

Oral submissions of:

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to the 2018 to the Pre-Budget Consultation held on February 1, 2018 at the  
Durham Banquet Hall & Conference Centre, 559 Bloor Street West,  
Oshawa, Ontario

Good Morning:

My emphasis here today will be on how not to achieve or maintain a *balanced* budget. The fiscal situation in Ontario is too critical to play make-believe with easy-sounding non-solutions of the kind we usually hear when elections are near, as they are this year.

**The First Non-solution is to Treat Health, Education, and Welfare Expenditures as Untouchables**

After removing the cost of health, education, and welfare from the provincial government's total expenditures, total expense for all other ministries combined is relatively small.

Therefore, if one seeks to balance the Ontario budget without making cuts to Untouchables, a ridiculously large percentage of the expenditures of Ontario's remaining ministries would have to be eliminated.

**The Second non-solution is Eliminating ABCs**

Agencies, Boards and Commissions are funded by provincial Ministries. Eliminating ABCs that cannot justify their own existence - a proposal often made by the Progressive Conservatives - would have no effect on the provincial budget unless the budgets of the Ministries that funded the closed ABCs were reduced by the same amount.

Moreover, the vast majority of Ontario's ABCs have budgets so small that they do not even need to be reported in Ontario's Public Accounts.

Eliminating ABCs is not a serious or feasible means of balancing a budget.

### **The Third non-solution is "Eliminating Waste" and "Cutting Red Tape"**

If no reductions were made to the budgets of health, education or welfare, the government would be left trying to find a majority of "wasted" government expenditures in the relatively small portion of the budget that is spent on all other Ministries. The ridiculous would have to be true: that somewhere in the range of 40% of all of the money spent by all Touchable Ministries is pure waste.

### **The Fourth non-solution is what I call the Annie State**

Underlying all of the aforementioned proposals is an article of faith that, if Ontario just waits long enough - if it waits for a distant tomorrow - revenues always will increase sufficiently to eliminate the annual budget deficit. There are at least two problems with waiting around and hoping that tomorrow's revenues will balance the budget.

First, the value of Canada's dollar - hence the cost of labour - is high relative to that of other countries such as China and India.

Second, skyrocketing minimum wage levels, congested transportation routes, punitive taxation levels, and the sheer amount of regulatory machinery set up to slow, impede or ban productive activity leave Ontario a relatively unattractive place to make goods or provide services that can be shipped-in from a less hostile jurisdiction, with tax avoidance made possible via transfer pricing. And, as the availability of well-paying jobs in Ontario diminishes, so too does the importance of the province as a market for the sale of goods and services.

In short: it is unlikely that Ontario will realize the revenue growth necessary to continually balance the budget without making cuts. The sun may come out tomorrow, but tomorrow is always a day away.

The take home message I offer you is that *everything* must be on the table. Wishes and hopes that Ontario's budgetary woes will be solved by future boosts in revenues are not a responsible basis for budgeting. We must deal with the revenues and expenses we have now. Accordingly, no ministry's budget can be considered untouchable.

Thank-you.