

The Drummond Commission: Background and Analysis

Report to the Ontario Federation of Labour

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I. Mandate of the Commission

The Drummond Commission was announced in the 2011 Ontario Budget. According to the budget, the aim of the Commission is:

“To provide advice on reforms that would help accelerate [the McGuinty government’s] plan to eliminate the deficit while protecting education and health care, the government will establish a Commission on Broader Public Sector Reform. Building on reforms already underway, and on the approach to enhanced public service delivery laid out in this *Budget*, the Commission will examine long-term, fundamental changes to the way government works. The Commission’s work will include exploring which areas of service delivery are core to the Ontario government’s mandate, which areas could be delivered more efficiently by another entity and how to get better value for taxpayers’ money in the delivery of public services.

The Commission will report to the Minister of Finance in time to inform the development of the *2012 Budget*. The Commission will not make recommendations that would increase taxes or lead to the privatization of health care or education.

In the shorter term, the government will accelerate its efforts to make public services more effective and improve value for money by consolidating programs, services and back-office functions; developing new ways to deliver programs; and optimizing the value that exists within Ontario’s public sector.”¹

Thus, under the rubric of examining long-term fundamental changes to the way government works, the Commission’s mandate is broad and includes at least three parts:

- A service review to determine which services are “core” and which can be privatized;
- Development of recommendations to accelerate the elimination of the provincial deficit; and
- Development of recommendations to achieve better value for money.

The mandate includes a caveat that the Commission’s recommendations should not include proposals that would lead to the privatization of health care and education. However, Drummond’s history, public comments and potent links to private health care interests indicate otherwise. Drummond has already used the heightened platform afforded to him by the McGuinty government to promote privatization of both the financing and delivery of health care, as well as further privatization of the financing of education. A report co-authored by Drummond for the Minister of Health last year contained explicit proposals for health care privatization, despite government media statements to the contrary. The contradiction between rhetoric and practice will make our work in responding to Drummond more difficult, but it would be a serious strategic error to accept promises to protect health care and education as public services as true indications of the government’s and the Commission’s intent.

Recent provincial budgets and fiscal projections have already set out this government’s fiscal approach, including ongoing corporate tax cuts and a promise to not increase taxes. In addition, the 2011 budget

¹ Ontario Budget 2011, page 71.

contains a comprehensive list of ongoing plans for public service restructuring including program and service closures, rationalization, consolidation, privatization, P3s and monetization.

Since the general direction is already set, it appears that the Drummond Commission has a particular public relations and strategic role, in addition to whatever idea-generating role it may have. Drummond is almost certainly being used as “expert” justification for an ideologically right-wing approach to fiscal policy.

Appendix I contains the full list of restraint measures that the government is currently undertaking while the Drummond Commission is doing its work.

II. Drummond Commission Process

Timeline

Drummond was appointed last spring and began making media commentary immediately.

November 2011

November 3 - Drummond briefed the Premier, recommending a more aggressive timeline than previously -revealed for the elimination of the provincial deficit. He recommended curtailing government spending growth to 1 percent for the next 6 years, down from earlier government projections of approximately 1.7% per year. Premier Dalton McGuinty has approved this approach. Drummond also met with opposition Conservative Party leader Tim Hudak in early November.

November 22 – Throne Speech

November 23 – Economic Statement

December 2011

According to the Commission, it will begin writing its report in December. The Commission has lined up meeting from early to mid-December with a number of unions.

January 2012

The Drummond Commission report is scheduled to be released in January. The exact process and date for release are unclear.

No Public Consultations

There are no public consultations planned. Groups can make requests for a meeting with the Commission, but the Commission will decide who they want to meet with. Organizations can also provide written submissions.

To date, the Commission has met with the C.D. Howe Institute, the Ontario Hospital Association and the Ontario Medical Association.

Previews

Drummond gave a private lecture for the CD Howe Institute, in which he serves as a Senior Fellow, on October 21 about the Commission for the Reform of Ontario's Public Service, and will be making another speech on November 17 on Healthcare Sustainability (at a cost of \$300 admission).

III. Primer on the Commission Members

Don Drummond

Current

- Chair, Commission for the Reform of Ontario's Public Services, Ministry of Finance
- C.D. Howe Institute Senior Fellow and Co –chair of the Fiscal and Tax Competitiveness Council
- Advisory Panel Member, Canadian Medical Association Panel on Resourcing Options for Sustainable Health Care in Canada
- Matthews Fellow and Visiting Scholar in the School of Policy Studies, Queen's University.
 - The Matthews Fellowships were created with an endowment from Donald Matthews, former chair of Matthews Construction. Donald Matthews is Ontario Health Minister Deb Matthews' father.
- Advisory Council Member, The Macdonald-Laurier Institute
- Committee on the State of Science and Technology in Canada member (formed by the federal government in 2006).

