

November 16, 2011

Don Drummond  
Chair, Commission on the Reform of Ontario's Public Services  
c/o Jonathan Tekle  
7 Queen's Park Crescent, 1<sup>st</sup> Floor  
Toronto, ON M7A 1Y7

**RE: Commission on the Reform of Ontario's Public Services**

Dear Mr. Drummond:

The Ontario Chamber of Commerce (OCC) is pleased to offer policy recommendations to the Commission on the Reform of Ontario's Public Services.

The Ontario Chamber of Commerce is a federation of 160 local chambers of commerce and boards of trade in the Province of Ontario, representing 60,000 businesses of all sizes, in all economic sectors covering every area of the province. The OCC's mandate is to advocate strong and effective policies on issues that affect its membership throughout Ontario's business community.

Ontario's businesses have a strong interest in the province's fiscal health. Regaining fiscal flexibility in the coming years is important to ensuring Ontario's ability to stimulate jobs and growth in the turbulent global economic climate. As such, the OCC is increasingly concerned about Ontario's rising debt and deficit levels, and the impact on Ontario's businesses and taxpayers.

Weak economic growth coupled with spending increases has caused Ontario's debt and deficit to balloon in recent years. Ontario's debt currently stands at \$244 billion and will continue to rise as Ontario borrows to pay for its deficit. The province's deficit meanwhile is expected to rise to \$16 billion for the fiscal year 2011-12. This comes at a time when Ontario's population over 65 years of age is set to reach historic levels, which will put unprecedented pressure on public services.

In order to get its fiscal house in order, the OCC believes that Ontario should embark on a continuous process of short-term actions and long-term planning. This submission offers four principal ways for the Government of Ontario to achieve cost savings:

1. Control rising health care costs by adopting a more efficient health delivery system and adjusting the compensation model for nurse practitioners

2. Develop a long-term public sector compensation restraint strategy that includes municipalities
3. Ensure municipalities spend provincial transfers wisely and utilize Auditors General
4. Identify programs that could be effectively and efficiently delivered by other entities

The following sections outline these four cost-saving strategies in greater detail.

### **1. Control rising health care costs by adopting a more efficient health delivery system and adjusting the compensation model for nurse practitioners**

Since 2006, provincial government health care spending has risen 6.5 percent a year on average. Currently, health care costs make up 46 percent of Ontario government spending and that percentage will increase to 80 percent if current growth rates continue.

The Ontario government has announced that it will hold health care spending increases to 3 percent a year. The OCC applauds the government's intention to pursue this strategy; however, we ask the government to outline a detailed plan and demonstrate its ability to control rising health care costs, something it has not done in the past.

There are a variety of ways that the government can control rising health costs within a publically-funded, universally accessible health care system. Two ideas are:

- **Permit more specialized privately-run clinics to operate in Ontario.**  
General hospitals currently act as hubs for procedures of all kinds, making for an inefficient system. Medical procedures should be performed on the basis of quality and efficiency. For example, CT scans and MRI services could be delivered within specialized, privately-run clinics. Allowing for specialization within the health care system increases productivity and efficiency and delivers cost-savings to government.
- **Adjust the compensation model for nurse practitioners and all partners in Ontario's health care system.**  
Ontario's current compensation model for primary care provides physicians, who are paid on a fee-for-service basis, with financial incentives for performing a comprehensive array of medical activities. The government should develop a similar compensation model for nurses and other primary care providers that will put their skills to the best possible use. This type of compensation model encourages greater productivity, fosters innovation and allows taxpayer dollars to go further.

More than ever, the government needs to address rising health care costs. As the population ages, pressures on the health care system increase. The OCC applauds the government's commitment to a yearly cap on health spending. Finding efficiencies within the current health system are vital to ensuring a high quality of care and keeping rising costs under control.

## **2. Develop a long-term public sector compensation restraint strategy that includes municipalities**

As it stands, the Ontario government spends roughly 50 cents of every taxpayer dollar on salaries and benefits for workers in the broader public service. Any serious plan for finding cost-savings within the public sector must address Ontario's labour costs.

