

# 2013 Ontario Pre-Budget Submission

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# Canadian Union of Public Employees Ontario Division

The Canadian Union of Public Employees (CUPE) Ontario is the largest union in the province with almost 240,000 members in virtually every community and every riding in Ontario. CUPE members provide services that help make Ontario a great place to live. CUPE members are employed in five basic sectors of our economy: health care, including hospitals, long-term care and home care; municipalities; school boards in both the separate and public systems; social services; and post-secondary education. CUPE members are your neighbours. They provide care at your hospital and long term care home. They deliver home care for your elderly parents. They collect your recyclables and garbage from the curb. They plough your streets and cut the grass in your parks and playgrounds. They produce and transmit your electricity, and when the storm hits in the middle of the night, they restore your power. CUPE members teach at your university and keep your schools safe and clean. They take care of your youngest children in the child care centre and make life better for developmentally challenged adults. They protect at-risk children as well as those struggling with emotional and mental health concerns. Our members do this work every day, and as a collective experience it equips us to make a positive and informed contribution to the budgeting process of the province.

#### Introduction

Ontario is in trouble. Consumer spending is maxed out, the housing market is cooling, corporations are not investing despite sitting on \$600 billion in cash and government spending cuts are set to reduce economic growth by 3 per cent over the next two years. The new Premier Kathleen Wynne has declared her intention to make Ontario "#1 for economic growth." It can be done, but not unless the new government is willing to admit the failures of the past and try something new.

The austerity program of the McGuinty government traded economic growth for deficit reduction. By refusing to tax corporations and well-to-do Ontarians fairly and by cutting public programs instead of investing to promote growth, the last budget deepened inequality and slowed the economy. Staying the McGuinty government course will remove upwards of \$20 billion from the economy and cost over 100,000 jobs over the next few years by one estimate. With provincial unemployment hovering just below 8 per cent, and the divide between the super-rich and the rest growing at an alarming rate, Ontario faces a critical choice: continuing the devastating cuts of the past, or investing in the future to promote growth and equality.

It's time that Ontario change course to meet the real challenges to the economy and to the lives of Ontarians head-on. That means investing in public services to stimulate growth and reduce inequality. Our submission details seven concrete ways the government could change direction to help the people of Ontario: Fair taxation, fight poverty, invest in child care, health care and infrastructure, and end the government's costly affair with outsourcing and P3s, while promoting labour peace.

# Austerity is making things worse

In the U.S., recent spending cuts are estimated to cost 750,000 full-time jobs and cause a 0.6 per cent reduction in GDP growth over the rest of 2013.<sup>4</sup> In Europe, austerity has caused sharp declines in economic growth (by one fourth in Greece) and debts have actually gone up instead of down.<sup>5</sup> In the United Kingdom, government cutbacks have already reduced GDP growth by 1.4 per cent.<sup>6</sup>

As a result, even the International Monetary Fund (IMF)—one of the architects of austerity—now says that cutbacks in Europe have been much too severe. According to the IMF, the actual effects of government spending cuts have been *three times greater* than their original estimates.<sup>7</sup>



In Ontario, a new report from the Canadian Centre for Policy Alternatives (CCPA), estimates that austerity could reduce GDP by as much as 3 per cent over the next two years—potentially dragging the province back into recession.<sup>8</sup>

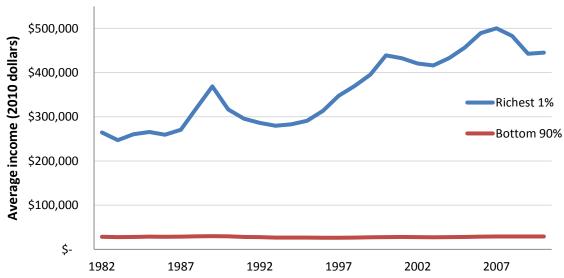
The government cannot keep waiting for economic stimulus to come from some other quarter: Median real earnings have barely changed since 1980.<sup>8</sup> As a result, the average household now has one-and-a-half times more debt than income, leaving no room for spending to grow until wages (for the 99 per cent) do.<sup>9</sup> The housing market is cooling, amid continued warnings of a major price correction.<sup>10</sup> Meanwhile, corporations are sitting on over \$600 billion in profits they are not investing.<sup>11</sup> That leaves government spending as the only way to get the economy growing.

#### Austerity is dragging the economy down and making inequality worse

The World Economic Forum cites rising inequality—not deficits—as the greatest threat to the global economy in 2013.<sup>12</sup> But, rather than invest to reduce inequality and focus on stimulating growth, the Ontario government has continued to restrain spending. As the argument goes, the cupboards are bare and the rating agencies are at the gate, but in fact as a society we are richer than we have ever been. Economic growth is slow, it's true, but nevertheless, Ontario is more than twice as wealthy, in terms of GDP, today as it was thirty years ago.<sup>13</sup> The problem is who has all this wealth, and what *aren't* they doing with it?

Instead of distributing this wealth across the population via full-employment, living wages, and expanded government programs, it has been concentrated more and more in the hands of the super-rich through a combination of capitalism-gone-wild and responsible taxation just plain gone. The richest 1 per cent of Ontarians have nearly doubled their incomes over the past thirty years, yet they are now taxed less than at any time since the Roaring Twenties.<sup>14</sup>

# Change in average total income for the top 1% and bottom 90% of Ontarians, 1982-2010 (2010 dollars)

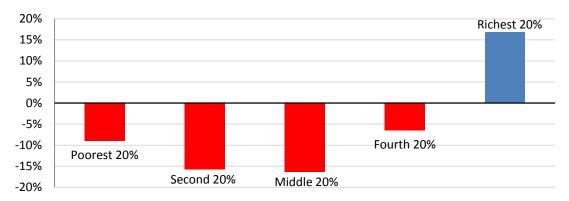


**Source:** Statistics Canada. Table 204-0001 High income trends of tax filers in Canada, provinces, territories and census metropolitan areas (CMA), national thresholds, annual, CANSIM (database).