Recent

- Commissioned to write a report for the Minister of Health in 2010 co-authored by Don Drummond and Derek Burleton in their positions at TD Financial.
- Senior Vice President and Chief Economist, TD Bank Financial Group, retired 2010.

Previous

- Federal Department of Finance (23 years), variety of positions in economic analysis and forecasting, fiscal policy and tax policy. His last three positions were: Assistant Deputy Minister of Fiscal Policy & Economic Analysis; Assistant Deputy Minister of Tax Policy & Legislation; and Associate Deputy Minister. Drummond coordinated the planning of the annual federal budgets. He is credited with writing the 1995 Paul Martin budget that launched massive cutbacks to provincial transfers and public sector cuts.
 - David Dodge was Deputy Minister of Finance in the mid-1990s while Drummond was ADM. Dodge went on to become Governor of the Bank of Canada. He has become an outspoken advocate for health care privatization and was a co-panelist with Drummond and others for a Canada 2020 panel on Healthcare Sustainability earlier this year. Dodge also appeared at Michael Ignatieff's "Thinkers" conference last year advocating an "adult conversation" on health care that would, in his view, lead to health privatization.

Carol Stephenson

Current

- Dean, Richard Ivey School of Business, University of Western Ontario
- Director, Intact Financial Services Corporation (formerly ING Canada)
- Director, Manitoba Telecom Services Inc.
- Chair, Ontario Research Fund Advisory Board
- Chair, Federal Government Advisory Committee on Senior Level Retention and Compensation
- Director, Sears Canada
- Director, Ottawa Airport Authority
- Trustee, Union Energy Waterheater Operating Trust
- Board Member, General Motors Company
- Board Member, Government of Canada Communications Research Centre
- Board Member, Governors of Waterstone Human Capital

Previous

- Director, Ontario Teacher's Pension Fund
- President and CEO, Lucent Technologies Canada
- President and CEO, Stentor Resource Centre Inc.
- Various Vice President positions at Bell Canada
- President and CEO, BCE Media
- Board Member, Partnerships B.C.
- Board Member, Vancouver Olympic Games Organizing Committee

Susan Pigott

Current

- Vice President, Communications and Community Engagement at the Centre for Addictions and Mental Health, Toronto
- Board member, Change Foundation
- Board member, Toronto CivicAction Alliance

Previous

- Registered Nurse
- CEO, St. Christopher House
- Vice President of Fundraising, United Way
- Executive Lead for Citizen Engagement, Ontario Citizens' Assembly on Electoral Reform
- Board member, Community Social Planning Council
- Board member, Hospital for Sick Children

Dominic Giroux

Current

- President of Laurentian University

Recent

- Assistant Deputy Minister, Ministry of Education and the Ministry of Training, Colleges and Universities until 2009.

Previous

- CFO of several school boards.

IV. Drummond Positions on Key Policy Issues

Drummond, Fiscal Retrenchment and the 1995 Federal Budget

Don Drummond is credited with writing the 1995 Paul Martin budget that eliminated the Canada Assistance Plan and Established Programs Financing, created the Canada Health and Social Transfer (CHST), and launched an estimated \$50 billion² in cuts in transfers to provinces and federal programs.

“Paul Martin’s infamous 1995 budget did just that, sacrificing 45,000 civil service jobs, privatizing CN Rail and Petro-Canada, slashing federal transfers to the provinces and transforming unemployment insurance into the woefully inadequate program it is today.”³

In fact, Drummond’s own words evince the scale of the cuts, “OECD data...indicate that the discretionary policy tightening in Canada was among the most pronounced episodes over a four-year period in any OECD country.”⁴

In this period, Drummond was a primary player in a faster-than-planned elimination of the federal budget deficit. Included in the 1995 federal budget were pivotal social policy decisions, including the elimination of the Canada Assistance Plan (CAP). With the eradication of CAP, national standards were withdrawn and basic rights to social assistance based on need were abandoned, including:

- The right to an amount of income that met basic needs;
- The right to appeal a welfare decision one felt was wrong;
- The right to income when in need, regardless of the province one came from; and
- The right not to have to work for welfare.⁵

In her book, “Worth Fighting For”, former Liberal MP Shiela Copps revealed that the initial draft of the 1995 budget included a plan to end the Canada Health Act and replace it with “something more flexible after discussions with the provinces.”⁶ Drummond denies this. However, a recent report by the Macdonald-Laurier Institute, of which Drummond sits on the Advisory Panel, recommends exactly what Shiela Copps warned of: an amendment of the Canada Health Act to remove prohibitions against extra-billing and allow provincial “flexibility”. (More on this on page 16.)