Canadian governments have disproportionately increased public salaries when compared to their private sector counterparts. While the gap between public and private sector wage increases has narrowed recently, from 2007-2009, public sector wage increases outpaced those in the private sector by an average of 0.6 percent a year (HRSDC Canada, 2011). The private sector has had to carefully manage its labour costs and is looking to the public sector to do the same.

The Ontario government's 2010 *Public Sector Compensation Restraint to Protect Public Services Act* outlined a two year wage freeze on non-unionized workers and a cap on compensation for unionized workers. While a good first step, the Act failed to address municipal labour costs as the government opted to urge (rather than mandate) municipalities to implement similar restrictions.

Further, the Act expires in 2012, leaving Ontario without a long-term public sector compensation restraint strategy. The Act also leaves Ontario's labour arbitration system intact. The current system fails to take into account employers' capacity to accommodate higher wages, something that places significant financial pressure on labour-cost laden public sector budgets.

For these reasons, the government should develop a comprehensive long-term public sector compensation restraint strategy that includes municipalities and extends well beyond 2012. Public pensions and employee benefits, in addition to salaries, must be part of a discussion on public sector compensation restraint. The government should also immediately revise the provincial labour arbitration system to establish methodologies that incorporate a community's ability to pay for arbitrated settlements.

### **3. Ensure municipalities spend provincial transfers wisely and utilize Auditors General**

Ontario spent \$3 billion on transfers to municipalities in 2011. That number is expected to rise to \$4 billion by 2018. By that time, the province will have increased ongoing annual support to municipalities by 270 percent since 2003. In addition, by 2018 the provincial government will have uploaded \$1.5 billion in municipal costs since 2003.

Given Ontario's fiscal situation and given the consistent generosity the government has shown in its dealings with municipalities, the Ontario government needs to do more to ensure that provincial transfers are being spent wisely.

Despite efforts to reduce spending and obtain greater efficiencies by some municipalities, the Ontario government continues to receive additional funding requests from some local governments. The avoidance by some municipalities to make much needed, difficult decisions to reduce spending and seek greater efficiencies with their local public funds can come at the expense of all taxpayers in Ontario.

As a means of ensuring value for taxpayer dollars, the government should freeze or limit provincial transfers to municipalities that do not undertake comprehensive, meaningful actions to reduce or limit spending, obtain efficiencies or act on recommendations by an Auditor General.

The Ontario Chamber of Commerce understands that Ontario municipalities are under increasing pressure to deliver added value for stretched taxpayer dollars. As such, municipalities should make the worthwhile investment in an Auditor General. Municipal Auditors General have a proven record of finding cost savings, and past incidences point to a high rate of return when investing in an Auditor General office (in 2008, for every dollar invested by the City of Toronto in its Auditor General Office, the municipality obtained a return of \$5.60 or 560 percent).

The government should amend the *Ontario Municipal Act* to make mandatory the appointment of an Auditor General for Municipalities whose population exceeds 100,000.

Freezing transfers to spendthrift municipalities and making mandatory the use of Auditors General will help ensure that provincial transfers are being spent wisely and that taxpayers are receiving full value for their dollar.

#### **4. Identify programs that could be delivered effectively and efficiently by other entities**

The private sector has demonstrated (such as in the case of private health care delivery) that it can deliver, and exceed, standards set by government on behalf of the public.

Ontario has already developed some beneficial partnerships for program delivery with non-governmental organizations (NGOs). The OCC, for example, operates two provincially funded programs (the Export Market Access program and the Ontario Exporters Fund) designed to help small and medium sized enterprises access foreign markets. The OCC believes that more opportunities exist for private delivery of government programs, in the interests of both effective and efficient service provision.

