

## **Canada-United Kingdom Chamber of Commerce**

### **Remarks for The Honourable Dwight Duncan Minister of Finance and Revenue**

**April 24, 2009  
London, England  
Approximate speaking time: 15 minutes**

**- CHECK AGAINST DELIVERY -**

## **OPENING**

Thanks \_\_\_\_\_ for that gracious introduction.

Good afternoon. It's a pleasure to be speaking with you all here today.

I want to thank the Canada-U.K. Chamber of Commerce and the Ontario International Marketing Centre in London for organizing today's event.

I'd also like to thank the Ontario-based Research in Motion, maker of the famed BlackBerry, for sponsoring today's luncheon.

It was only earlier in this decade that so many of us in this room had yet to use a BlackBerry.

It was a new tool back then, but now, virtually everyone in this room, as well as those running governments and businesses around the world, is taking advantage of this device.

An Ontario-grown idea, turned into a global necessity.

Those are the types of success stories that our government wants to continue to see produced in Ontario.

The United Kingdom, Canada and Ontario have an historic and important relationship built on trade and investment.

RIM, like many other Ontario-based companies, has its European headquarters right here in the U.K.

I've actually just come from a very productive six-day trip to the Middle East, where it was fascinating to visit with a number of Canadians and Ontarians whose businesses are currently making large impacts in places like Abu Dhabi, Dubai and Riyadh.

I also met with government officials from both the UAE and Saudi Arabia, to broaden investor knowledge of Ontario's U.S. dollar and Euro global bonds, as well as to promote trade and investment.

What is clear is that Canada and Ontario have an excellent track record in the Gulf region and are respected partners.

The same can be said about our relationship with the U.K.

The Canada-U.K. Chamber of Commerce was established some 88 years ago with the objective to help facilitate trade for Canadian companies based in, and exporting to the U.K.

Last year, more than \$10 billion worth of goods was traded between Ontario and the U.K., including key natural resources such as gold, nickel, uranium, as well as precious metals, aerospace products, diamonds, computers and vegetables.

In 2008, the U.K. was the second-largest importer of Ontario goods and services behind the United States, accounting for nearly five per cent of all exports from the province.

In fact, the nearly \$7.5 billion worth of Ontario goods exported to the U.K. last year represents a more than 100 per cent increase in exports to the area when compared to 2004.

To that end, I'd like to speak today about the Ontario government's response to the global economic challenges, and why Ontario's ingenuity will ensure economic prosperity for the province.

With our recently announced Budget initiatives, I believe now more than ever that our province represents the best place for North American investment.

## **ONTARIO INVESTMENT ATTRIBUTES**

Increasingly, investors from around the world are looking to Ontario as a place to invest, and with good reason.

A number of U.K.-controlled firms operate in Ontario, including the Kingdom's largest insurer, Aviva plc, insurance broker Willis Group Holdings, Group 4 Securicor, mining conglomerate Lonmin plc, and pharmaceutical giant GlaxoSmithKline.

Ontario is Canada's economic engine and the seventh-largest economic jurisdiction in North America.

Ontario's share of Canada's gross domestic product for 2008 was 40 per cent – about \$600 billion.

The province's GDP is greater than many countries – for instance, Belgium, Greece or Sweden.

Ontario has a very diverse economy, with services contributing 74 per cent of GDP.

We are home to the country's leading information and communications technology and bio-industries.

As I mentioned earlier, Ontario is the home of Research in Motion, inventor of the revolutionary BlackBerry device.

Ontario also features Canada's largest advanced manufacturing sector and is the leading auto assembly jurisdiction in North America.

We have an exceptionally well-educated and skilled labour force. We are an export-oriented economy, an advantage given our prime location to major U.S. cities.

Investing in Ontario provides extraordinary access to a North American Free Trade Area market of about 440 million people.

And that's just the beginning.

## **FINANCIAL SERVICES SECTOR**

Ontario is Canada's business and financial services centre, with one of the soundest banking systems in the world, according to a recent report by the World Economic Forum.

In a February interview, U.S. President Barack Obama told the Canadian Broadcasting Corporation that "Canada has shown itself to be a pretty good manager of the financial system in ways that we haven't always been here in the United States."

President Obama went on to say that the performance of Canadian banks – alone among those in the G7 in not receiving a government bail out – was "striking".

Toronto, Ontario is the business and financial capital of Canada. It is the heartland of Canadian commerce with a financial services infrastructure that is economically stable, credible and strong.