Meanwhile, the incomes of bottom 50 per cent have *decreased* over that period, representing a direct transfer of billions of dollars from the poorest to the richest Ontarians.<sup>15</sup>



# Percentage change in share of income by population group, 1980-2010

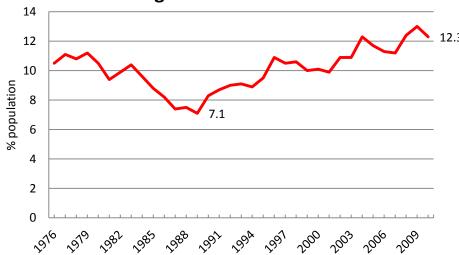


**Source:** Correspondence with Armine Yalnizyan, Canadian Centre for Policy Alternatives; Statistics Canada, Table 202-0703 Market, total and after-tax income, by economic family type and after-tax income

Tax cuts for corporations and the wealthy in the 1990s and 2000s have reduced Ontario's annual tax revenue by an estimated \$17 billion per year. Without these tax cuts, Ontario would have no deficit—we would have billions of dollars in surplus to spend on improving social programs and services, which would in turn create jobs and increase the tax base.

Ontario is now the second most unequal province in Canada after Alberta, in part because we now spend less than any other province on critical government services like hospitals.<sup>17</sup> Wealth is more concentrated than at any time since the Second World War.<sup>18</sup> The inequality is starkest for Aboriginal and racialized workers, who earn just 70 and 81.4 cents, respectively, for every dollar paid to non-aboriginal/non-racialized Canadian workers.<sup>19</sup> The number of Ontarians living in poverty has climbed 75 per cent since 1989.<sup>20</sup>

# **Percentage of low income Ontarians**



Source: Statistics Canada. Table 202-0802 - Persons in low income families, annual

In fact, inequality is now growing more quickly in Canada than in the U.S., according to a recent Conference Board of Canada report.<sup>21</sup>



The sharp increase in inequality is a direct consequence of austerity policies pursued by Ontario governments for the past 30 years. For the 1%, tax cuts and shrinking government are the goal. Here is how Freidrich Von Hayek—one of the founders of neoliberal economics and an advisor to former U.S. President Ronald Reagan—explained it in 1985:

"Reagan thinks it is impossible to persuade Congress that expenditures must be reduced unless one creates deficits so large that absolutely everyone becomes convinced that no more money can be spent."

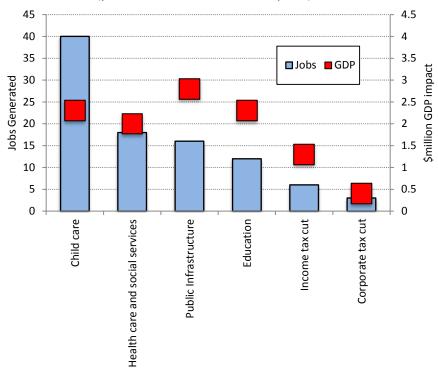
"Taking Stockman: How Nixon, Reagan, Bush and their GOP Demolished the Economy." Flaglerlive, August 1, 2010.

# Investing to reduce inequality and stimulate growth

Government services are the great equalizer in Canada—something that, until recently, was a proud feature of our national identity. For the great majority of Canadians, the benefit they receive from public services is equivalent to half their private income or more. Government investment also has enormous multiplier effects on the overall economy. Replacing the estimated 250,000 jobs lost in the recession and still not recovered would increase revenues by an estimated 9 billion, even before considering indirect benefits of stronger employment.

## **Public Investment Yields Strongest Impact**

(per \$1 Million invested or spent)



Sources: Informetrica Ltd, Centre for Spatial Economics, Finance Canada.

Below we outline five concrete areas in which the Ontario government could invest to redistribute wealth more equitably through universal and accessible public programs and the modest tax fairness measures to fund them. In addition to alleviating Ontario's crushing (and growing) inequality, these measures will spur lasting economic growth, bringing *all Ontarians* out of recession.



# **Actions to Promote Equality and Create Jobs**

#### 1. Tax Fairness

year.

Tax cuts over the past twenty years have hobbled the government's ability to offer the basic programs, and realize the redistributive potential of public programs that Ontarians expect. Canadians enjoy an average benefit of \$17,000 per person, per year from the public programs our taxes fund. It's the best deal out there: for eighty-percent of Canadians, the benefit they receive from public services is equivalent to half their private income or more.<sup>24</sup>

In addition to increasing government revenues in order to pay for critical public programs that will benefit all Ontarians, these measures will also establish strong disincentives to corporate hoarding. Increasing the Marginal Effective Tax Rate (METR) for corporations will encourage them to reinvest profits. Additional revenue through increased tax rates will be re-invested by government in an exponentially more effective and more egalitarian way through public spending. A recent study estimated that a 3-point reduction in federal corporate taxes could stimulate approximately \$600 million in private investment nationally, but allocating the same amount of money to public investment in infrastructure instead would create ten times as much investment.<sup>25</sup>

Below are a series of modest measures designed to increase fairness in Ontario's tax system. Taken together, they could raise between \$9-10 billion in the first year, rising to an estimated \$13 billion annually by 2018/19.

