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| Ontario | 33e | 1re | Discours sur le budget | 24 octobre 1985 | Robert Nixon | Treasurer and Minister of Economics | Ontario Liberal Party |

Before I begin my formal presentation of the budget, I want to express my appreciation to the officials of the Treasury and the Ministry of Revenue for their assistance, their consultation and perhaps I should say their patience during the last few weeks and months. I also want to express appreciation to the number of groups that made the effort to prepare a submission to the Treasurer and the Treasury and came into the Treasury boardroom to back up their views and carry on some exchange of views at the same time. I found this very helpful and stimulating.

I am very glad we were able to arrange for the distribution of the budget document itself to every member. I always feel it is convenient to follow the reading of the budget and even make notes, all of them of approval, I expect, rather than have to go over it in one's own time and mash it up at a later time.

I am sure you are aware, Mr. Speaker, that since 8 a.m. today the budget has been available under conditions of restricted access to the press, to the representatives of opposition parties, to the business community and particularly to representatives of the groups that are dependent upon the level of transfer payments from Ontario to their organizations. As I begin to speak, the signal is given to them that they may come back here, if they choose, to listen to the actual budget or go about their business in its support.

I would like now to present the budget to the House. I am pleased to present my first budget to the Legislature and the first Liberal government budget since March 19, 1943. Over the coming months, we will present a plan of action that will ensure steady improvement in the long-term performance of the Ontario economy and its capacity to provide new job opportunities for the men and women of this province.

Ontario is a trading province in a trading nation. Canada is the largest trading partner of the United States, far ahead of Japan, based primarily on the strength of Ontario's economy. We are committed to expanding Ontario's trading horizons, but we will do so without jeopardizing our farm, industrial and resource jobs. We want to strengthen our service sector and revitalize our tourism industry.

We are developing a fresh, comprehensive approach to industrial policy. It must involve all sectors of Ontario's economy: government, business and labour. It will focus on science and technology to meet the challenges of the new international economy. It will be based on the fundamentals of economic progress-people and ideas.

The Premier set out the government's immediate social and economic objectives in his speech to the Legislature on July 2. This budget presents a plan to accomplish our objectives by carefully balancing social responsibility with fiscal responsibility.

Fiscal responsibility is simply applying the principles and practices of good management to government. It means keeping a clear, open and understandable set of books; it means spending our money efficiently where it is most needed, and it means dealing responsibly with our partners in government.

We have a new opportunity to strengthen the partnership with our hospitals, colleges, universities and local governments. We have emerged from the recent period of economic uncertainty and high inflation rates into what, I believe, is a much more stable economic environment. We are now in a position to assure greater certainty in funding to our partners in local government and the agencies that provide health and education programs so, they too can bring good management and a more businesslike approach to their responsibilities.

We value equally our partnership with the other provinces and the federal government. We all benefit when we co-operate to achieve common objectives. Ontario and the other provinces, however, are apprehensive about the federal government's recent approach to federal-provincial finance.

Members will be aware that I attended a meeting of federal and provincial Treasurers and Finance ministers in Halifax in late September. At that meeting, federal Finance Minister Michael Wilson reasserted his intention to proceed with a reduction in the rate of growth of provincial transfer payments for health and post -secondary education. Moreover, he revealed that he planned to start these reductions beginning April 1986, that is, one year before the existing federal-provincial financing arrangements would normally be renewed.

Unless the federal government reconsiders its proposed course, Ontario faces a revenue loss of $150 million in the fiscal year 1986-87, increasing to $300 million in the following year and eventually rising to $750 million annually by

1990. In other words, over the next five years, our health and education systems will lose $2 billion in federal support.

These proposed transfer cuts would weaken the partnership under which the federal government is committed to share substantially and equitably in the financing of health and post-secondary education programs that the provinces deliver.

Our priorities are clear. We believe in strengthening and revitalizing our post-secondary education system. We believe in meeting the needs in the health care system associated with an ageing population and new technologies. We will continue to urge the federal Minister of Finance in the strongest possible terms to adopt the same approach and withdraw his proposed cuts in transfers for health and post-secondary education.

Since my statement to the Legislature on July 11 , we have continued our examination of Ontario's financial position, including an assessment of the reporting of a number of programs and activities in the province's accounts.

If we are to begin planning for the future on a sound basis, it is important that our balance sheet accurately reflect the true state of Ontario's financial affairs. Accordingly, I am taking a number of actions.

