
Expense			
Programs	112,696	120,843	121,222
Interest on Debt[3]	9,119	10,005	10,587
Total Expense	**121,815**	**130,848**	**131,809**
Reserve	–	–	–
Surplus/(Deficit)	**(19,262)**	**(17,254)**	**(15,408)**
Net Debt	193,589	217,754	241,912
Accumulated Deficit	130,957	147,816	164,092
Gross Domestic Product (GDP) at Market Prices	597,876	630,983	659,740
Primary Household Income	412,847	424,251	444,076
Population — July (000s)[4]	12,998	13,136	13,261
Net Debt per Capita (dollars)	14,893	16,577	18,242
Household Income per Capita (dollars)	31,762	32,297	33,486
Interest on Debt as a Per Cent of Revenue	8.9%	8.8%	9.1%
Net Debt as a Per Cent of GDP	32.4%	34.5%	36.7%
Accumulated Deficit as a Per Cent of GDP	21.9%	23.4%	24.9%

1 Amounts reflect a change in pension expense that was calculated based on recommendations of the Independent Financial Commission of Inquiry, as described in Note 19 to the Consolidated Financial Statement, in *Public Accounts of Ontario 2017–2018*. Amounts for net debt and accumulated deficit also reflect this change.

2 Revenues and expenses have been restated to reflect the following fiscally neutral changes: i) revised presentation of education property taxes to be included in the taxation revenues; ii) reclassification of certain Government Business Enterprises to other government organizations; iii) reclassification of a number of tax measures that provide a financial benefit through the tax system to be reported as expenses; and iv) change in presentation of third-party revenue for hospitals, school boards and colleges to be reported as revenue.

3 Interest on debt is net of interest capitalized during construction of tangible capital assets of $165 million in 2015–16, $159 million in 2016–17, $157 million in 2017–18 and $456 million in 2018–19.

4 Population figures are for July 1 of the fiscal year indicated (i.e., for 2009–10, the population on July 1, 2009 is shown).

Note: Numbers may not add due to rounding.

Sources: Statistics Canada, Ontario Ministry of Finance and Treasury Board Secretariat.

2012–13	2013–14	2014–15	2015–16	2016–17	Actual 2017–18	Current Outlook 2018–19
120,319	**122,955**	**126,152**	**136,148**	**140,734**	**150,594**	**148,231**
120,103	123,330	126,199	129,905	131,460	142,363	149,232
10,878	11,155	11,221	11,589	11,709	11,903	12,543
130,981	**134,485**	**137,420**	**141,494**	**143,169**	**154,266**	**161,775**
–	–	–	–	–	–	1,000
(10,662)	**(11,530)**	**(11,268)**	**(5,346)**	**(2,435)**	**(3,672)**	**(14,544)**
259,947	276,169	294,557	306,357	314,077	323,834	347,055
174,256	184,835	196,665	203,014	205,939	209,023	223,567
680,086	695,352	726,053	759,440	792,932	825,805	857,557
459,111	472,921	489,436	511,577	519,413	544,062	567,914
13,391	13,511	13,618	13,707	13,875	14,071	14,323
19,413	20,441	21,631	22,350	22,636	23,014	24,231
34,286	35,003	35,942	37,322	37,434	38,664	39,651
9.0%	9.1%	8.9%	8.5%	8.3%	7.9%	8.5%
38.2%	39.7%	40.6%	40.3%	39.6%	39.2%	40.5%
25.6%	26.6%	27.1%	26.7%	26.0%	25.3%	26.1%

CHAPTER IV

BORROWING AND DEBT MANAGEMENT

INTRODUCTION

Ontario conducts its borrowing program responsibly, respecting the people and businesses of Ontario by prudently managing interest on debt costs. To date, $25.9 billion, or 78 per cent, of this year's long-term public borrowing requirement has been completed. The Province's interim borrowing requirement in 2018–19 has decreased by $1.9 billion compared to the forecast which was based on the findings of the Independent Financial Commission of Inquiry (Commission).

The Province has reported deficits in 24 of the last 29 years. Over the same period, Provincial net debt grew by close to one-third of a trillion dollars, and Ontario's ratio of net debt-to-GDP ratio grew from 13.4 per cent to a forecast of 40.5 per cent in 2018–19.

As recommended by the Commission, the government will conduct analysis to determine and set an appropriate target and timeline to reduce the Province's ratio of net debt-to-GDP to a sustainable level.

LONG-TERM PUBLIC BORROWING

The Province's total long-term borrowing in 2018–19 is forecast to be $33.2 billion, $1.9 billion less than the forecast for 2018–19 which was based on the findings of the Commission.

Table 4.1
2018–19 BORROWING PROGRAM
($ Billions)

	2018 Budget	Outlook Based on Commission of Inquiry	Change from Commission of Inquiry Outlook	Current Outlook
Deficit/(Surplus)	6.7	15.0	(0.5)	14.5
Investment in Capital Assets	14.2	14.2	(1.4)	12.8
Non-Cash Adjustments	(7.1)	(7.4)	–	(7.4)
Loans to Infrastructure Ontario	0.4	0.4	–	0.4
Other Net Loans/Investments	1.5	0.5	(0.6)	(0.0)
Debt Maturities	21.5	21.5	0.3	21.8
Debt Redemptions	0.1	0.1	0.1	0.1
Total Funding Requirement	**37.3**	**44.3**	**(2.1)**	**42.1**
Canada Pension Plan Borrowing	(0.0)	(0.0)	–	(0.0)
Decrease/(Increase) in Short-Term Borrowing	–	–	–	–
Increase/(Decrease) in Cash and Cash Equivalents	6.0	3.3	0.2	3.5
Pre-Borrowing from 2017–18	(11.5)	(12.4)	–	(12.4)
Total Long-Term Public Borrowing	**31.7**	**35.1**	**(1.9)**	**33.2**

Note: Numbers may not add due to rounding.