Revenue estimates for selected progressive tax measures for Ontario 2013 Toby Sanger CUPE National			
Measure	Estimated revenues (billions)		
Restore Ontario corporate tax rate to 14% from current rate of 11.5%	\$1.6		
Restore Ontario's corporate capital tax for medium and large sized corporations to 0.3% for general corporations and from 0.6% to 0.9% for financial corporations	\$1.8		
Uniform rate for Business Education Taxes and indexed.	\$0.4 to \$1.0		
Suspend phase in of HST input tax credits provided to large businesses for energy, telecom and meals and entertainment expenses.	Gradually rising to \$1.3 billion annually from 2015 to 2019.		
Remove EHT exemption for first \$400,000 of payroll.	\$0.75		
Financial activities tax	\$2.0		
Lower threshold for top income PIT rate of 13.16% to \$250,000.	\$0.1 to \$0.7		
or Lower threshold for top income PIT rate to income above \$150,000	\$0.5		
Eliminate tax preferences for stock options	\$0.2		
Eliminate lower rate of tax on capital gains for individuals and corporations	\$1.5		
End partial deduction of meals and entertainment expenses for corporations	\$0.1		
Tax audit collection and compliance measures	\$0.73 in 2013/14 rising to \$2.0 in 2017/18		
Total	\$9-10 billion (2013/14), \$13 billion (2018/19)		
Sources: Ontario Ministry of Finance 2009 Tax Plan for Jobs and Growth,; Drummond Commission Report; 2004 Ontario Budget; Ministry of Finance 2012 Economic Outlook and Fiscal Review; Toby Sanger "Fair Shares" CCPA report; Canada Revenue Agency, Income statistics 2011-2009 tax			



# 2. Poverty

Reducing Ontario's stark inequality will require specific investments designed to support the province's poorest. A recent report by the National Council of Welfare found that the cost of bringing everyone in Canada above the poverty line was \$12.3 billion—less than half the societal and economic cost of poverty.<sup>26</sup>

#### Raise social assistance to pre-1996 levels, index

One of the goals of a transformed social assistance system must be to keep Ontarians from falling into poverty by providing adequate and timely supports for those in need. Social Assistance Review Commissioners Frances Lankin and Munir A. Sheikh acknowledge that current social assistance rates relegate people to poverty in perpetuity.

Since the Conservative government of former Premier Mike Harris cut social assistance by 21.6%, rates have not been raised in line with inflation meaning Ontario's poorest have continued getting poorer under the Liberal government. The monthly income for a single person on welfare in Toronto is now \$880 below the poverty line, and \$330 below their pre-Harris-cut level in 1995.<sup>27</sup> The monthly income for a single person on ODSP is \$235 below pre-Harris-cut levels.

#### Raise minimum wage to above poverty-levels/living wage, index

Study after study has shown that the negative effects on employment of minimum-wage increases are extremely small, and in some cases they have been shown to increase employment.<sup>28</sup> Proven job creation strategies such as investments in child care, infrastructure, health care and education proposed here would vastly outweigh any losses resulting from increasing the minimum wage.

Stagnant wages for a majority of Canadians have contributed to increasing inequality. Despite the fact that labour productivity increased 37.4 per cent between 1980 and 2005, median real earnings barely changed at all.<sup>29</sup>

Given that approximately one in ten Ontario workers are paid minimum wage, a liveable minimum wage would have a tremendous impact in reducing inequality and increasing consumer spending, in turn boosting the economy.<sup>30</sup>

#### **Employment Equity**

Ontario's diverse population is one of its great strengths, but that diversity is not represented in workplaces. Aboriginals, racialized Canadians, women, and Canadians with disabilities face wage discrimination across the country.

- Women earn just 84 cents for every dollar paid to non-racialized Canadian workers.<sup>31</sup>
- Racialized workers earn just 81.4 cents on the dollar.<sup>32</sup>
- First Nations, Metis and Inuit earn just 70 cents on the dollar compared to non-Aboriginals.<sup>33</sup>
- In 2006, the unemployment rate for people with disabilities (8.6%), recent immigrants (12.3%) and aboriginals (14.8%) was higher than the Canadian average (6.3%).<sup>34</sup>

Equity-seeking groups also fill more low-paying, low-status jobs than senior positions. In the public sector these positions are the most commonly outsourced, bringing wages and working conditions down further for equity-seeking groups. In the private sector, these jobs are highly precarious, and many workers do not benefit from the protection of Employment Standards due to a lack of enforcement.



#### Affordable Education

Ontario's tuition fees are the highest in Canada, yet post-secondary institutions continue to struggle with underfunding. Ontario provides the lowest rate of investment for post secondary students in Canada. Tuition fees are user fees; another form of privatization that hurts us all—post-secondary education is a public good, not a marketplace commodity.

In addition to promoting equality and social mobility by providing equal access to higher education, spending on post-secondary education has significant multiplier effects on the economy. Every dollar invested in post-secondary education to increase access through reduced tuition fees and increased quality of services that provide a safe and functional environment pay back \$1.20.

#### **Developmental Services**

Wait lists in the sector are at an all time high. There are more than 23,000 individuals with developmental disabilities across Ontario on waitlists for supports and services, including 12,000 families on waitlists for residential services. The lack of residential and other supports is throwing many families into crisis. It is estimated that more than 1,450 parents over the age of 70 are the primary care giver to a loved one with a developmental disability; and of that number, 20% are over the age of 80. In addition, many individuals with a developmental disability are themselves ageing and have complex and multiple health challenges.

Additional funding is needed to avoid closing programs and residential services and stabilize the sector. Several agencies report closures to residential services and further merger of residential services in the near future without adequate funding. In the case of *Therapeutic and Educational Living Centres Inc.* (TELCI), the Board of Directors has announced the outright closure in July 2013 of the only agency in Ontario that uniquely provides residential supports to people with developmental disabilities who are visually impaired.

### **Community Social Services**

Community agencies provide many families, seniors and marginalized Ontarians with invaluable supports. Despite their expanding role in supporting Ontarians to live healthy and safe lives, the community agency sector has been starved of needed funding for several decades.