Ontario has more than $2 billion in financial assets on its books that do not represent any real value other than to record financial obligations the province owes to itself.

These reflect past loans and advances to public institutions. The practice of setting up loans and advances to crown entities for major capital undertakings was ended in the late 1970s. No action was taken, however, to deal with the loans and advances already on the books. I am remedying this by removing these from the province's financial statements.

I am also correcting other anomalies that exist with respect to proper asset valuation.

Financial assets in these categories include advances, loans and investments related to the Ontario Universities Capital Aid Corp., the Ontario Education Capital Aid Corp., the Ontario Housing Corp., public hospitals, the Ontario Energy Corp., the Ontario Land Corp., and some water treatment and waste control facilities.

The steps I have taken today will put an end to these left-pocket-to-right-pocket-and-back-again bookkeeping entries, which would have otherwise continued in the province's financial accounts well into the 21st century.

Furthermore, I am removing from the province's balance sheet the equity holdings related to four crown corporations: the Ontario development corporations, the Ontario Energy Corp., the Urban Transportation Development Corp. and the Liquor Control Board of Ontario.

I would like to share with members the specific actions I am taking on Suncor and the Ontario Land Corp.

As members will recall, in 1981 the government of the day purchased a 25 per cent shareholding in Suncor Inc. for $650 million. The share purchase was financed by a $325-million cash payment through the Ontario Energy Corp. and a $325-million, to-year, 14.357 per cent note due to the Sun Note Co. This was a bad deal.

The current value of the shares is significantly below the original purchase price. A review now is under way to determine the best method of dealing with the Suncor shares. This review will assess all the disposal options and the shares will be sold as soon as financially prudent.

To clear the province's books, the recorded investment for the Suncor shares will be written off and the province's remaining obligation for the Sun note will be discharged at an estimated cost of $305 million. The principal and interest payments otherwise required to retire this debt total $420 million and stretch to the end of 1991.

Whatever might be recovered by the province in the future from this unfortunate investment will be substantially less than the total that would have been paid by the time the Sun note matures in 1991.

I now turn to the province's advances to the Ontario Land Corp., which are listed at $872 million as of March 31, 1985. These advances have been channelled into two activities, $453 million for land banks and $419 million for mortgage loans.

Members will not be surprised to learn that the Ontario Land Corp. 's estimates put the appraised value of this land at $271 million, well below the original cost and $182 million less than the province's advance to the Ontario Land Corp. This loss in value will be written off and the land transferred to the appropriate ministries or sold as market conditions permit.

A large number of the corporation's $419 million portfolio of mortgage loans were made with terms and conditions not commonly prevailing in today's market. It is estimated that the province would recover $37 million less than its outstanding advance.

Accordingly, the recorded value of this advance is being reduced. The divestiture of these mortgages will proceed in a planned and businesslike manner. These actions put all the cost implications of these anomalous situations behind us, and they will not continue to distort our financial position.

"A Clean Slate." I read that heading for the benefit of the member for St. Andrew-St. Patrick

My examination of the financial position of the province also reveals that there are a number of major expenditure commitments that were not funded in the estimates inherited from the previous government. The budget makes provision to accommodate these unfunded commitments: $90 million in municipal transit, including the Scarborough Rapid Transit, and $15 million for hospital operating programs not funded in the estimates.

I am also providing $10 million for additional write-offs of loans made by the Ontario development corporations that are deemed, in response to the auditor's report on more than one occasion, to be uncollectable. In order to avoid similar problems in the future, the Management Board of Cabinet will conduct a review of the procedures authorizing ministries to make financial commitments on behalf of the government. We certainly do not want that sort of business approach to occur again.

Historically, in the last three months of each fiscal year the province has paid a seven per cent advance on the next fiscal year's general legislative grants to school boards to help meet expenses for those three months. During the past few years, the province has reduced these advances to only 3.6 per cent. This budget provides the $108 million necessary to restore the advances to the seven per cent level. This move will be of substantial assistance to the school boards, obviously.

In summary, the actions I have taken will provide a more accurate presentation of the financial state of affairs of the province. With the slate clean, we can present a more easily understood financial picture.

I would now like to report on Ontario's economic performance. Our economy is about to enter its fourth successive year of expansion. This year, real growth is expected to be 4.5 per cent. Treasury staff estimate that real growth in 1986 will be somewhat slower at 2.4 per cent.