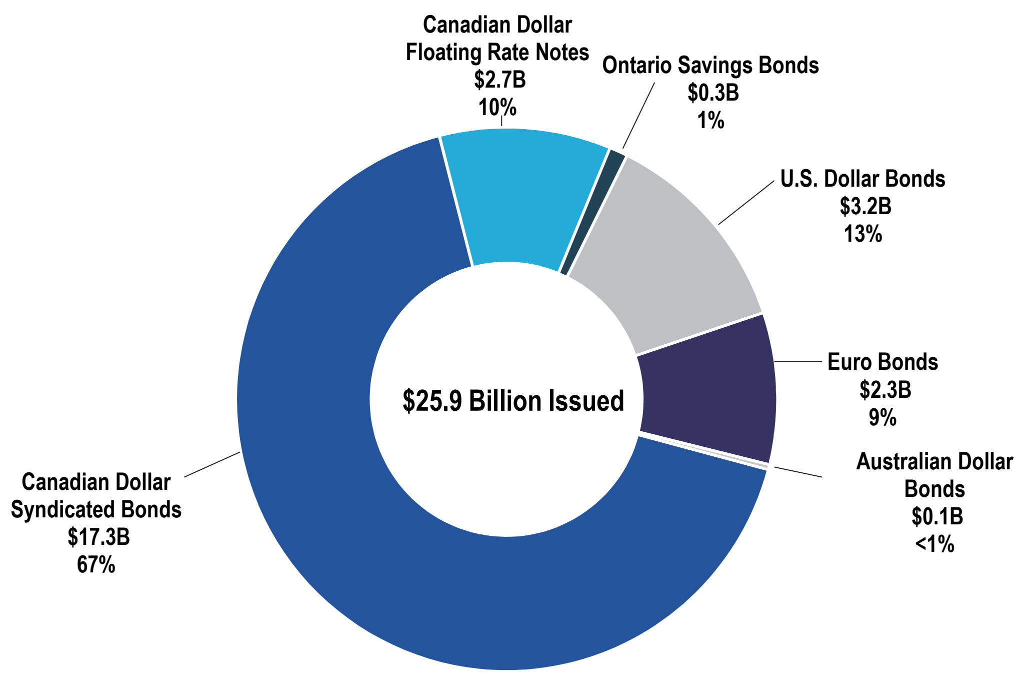
The Province will target completion of its 2018–19 long-term public borrowing before the end of the current fiscal year, and subject to favourable market conditions, engage in pre-borrowing for 2019–20. As of October 31, 2018, $25.9 billion, or 78 per cent, of this year's long-term public borrowing was completed.

Approximately 78 per cent of this year's borrowing to date has been completed in Canadian dollars, largely through syndicated issues. The remaining $5.7 billion, or 22 per cent, of borrowing has been completed in foreign currencies, primarily in the U.S. dollar and euro markets.

The Province is targeting Canadian dollar borrowing to be approximately 70 per cent of total borrowing for the fiscal year. The Province will actively assess this target and adjust it further, if needed, to reflect market conditions.

Chart 4.1

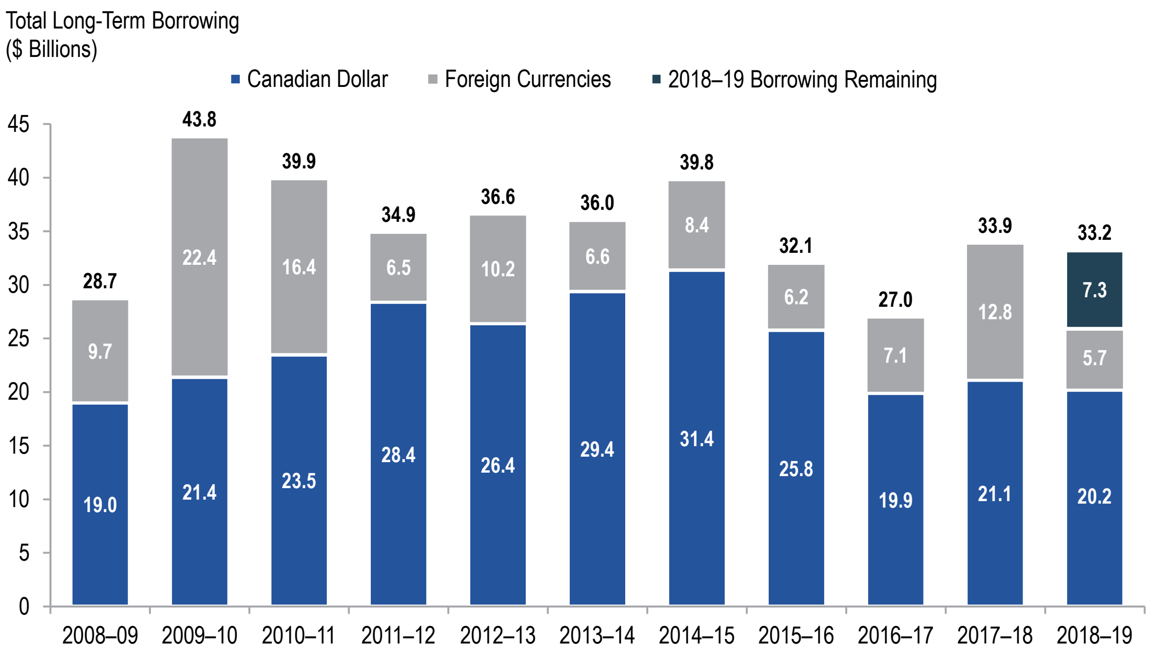
2018–19 BORROWING



Note: Numbers may not add due to rounding.
Source: Ontario Financing Authority.

The Province regularly borrows in currencies other than Canadian dollars to diversify its investor base. This helps reduce Ontario's overall borrowing costs and ensures the Province will continue to have access to capital if domestic market conditions become more challenging.

Chart 4.2
DOMESTIC AND INTERNATIONAL BORROWING



Note: Numbers may not add due to rounding.
Source: Ontario Financing Authority.

The Province plans to issue its next Green Bond by the end of the fiscal year, after realigning the program to support the new government's approach to addressing environmental challenges. See Chapter I, Section C: *Respecting Consumers and Families* for more details on Ontario's new environmental initiatives.

Ontario's Green Bonds capitalize on the Province's ability to raise funds at low interest rates while respecting the taxpayers of Ontario. They serve as an important tool to help Ontario finance projects that support the government's approach to addressing environmental challenges without adversely impacting businesses or the people of Ontario.