Wages and benefits have been essentially stagnant for the last fifteen years and wages are now far below public and private sector comparators, and in some cases, below the poverty line. The sector is rife with recruitment, retention and workload challenges. Part-time and precarious work arrangements have become the norm.

More than a decade of government funding cuts, funders' unwillingness to provide stable, core funding for long-term programs and administration expenses, and an over-reliance on short-term, project funding that is not guaranteed from year to year and does not cover administration expenses, such as wages, have put the community agency system in crisis.

#### **WSIB**

WSIB has been cutting costs on the backs of injured workers. Denial rates have gone up from 7.9 per cent to 11.3 per cent; Loss of Earnings benefit payments are down by 9.3 per cent; there have been 31 per cent less permanent impairment awards; in the first 6 months of 2012 benefits have been cut by 5.8 per cent. As a result, many claimants are turning to both OHIP to cover Health Care costs as well as supports such as social assistance which puts further strain on municipal budgets and provincially funded health budgets.

As well, proposed drastic cuts to WSIB workers' pension plan will make staff recruitment and retention difficult, further worsening morale. CUPE believes that joint-trusteeship, which would



allow for the possibility of permanent solvency relief, is a much better plan and would reduce the need for the cuts. However, the WSIB has at this stage not been agreeable to moving to a Jointly Sponsored Pension Plan.

#### Actions:

- Immediate fifty-five percent (55%) base funding increase to the food and shelter allowances for social assistance.
- Funding for discretionary benefits (e.g. transportation, telephone, orthotics, etc.) must also be increased as a component separate from any base funding increases for food and shelter.
- All increases should be indexed to inflation to avoid further erosion.
- Increase the minimum wage immediately, and set out a short-term timeline to raise it to a liveable amount above the poverty line.
- Index the minimum wage to inflation.
- Bring back employment equity legislation so that equity-seeking Ontarians do not fall further behind in the labour market, and to make certain that our workplaces are equitable, diverse and inclusive for all workers.
- Strengthen employment standards to stop the move to temporary and contract employment and prevent abuse.
- Immediate tuition freeze for post-secondary education, accompanied by substantial annual decreases with the goal of eventually eliminating fees altogether.
- Provide adequate, sustainable and transparent funding to post-secondary institutions ensuring sufficient levels of qualified experience staff can be established.
- Expanded income supports to remove non-tuition barriers to low-income students.
- Increase funding to Developmental Service agency base budgets by \$500 million.
- Provide adequate funding to allow agencies to meet their pay equity obligations. Agencies should not be forced to cut staffing and services in order to ensure pay equity is maintained.
- Reshape policy to stop the alarming trend of injured workers being denied access to compensation.
- Provide universal coverage for all workers in order to protect the financial futures of the many Ontarians working without workplace injury coverage.
- Move WSIB employee's pension to a Jointly Sponsored Pension Plan.

#### 3. Health Care

#### Restore health care funding to keep up with health sector specific inflation

The auditor general estimated hospital real costs at 5.8% annually due to the inflationary increases in the costs of the drugs hospitals provide without charge to patients, doctors' salary increases, the cost of medical technologies and increased utilization.

Flat-lined funding is resulting bed reductions in almost every hospital across Ontario along with cuts to or the elimination of many clinical programs, like palliative care and supports to patients affected by domestic violence and sexual assault.

#### Moratorium on for-profit provision of acute, LTC or home care

According to the 2010 Auditor General's report, there are presently 10,000 people waiting for home care in Ontario. Demand is outstripping spending increases by 50% per year. Just maintaining the status quo of woefully inadequate hours and highly restrictive eligibility requires approximately 11 per cent added funding per year.



Paying fair wages for Personal Support Workers (PSWs) in Home Care, in line with what they make in hospitals and LTC facilities as well as regular hours and enforceable health and safety protections would raise the mainly racialized women performing this work out of poverty and afford them the dignity they deserve as a foundation of Ontario's health care system. Meeting actual demand for Home Care would have humanizing effects on the thousands of clients unnecessarily forced to seek care in hospital and LTC facilities; save money by reducing hospital readmissions; save lives; and increase the province's workforce by reducing disruptions to work life of family members who would no longer have to quit their jobs to care for ailing family members.

As of March 2011, there were 23,948 Ontarians waiting for a Long-Term Care (LTC) bed. Ontario spends \$28 dollars less per person on Long-Term Care than the Canadian average, and it shows. A 2001 study by PriceWaterhouseCoopers found that residents in Ontario LTC facilities receive less nursing, aide and therapy care than in the majority of comparators (including other jurisdictions in Canada, the U.S. and Europe). Ontario LTC facilities had the fewest nursing hours per resident per day (2.04) of any jurisdiction examined, far behind residents of Saskatchewan (3.06), Mississippi (4.2) and Maine (4.4).

One direct result of understaffing in LTC facilities is resident-on-resident violence. A CTV W5 investigation recently revealed that 1,788 such episodes were reported to the Ministry of Health and Long Term Care (MOHLTC) in Ontario in 2010 alone.<sup>39</sup>

In Ontario, for-profit nursing homes receive 1.5-2.5 times more complaints than public and not-for-profit nursing homes. In 2003-04, 52 per cent of Long-Term Care homes in Canada were for-profit. For-profit LTC facilities in Ontario house 53% of all LTC residents. This has increased steadily over the past two decades from a low of 43% in 1990/91. Ontario's proportion of residents living in for-profit facilities is much higher than the Canadian average (40%) and is in fact more than any other province with the exception of Newfoundland (56%). Long-Term Care facilities in Ontario have become the most expensive in the country, costing nearly twice as much as Long-Term Care in Alberta, BC, Manitoba, Saskatchewan or Quebec.