Moreover, our economic growth is more balanced. In comparison with the early stages of the economic recovery, Ontario's growth is less dependent on exports to the United States. This provides for a more stable environment by reducing our vulnerability to external disturbances. Business investment, residential construction and consumer spending will continue to expand. Our export-oriented industries should also perform well, aided by recent improvements in our competitive position.

On the inflation front, I believe we have entered a period of stability compared with the volatility of the past 10 years. Inflation has fallen from double-digit levels in the early 1980s to around four per cent in the last two years. For 1986, it is forecast to be 4.4 per cent. This stability should also be reflected in lower and more stable interest rates.

Job creation and training must be a high economic priority. Continued growth will lead to further job creation. Employment is expected to rise by 108,000 jobs in 1986, following an estimated 152,000 increase in 1985. This will bring the unemployment rate down from an average 8.2 per cent in 1985 to 7.7 per cent next year. Such levels, while a clear improvement from the 11 to 12 per cent in 1982 and 1983, are still too high.

Helping young people to prepare for and find employment is a major challenge. Although Ontario's youth unemployment rate continues to improve, it remains well above the overall average for the labour force.

Other groups in the labour market also require special attention. Some workers, such as those in Sudbury, have been adversely affected by major changes in the economy and have not shared fully in the benefits of renewed economic expansion. These workers are frequently unemployed for long periods of time. Often they are located in communities or regions dominated by a single industry. As a result, unacceptably high unemployment persists in some Ontario communities.

In developing our spending plans, I have placed a high priority on regional and community-based economic development initiatives. In addition, the budget contains specific measures to assist northern Ontario communities.

On July 2, the Premier outlined the government's program for this session, and today I would like to report on our progress to date. Funding for this program is provided in this budget plan.

The 1985-86 estimates provided $100 million for 12 different youth programs. This structure created inconsistencies, gaps and duplication. A new program, Futures, already announced by the Minister of Skills Development, introduces a single work experience program that replaces six of the existing youth employment and training programs. Futures is a major step towards a consolidated approach to job preparation and training. It is directed to employment disadvantaged youth, 24 years of age and under, and will guarantee up to one year of work experience for all hard-to-employ youth who undertake educational upgrading.

Today, I am announcing a $75-million increase to the youth programs this year-that is, above and beyond the $100 million that was placed in the estimates we inherited-and a total allocation of $200 million for next year. These programs will create employment opportunities and training places for more than 230,000 young people by the end of next year.

In addition, the province will provide school boards with $13 million over the next three years for co-operative education programs to assist high school students in making the transition from school to the work place.

Agriculture continues to experience serious economic pressures. We are taking actions to help our farm families cope with the low cash receipts and heavy debt burdens they are facing. We are developing a number of new programs to address this situation. The Minister of Agriculture and Food has already announced a $50-million Ontario family farm interest rate reduction program to assist farmers in reducing the cost of their long-term debt to eight per cent for this year.

This budget also provides $20 million as Ontario's share of this year's payments under the tripartite stabilization plan for our red meat producers. The Minister of Agriculture and Food is now involved in negotiations to ensure that the federal government joins the province in making the much-needed payments to our beef and hog farmers retroactive.

Within the next few weeks, the Minister of Agriculture and Food will be announcing details of a $6-million transition fund to assist farmers leaving the agriculture industry. The program will recognize the particular difficulties faced by the tobacco-growing sector.

One of the government's major priorities is to assure an adequate and affordable supply of rental housing.

The federal government has re-examined its nonprofit housing programs and has proposed major changes in the mechanisms of federal support. Ontario expects the federal government to continue to fulfil its obligation in the provision of affordable housing.

For our part, we are developing an integrated housing strategy as a comprehensive response to the problems of the housing sector. As part of this strategy, the budget funds significant increases in the number of socially assisted rental units produced in Ontario. These funds will result in the construction of at least 10,000 additional nonprofit housing units in the next three years, more than 4,000 of which will receive rent geared-to-income subsidies.

The private sector also has a crucial role to play in the provision of rental housing. We will seek to encourage and strengthen that role by providing funds for interest-subsidized loans to developers to stimulate the production of 5,000 rental housing units.