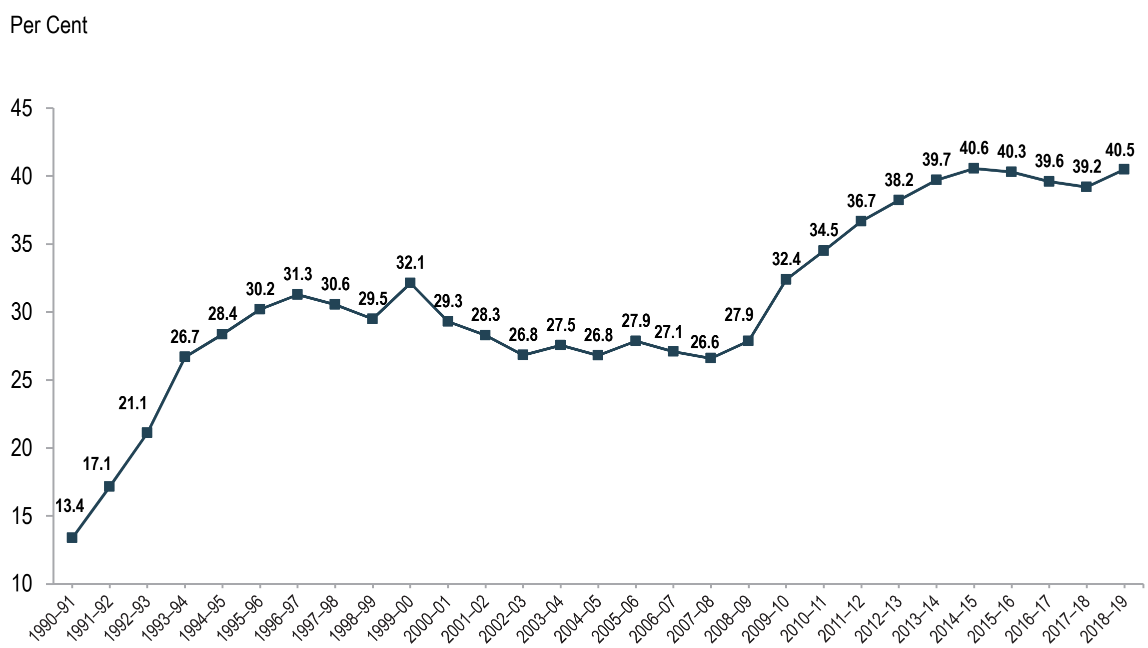
NET DEBT

In 2018–19, the net debt-to-GDP ratio is projected to be 40.5 per cent, or 0.3 percentage points lower than the 40.8 per cent forecast by the Commission.[1] However, it is 2.9 percentage points higher than was forecast in the *2018 Budget* primarily due to an increase in the deficit resulting from the government accepting recommendations of the Commission on revising the accounting treatment for global adjustment refinancing and jointly sponsored pension plans (JSPPs). The revised accounting treatment for JSPPs includes the impact of adopting the accounting treatment on a retroactive basis from 2001–02 onwards which added a cumulative $14.6 billion to net debt.

The Province has reported deficits in 24 of the last 29 years. Over the same period, Provincial net debt grew by close to one-third of a trillion dollars, or $311.6 billion, and Ontario's net debt-to-GDP ratio grew from 13.4 per cent to a forecast of 40.5 per cent in 2018–19.

Chart 4.3

NET DEBT-TO-GDP



Notes: Net debt has been restated to include broader public-sector net debt, starting in 2005–06. Net debt has been restated from 2001–02 for the adjustments resulting from the revised accounting treatment of jointly sponsored pension plans.

Sources: Statistics Canada and Ontario Ministry of Finance.

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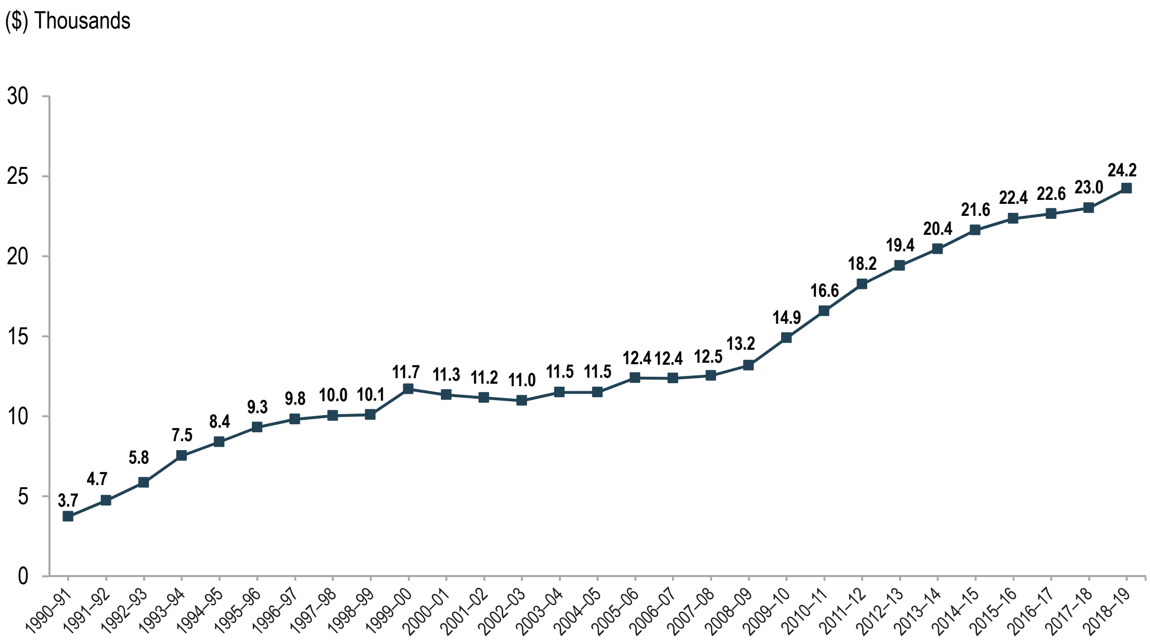
1 To ensure consistency and comparability of numbers between the current outlook and the Commission's baseline forecast, the Commission's Net Debt as a Per Cent of GDP estimate has been revised from 40.5 per cent to 40.8 per cent after updating GDP with the most recent numbers from Statistics Canada's *Provincial and Territorial Economic Accounts, 2017*.

Chart 4.4
NET DEBT PER CAPITA



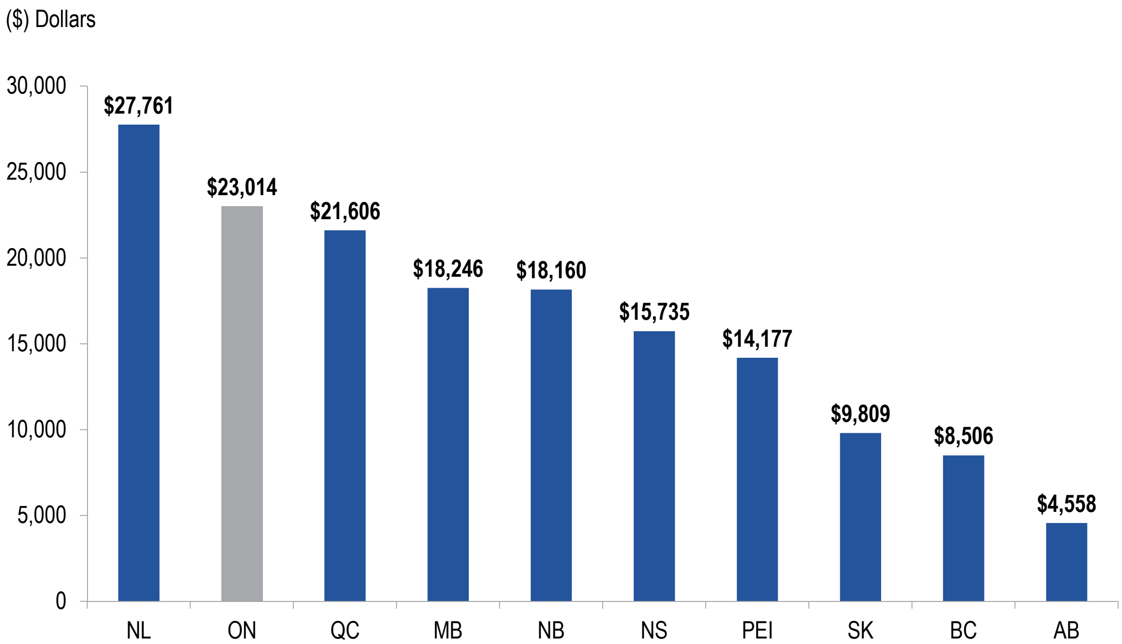
Notes: Net debt has been restated to include broader public-sector net debt, starting in 2005–06. Net debt has been restated from 2001–02 for the adjustments resulting from the revised accounting treatment of jointly sponsored pension plans.
Sources: Statistics Canada and Ontario Ministry of Finance.