#### Actions:

- Adequately fund hospitals for their real cost increases of 5.8% annually.
- Stop the contracting-out of hospital support services—public, in-house services provide highest quality
- Invest in not-for-profit and public LTC and Home Care to address the growing, aging population and the wait for LTC beds and Home Care services.
- Raise minimum standards for PSW wages in Home Care and establish a minimum work week.
- Increase funding for LTC to provide 3.5 minimum hours of care standard based on assessed resident need.
- New accountability mechanisms must be put in place and loopholes tightened to ensure that monies aimed at improving personal and nursing care levels for LTC residents and home care recipients are not skimmed and sidelined into the pockets of for-profit providers.

#### 4. Child Care and Children's Services

Well directed public spending on child care is a public investment, not a public cost and is part of the solution to Ontario's economic challenges, not part of the problem. Every \$1 milion invested in high quality child care creates 40 jobs and brings a \$2.42 million return in short- and long-term benefits to Ontario—including educational benefits as well as increased earnings and reduced social costs.



The Ontario government is severely underfunding regulated child care. That coupled with the lack of a rational provincial plan for adequately developing and managing a true child care system exacerbated by the introduction of full-day kindergarten has had a number of key, severe, immediate impacts:

- Centre closures across the province, so that families have less choice, there are no services in some areas, and the opportunity for planning and profiling centres to provide needed services for 0-3s is lost:
- Subsidy waiting lists so lengthy that many eligible families may never secure a subsidy;
- Hefty fee hikes creating conditions in which few parents can afford to pay full fees;
- Volunteer boards and municipalities without adequate resources to make the transition to needed infant and toddler care as kindergarten-age children exit;
- ECE wages too low to attract and retain the qualified staff needed for high quality programming.

Closures of non profit and municipal centres and growing subsidy waiting lists have intensified, and have been recorded in Windsor, Kenora, Peel, Toronto, Niagara, Ottawa, Hamilton, and others. For-profit corporations are expanding their reach in the absence of a long-term policy framework

for a public system of child care. Parents across the province struggle to access affordable, quality, public child care despite the wealth of research that shows good public policy on child care is pivotal to a healthy economy.

#### **Child Welfare**

Investing in the prevention of abuse and the well-being of at-risk children and youth today will save millions of dollars in mental health, social assistance and other supports in the future. Sadly, underfunding is making it increasingly difficult for child welfare agencies to meet their legislative mandate to protect children from neglect, harm and abuse. Agencies across Ontario have closed group homes, reduced staffing levels, and cut services and supports. Budget cuts to northern and First Nations agencies place these high-risk communities at even greater risk.

When the *Commission to Promote Sustainable Child Welfare* recommended the amalgamation of Children's Aid Societies it also committed that services would not be put at risk as a result of the mergers. There are significant costs associated with amalgamating agencies, including the costs of harmonizing wages and benefits, as well as infrastructure costs and expenses incurred with the transition to a new entity.

#### Actions:

- An increase of \$300 million a year to base funding for child care just to avoid further closures.
- Index child care base funding to inflation.
- Early childhood education and child care must be universally accessible, that is, available, affordable, inclusive and meeting diverse needs in all communities, all regions, all families and children.
- High quality early childhood education and child care programs. Staff should receive remuneration that reflects the value of the work, and be trained in early childhood education. Public funding should be through operational or base funding, not subsidies or vouchers.
- A moratorium on the licensing of for-profit corporate child care companies.
- Increase funding for Community Social Services by \$67 Million.
- Merged Child Welfare agencies must be funded appropriately on a go forward operating basis to ensure that wages and working conditions are in line with the rest of the sector, and to guarantee the stability and maintenance of high quality services and supports.



#### 5. Infrastructure

Economist Hugh Mackenzie estimates that, with the exception of the peak year of stimulus spending after the economic crisis, Canada is under-spending on infrastructure by approximately \$24 billion *per year.* Ontario is no exception: a 2008 Provincial-Municipal Fiscal and Service Delivery Review put the cost of bringing municipal infrastructure (representing about half of the Province's stock of public infrastructure) into good repair at \$22.4 billion, plus \$3.7 billion annually after that. 45

It is our recommendation that the province create a universal infrastructure upkeep and expansion fund. Access to the fund should be limited to publically delivered and funded projects, focussing on the 'big ticket' items such as water, power, social infrastructure (parks and recreation, libraries etc), transit and housing. This fund could help municipalities by-pass federal funding predicated on privatization, which ends up costing Ontarians and their municipalities more.

The Liberal Government should be congratulated for taking steps to upload some services from municipalities – items such as social services and court security. However, this does not excuse removing another plank which supports the funding of our cities, towns and hamlets. The Ontario Municipal Partnership Fund (OMPF) represents the primary transfer fund between the province and municipalities, and it should be kept intact. The government has made the decision to reduce the fund to \$500 million by 2016. In 2013 this means a reduction to \$575 million and 2014 to \$550. The upload and maintenance of provincial services and the OMPF should not be viewed as an 'either/or' proposition – we need both. Given what municipalities must fund and support, transfer funds should be enhanced to at least pre-reduction levels, not reduced further. A large share of what the province touts as support to municipalities deals with ongoing operating costs, which CUPE believes should be a provincial responsibility, for example the \$432 million for land ambulance to maintain the even funding split with municipalities.