The cuts to provincial transfers in the mid – to late- 1990s, attributable to Drummond and his colleagues, combined with provincial government tax cuts and resulting lost fiscal capacity, led to the emergence of serious wait times, hospital cuts and health care restructuring. The genesis of virtually all

² Enoch, Simon. “The coming austerity” CCPA, November 10, 2009 at: <http://www.policyalternatives.ca/publications/commentary/coming-austerity>

³ Ibid.

⁴ Drummond, Don. “Deficit Elimination, Economic Performance and Social Progress in Canada in the 1990s” in The Review of Economic Performance and Social Progress eds. Banting, Keith et al., 2001: page 133.

⁵ Howlett, Dennis. “Moving Forward on Poverty Reduction” Canadian Review of Social Policy, page 116.

⁶ CTV news, October 23, 2004 at http://www.ctv.ca/CTVNews/TopStories/20041023/copps_book_update_041022/

private for-profit health care clinics in Canada can be traced back to the period immediately following these cuts.⁷ Growing income inequality and increased private fees for education also resulted.

In subsequent years, Drummond has not disavowed his approach in the 1995 federal budget. In fact, in his article, "Deficit elimination, Economic Performance and Social Progress in Canada in the 1990s", he argues that elimination of the federal deficit so quickly was justified, given the failures of earlier fiscal tightening and the risk of confidence losses:

"As federal budget surpluses were recorded just four years after serious efforts were begun to eliminate the deficit, it is often suggested that the optimal fiscal policy course would have been a more gradual tightening. With the benefit of hindsight, this at least appears to be a point worth debating. However, the odds were stacked against such an option in 1993 and 1994. Several prior tepid attempts to tighten fiscal policy had not achieved lasting success. In fact, they probably left a net cost due to the loss of policy confidence. Another couple of years of high deficits and a rising debt-to-GDP ratio following 1993-94 may well have contributed further to this loss of confidence. In turn, this could have caused economic performance to worsen."⁸

In his analysis, Drummond does not consider the relative impact on Canada's social fabric of other options such as tax reform or tax increases, lower interest rates, other revenue generation activities, or a slower approach to deficit elimination. He further argues that employment grew through the period of deficit elimination and the unemployment rate fell, though he notes that real incomes did not rise, at least initially. He discounts and minimizes the impacts of the ensuing reductions in access to EI, health, post-secondary education and social assistance. His conclusion is decidedly unapologetic:

"All in all, one would have to say that the experience of deficit elimination worked out very well, likely better than almost any observer in the early 1990s, including governments, would have thought...at the very worst, the charge against deficit elimination is that there was some short-term pain to secure substantial long-term gain."⁹

It should be of concern that Drummond could easily make the same argument about Ontario's current fiscal situation. In fact, there are early indications that he is taking a similar approach today. In a chilling echo of the mid-1990s, Drummond has recently called for elimination of the provincial deficit more quickly than planned and very aggressive restraint on program spending.

Progressive economist Jim Stanford describes the scale of the cuts under Drummond's tenure at Finance, calling the result "a deep structural shift in the role of government programs in Canadian society."¹⁰ He notes:

"At the federal level alone, program spending has fallen somewhat more sharply, by about one quarter --- from a peak of 17.9 percent of GDP in 1992 to some 13.5 percent of GDP in 1999. In either case, this represents by far the most significant rollback of real

⁷ Ontario Health Coalition, "Eroding Public Medicare: the Costs and Consequences of For-Profit Health Care in Canada" 2008.

⁸ Ibid, page 135.

⁹ Ibid, page 140.

¹⁰ Stanford, Jim. "The Economic and Social Consequences of Fiscal Retrenchment in Canada in the 1990s" in *The Review of Economic Performance and Social Programs* eds. Keith Banting et al, 2001: page 148.

government program activity in Canada since the end of the huge military effort in World War II.”¹¹

Stanford reports that the shrinkage in government program spending continued through the end of the 1990s, even after the deficit was eliminated and continued into the period of large surpluses, noting, “This immediately suggests that to some degree the downsizing of government programs was motivated by something other than solely concern with government deficits.”¹²

Stanford disputes Drummond’s attempt to discount the impacts of the program and transfer cuts on Canadians. Unlike Drummond, Stanford does not attribute the reduction in EI expenditures to reductions in unemployment, citing evidence that the structural changes to the program resulted in real EI benefit payments 40% lower in 1999 than in 1990. He notes that the 5.7% cut in education between 1994 and 1997 was partially offset by [and caused] a 16 percent increase in private fees and a reduction in budgets for educational institutions that resulted in declining real wages for teachers and educational workers. As Stanford measures the impact on disposable incomes for lower income households, and he charts the growing income inequality that began in 1995.

