

Fedeli Focus on Finance

Can't Anybody Here Play this Game?

Volume 3: No. 1 | January, 2016



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Can't Anybody Here Play this Game?

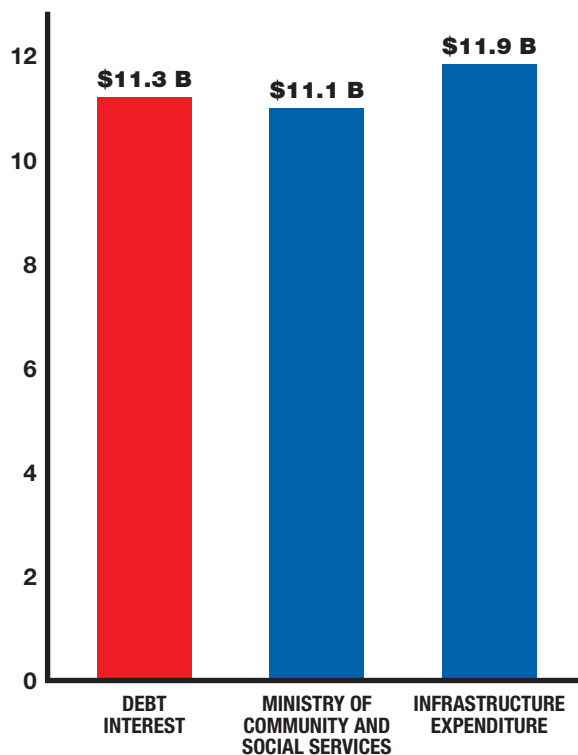
The title of this month's edition is a famous quote from storied baseball manager Casey Stengel, and appeared in a recent Toronto Sun editorial outlining a dizzying list of Ontario government waste, mismanagement, and scandal.

As 2016 is in full swing, life simply continues to get harder under the Wynne government. Electricity rates went up January 1st, adding more than \$100 to the average bill, eliminating any savings from the belated end of the Debt Retirement Charge. In fact, the Auditor General noted \$9.2 billion more has been unnecessarily paid for green energy contracts, and Ontarians will continue to be overcharged \$170 billion for electricity. The Ontario Retirement Pension Plan and new cap-and-trade tax plan will add costs to businesses and consumers, and result in job losses. Even the government admits to this.

Institute notes Ontario's net debt has grown almost 91% in less than 10 years; the highest growth rate of any government in Canada. The Auditor General in her annual report called for the government to outline a plan to reduce the long-term debt.

It has to be noted that government spending since 2003 has risen at an average annual rate of 4.7% – far in excess of the overall growth rate of the economy over that period (3.2%). Had spending simply been held to the rate of economic growth, it would be \$18 billion less than what the government is currently projected to spend (Toronto Sun, Jan. 5) That would pay for a whole lot of nurses, medical procedures, and special education supports, all of which are currently suffering in Ontario. At the same time, federal transfers to Ontario increased 88% over the past decade, growing from 12% to 16.4% of all Ontario revenue.

**ONTARIO DEBT INTEREST PAYMENTS
COMPARED TO KEY SPENDING PROGRAMS
(2015/16)**



All the while, government debt concerns grow, and the impact of the “crowding out” of key services is starting to be felt, especially in health care. And more and more head-shaking examples of the lack of oversight and general competence of this government continues to come to light.

Fiscal Overview

Many new voices are adding to the chorus of concern about Ontario's mounting debt.

Ontario will soon owe \$300 billion, and is the largest sub-national borrower in the world. At almost \$1 billion a month, Ontario now

spends more on debt interest than it does on its entire welfare system. In fact, the Fraser

Even former finance minister Dwight Duncan is ironically sounding the debt alarm. In a recent column he says the result of the government's debt has resulted in “a province that is dangerously ill-equipped to face the next, and inevitable, economic downturn,” and “a province that does not have the means to address its pressing infrastructure and social needs in a timely fashion.” He concludes “the day of reckoning is here.”

The Financial Accountability Officer confirmed last month that despite better-than-expected growth, the province will still likely underperform the target set out in its 2015 Budget. That means more re-jigging of the province's revenue targets in the upcoming budget, which the government has failed to meet on multiple occasions since 2013. It's tempting to ask what it will prompt the government to sell next? Or if it will increase the \$1.3 billion it plans to rake in from its new cap-and-trade tax plan? The FAO is also examining the projected savings from the government's program spending review, estimated to save \$500 million in each of the next two years. Combining the spending restraint goals with the government's optimistic revenue growth estimates, the FAO report concluded: “There are significant risks to the achievement of these targets.”

Pre-Budget Hearings

I toured the province last month with the all-Party Legislative Committee, holding pre-budget consultations. What we heard was startling, especially regarding health cuts. It's the "crowding out" of services the Auditor General warned of last year. Nursing jobs are being cut by the hundreds across Ontario, and we heard horror stories about patients collapsing on their front steps after being sent home too soon, or seniors crying out of hunger because their caregiver is too overwhelmed to help them eat. These were real stories from real people. There were also stories about the crushing impact on consumers and businesses that rising energy rates are having, and opposition to the Hydro One sale (which is being used to make the deficit appear smaller, not to fund transit) as people fear it will send rates even higher.