Net debt per capita has increased from $13,163 per person or $52,652 per family of four at the beginning of the 2008–09 global economic downturn to a projected $24,231 per person or $96,924 per family of four in 2018–19. This rate of increase per person was 4.5 per cent per year greater than Ontario's inflation over that period.

Compared to other provinces, Ontario had the second highest debt load per person in Canada, behind only Newfoundland and Labrador.

Chart 4.5

PROVINCIAL NET DEBT PER CAPITA 2017–18



Sources: Provincial 2017–18 Public Accounts, for Quebec: *Pre-Election Report on the State of Québec's Public Finances* (August 2018); Statistics Canada (Catalogue no. 91-215-X).

INTEREST ON DEBT (IOD)

Ontario is forecast to pay $12.5 billion in interest costs in 2018–19.

- The Province's fourth largest line item after health care, education, and social services.
- Ontario's interest on debt is costing taxpayers approximately $1.4 million every hour.
- The people of Ontario will pay $876 per person, or $3,503 per family of four, in interest in 2018–19.
- This is money that cannot be used to provide essential programs for the people of Ontario, or reduce their taxes.

A high level of debt crowds out other government priorities and is unfair to future generations. It also limits the government's flexibility to respond to economic downturns. That is why the government is taking action to manage Ontario's debt load, having already reduced the deficit to $14.5 billion from the inherited $15.0 billion deficit reported by the Commission. In addition, as recommended in the Commission's report, the government will conduct analysis to determine and set an appropriate target and timeline to reduce the Province's ratio of net debt-to-GDP to a sustainable level. To that end, the government will be developing a debt reduction strategy in order to address these challenges. See Chapter I, Section A: *Restoring Trust, Transparency and Accountability* for more details on the debt reduction strategy.

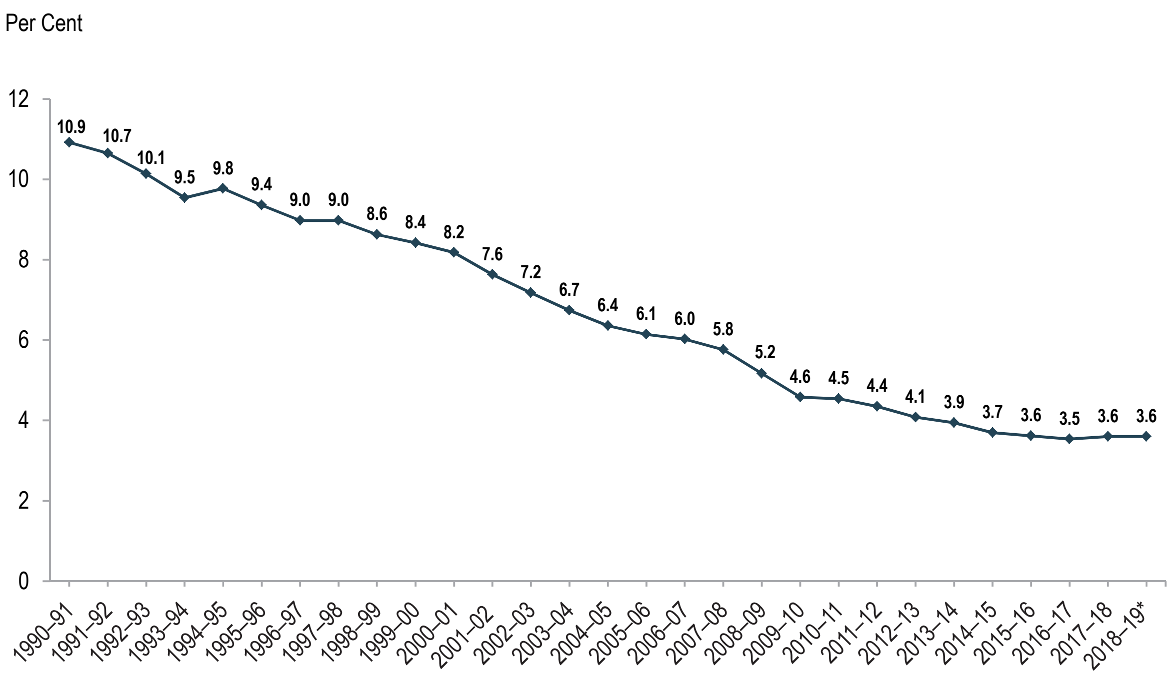
Reducing Ontario's Electricity Sector Stranded Debt

Ontario Electricity Financial Corporation (OEFC) results for 2017–18 showed revenue over expense of $1.9 billion, reducing the OEFC's unfunded liability (or "stranded debt") from $3.2 billion as at March 31, 2017, to $1.3 billion as at March 31, 2018.

COST OF DEBT

The global decline in interest rates over the last 25 years has begun to reverse. This decline has meant that in spite of the Province's debt load increasing substantially, particularly over the past 10 years, IOD has not risen as quickly. However, with interest rates now rising, the Province faces higher IOD costs going forward. Chart 4.6 shows the effective interest rate that the Province is paying on its total debt portfolio of over one-third of a trillion dollars and that those rates, after having declined for a quarter of a century, have now begun to rise.