A number of Chambers across Europe deliver business services in place of government. For example, the Scottish Chamber of Commerce (in partnership with Scottish Enterprise – a non-departmental public body of the central government) provides business with free mentoring services. The Government of Ontario, through the Ministry of Economic Development and Innovation, currently provides business advisory services through twelve offices in Southern Ontario. The Government of Ontario could divest itself of responsibility for these types of business services and allow other entities, who possess the necessary expertise, to take responsibility for their delivery.

There are many other areas where the government should consider alternative service delivery, thereby achieving cost-savings. These include:

- utilizing alternative financing for transportation and transit infrastructure and services
- delegating responsibility for developing and monitoring business regulations to grassroots networks of businesses and NGOs
- allowing companies that meet general performance criteria to monitor their own regulation-compliance without the burden of employing an external reporting mechanism
- devolving the administration of funds and design of training initiatives under Employment Ontario to organizations with direct knowledge of local economic conditions

More details on these four proposals can be found in *Appendix 1*.

In addition to the recommendations presented in this submission, on a going-forward basis the government should consider adopting best practices from the business community in the interest of delivering government programs more effectively and efficiently.

Thank you for taking the time to review this submission. The OCC and its members hope that our recommendations will be reflected in the Commission's report to government. We would welcome the chance to meet you at any time should you wish to discuss this submission.

If you have any questions or comments, please contact Angie Brennand, Vice-President Policy and Government Relations, at [angiebrennand@occ.on.ca](mailto:angiebrennand@occ.on.ca), (416) 482-5222, ext. 232.

Yours sincerely,

Len Crispino  
President & CEO  
Ontario Chamber of Commerce

## **Appendix 1: Details on proposals for programs that could be delivered effectively and efficiently by other entities**

### **1. Utilizing alternative financing for transportation and transit infrastructure and services**

There is a need for new transportation and transit infrastructure in the province. The Ontario government should consider transitioning away from public financing and operating of such infrastructure, and look to alternative means.

#### **Recommendations**

- i. Use alternate financing methods for transportation infrastructure, including the use of public bond issues and private consortia.
- ii. Include among various revenue tools tolls and fares to either pay down the bond issue, or to provide a stream of revenue to the private capital sources.

### **2. Delegating responsibility for developing and implementing business regulations to grassroots networks of businesses and NGOs**

The Ontario government's Open for Business Initiative contains elements of a co-regulation model but limits the participation of businesses to a provisory role in the development of new regulations. The government should create flexible institutional arrangements to delegate responsibility for developing, implementing and monitoring regulations to grassroots networks of businesses and NGOs. By delegating responsibility to extra-governmental actors, the government can divest itself of administrative costs.

#### **Recommendation**

Draw on existing models from the federal government and elsewhere to establish formal institutional mechanisms for business/government co-regulation.

**3. Allowing companies that meet general performance criteria to monitor their own regulation-compliance without the burden of employing an external reporting mechanism**

One of Ontario's Open for Business Initiative's aims is to adopt a more responsive approach to regulation. Yet there exists no means to recognize companies that have taken viable steps to achieving best practices in sustainability, accountability and transparency. By creating an equivalency mechanism, the government would transfer a greater degree of responsibility to the private sector, reward companies that meet specified performance criteria and divest itself of administrative costs.

**Recommendation**

Adopt an Equivalence of Performance Test for non-certified organizations that enables companies meeting general performance criteria to assume greater internal responsibility for compliance with regulatory outcomes in accordance with a standardized enforcement reduction plan.

**4. Devolving the administration of funds and design of training initiatives under Employment Ontario to organizations with direct knowledge of local economic conditions**

Employment Ontario offers a range of funding programs, but their stringent and often arbitrary criteria significantly limit their relevance to the private sector. A more effective and efficient client-centered workforce training model would devolve the administration of funds and design of training initiatives to organizations with direct knowledge of local economic conditions. Such a model would free up substantial overhead savings at no additional cost to taxpayers.

**Recommendation**

Encourage the most efficient use of scarce resources by transferring responsibility for program administration and delivery to regional, multi-stakeholder training "hubs".