In fact, Toronto is the third-largest financial centre in North America, behind only New York and Chicago, and the 12th most competitive financial centre in the world, based on direct employment.

The city is home to most of Canada's investment and mutual fund dealers, the executive offices of Canada's five largest banks, and an additional 39 foreign bank subsidiaries.

Toronto is also the headquarters for six of Canada's top insurers that manage more than 90 per cent of the industry's assets.

As well, the city is the home-base for the TSX – the third-largest stock exchange in North America and eighth largest in the world based on market capitalization.

In fact, the financial services sector represents 25 per cent of the exchange's \$1.5 trillion market cap.

It is also interesting to note that Toronto's financial services sector sustains many other industries as a leading consumer of resources, including law, accounting, IT, education and training, and business services.

In January 2009, a federal panel on Canadian securities regulation endorsed the Ontario government's long-standing support for a single national securities regulator.

A common securities regulator is a key building block in solidifying Canada's otherwise strong international reputation for excellence in the regulation of our financial institutions.

And, given the significant role Ontario's financial sector plays in Canada's capital markets, we would expect to see the headquarters located in Toronto.

## **ECONOMIC OUTLOOK**

Despite weathering the global economic storm better than most jurisdictions, Ontario has not been immune to the global economic downturn.

That's why the Ministry of Finance outlook includes a 2.5 per cent decline in Ontario real GDP in 2009. Real GDP declined in late 2008 and is expected to fall in the first two quarters of 2009.

We expect growth to resume during the second half of 2009 and strengthen over the next few years, with real GDP growth rates for planning purposes of 2.3 per cent in 2010 and 3.3 per cent in 2011.

For Canada as a whole, real GDP is expected to rebound by 2.3 per cent in 2010, followed by the U.S. with a 1.9 per cent increase, while the rest of the G7 will range from 0.3 per cent growth to 0.7 per cent. Canada's net-debt to GDP is below average of the G-7.

Ontario has a history of resilient economic growth, and we expect that to resume after the recession ends. Past experience indicates that Ontario has always recovered from economic downturns and returned to long-term trend real GDP growth.

The Ministry of Finance's key economic planning assumptions are below the average private-sector forecasts that were available when the economic assumptions were finalized on March 13, 2009.

Resumed U.S. economic growth, government efforts to provide jobs for today and for the future, low interest rates and actions taken to improve the functioning of global credit markets are expected to bring about the mid-2009 turnaround in Ontario.

The Canadian housing market is slowing but has not collapsed like that of the US. Low defaults and arrears reflect the Canadian credit culture and more rigorous underwriting standards.

## **FISCAL OUTLOOK**

The government will continue its prudent approach to managing Ontario's finances during the current global economic downturn.

Between 2008-09 and 2011-12, core program spending is projected to increase by 3.6 per cent, below the government's forecast of 3.8 per cent in revenue growth over the same period.

Holding spending below revenue growth is key to the government's fiscal recovery plan.

Going forward, the government will work to continue to keep growth in public sector expenditures at or below the rate of Ontario's revenue growth.

## **RECENT GOVERNMENT INITIATIVES**

Building a powerful Ontario economy is our top priority.

A competitive Ontario is a viable, compelling place to do business.

That's why our government continually works to increase the province's competitive advantages in investment.

In March, our government tabled our fifth Budget, which enhances Ontario's attractiveness for business investment and secures a strong economic future.

Since Ontario is not immune to the current global economic downturn, we announced a \$34 billion investment over the next two years to stimulate economic growth, representing 2.9 per cent of GDP.

This includes nearly \$700 million in additional funding for skills training and \$32.5 billion for infrastructure which will preserve or create more than 300,000 jobs by 2011.

In fact, our government recently announced a number of major public transit projects in the Greater Toronto area that will cost an estimated \$9 billion.

This investment will create jobs, help move people and goods, and support future growth in the Greater Toronto Area.

We are also working with communities and companies that do business in Northern Ontario to craft a growth plan for the region that will help it compete in the evolving global economy.

Our recent Budget also announced further infrastructure support for the forest products and mining sectors, including new investments to improve resource access roads, as well as additional resources to improve remote airports and the winter-road network.

To provide additional assistance to the mining sector as it deals with falling mineral prices as a result of the global economic crisis, our government is providing \$40 million over three years for initiatives modernizing the *Mining Act*.

We are working with Ontario's Aboriginal communities and the mining sector to ensure the act continues to promote a balanced, sustainable and vibrant industry in the province.