Chart 4.6
EFFECTIVE INTEREST RATE (WEIGHTED AVERAGE) ON TOTAL DEBT

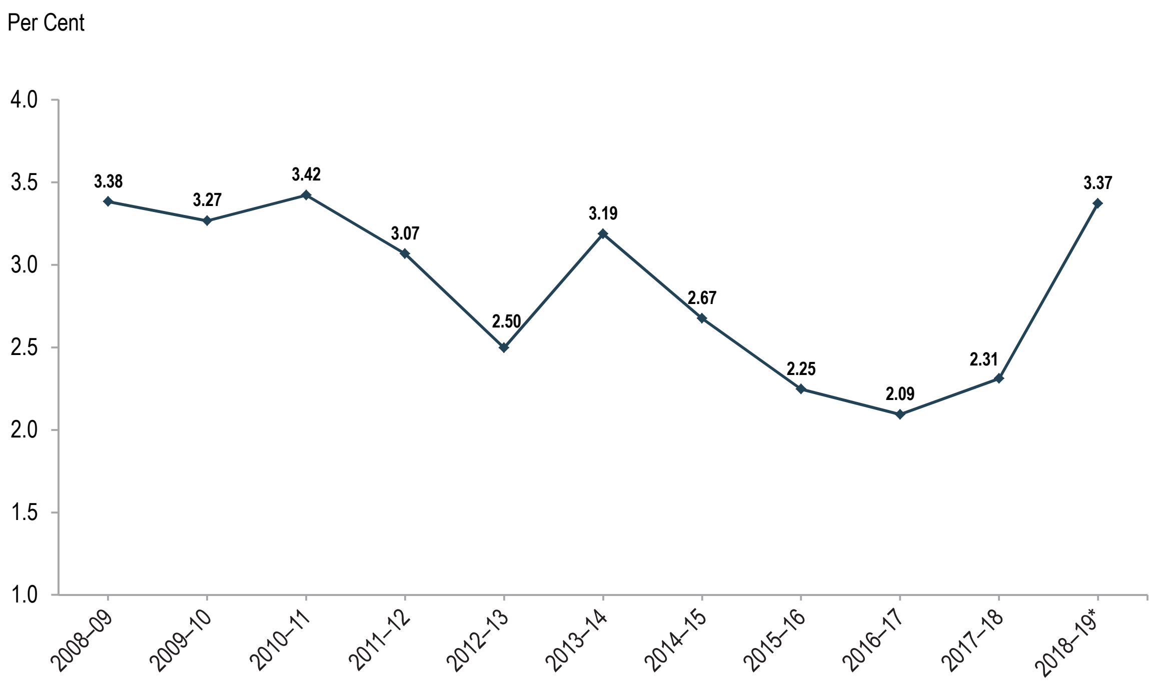


*As at September 30, 2018.

Sources: Public Accounts of Ontario (1990–1991 to 2017–2018), and Ontario Financing Authority.

This rise in interest rates on the total debt portfolio is reflected by the fact that the interest rates which the Province must pay on new, or refinanced debt issued every year have also risen. As shown in Chart 4.7, rates have begun to rise, with the forecast for 2018–19 increasing by more than one and a quarter percentage points since the low point in 2016–17, reinforcing the need for a debt reduction strategy.

Chart 4.7
AVERAGE ANNUAL ONTARIO BORROWING RATES



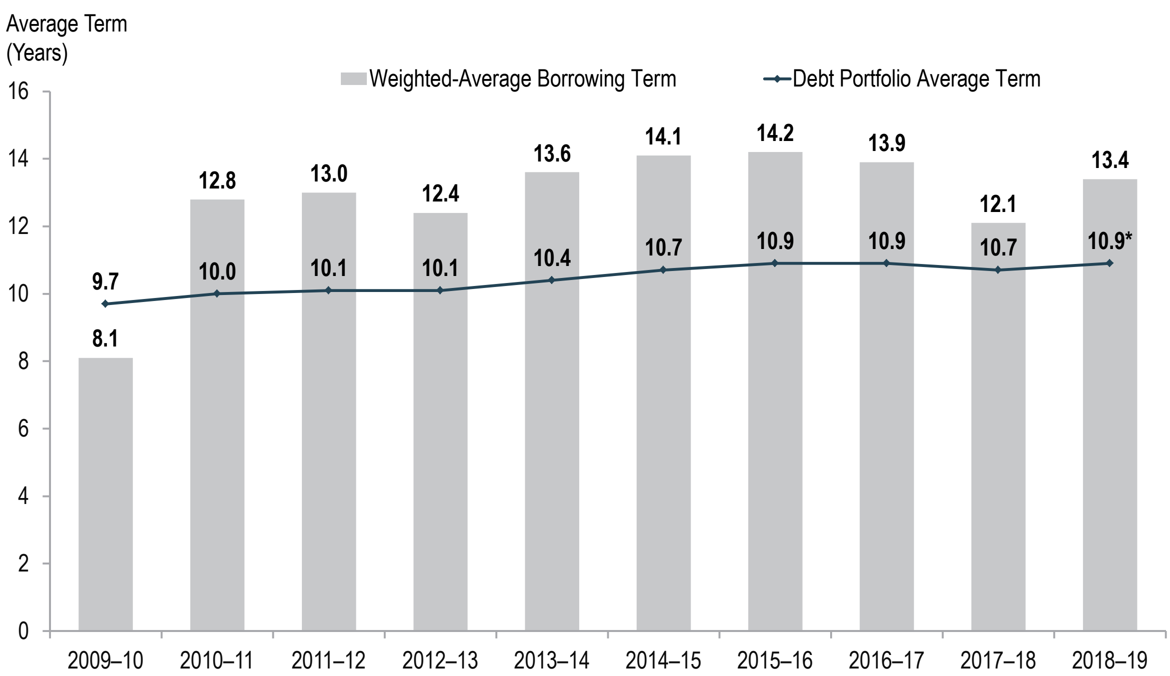
*Projected average annual Ontario borrowing rate for 2018–19.
Source: Ontario Financing Authority.

A further one percentage point increase in interest rates above forecast would add an additional $450 million in interest costs in the first full year. Unlike other Provincial expenses, interest costs cannot provide services that help the people of Ontario in their daily lives. To protect the Province from this increase in interest rates, the government has extended the term of its debt to lower the amount that must be refinanced every year. This strategy is similar to a homeowner extending the term of their mortgage to protect themselves against rising mortgage rates. Going back to the beginning of fiscal 2010–11, Ontario has issued $77.3 billion of bonds longer than 30 years to lock in low rates.

As a result, the weighted-average term to maturity of long-term Provincial debt issued has been extended significantly, from 9.7 years in 2009–10 to 10.9 years for 2018–19 as of October 31, 2018. The Province monitors interest rates daily. It continually assesses and determines, based on demand for its debt and how high interest rates rise across the yield curve, whether it remains cost-effective to continue to extend the term of its debt.

Chart 4.8

WEIGHTED-AVERAGE TERM OF BORROWINGS



*The debt portfolio average terms are on a forecast basis for 2018–19 as of October 31, 2018.
Source: Ontario Financing Authority.

CHAPTER V

PRE-BUDGET CONSULTATIONS

CONSULTING AHEAD OF THE *2019 ONTARIO BUDGET* FOR THE PEOPLE

The government is continuing its conversations with the people of Ontario by hosting consultations across the province that will inform the *2019 Budget*. The pre-budget consultations provide individuals and organizations with a chance to tell the government directly about what matters most to them ahead of next year's Budget.

In addition to in-person sessions, there are also other options available to citizens to help them participate in the preparation of the *2019 Budget*.

Written Submissions

Individuals and organizations can email or mail their submissions directly to the Minister of Finance.

Online

Fill out the submission form on the Ministry of Finance website at:
www.fin.gov.on.ca/en/consultations/prebud/

By Mail

The Honourable Victor Fedeli
Minister of Finance
c/o Budget Secretariat
Frost Building North, 3rd Floor
95 Grosvenor Street
Toronto, ON M7A 1Z1

By Email

submissions@ontario.ca

ANNEX

DETAILS OF TAX MEASURES

OVERVIEW

This Annex provides detailed information on the tax measures described in the *2018 Ontario Economic Outlook and Fiscal Review*. It includes details of the government's proposed tax measures and technical amendments, *2018 Budget* announcements that are not being implemented and federal measures that impact Ontario.