Recently, Sault St. Marie Mayor Debbie Amaroso put the OMPF on the "top of her wish list". While advocating to keep the \$18 million Sault Ste. Marie receives, she stated; "One of the messages I so want to convey is there is a uniqueness in Northern Ontario because of our geography and our aging demographics that are important to consider as your cabinet makes its decisions." The Mayor's comments underscore the importance of this transfer to municipalities, particularly in the North

#### **First Nations**

Canadian governments fund aboriginals at half the rate they fund non-aboriginal Canadians.<sup>48</sup> As a result, 1 in 4 aboriginal children live in poverty, much higher than the 1 in 10 non-Aboriginal children living in poverty.<sup>49</sup> Suicide rates among aboriginal youth are 5-7 times higher than for non-Aboriginal youth.<sup>50</sup> Water quality at eighty-four per cent of Ontario First Nations communities present a high or medium risk, resulting in water advisories in over a quarter of Ontario First Nations communities.<sup>51</sup>

According a 2011 report of the Ontario First Nations Technical Services Corporation (OFNTSC), Ontario's First Nations communities had an \$8.8 billion infrastructure gap. It is likely even higher today. The report detailed gaps of \$2.2 billion for housing, \$2.5 billion for institutional service buildings, \$2 billion for water and wastewater treatment plants and \$1.9 billion for linear structures and roads.<sup>52</sup>

Neglect, institutional racism and buck-passing between the provincial and federal governments have left First Nations mired in structural poverty. It is high time that the Ontario government take a firm stand in defense of the human rights of Ontario's First Nations population, and work with



these communities to immediately secure sufficient Provincial and Federal funding to address the 3<sup>rd</sup> world conditions on Ontario reserves.

Solutions to the infrastructure crisis on First Nations communities must be found through public provision, construction, operation and maintenance rather than through Public-Private Partnerships (P3s), which are more costly, provide less local benefit, and are often lower quality. Community Benefit Agreeements (CBAs) for infrastructure projects on and around First Nations communities are especially important.

#### **Transit**

In 2007, the Federation of Canadian Municipalities found a \$30.6 billion deficit in Canadian transit infrastructure. In Toronto, the city with Canada's most robust transit system, commute times are the longest in the country. Across Canada, public transit users face the longest commutes—about twice the time it takes those using their vehicles. Hardly tempting those who have a faster alternative to chose public transit.

The reason is structural underfunding of public transit by all levels of government for years. In many cases, various forms of privatization are heralded as the only option, yet these schemes actually cost more for taxpayers, while invariably delivering less.

In Ontario, subsidies dried up in the 1990's just when ridership was increasing. The result is an unprecedented reliance on fares to fund public transit. Toronto, for example, is an international outlier in this regard. The TTC receives a mere \$0.87 subsidy per rider compared to \$1.28 per rider in Montreal, \$1.25 per rider in New York, and \$4.16 per rider in Los Angeles.<sup>55</sup>

Appropriate funding and transit expansion are important to every major centre in the province. As an example, in Northern Ontario the sell-off of Ontario Northlands will dramatically decrease Northern Ontarians' access to reliable transit—while potentially costing taxpayers. <sup>56</sup> Affordable, accessible public transit is essential for people to get to work and about their daily business be it the hospital, the library or the child care centre.

#### Housing

Ontario is tied with BC for the highest percentage of population in core-housing need of any province. At 20% of population in core-housing need, Toronto is second only to Nunavut of all provinces, territories and urban centres measured. According to 2006 census data, Ontario's core housing need was 627,530. In the continued absence of a provincial housing strategy, this number has surely gotten higher. <sup>57</sup>

In 2012, the Ontario Non-Profit Housing Association's annual survey of waiting lists stood at 156,358 households, with wait times as long as ten years in some places. For every household that obtained affordable housing in 2011, 3 were added to the list.<sup>58</sup> Ontario has the highest housing costs of any province, and one in three Torontonians spends 30 per cent or more of their income on housing costs—the worst record among all Canadian cities. Despite this, Ontario invests less per capita in affordable housing than any other province.<sup>59</sup>

Ontario has downloaded responsibility for affordable housing onto municipalities more so than any other province. In 2009, Ontario spent only two-thirds as much as municipalities on housing, according to Statistics Canada figures.<sup>60</sup>

#### Energy

The vast majority of Canadians support the move to a more sustainable energy infrastructure. A recent poll by Harris/Decima for Tides Canada indicates that Canadians support a national energy



strategy (87%), want more green job creation (75%), investments in energy efficiency (82%) and the use of our oil wealth to fund the shift to clean energy (82%). These are important priorities.<sup>61</sup>

Universal access to affordable energy is a fundamental human right. Public ownership, operation, and control of all electrical energy production, transmission, and distribution is the only way to guarantee such access, as histories of deregulation and privatization have shown. <sup>62</sup>

Investment in public services and public infrastructure such as energy production, transmission, and distribution, especially alternative energy production, as well as investment training and skills development for workers in the energy sector is necessary to take us out of the current global economic crisis. Thousands of jobs can be created by green retrofitting or retooling at hydro utilities and in provincial electrical systems.

New technology and other changes in energy production and distribution must give priority to making the lowest possible impact on the quality of our environment. Each successive generation of electrical technology and development must meet higher environmental standards than the previous generation. Conservation measures and demand management are necessary as a cost-effective measure to increase productive capacity and protect the environment.

Providing funding for a Just Transition for workers in affected areas of the energy sector is essential. Policies driving shifts from high carbon-producing power generation to green and renewable generation need to include financial support for retraining, education and long-term economic development strategies for affected communities.

In addition to just transition policies, strategic investment in recruitment and training for energy sector skilled workers in the trades and engineering is important due to demographic shifts in the energy workforce. Apprenticeship training for replacement workers of retirees should be included in the medium to long term HR strategy for public power utilities.

#### **Schools**

Instead of focusing on strengthening Ontario's schools by providing the proper level of funding that will allow all students to achieve excellence, the Liberal government chose to attack the civil rights of hundreds of thousands of education workers. The Liberals joined with the Conservatives to legislate Bill 115 -- an unprecedented attack on the charter rights of Canadians -- which gave the Ministry of Education the power to override collective bargaining and impose contracts on school boards. Workers lost the democratic right to freely negotiate the terms and conditions of their employment.