In order to modernize facilities and boost the province's long-term research and skills-training capacity, we are providing nearly \$780 million in capital funding for Ontario colleges and universities.

Our investments will help prepare people to find jobs today, but our next task is to ensure Ontarians are ready for the jobs of tomorrow.

To ensure Ontario's economy becomes even more competitive, innovative and sustainable, we proposed green initiatives that will make it easier to bring renewable energy projects to life and, most importantly, create some 50,000 jobs in the first three years.

To support Ontario's emerging green economy, we've proposed more than \$300 million in initiatives.

In February, we announced our proposed Green Energy Act.

The legislation is one of the most comprehensive energy policies in the world, and would further enhance the province's reputation as an attractive location for renewable energy investment. Initiatives include:

- Approximately \$390 million to match federal infrastructure funding to assist in the implementation of the Green Energy Act
- \$250 million over five years for a new Emerging Technologies Fund, which will include investments in green-technology companies; and
- \$50 million over five years to enable the research, capital and demonstration projects necessary for the development of a smart grid in Ontario.

To build research infrastructure, support life science research, green technologies applied research and genomics research, we plan to invest more than \$700 million.

We are also planning to invest in our successful creative sector, helping with cultural tax credits and support for digital media.

Ontario's creative and entertainment cluster is the third largest in North America by employment after California and New York.

Our commitment to make our enhanced film and television tax credit rates permanent has already resulted in productions staying in Ontario.

To continue to strengthen the competitiveness of Ontario's entertainment and creative industries, we are proposing about \$100 million per year in additional tax relief and investments of \$30 million over three years to support these industries. Initiatives include:

- Enhancing tax support for the creation of interactive digital media products in Ontario
- Enhancing the refundable book publishing tax credit; and
- Enhancing the refundable computer animation and special effects tax credit.

In addition, we are proposing to make the enhanced tax credit rates under the refundable film and television tax credits permanent, to create predictability and stability for the industry.

## **TAX REFORM**

As my federal counterpart, Finance Minister Flaherty, mentioned during his remarks to this Chamber earlier this month, the Ontario government has also proposed a fundamental reform of province's tax system.

Starting on July 1, 2010, we would combine the provincial and federal sales taxes and move to a single, value-added sales tax of 13 per cent, which would boost investment and productivity.

At the same time, the government is proposing \$4.5 billion in business tax relief over three years, which includes reducing the corporate income tax rate to 10 per cent.

The comprehensive tax reform package proposed in the Budget would, once fully implemented, cut Ontario's marginal effective tax rate on new business investment in half – making Ontario one of the most competitive jurisdictions in the industrialized world for new investment.

To put this in perspective, Ontario's marginal effective tax rate on new business investment would be half the rate in the United States. Also – at 18.6 per cent in 2010 – it would be lower than the OECD average of 21.8 per cent.

Ontario's rate would fall even further, to 17.3 per cent in 2013 and down to 16.2 per cent in 2018.

The proposed tax reform would also save businesses in Ontario \$500 million in annual administrative costs.

Ontarians, as well as businesses that invest in the province, expect the federal and provincial governments to work together, especially during difficult times.

As part of the deal, the federal government is providing Ontario with \$4.3 billion over two years.

In addition, it has provided considerable flexibility in the implementation of the combined sales tax.

We're proposing to replace two taxes with a single tax, and we are doing it with care.

Our renewed partnership with the federal government will foster job creation and economic growth, while providing significant support to the province through the transition period.

## **CONCLUSION**

Our ability as a province to attract new investment is crucial to future growth.

Last year, we created the Ministry of International Trade and Investment, which works internationally to promote trade and investment in Ontario.

The ministry oversees the Ontario International Marketing Centre, which through an office right here in London, helps connect businesses in Ontario, and throughout the U.K. and the world, with the people, products and ideas that make Ontario Canada's economic powerhouse.

The centre is a fantastic resource for U.K.-based companies looking to expand and/or do business in Ontario.

I want to thank Clare Barnett and her staff, as well as the Canada-U.K. Chamber of Commerce for organizing today's festivities.

Ontario has been committed to becoming one of the most attractive and competitive jurisdictions for business investment.

As an overall investment proposition, we believe Ontario represents a value-added gateway to North American markets.

Our government continues to work across the economy to enhance Ontario's investment strengths, and we are very enthusiastic about working with investors from the U.K. and across Europe to explore how we can be part of your North American growth plans.

I look forward to speaking with as many of you as possible to learn more about your plans and what the Ontario government can do to help make them a success.

Thank you.