THE LOW-INCOME INDIVIDUALS AND FAMILIES TAX (LIFT) CREDIT

Starting with the 2019 tax year, the government is proposing to introduce a new non-refundable Low-income Individuals and Families Tax (LIFT) Credit. The LIFT Credit would eliminate or reduce Ontario Personal Income Tax (PIT) for low-income Ontario taxpayers who have employment income.

The proposed tax credit would be calculated as the lesser of:

- $850; and
- 5.05 per cent of employment income.

This amount would then be reduced by 10 per cent of the greater of:

- Adjusted individual net income in excess of $30,000; and
- Adjusted family net income in excess of $60,000.

The resulting amount would then be limited to the taxpayer's PIT otherwise payable, excluding the Ontario Health Premium.

If the taxpayer has a spouse or common-law partner at the end of the year, the taxpayer's adjusted family net income would include the income of that spouse or common-law partner.

People who are resident in Canada at the beginning of the year and resident in Ontario at the end of the year would be eligible for this credit.

Taxpayers who would not get this new tax relief would include those who have:

- No Ontario PIT payable;
- No employment income;
- More than $38,500 in adjusted individual net income;
- A higher-income partner such that their adjusted family net income is greater than $68,500; or
- Been in prison for more than six months during the year.

This credit would reduce Ontario revenue by $125 million in 2018–19.

EMPLOYER HEALTH TAX

The Employer Health Tax (EHT) is paid by employers on their Ontario payrolls. Private-sector employers may be eligible for an exemption from EHT on up to $450,000 of payroll. Public-sector employers, and private-sector employers with payrolls over $5 million are not eligible for the exemption.

Based on Ontario's Consumer Price Index, the EHT exemption will increase from $450,000 to $490,000, as of January 1, 2019. This will provide about $40 million in additional tax relief to Ontario employers, with the EHT reduced by an average of $690 for about 58,000 employers.

ELECTRICITY DISTRIBUTION SECTOR — EXTENSION OF TIME-LIMITED TAX RELIEF

In the *2015 Budget*, Ontario announced time-limited relief under the *Electricity Act, 1998* from taxes on the sale of electricity assets by municipalities to the private sector. The relief is scheduled to expire on December 31, 2018. Through regulatory amendments, Ontario is extending the tax relief to December 31, 2022. The relief applies to Transfer Tax and certain payments in lieu of taxes (PILs) payable on the transfer of electricity assets to the private sector.

For transfers of electricity assets occurring between January 1, 2019 and December 31, 2022, the Transfer Tax rate will be reduced from 33 per cent to 22 per cent, and the rate will be zero for transfers by municipal electricity utilities with fewer than 30,000 customers. Additionally, any capital gains arising under the PILs deemed disposition rules will be exempt from PILs.

PROPERTY TAX EXEMPTION FOR ROYAL CANADIAN LEGION

The government proposes an amendment to the *Assessment Act* which would, if passed, create a provincewide property tax exemption to properties occupied by branches of the Royal Canadian Legion. See Chapter I, Section C*: Respecting Consumers and Families* for more details.

2018 BUDGET ANNOUNCEMENTS NOT BEING IMPLEMENTED

Surtax

The *2018 Ontario Budget* proposed adjustments to the rates, brackets, surtax and credits for Ontario's Personal Income Tax (PIT). The government will not proceed with those changes, preventing a PIT increase of about $200, on average, for approximately 1.8 million people.

Small Business Limit

The *2018 Ontario Budget* proposed to parallel a federal measure to phase out the $500,000 business limit for corporations that earn between $50,000 and $150,000 of passive investment income in a taxation year. The federal changes apply for tax years that begin after 2018.

The government will propose legislation to ensure that Ontario will not parallel this new federal restriction. All eligible Ontario small businesses will continue to receive the Ontario small business deduction.

Research and Development Tax Credits

The *2018 Ontario Budget* announced changes to the Ontario Research and Development Tax Credit and the Ontario Innovation Tax Credit that would have linked a corporation's tax credit rate to the level of its investment in research and development. Ontario will review tax support provided for research and development activity and, as such, the government will not be implementing these changes. The government will ensure that support provided for research and development is effective and efficient.

Employer Health Tax

The *2018 Ontario Budget* proposed exploring measures to target the Employer Health Tax exemption. The government is not moving forward with these proposals.

TECHNICAL AMENDMENTS

Ontario also proposes to make the following technical amendments to:

- Adjust the non-eligible dividend tax credit calculation to maintain the rate at 3.2863 per cent *(Taxation Act, 2007)*;
- Parallel a federal change that allows payers of the tax on split income to apply the disability tax credit against that tax (*Taxation Act, 2007)*;
- Parallel a federal change modifying the pension income tax credit to take into account additional federal veterans' benefits (*Taxation Act, 2007)*;
- Remove reference to the *Canadian Red Book* and the *Canadian Older Car/Truck Red Book (R.R.O. 1990, Regulation 1012* made under the *Retail Sales Tax Act)*;
- Remove a spent provision that provided one-time support to businesses during the transition to Harmonized Sales Tax in 2010 (*Retail Sales Tax Act*); and
- Amend certain regulations to replace outdated references to Goods and Services Tax and Retail Sales Tax with the term Harmonized Sales Tax.

A PLAN FOR THE PEOPLE

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Ontario

August 15, 2018

357-2018-122

The Honourable Catherine McKenna
Minister of Environment and Climate Change (Canada)
200 Sacré-Coeur Boulevard
Gatineau QC K1A 0H3

Dear Minister McKenna:

Thank you for taking the time to meet with me here in Toronto and for your letter concerning Ontario's involvement in the Pan-Canadian Framework on Clean Growth and Climate Change (PCF). It is my hope we continue this ongoing dialogue and share our perspectives on how best to protect our environment, including on Great Lakes, air quality, and climate change.

As you know, Premier Ford has taken swift action to cancel the cap and trade program as part of our government's commitment to make life more affordable for Ontario families and businesses. We have introduced legislation to provide for an orderly wind down of the cap and trade program based on our commitment to protect Ontario taxpayers from any additional carbon costs. The cancellation of the cap and trade program will save the average Ontario family $260 per year.

The proposed legislation would also require the government to set greenhouse-gas targets and my ministry to develop a climate change plan and report back on progress. Our new plan will reflect on the priorities of the people of Ontario and deliver real action to provide clean air and water, conservation, reduce emissions, and clean up litter, garbage, and waste. I can also confirm to you in writing, as I did in person, that any plan we put forward will not include a carbon tax.

While we may not agree on the solution, we can certainly agree on the nature and seriousness of the problem. Climate change is an important issue and governments must work together to address it. Ontario has already made many significant contributions towards reducing Canada's carbon emissions - the shutting down of all coal-fired generation plants in the province - not the least among them. Ontarians are paying higher electricity prices as a result. The cost of progress towards meeting national emissions-reduction targets cannot depend on Ontario's taxpayers alone.