Under Drummond’s tenure at Finance, the federal government eliminated the federal deficit two years faster than its plans in the 1995 budget, reflecting a more aggressive internal timetable. Notes Stanford:

“In reality, however, the federal government implemented what was clearly a much more dramatic plan for reducing and eliminating the deficit. The government’s spending and tax decisions reflected a more rapid internal timetable for elimination of the deficit, but this more aggressive stance was “hidden” in official budget documents through measures such as deliberately pessimistic macroeconomic assumptions and the allocation of large “contingency” funds.”¹³

Stanford argues that much of this belt-tightening was not only unnecessary, but also damaging to social equality. He provides evidence that Canada could have reached its deficit reduction targets through economic growth alone, without having to endure the draconian cuts to our social programs. As a result, Stanford concludes, “Canadian society will demonstrate more private consumption, less public consumption, great and growing inequality, and in the long run probably a decline in observed performance on a range of health and social indicators.”¹⁴ In the years subsequent to this prediction, the evidence has become clear that inequality in Canada has indeed dramatically increased since the mid-1990s.

¹¹ Ibid, page 147.

¹² Ibid.

¹³ Ibid, page 154.

¹⁴ Ibid, page 156.

Drummond on Taxes

Drummond was an early campaigner for corporate tax cuts. He recently characterized the cumulative reduction in corporate taxes as a “revolution”. In his writings, he continues to discount the impacts of reduced income transfers and social programs on growing social and income inequality in Canada. In large part as a result of policy changes that started in the 1990s, most of which were promulgated by Drummond, inequality in Canada is now at the highest point it has been since before the Great Depression.

Toronto Star Pro Corporate Tax Cut Op Ed by Drummond, June 2011

“Economic theory strongly supports the corporate tax revolution. Lower corporate taxes raise the payoff from investment, R&D and other entrepreneurial endeavours. The result should be higher productivity and higher wages for Canadian workers. Empirical evidence in Canada and elsewhere supports the theory.

Having been involved in the initial thrust of the corporate tax revolution in 2000 as an associate deputy minister of finance, I strongly believe in the cause. Theory and considerable evidence suggest the corporate tax cuts will deliver strong benefits to all Canadians. But legitimate points were raised during the election campaign. They will no doubt be repeated in the Ontario campaign. The matter should not be left to theory and past experience. Massive amounts of public funding have been devoted to this revolution. Canadians deserve and should expect an accounting of what is being gained.

Federal and provincial governments and the Canadian business sector should provide that transparency and accounting by establishing monitoring mechanisms that will permit regular reports to Canadians on whether the Canadian corporate tax revolution is producing benefits for them.”

Globe and Mail Op Ed by Drummond, September 2008¹⁵

“Ontario's new economic foundation must also be based on a competitive tax system. Most other jurisdictions are lowering their tax burdens, particularly on business capital. Ontario is falling behind despite some positive steps it has taken by phasing out the capital tax by 2010, reducing the education portion of business property tax rates and introducing a number of measures to lighten the burden on manufacturers.

Ontario must have a corporate tax system that provides a distinct advantage both in Canada and abroad. This would require a provincial statutory corporate tax of no more than 10 per cent compared to their current rate of 14 per cent (12 per cent for manufacturers). This move, together with reductions at the federal level, would leave the combined federal-provincial rate at 25 per cent, positioning the province well to attract new investment.

Other areas of taxation also need to be addressed. Harmonizing the PST with the GST would spur business investment, and set the stage for household and government incomes to rise down the road.

¹⁵ Drummond, Don “Ontario needs a new foundation for success” [Globe and Mail Report on Business](#), September 29, 2008.

Government should address the very sharp rise in effective taxation of businesses if they cross the small business threshold as that stifles entrepreneurial behaviour. And finally, at the personal level, reducing the incredibly high marginal tax rates for those at low and modest-income levels is fundamental in encouraging greater participation in the labour force.”

Globe and Mail Opinion on Productivity and Taxes by Drummond, April 2007

“The broader issue is the rather long Canadian economic history of poor productivity growth and limited competition. Public policy is certainly partly to blame. We have one of the highest rates of taxation on capital in the world, although the problem now resides more in the provincial jurisdiction than the federal. Many sectors have excessive and inefficient regulation, and competition is restricted through legislation.”