Attacks on compensation, benefits and pensions of education workers are not only a bad omen for a well-run provincial education system, but will make it all the more difficult for school boards to recruit and retain the leading talent that a world-class system requires. The 2012 Ontario Budget took us a number of large steps away from making our public school system the best in the world. The 1.5 per cent increase for education in 2012-13 was only half what the rate of inflation requires to keep funding at the same actual level. This has resulted in a real cut in funding estimated to be \$600 million over the next two years.

The true story is much worse. The 2012 Budget makes clear that future funding will not keep up with increasing demand for educational assistants and special education services. The deviation of education funding allocation from past average annual increases means \$2 Billion in less funding for schools than Ontarians expected. The cuts contained in the 2012 budget will ultimately result in thousands of lost jobs, dozens of school closures, and a reduction in access to the programs students need in urban and rural communities.



Because the Government has provided Boards with insufficient funding for the implementation of full-day Kindergarten, some four-year olds will spend their first day at school in inadequate facilities. Our schools risk becoming unsafe environments as maintenance and cleaning budgets have been cut. The needs of the most at-risk students are being ignored so that corporations and the wealthy can enjoy greater tax cuts. Finally, Ontarians are still waiting for the Liberal Government to deliver on its long-standing promise for a fulsome review of Education Funding.

#### Actions:

- Continue upload of Municipal services.
- Restore funding to the Ontario Municipal Partnership Fund (OMPF) to reflect continued funding pressures on municipal services.
- Restore the pre-Harris funding formula for transit, holding fares to a 70 per cent share of operating funds, with the remaining 30 per cent split evenly between province and municipalities.
- Comprehensive investment in transit infrastructure, taking into consideration community planning/needs and public ownership, operation, and maintenance.
- Increase ridership, reduce financial, geographic and physical barriers to access and reduce commute times for public transit users.
- Establish Community Benefits Agreements (CBAs) with all communities through which new transit infrastructure will run.
- Reverse the privatization of the Ontario Northland Transportation Commission (ONTC), and improve rail access to Northern Ontario, with government working with communities to ensure sustainable, full, safe, and timely access to northern communities through all seasons.
- Develop a provincial affordable housing strategy with clear goals, timelines and funding. The
  Wellesley Institute estimates at minimum 750,000 new and renovated affordable homes are
  required over ten years, with specific funding for social and supportive housing, accessibility,
  and aboriginal control.
- Focus on conservation and efficiency measures before new power sources.
- Amend the Green Energy Act to facilitate local content requirements allowable under the WTO.
- Insist that the federal government keep public services out of the Comprehensive Economic and Trade Agreement (CETA) with the European Union and all other trade agreements.
- Reverse reliance on private sources for new power generation. New sources of power should be publicly-owned and operated.
- Promote development of green energy as part of a publicly-regulated and predominantly publicly-owned power generation system.
- Provide funding for a Just Transition for power workers, and for retraining and apprenticeship programs to ensure a qualified workforce for green energy growth.
- The Ontario Government should continue with the scheduled five-year phase-in of full-day Kindergarten. 2013-2014 is the final year for phase-in of the remaining 20% of schools. School Boards should be provided with additional funding where required to prepare or renovate facilities for expanded enrolment.
- The School Operations Grant portion of the Education Budget should be restored to 2011-2012 funding levels. At a minimum, no further cuts to the School Operations Grant should be made in Budget 2013. A clean and safe learning environment for Ontario's children demands proper funding for schools' operations.
- The Government must invest in students most at risk. The Special Education Grant has been frozen since 2011-12 and should be increased by \$126 million to meet growing student needs.



### 6. Public, transparent use of public money

Universities, unlike other publicly funded institutions in Ontario such as colleges, hospitals and municipalities, are not required to provide detailed accounts of how they spend the billions of dollars of public funding they receive. We need to have legislated change to create transparency and hold the institutions accountable for the public monies received.

Public-Private Partnerships continue to unnecessarily increase long-term costs for the people of Ontario. The promise of private sector efficiency for the delivery of public services has not been borne-out. Recent high-profile failures of these schemes that have resulted in cost over-runs, poorly managed facilities, loss of democratic control, and the undermining of wages and benefits of workers continue to plague this private model of delivery.

The people of Ontario have lost hundreds of millions of dollars as a result of failed privatization and public-private partnerships schemes over the previous decade. Some recent examples of P3 failures include:

- Ontario government paid at least \$230 million to cancel construction of two gas-fired plants in the middle of the 2011 election. Much of that went to eight hedge funds based in the U.S. and the Cayman Islands who charged the Ontario government 144 per cent interest on their loan to the construction company. The Auditor General of Ontario is now looking into the costs of the gas plant cancellation, with many expecting the true price tag to be much higher;
- Lack of oversight over provincial emergency medical transport company ORNGE, which
  wasted of tens of millions of dollars on surplus aircraft purchasing, huge bonuses to executives,
  and unexplained cost increases of 20% while services declined putting patients at grave risk;
- eHealth: wasted \$1 billion of public funds, including consultants earning "\$2,700 a day while expensing cups of tea," and nearly five million dollars in untendered contracts;<sup>64</sup>
- Brampton Civic Hospital: cost over-runs of \$200 million when compared with how much it would have cost if built publicly;
- Hamilton's water and wastewater services had to be brought back under public control—saving \$1.2 million the first year when compared to the P3—after problems that included 180 million litres of raw sewage spilling into the harbour and 200 homes and businesses that had to be cleaned up at a still undisclosed public expense;
- The City of Ottawa paid huge additional costs to bail-out P3 projects including remunicipalization of the Ray Friel Recreation Complex (taking on \$12 million in debt from the company) and a \$400,000 bail-out of the Bell Sensplex.<sup>65</sup>

The provincial government should be looking to the public sector for sustainable and constructive ways of providing services. Private financing is more costly and risky than public financing. The private sector is worse at managing risk than the public sector. Risks can never be completely transferred through P3s. Additional and complicated P3 requirements lengthen the process and add to delays. Contracted-out services pay poverty wages with public money.