These two programs will generate more than 30,000 jobs. Further initiatives to encourage the production of new rental housing and the rehabilitation of older rental buildings will be outlined in the next few weeks by the Minister of Housing.

The minister will introduce legislation shortly to fulfil our commitment to establish a rent registry and to make important amendments to the Residential Tenancies Act.

In addition to ensuring more low-cost rental housing for young families, improved child care programs are required and new approaches are currently under review. The budget provides for subsidized spaces, promised by the Premier in April of this year, to accommodate an additional 10,000 children. Priority will be given to child care in rural and underserviced areas and to children with special care requirements.

The government is working to revitalize a system of community care to help seniors maintain their independence and is developing a longer-term support strategy. The budget addresses this area of urgent need by providing $11 million on an annual basis to strengthen support services for the elderly in our communities.

As I mentioned earlier, economic development in northern Ontario is a priority. The government has created a special, $l00-million northern development fund. Over the next five years this fund will support economic development initiatives of the Ministry of Northern Affairs and Mines to create viable and enduring economic activity in the north.

Beginning in December of this year, the government will provide financial assistance to residents of northern Ontario who must travel long distances for necessary medical care that is unavailable in their communities. This program for northern residents will help to remove financial barriers impeding access to specialist health care services in the north and elsewhere in Ontario. Furthermore, the Minister of Health has developed a program to encourage additional medical specialists to establish practices in northern Ontario.

To strengthen the small business sector, I am proposing changes to Ontario's small business development corporations program to improve its effectiveness, particularly in the north and the east. As well, I am adding computer software development as an eligible activity throughout the province. To accommodate the expected increase in activity, the budget allocation for the SBDC program will be increased to $30 million for the 1985-86 fiscal year.

As I mentioned at the outset, one of my objectives is to strengthen our partnership with local governments and with those who deliver major education and health services. If our school boards, colleges, universities, hospitals and municipalities are to plan effectively for the provision of adequate and efficient services, they need early information on future provincial funding levels. That is why I have decided to make an announcement of our financial support for the 1986-87 fiscal year at this time.

The government expects each of its public sector partners to contribute to efforts to assure taxpayers that their hard-earned tax dollars are being spent prudently in an environment of careful planning and good management.

Inflation has stabilized, and this should be reflected in public sector salaries and other costs of operation. We have to manage our limited resources carefully and target resources for emerging priorities. We must maintain and upgrade our educational facilities; we must place greater emphasis on opportunities for excellence among our students and ensure the vitality of our cities through improvements in roads and urban transit.

The basic operating grant for universities and for colleges of applied arts and technologies will be increased by four per cent in 1986-87.

In addition, I have allocated a total of $80 million in 1986-87 for the colleges and universities excellence funds. As announced in this House on October 17, $50 million will be made available to our universities to update student and library equipment, increase research activities and appoint new faculty. The excellence funds will enable colleges to purchase state-of-the-art teaching equipment and allow both our colleges and universities to undertake much-needed capital repairs.

Members will be pleased to know that funding will be provided for the University of Waterloo to complete the construction of its new computer research centre, which has been named in honour of William Grenville Davis.

The government is committed to improving access to our post-secondary education system. Accordingly, to reduce financial barriers, increases to formula tuition fees will be held to four per cent for the coming year, while funding for the Ontario student assistance program will be increased by eight per cent to $145 million in 1986-87.

In keeping with the government's promise to gradually increase school board support, the 1986 general legislative grants will be increased by 5.4 per cent.

In addition, we will establish a $25-million education capital fund. This fund will provide a significant enrichment to the $67 million in next year's basic allocation for capital purposes. This will enable school boards to start building badly needed school facilities in rapidly growing communities and to update existing schools. Full details on 1986-87 provincial assistance for all school boards will be announced by the Minister of Education.

The budget also honours the government's commitment to extend funding to separate schools. In September, the government enriched funding for grades 9 and 10 and extended support to grade 11 students at a cost of $34 million. In the next fiscal year, the estimates will provide $107 million for this purpose, including the extension of support to grade 12 by September 1986. Also, we will provide a further $17 million in capital funding to accommodate the expansion of the separate secondary school system.

In 1986-87, the basic allocation for total transfers to municipalities will be increased by 4.2 per cent. Details on unconditional grants will be announced by the Minister of Municipal Affairs.

Furthermore, the budget establishes a fund for municipal improvement. For the coming fiscal years, this fund will have $60 million for special road renovations and the transit capital program. Further details on the first year of this fund will be announced by the Minister of Transportation and Communications.