I would be happy to share more details about Ontario's new climate change plan once it is finalized. As Ontario's intention is to remain a signatory of the PCF, my officials will be reaching out to yours to discuss Ontario's evolving climate change spending priorities, the Low Carbon Economy Leadership Fund (LCELF), and any necessary amendments needed to the current funding agreement in order to flow Ontario's fair share of the LCELF funding.

I look forward to our future discussions and working with you to protect our shared environment.

Sincerely,

Rod Phillips
Minister

Ministre de l'Environnement et du Changement climatique

Minister of Environment and Climate Change

Ottawa, Canada K1A 0H3

AUG 2 9 2018

The Honourable Rod Phillips, M.P.P.
Minister of the Environment, Conservation and Parks
Government of Ontario
Ferguson Block, 11th Floor
77 Wellesley Street West
Toronto ON M7A 2T5

Dear ~~Minister~~ Rod:

Thank you for your letter of August 15, 2018. I am hopeful that we can continue the strong history of co-operation between the Government of Canada and the Government of Ontario on climate change and clean air, protecting the Great Lakes and wildlife, growing the economy, and creating good middle class jobs.

In 2016, provincial and territorial governments, including Ontario, joined the federal government to develop a Canadian plan to fight climate change and drive clean growth. The extreme weather events that Ontarian and other Canadian families are experiencing right now, from extreme heat to flooding to major forest fires, are a reminder of the urgency for leadership and action.

It is unfortunate that the Government of Ontario has ended the province's climate action, including by cancelling energy efficiency programs that were helping Ontario families, schools, businesses and communities save energy and money. Many of these programs were being supported through the federal government's $420-million allocation for the province as part of the Low Carbon Economy Leadership Fund, and were supporting good middle class jobs and helping small businesses grow.

Officials at Environment and Climate Change Canada estimate that the Government of Ontario's decision to end the province's climate plan could add 48 million tonnes of carbon pollution to Canada's total emissions by 2030. To put that in real terms, this is equivalent to the carbon pollution from over 30 new coal-fired plants. That represents almost double the pollution that was eliminated through Ontario's celebrated coal phase-out, completed under the previous government, which saw smog days across the province drop from 53 to zero.

.../2

The federal government needs to understand as soon as possible how the current provincial government will address the projected 48-million tonne increase in pollution that the previous provincial government had a plan to reduce.

A key pillar of Canada's national climate plan is recognizing the cost of pollution and putting a price on it. Given that the purpose of federal investment through the Low Carbon Economy Leadership Fund is to support provincial climate action as part of the national plan, the Government of Ontario's decision to end the province's climate plan, including a price on pollution, is not consistent with the intent of our funding agreement.

The Government of Canada remains committed to directly supporting the climate leadership being shown by Ontario families, schools, businesses and communities, in order to improve energy efficiency and save money. The federal government is very impressed with the quality of the applications it has received from Ontario schools, businesses and community organizations under the Low Carbon Economy Challenge Fund, and it looks forward to working directly with them to save money, fight climate change, and ensure a more sustainable future for our kids and grandkids.

I am happy to continue discussions about how the Government of Canada and the Government of Ontario can work together to protect the environment, fight climate change, and create good middle class jobs in a growing economy.

Please accept my best regards.

Sincerely,

The Honourable Catherine McKenna, P.C., M.P.

Ministry of the Environment, Conservation and Parks

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The Honourable Catherine McKenna
Minister of Environment and Climate Change Canada
200 Sacré-Coeur Boulevard
Gatineau PQ K1A 0H3

Dear Minister McKenna:

Thank you for your follow-up letter of August 29, 2018 regarding co-operation between our governments on climate change and related issues.

As you know, our government was elected with a mandate from the people of Ontario to conclude the province's cap-and-trade program. As we have discussed, our opposition to carbon taxation does not indicate a lack of commitment to address climate change. We understand that climate change is real, that human beings have an impact on the climate, and that, collectively, we must take action.

It is clear that our governments disagree on the merits of the carbon tax. However; there is common ground in acknowledging the need to proactively address climate change. This includes working together and with our provincial-territorial partners through the Pan-Canadian Framework (PCF).

Your letter suggests our government's elimination of cap and trade will significantly increase carbon pollution. I reject that assertion outright, as it suggests Ontario will have no plan going forward, which is not the case.

Canada's emissions are already significantly lower through the sacrifices made by the people of our province. Ontario has reduced emissions by 22 per cent since 2005, more than any other province. Looking forward, our made-in-Ontario plan will build on that. It will reduce greenhouse-gas (GHG) emissions and focus on adapting to the impacts of climate change while also recognizing the significant investments already made by the people of Ontario.

We believe that the imposition of any new tax will send jobs out of the province and hurt families. In this regard, I am asking that you will share your government's economic analysis of the impact of a carbon tax with the people of Ontario. Further, it is clear that the people of Ontario deserve their fair share of the Low Carbon Economy Fund. We should not be penalized for developing a new climate change plan that reflects our priorities. As a government, we are working hard to keep more money in Ontarians' pockets. We recently announced the removal of the carbon tax off natural gas, saving Ontario families about $80 per year and small businesses about $285 per year.

It is my hope that we can take a pragmatic approach to deliver on our common goal. I invite your officials to engage in discussions about Ontario's plan to address climate change as our plan is finalized this fall.

In closing, we believe that our plan will go a long way towards meeting the ultimate objective of the PCF - the reduction of GHG emissions. I look forward to the opportunity to present our plan and its intended outcomes as they compare to the federal carbon pricing "benchmark" identified in the PCF.

Please contact me directly if you have any questions. I look forward to working with you and your government in our common fight against climate change.

Sincerely,

Rod Phillips
Minister

Ministre de l'Environnement et
du Changement climatique

Minister of Environment
and Climate Change

Ottawa, Canada K1A 0H3

NOV 0 8 2018

The Honourable Rob Phillips, M.P.P.
Minister of the Environment, Conservation and Parks
Government of Ontario
Ferguson Block
77 Wellesley Street West, 11th Floor
Toronto ON M7A 2T5

Dear Minister:

As you know, our government is committed to protecting the environment and fighting climate change. Our plan is reducing pollution by making historic investments in public transit, supporting clean energy, putting a price on carbon pollution, protecting more of our nature, creating opportunities for businesses with clean solutions, and helping Canadians save money through energy efficiency.

As part of Canada's clean growth and climate action plan, in June 2017, our government announced up to $1.4 billion in funding to cut carbon pollution, support clean growth, and create jobs by working in partnership with provinces and territories across Canada. Up to $420 million in federal funding was notionally allocated to Ontario as part of the Low Carbon Economy Leadership Fund.

Following that announcement, the governments of Canada and Ontario worked collaboratively to identify a series of projects and programs that both parties agreed to cost share. As a result, Canada and Ontario entered into the Low Carbon Economy Leadership Fund Funding Agreement in May 2018 to support the seven programs (portfolio components as identified in schedule B of the agreement) that were submitted by Ontario and approved by Canada. This funding was helping individuals, SMEs, industries, universities and colleges, farmers, and Indigenous communities take climate action.