All of that, however, is sadly being ignored by the government. News broke before the hearings ended that the budget may come down in early March. We know from experience that it takes several weeks to put the budget together, let alone translate and print it. So it's confirmation the government had no intention of including any of the input from the pre-budget hearings in its final document. Worse, the Finance Minister appeared before the Committee trying to insist otherwise. It's a new level of arrogance and lack of respect of democracy that the public needs to be aware of.

What the experts are saying

Many red flags have been raised in recent weeks over the government's single-minded determination to proceed with the Ontario Retirement Pension Plan. The most damning, however, may be the government's own internal analysis and documents.

A cost-benefit analysis recently released by the government admits the provincial economy won't fully recover from the shock of the ORPP for 20 years! It states job losses will be in the tens of thousands, confirming Ministry of Finance documents we exposed two years ago. Disposable income and private investment will decline and household spending isn't forecast to recover until 2040! Sure it projects a modest economic benefit – by 2093 – which columnist Christina Blizzard adeptly points out "most of us will be dead by the time it happens".

The analysis also reveals it will become very difficult for anyone making under \$90,000 to actually save anything on their own, outside of the ORPP.

How much money will this government have wasted if they proceed with this, and the national discussion currently going on regarding enhancing the Canada Pension Plan reaches some kind of consensus? Are we really going to disadvantage an entire generation of Ontarians, with no guarantees that this is a real solution?

Government polling documents obtained by the Canadian Taxpayers Federation through Freedom of Information also confirm the ORPP will kill jobs. Two reports from EKOS polling done for the government show 59% of Ontario businesses expect to cut or freeze wages in response, and larger businesses will cancel existing pension plans or are planning for layoffs.

At the pre-budget consultations, the Ontario Chamber of Commerce reiterated business concerns with the ORPP, and requested a one-year implementation delay. Others including the Canadian Life and Health Insurance Association and Portfolio Managers Association of Canada have since echoed that call.

It's also worth noting in the Chamber's annual 2016 report, that business confidence has fallen from 47% to 30%, and 69% of businesses say Ontario is worse off than five years ago in restoring fiscal balance by improving the way government works. It also notes "electricity rates in Ontario continue to rise and are negatively impacting our investment climate." They reached the stark conclusion that "our economic recovery is not yet assured"

Other respected voices are speaking out as well.

"Ontarians do not know how the ORPP is supposed to work. How much in, costs, how much out – and, critically, whether returns on safe investments can support it, or whether it will be one more unsustainable scheme that ends up ripping off the young"

*-- CD Howe Institute President & CEO
William Robson, Globe and Mail, Jan 19*

"How you would actually (roll the ORPP into an expanded CPP)? Let's say this thing exists for three or four or five years, and then to fold it back into the CPP, I'm not sure how that would work, to be quite honest."

-- Mike Moffat, assistant professor of economics, Ivey School of Business, National Post, Jan. 24

Waste, Blunders, and Incompetence

This government's fiscal bungling continues to grow in leaps and bounds. Believe it or not, the following are all stories from January 2016 alone! I could write a full newsletter on each one of them, but the headlines alone paint a picture of the trouble we're in.

Hydro One can't get a wi-fi signal from 36,000 smart meters and will now have to read them manually.

Auditors have been called in to look into expenses rung up by the Ontario Tire Stewardship agency. (Credit card statements show executives and board members enjoyed wine, gin martinis, steak dinners, and a tab of more than \$16,000).

The government continued to throw money into fixing its MaRS real estate bungle. (Giving \$18.3 million to U of T to collaborate with a private biotech firm.)

Premier Wynne tried to pass off the government's failure to reach its 15% auto insurance rate reduction as "a stretch goal".

The Education Minister still hasn't released details of teachers contracts as questions remain about \$3.74 million in payments to some unions. (This in addition to the cost to restore labour peace to schools, estimated at \$8.4 million).

Pan Am organizers paid \$140,000 to a private contractor to run a temporary hair and nail salon for athletes.

Just 42 days after opening, the \$106 million Nipigon River bridge failed. (This is a vital East-West link, and it's featured on the cover of this newsletter!)

Nearly two years after a promised \$120 million grant to OpenText to create 1,200 jobs, no money paid out: no jobs created.

The Institute for Competitiveness and Prosperity, echoed recent findings of the Auditor General which stated there is little coordination between provincial business support programs and their ministries.

Concerns were raised that the passage of "Strengthening Consumer Protection and Electricity System Oversight Act" will shut down "the last arena of independent public review of the billions of dollars being spent by the province." (By solidifying the province's control over the Ontario Energy Board.)

Conclusion

The current government has a well-documented track record of failed policies that are making life harder for Ontarians. They can't be trusted to get anything right. As a result of their scandal, waste and mismanagement, the government can't afford to fund essential government services, as evidenced by cuts to health care. The government isn't looking out for the best interests of Ontarians, and seems only interested in political survival.

Key Questions

Will the government listen to concerns of the business community and its own polling and economic analysis, and halt the ORPP to allow a national discussion on the future of the CPP to take place?

How will the government address rising electricity prices, which businesses list as their number one concern, and have made Ontario an "uncompetitive" jurisdiction for investment?

What assets does the government plan to sell next to perpetuate the ruse that it's investing in transit, when the funds are in fact being used to make its deficit look smaller?



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