The total allocation for the operation of hospitals for 1986-87 will be increased by 8.3 per cent. This increase includes four per cent for the basic allocation for the operation of hospitals and the necessary funding to accommodate additional costs associated with higher demand for hospital service. It also includes provision for new, approved hospital programs, the details of which will be announced by the Minister of Health.

The government is taking action to help economically disadvantaged people who rely on social assistance to meet their basic needs. I am announcing a four per cent increase in social assistance rates to take effect on January 1, 1986. In addition, I am providing the resources to increase the shelter subsidy to relieve some of the pressure attributable to high shelter costs in urban areas. Additional funds have also been allocated to provide increased benefits for the children of social assistance recipients and for handicapped children in particular. The Minister of Community and Social Services will present the details shortly.

As a major step in strengthening the partnership between the provincial government and its major transfer recipients, I am acting to provide greater certainty in their funding. Accordingly, I am announcing that these transfer recipients will receive a further four per cent increase in their basic transfer payments for 1987-88.

At the beginning of my remarks, I reported that the federal Minister of Finance, Michael Wilson, had recently confirmed his intention to proceed with the cuts in funding for federal support for health and post-secondary education. In his May budget, the Minister of Finance also announced a number of tax measures which I believe move our overall income tax system in the wrong direction.

His budget proposes to grant individual Canadians a lifetime capital gains exemption of $500,000. In its present form, this federal capital gains exemption will reduce Ontario's revenue by as much as $125 million in 1986-87 alone. This measure will provide another large tax break for higher-income Canadians at a time when limits on indexation and the elimination of the federal tax reduction program will increase the burden on low-income taxpayers. Exempting capital gains will do more to stimulate speculation in real estate and foreign securities than to encourage productive investment in Canadian business.

The benefits of this exemption should be directed only to small Canadian businesses and to family farms. I believe the federal government should alter its capital gains tax exemption along these lines. In the meantime, Ontario Treasury officials are developing proposals to amend Ontario's tax collection agreement with the federal government that would ensure the continued provincial taxation of capital gains other than those gains arising from the disposition of family farms and small Canadian businesses.

A positive aspect of the May budget was the announcement of the federal government's intention to introduce a minimum personal income tax. This fall, the federal government is expected to announce the specific form of its minimum tax which, if appropriate, I intend to parallel with a similar provincial tax.

Our assessment of the province's financial situation indicated that the existing revenue structure was not adequate to meet the increasing cost pressures associated with providing services to the people of Ontario within a framework of fiscal responsibility . We also recognize the pressures created by the federal government's plans to reduce its transfer payments to the province for health and post-secondary education.

Accordingly, I will introduce a number of measures to raise additional revenues. These measures recognize the need to improve the fairness and equity in Ontario's tax system.

I will introduce legislation to raise Ontario's general rate of personal income tax from 48 per cent of basic federal tax to 50 per cent beginning with the 1986 tax year. The measure will yield $26 million in 1985-86 and still leave Ontario with the third-lowest rate in Canada.

I also propose a surtax of three per cent of Ontario income tax in excess of $5,000 for the 1986 taxation year. This surtax should affect only the top 2.5 per cent of tax filers in Ontario, those earning $50,000 a year or more. It is expected to yield $2 million in 1985-86.

Although the federal government has proposed to eliminate its low-income tax reduction program for 1986 and subsequent taxation years, Ontario's tax reduction program will be enriched. This move will exempt another 50,000 individuals from Ontario tax, and it will mean that 350,000 low-income Ontarians will pay no provincial income tax. Another 40,000 Ontarians with modest taxable incomes will have their Ontario income tax reduced.

Fairness requires an appropriate balance between the taxation of individuals and that of the corporate sector. Accordingly, I am introducing changes to the taxation of corporations.

First, I will parallel the federal half-year convention that applies to the level of tax depreciation allowed on capital assets purchased by corporations. Adoption of this convention recognizes the inappropriateness of providing corporations with a full-year deduction for capital assets that may have been purchased at the end of the year. This measure is expected to increase provincial revenues by $15 million in this fiscal year. Appropriate transition provisions will be made.