Recent decisions by the World Trade Organization (WTO) ruling local procurement provisions of Ontario's Green Energy Act to be in violation of international trade agreements underline the threat of trade agreements that put the rights of multinational corporations above the interests of Ontarians.<sup>66</sup>

#### Actions:

 Stop contracting-out of public service jobs, including ancillary ones: the government should not be in the business of promoting poverty wages and precarious employment



- Oppose the Comprehensive Economic and Trade Agreement (CETA) with the European Union and keep public services out of all trade agreements
- Commit to public financing, building, operation and maintenance of new infrastructure to close
  Ontario's growing infrastructure gap. Public tax dollars should not be wasted on more
  expensive, lower quality projects with private partners in the form of P3s or Alternative
  Financing and Procurement (AFPs) or any other pseudonym for funneling public dollars into
  private profits.
- Create transparency and accountability for public funding of post-secondary institutions.

#### 7. Promote Labour Peace

We are hopeful that the Liberal government will not repeat its politically damaging experiment with violating workers' Charter Rights by interfering with the collective bargaining as the previous government did with Bill 115. Legislation tabled last year prior to prorogation seeking to expand this approach to all broader public sector employees would fundamentally threaten labour peace in the Province, and the safe and effective provision of public services.

So too would measures that bias the fair and independent system of interest arbitration against workers, who depend on it in the absence of the right to strike. The interest arbitration system as it pertains to Health Care workers operated equitably from its establishment in the 1960s until the previous Conservative government substantialy altered the statutory criteria and replaced the independent arbitrators with retired justices of the peace (with no labour relations experience). These justices awarded substantial losses to collective agreement provisions for employees. Such losses were not occurring for public sector workers with the right to strike.

Faced with preparation by both CUPE and the SEIU for province-wide illegal strike action to avoid being subjected to a rigged arbitration process, the government relented rather, re-established the list of independent arbitrators and both CUPE and SEIU went on to arbitration. This recent historical episode underlines a fundamental principle related to emergency services and the right to strike: If a government wants to withdraw the right to strike to ensure the uninterrupted provision of emergency services, the system that replaces it must be fair—and perceived to be fair—otherwise the stability of the service will be undermined.

While not perfect, Ontario's interest arbitration model is respected by employers and unions as effective and impartial. Changes being promoted by the Conservatives and some municipalities are based on interest arbitration outcomes in the police and fire sectors, which appear anomalous relative to other collective bargaining outcomes in the broader public sector. Furthermore, police and fire represent a minority of workers affected by the interest arbitration system. The Ministry of Labour's statistics on the results of arbitrated agreements in the Health Care sector compared to freely negotiated agreements demonstrates that arbitration works. In fact, Ontario Ministry of Labour data shows that arbitrated awards in the Health Care sector are in fact marginally less generous than freely negotiated settlements, private or public sector.

There is no public gain to be had in reliving the period of labour instability in the emergency services that Ontario endured during the life of the last Conservative government.

#### **Actions**

- Affirm respect for collective bargaining rights and allow collective bargaining in the broader public sector to proceed free of government interference
- Respect the neutrality of the interest arbitration and leave the systems of interest arbitration free from tampering



#### Conclusion

Last year's budget sought to pay down the deficit on the backs of Ontarians—those that use public services and the workers that provide them. The legacy of this approach has been devastatingly slow economic growth; chaos, anger and resentment in the public school system; deep cuts to health care and social services and costly privatization boundoggles.

Yet the previous Liberal governments' obsession with cutting deficits at the expense of economic growth and quality of life appears to live on. The new government of Premier Kathleen Wynne has indicated it will continue to restrain spending, even after the deficit is paid off. On the other hand, Premier Wynne has also declared she will make Ontario "#1 for economic growth."

But as the experiences of Europe, the U.S. and elsewhere show, austerity is killing growth. In fact, the only thing austerity programs are growing around the world is inequality. Ontario is already the second-most unequal province in Canada. In 2010, the richest 1 per cent of Ontarians earned almost as much as the *bottom 50 per cent combined*. According to the World Economic Forum, it's this inequality that presents the most pressing threat to the global economy—not budget deficits. Cutbacks to government spending are making inequality worse, and dragging down the economy.

There is an alternative to cutbacks. Public programs don't need to be gutted to pay down the deficit, in fact they can be expanded, which will help fuel economic growth and build a more equitable province. Public programs are the great equalizer in Canadian society. They account for the equivalent of \$17,000 in income for the average Canadian. Taxing corporations (profits up 22% in 2011) and wealthy Ontarians (taxed less than at any time since the Roaring Twenties) and investing that money in public programs will benefit the great majority of Ontarians who depend on public services every day. It will also stimulate economic growth by as much as \$2.42 million and add up to 40 jobs for every \$1 million spent.

As detailed in this submission, economic growth can be restored in Ontario, inequality can be substantially reduced, the deficit can even be eliminated with a program of fair taxation, investments in public services to create jobs and expand opportunities for Ontarians. Together, these recommendations would get Ontario building for the future, by stimulating growth and providing the quality public services the people of Ontario need and deserve. CUPE's recommendations would bring an additional \$13 billion into Ontario's budget by 2018/19 through revenue generation measures; recommends a strategy for the creation of thousands of jobs through investments in publicly-provided child care, social assistance, transit, housing, health care, green energy, schools, First Nations communities. In addition, we caution against interfering in the collective bargaining process as with Bill 115, or changes affecting the neutrality and fairness of interest arbitration process.



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