



1. INTRODUCTION

Mr. Chairman, members of the Committee, welcome to London and thank you for the opportunity to present our recommendations to you today. The London Chamber of Commerce is the recognized Voice of Business in the London area with over 1,000 member firms representing in excess of 56,000 employees. We have a long and effective record in our community for serving the needs of business for over 153 years.

Members of the Committee - our recommendations today are based largely on the outcomes of a recent Pre-Budget Survey we issued to our members earlier this month. We believe their responses indicate generally what the vast majority of Ontario businesses are feeling right across the Province. *(Summary findings of Member Survey Results attached)*

First, allow me to thank the Provincial Government for their courage in the face of one of the most trying economic periods in our history. The government deserves credit for trying to pull our economy out of the clutches of recession and for helping us to get back on track through the various stimulus initiatives that they have offered to municipal governments, businesses and individuals alike.

Notwithstanding the enormous costs and political risks associated with these historic initiatives we understand that the government did what it had to do at a time when it had to do it. Some will argue that it was too much, others not enough. Time and only time will tell.

However, now that stimulus initiatives are underway and a timetable for their implementation put in place we believe, as we head into another provincial budget, that now is the time to implement a defined formula for Ontario's provincial deficit strategy. A comprehensive and practical plan to eliminate the provincial deficit in as reasonable a timeframe as possible is in order, while at the same time remaining resolute in the direction it has set for comprehensive tax reform.

Our ability to compete as a province will depend to a great degree on the continuation of the corporate/business tax strategies that have already started paying huge dividends and will continue to do so well into the future. To retreat on this strategy will cripple Ontario's competitive position and dash any hopes of new investment and job growth for Ontario.

We also recognize that to prematurely retreat from the stimulus initiatives that have helped us to gain a foothold on recovery would not only jeopardize certain sectors of our economy, it may indeed reverse or defeat any hope of a full recovery going forward.

Ladies and Gentlemen, our recommendations are designed to provide an effective balance between acting prematurely, acting too late, or not acting at all. It is our view that the government can and should act prudently to focus spending in areas that aid recovery while limiting or eliminating spending in areas that provide little or no value and do not contribute to our economic recovery.

Given the government's massive stimulus package and the record deficit, spending restraint must now be the focus. To avoid structural deficits and skyrocketing debt, the government must apply a disciplined spending approach to eliminate the deficit.

2. RECOMMENDATIONS

The London Chamber of Commerce recommends the government's plan for a comprehensive review of public expenditures and a deficit reduction plan should adopt the following principles:

1. The Ontario government must remain committed to the principles and timelines of the comprehensive tax reforms announced in 2009. With a more competitive tax environment secured through a lower marginal effective tax rate, London's business community and indeed all businesses in Ontario will be in a better position to return Ontario to its former status as Canada's "Economic Engine". We have long advocated for a tax reform package that includes sales tax harmonization, the elimination of capital taxes, the consolidation of corporate tax collection, and more competitive personal and corporate income taxes. The passage of Bill 218, we believe, puts in place the final pieces in this tax reform package.
2. The Ontario government should focus not on any "quick fixes" but rather on long-term, sustainable fiscal solutions, to address the budget deficit.
3. The Ontario government should establish firm expenditure targets. Smarter, more efficient spending must be applied to all programs – including health care, which is Ontario's fastest growing expense. At the same time, smarter spending must recognize the critically valuable role that education and training has on our future prospects for recovery.
4. Also central to improving Ontario's fiscal position is the need to continue its focus on infrastructure spending. We have long held the view that infrastructure is the highway on which commerce travels and while the government's efforts to stimulate economic renewal and business competitiveness in this sector are admirable, the job is far from being done.
5. Ontario must address the long-term demographic risks to its future health care costs. That said the annual increase in health care costs as a percentage of the total budget is practically & mathematically unsustainable. We continue to recommend a larger role for private industry in a publicly funded system to encourage efficiencies, enhance productivity & foster innovation.
6. The efforts that have been made to craft out a "New Deal" for Ontario municipalities are not only worthy of note, they too provide critical component pieces of a full recovery for Ontario. To continue the old practice of off-loading costs on the backs of Ontario municipalities was not only short sighted, it had no net benefit for the people it affected most – the taxpayers of Ontario.
7. The government should lay the foundations to reduce debt, in the long-term. To do that we must first eliminate the deficit. It's our view that based on the kind of growth we are seeing in the last 30 to 60 days coupled with signs of recovery in the U.S. economy, and with the appropriate spending measures in place, the government can and should target a reduction in the provincial deficit in the range of:
 - 30 per cent (30%) by the end of the fiscal year (March 2011)
 - With reductions of 10 per cent (10%) per year in the subsequent years, i.e. to 40% by 2012, 50% by 2013 etc.
 - With the elimination of the deficit at worst by the end of the decade (2019)

We respectfully submit these recommendations for your consideration and would be pleased to answer any questions. Again, thank you for your time and consideration.