Second, I propose to eliminate the three per cent inventory allowance in Ontario's corporate income tax. This allowance was introduced in 1977 to reduce the impact of high rates of inflation on inventories. With the recent decline and the prospect of stability in inflation rates, the rationale for this measure has disappeared. Elimination of the allowance is expected to increase provincial revenues by $15 million in 1985-86.

Finally, to reduce record-keeping and compliance costs for small business corporations in Ontario, I will parallel, in Ontario's Corporations Tax Act, the small business tax simplification measures introduced by the federal government for taxation years ending after December 31, 1984. To ensure that future revenue losses are offset within the corporate sector, I am proposing to balance this measure with a one-half-percentage-point increase in the provincial corporate income tax rate, excluding the low 10 per cent rate applicable to small business.

To begin to meet the government's commitment to improve the fairness of the retail sales tax, I propose the following tax changes: a tax exemption for prepared food products sold for $1 or less.

The removal of retail sales tax on feminine hygiene products and a tax exemption for children's car seats; one can find several of those in our family recently.

I also propose an indefinite extension of the tax rebate on accommodation tax paid by out-ofprovince visitors. That is a support for our tourism industry. I anticipate the revenue cost of these measures will be $7.5 million in 1985-86.

In addition, I intend to reinstate the tax on Maple Leaf gold coins, yielding $600,000 this fiscal year.

I am introducing legislation to repeal the ad valorem taxes on motive fuels and tobacco introduced in 1981 and replace them with specific amounts of tax per unit of product. Future tax changes will not be automatic. They will require approval of the Legislature. We on this side believe in democracy.

For motive fuels, the legislation, upon royal assent, will set the tax rates at 8.8 cents per litre for all grades of gasoline and 9.9 cents per litre for diesel fuel. Other rates will be adjusted accordingly. Non-conventional fuels will continue to be exempt from motive fuels taxation.

These fuel tax measures will yield additionalrevenues of $12 million in this fiscal year.

For tobacco, the legislation I am proposing today, upon royal assent, will set tobacco tax rates at 2.7 cents per cigarette and 1.5 cents per gram of cut tobacco.

One of the issues raised during my prebudget consultations was the urgent need for mining tax reform. In response, I am proposing modifications to simplify the mining tax system in Ontario and to streamline the administrative provisions of the Mining Tax Act. These changes will be accomplished without any loss in revenue. Under this proposal, the graduated rate structure would be replaced with a flat 20 per cent rate of tax and the processing allowance structure would be scaled back.

The Minister of Northern Affairs and Mines will introduce legislation with a view to implementing reforms by April 1986. This will allow ample opportunity for discussion and consultation before the new measures take effect. I am confident that updating Ontario's Mining Tax Act will have a positive effect on this industry, which is vital to the economic health of northern Ontario.

It is not a bad start. Liquor, wine and beer markups will be increased. To reflect a part of the inflationary changes since the last adjustment in 1976, special occasion permit fees and levies will also be increased. Both of these changes will become effective November 12, 1985, and together will increase revenues by $19 million in 1985-86.

Adjustments in motor vehicle registration and annual driver's licence fees will yield $11 million in this fiscal year.

The land transfer tax will be restructured and rates increased to 0.5 per cent on the first $55,000 and one per cent on the balance. An additional 0.5 per cent on the value in excess of $250,000 will be applied on certain residential properties. The land transfer tax amendments will generate an estimated $6 million in additional revenue this fiscal year.

To better ensure value for taxpayers' dollars, our examination of the financial position of the province included a review of the $181 million in commitments made by the previous government between the May 2 election and June 26. More than $41 million in spending was trimmed from that total.

Further reviews of the proposed spending plans of each ministry were conducted. In total, constraints of more than $260 million were applied to keep spending under control. Specific actions included the elimination of three policy secretariats, a review and reduction of proposed advertising expenditures, and across-the-board reductions in government salary and wage spending.

The Premier has appointed a special adviser who is reviewing a number of government activities. This, along with actions I am taking in this budget, will help reduce government spending as a share of the economy. Expenditure growth will be kept to 7.8 per cent while the economy will grow at eight per cent.

To reinforce the actions and policies I have announced, I am also proposing to streamline some agencies, to consolidate certain government functions and to divest a number of crown corporations. Both capital aid corporations are no longer necessary and will be eliminated. The Ontario Land Corp. will be wound down and its residual holdings transferred to the appropriate ministries or sold as market conditions permit. The functions of the Ontario Energy Corp. are being reviewed with the objective of determining the desirability of divesting further assets.