By cancelling all of Ontario's portfolio components under the Funding Agreement, the intent of this agreement can no longer be achieved. Ontario has made it impossible to perform the Funding Agreement. As a result, Canada has decided to terminate the Funding Agreement, taking effect as of the date of this letter.

.../2

The Government of Canada is committed to addressing climate change in order to ensure a clean, healthy environment and growing the economy for Canadians and for future generations. To this end, the Government of Canada will continue to work with Ontarians and Ontario communities and businesses in order to take positive steps to address climate change and support national climate change commitments.

Sincerely,

The Honourable Catherine McKenna, P.C., M.P.

Ministry of the Environment, Conservation and Parks

Ministère de l'Environnement, de la Protection de la nature et des Parcs

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Ontario

November 19, 2018

The Honourable Catherine McKenna
Minister of Environment and Climate Change Canada
200 Sacré-Coeur Boulevard
Gatineau QC K1A 0H3

Dear Minister McKenna:

I am writing to express my disappointment that the Government of Canada has taken unilateral action to end the Low Carbon Economy Leadership Fund Funding Agreement, prior to the fall release of Ontario's new Environment Plan. As I mentioned in my letter dated August 29, 2018, it is my sincere hope that we can take a pragmatic approach to delivering on our common goal of combating climate change.

Ontario is committed to protecting the environment and fighting climate change, but we believe each jurisdiction should have the right to address this in a way that reflects its economic and regional differences. Our Environment Plan will focus on protecting and conserving our air, land, and water, addressing urban litter and waste, increasing our resilience to climate change, and helping all Ontarians do our part to reduce greenhouse gas emissions.

Our plan is intended to strike the right balance between a healthy environment and a healthy economy, which will include actions that will deliver real reductions in emissions. For example, Ontario intends to establish an emissions reduction fund that will leverage public funds to attract private investments in clean technologies that reduce emissions.

It is my view that Ontario and Canada have a signed agreement, and we intend to adhere to its terms while working together to adjust the portfolio to reflect our mutual priorities. Although we have taken steps to end portfolio components that were funded by the previous government's cap and trade program, Ontario has incurred approximately $200 million in expenses eligible for federal reimbursement under the agreement, to which the people of Ontario are entitled.

I respectfully request that Canada refrain from making any decisions related to the Funding Agreement until Ontario releases its Environment Plan, which will demonstrate our commitment to address climate change in a meaningful way. We are committed to strong partnerships and I believe that through coordinated and collective action we can make a difference in addressing our common environmental challenges and build our economies.

I hope that Canada will be a partner in our responsible fight against climate change. I would be happy to meet with you in the near future to discuss Ontario's Environment Plan in detail and potential areas we can work together following the release of the plan. My officials are available to discuss our evolving climate change spending priorities with yours at any time.

Sincerely,

Rod Phillips
Minister

Ministry of the Environment, Conservation and Parks

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NOV 2 8 2018

The Honourable Catherine McKenna
Minister of Environment and Climate Change Canada
200 Sacré-Coeur Boulevard
Gatineau QC K1A 0H3

Dear Minister McKenna:

As you may know, the Government of Ontario is set to announce its Made-In-Ontario Environment Plan which will outline our plans to combat climate change. This plan will set emissions reduction targets and commit the government to report on its progress. This plan will be released publicly for consultation on November 29, 2018.

Our plan will encompass how the province will continue to protect our air, land and water, reduce waste and address litter. It will also support Ontarians in continuing to do their share to reduce greenhouse gas emissions and help communities and families prepare for climate change.

As I understand it, you will be in Toronto on December 4, 2018. I would like to extend an invitation to you to be briefed on Ontario's Environment Plan, at which time I would be pleased to discuss how we can work together to combat climate change.

While we may have fundamental differences of opinion on carbon pricing, I believe there is common ground we can find to address this serious global issue.

My officials will reach out to your office to determine your availability. Please feel free to contact me directly at any time.

Sincerely,

Rod Phillips
Minister

Ontario

NEWS

Ministry of the Environment, Conservation and Parks

Ontario Releases Plan to Protect the Environment

Includes a Balanced, Made-in-Ontario Climate Change Solution to Preserve and Protect the Environment for Future Generations

November 29, 2018 1:40 P.M.

Today, Ontario's Government for the People released a new made-in-Ontario environment plan to protect our air, land and water and reduce litter and waste while lowering greenhouse gas emissions and helping communities protect themselves from climate change.

"This plan strikes the right balance between a healthy environment and a healthy economy," said Rod Phillips, Minister of the Environment, Conservation and Parks. "It contains solutions that will protect our air, land and water, reduce waste, address litter, increase our resilience to climate change and help us all do our part to reduce greenhouse gas emissions. Most importantly, it does all of this without imposing an ineffective, regressive carbon tax on hard-working Ontario families."

Preserving and Protecting our Environment for Future Generations: A Made-in-Ontario Environment Plan will help protect the Ontario we know and love, ensuring its pristine beauty and strong communities can be enjoyed now and in the future. The new plan is posted on the Environmental Registry for public input for 60 days.

This government will hold polluters accountable with stronger enforcement and tougher penalties for breaking environmental laws. These made-in-Ontario emission standards will also consider factors such as trade-exposure, competitiveness and process-emissions and will include the authority to introduce exemptions for Ontario's auto sector and other exposed industries as needed.

The plan additionally includes robust transparency measures that will ensure the public has real-time information about monitoring, incidents and enforcement activities.

Ontario will also enable others to be environmental leaders and do their part in developing environmental solutions. This includes helping unleash the resourcefulness and creativity of the private sector while freeing them from burdensome taxes and red tape that make them less profitable and hinder their growth.

It will also encourage meaningful local environmental action through initiatives such as a new province-wide day of action to fight litter, alongside meaningful partnerships with organizations like Ducks Unlimited and the Ontario Federation of Anglers and Hunters to fight invasive species and encourage conservation.

"Our plan will encourage individuals, families, governments and businesses to take greater ownership of our shared environmental challenges through real actions, big and small," said Phillips. "We promised the people of Ontario we are serious about addressing environmental challenges of our day while respecting hard-working taxpayers - and we are keeping that promise."

Andrew Brander Minister's Office
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Gary Wheeler Communications Branch, MECP
416-314-6666

Available Online
Disponible en Français

Court of Appeal File No.: **C65807**

IN THE MATTER OF A REFERENCE to the Court of Appeal pursuant to section 8 of the *Courts of Justice Act*, RSO 1990, c. C.34, by Order-in-Council 1014/2018 respecting the constitutionality of the *Greenhouse Gas Pollution Pricing Act*, Part 5 of the *Budget Implementation Act, 2018, No. 1*, SC 2018, c. 12

COURT OF APPEAL FOR ONTARIO

Proceedings commenced at Toronto

RECORD OF THE ATTORNEY GENERAL OF ONTARIO

VOLUME I OF IV

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