As Treasurer, I am privileged to have access to a multitude of advisers on the economy, including several independent private and public organizations, for example, the Conference Board of Canada and the Institute for Policy Analysis of the University of Toronto. That is why I have decided to disband the Ontario Economic Council and eliminate the $1.6 million annual expenditure related to its operation.

As a step towards eliminating duplication in the public sector, the government will transfer the Ontario Institute for Studies in Education to the University of Toronto.

The government has been reviewing the cost-effectiveness of its foreign operations. We will be examining methods to enhance our capacity to work in Washington. In the interests of improving Ontario's share of world trade, we will target our trade promotion efforts on the fast-growing markets of the Pacific Rim, the Middle East and emerging nations. To achieve these objectives, the government has decided to reallocate resources from other international offices and close posts in Brussels, Philadelphia and San Francisco.

The present Innovation Development for Employment Advancement Corp. will be wound down. In its place, a slimmed-down, tightly focused entity operating in the pre-venture capital area will be created.

Finally, to ensure that taxpayers receive better value for their tax dollars, there is a need for a comprehensive review of the effectiveness and efficiency of all government activities. The Chairman of the Management Board of Cabinet will tackle this difficult and challenging task.

The budget plan has been designed to fulfil our commitments in a framework of fiscal responsibility, I say again. The actions I have taken to discharge the Suncor debt, restore advances to school boards and correct unfunded commitments, must be clearly recognized as extraordinary, one-time items in the account. The total of those Suncor debts, the restoration to school boards and correction of unfunded commitments is just over $500 million. Including these special items, net cash requirements for 1985-86 total $2,213,000,000.

Without these one-time extraordinary measures the budget plan holds net cash requirements to $1,695,000,000, a small but significant reduction from $1,702,000,000 last year. It continues the downward trend in net cash requirements as a percentage of total government spending from 6.3 per cent last year to 5.8 per cent this year.

Without extraordinary items, revenues are projected to increase 8.4 per cent this fiscal year, reflecting both continued economic growth and the revenue measures I have announced. Expenditures are expected to grow at 7.8 per cent.

Details of this fiscal plan are included in the financial tables in the budget papers. I would like to draw to the attention of members the changes I have made in the financial tables to give a clearer and more detailed picture of the province's finances.

I believe the budget has benefited from the advice and counsel I have received from many groups in prebudget consultation. Accompanying the budget is a discussion paper entitled Reforming the Budget Process, which contains proposals to increase the involvement of the Legislature in the budget process and improve participation in prebudget consultations.

Before concluding, I would like to make some personal comments about the credit rating. The first thing I want to say is that I think Ontario's credit rating matters. Credit ratings serve as a valuable guide for investors unfamiliar with the creditworthiness of each of the many thousands of corporations and governments that issue or guarantee securities. That is what they are intended to be and that is why the issuers of securities, including the Ontario government, pay the rating agencies to be rated.

In political terms, the value of the credit rating is lost when a government's ambition for its credit rating exceeds its ambitions for the province and for the people. In practical terms, while we value the triple-A credit rating, it has little significance. Having a triple-A credit rating does not provide needed jobs for young people, improve access to affordable housing or improve the quality and availability of health care.

This is not to say that fiscal responsibility or credit-worthiness is not one of our fundamental priorities. I believe this budget demonstrates our commitment to this objective. We have dealt in a businesslike manner with the outstanding budget problems that we inherited, including Suncor, and we have developed a responsible fiscal plan.

Together with the overall economic circumstances and outlook for our province, I believe that the security Ontario offers lenders for their investments is stronger than at any time in recent years. We are confident that this budget describes a fiscally responsible plan to finance the everyday business of government and to pay for the priorities of a new administration.

We have constrained unnecessary and unproductive expenditures and eliminated unnecessary agencies. We have brought new fairness to the task of raising the revenues needed to maintain the quality of public services and to meet new priorities. We have taken steps to improve the financial stability of local governments, colleges, universities and hospitals. We have opened up the books, removed accounting anomalies and written off overvalued assets.

Most important, we have announced and funded programs to implement the commitments made by the government as it assumed the responsibility for the public affairs of Ontario.

The Premier, in establishing the priority of these programs, has emphasized jobs for young people and the growth of our economy, which will provide opportunities for all in this great province.