Toronto Star Opinion Piece on Revenue Options for Toronto, January 2010

“On the revenue side, the city will need to consider the monetization, or outright sale, of selected assets. User fees must be closely examined for possibilities of not only raising money but extracting other benefits as well... Such is the problem with structural deficits. The residents and businesses of this city have become accustomed to receiving a certain level of services, so it is a truly unpleasant surprise to learn that, in fact, the taxes they pay aren't covering their true cost. Delaying the search for solutions only allows the fiscal chasm to grow. The city's problem is a big one, and the search for lasting solutions will require some big thinking.”¹⁶

¹⁶ Drummond, Don and Carol Wilding, “Your day of financial reckoning in nigh, Toronto” Toronto Star: page IN05.

Drummond on Health Care

"The Canada Health Act is just not relevant. Let's just get on with it."

Don Drummond, 2011

Excerpts from panel discussion titled "Health Care Debate" from Power Play with Don Martin, CTV News Net, May 25 2011

(DON) MARTIN: I always think of you, Don Drummond, in terms of analyzing numbers and economic forecasts, but if you're looking ahead on the health care system, an imposing fiscal principles, I guess, on top of it, what you are seeing?

DON DRUMMOND: Well, I think, left to its own devices, it would probably grow about six and a half percent a year. People always want to know, is that sustainable? I don't think you can answer that, because it depends, it is if you want it to be but if you want it to be sustainable, it means that you either have to increasingly crowd out everything else, including education, police, fire, the whole range or you have to continue to pay higher taxes and people say, repeatedly on every poll that they do want to do that, but do they really mean that? And I think before it gets to that, before we tell people you have to pay more taxes, or squeeze out everything else, we have to answer the question Jeff posed, are we getting value for money and I don't think we are. So, I think from a fiscal perspective, we have two issues - the runaway increase in the cost but also the levels of the cost. You know, it's interesting you can be put up for treason in Canada for questioning your health care. It's supposed to be part of our national identity, it's part of our pride, but it only really looks particularly good compared to the United States. It doesn't seem to deliver great value for money compared to most other developed countries either in terms of it's growth rates or particularly the expensive, things like Jeff was mentioning, the number, we have roughly half the number of physicians per capita as Europe. We have way longer waiting times, particularly for specialists. We don't cover most of the drugs most of the other countries do have.

MARTIN: What's your way on the grey wave, the seniors coming in, Don?

DRUMMOND: Well, as Jeff says, of, of the 6.5 percent, I said it would grow, one percentage point of that is coming from the aging of the population. That's not a big change. It's been adding about half a percentage point. So we get another half a percentage point increment. Health is different than most other things. It's one of the things where technology does not actually save you money. It leads to better outcomes, but now you can do hip replacements, knee replacements, you can do all kinds of more interventions, people naturally want those, and they're great. They'll make them feel better, but they cost more money. So it's not really aging, per se. We have a couple of things particularly with aging. Most other countries have a fairly smooth relationship between drug use and age. In Canada, it goes up fairly smoothly until 65, and then just takes off. And, you know, you've got to wonder about the costs, the parameters we have of essentially free drugs for seniors in provinces like Ontario. Does that have something to do with it? You know, coming back to the value for money, we tend to use more brand name drugs than generic named drugs, relative to other countries. Our generic drugs are a lot more expensive, so it does seem to feel ripe for some efficiency gains.

MARTIN: Bottom line. Money's not enough. Should we be altering the Canada Health Act to allow more experimentation, Don Drummond?

DRUMMOND: I just think the Canada Health Act references are a complete red herring. You know, there's five most loosely worded principles. They're already broken, bent all over the place. They're, you know, one of them says public administration. Well, excuse me, we've got all kinds of elements where we don't have public administration. Portability. We don't have that. I hear that all the time...

MARTIN: Sustainability. What's that mean?

DRUMMOND: ...excuse, we can't do this. We can't do that. The Canada Health Act is just not relevant. Let's just get on with it.

Pac Man Report on Health Care Sustainability for Ontario Ministry of Health

In May 2010, Drummond co-authored a report in his capacity as Chief Economist at TD Economics on health care reform in Ontario. In the report, "Chartering a Path to Sustainable Health care in Ontario", commissioned by the Minister of Health, Drummond and his colleague characterize health spending as the "Pac Man" that ate the provincial budget. The authors use extreme spending and growth assumptions to lean on the panic button. Health spending, they say, will take up 80% of the provincial budget by 2030. To address their proclaimed crisis, they repeatedly recommend that the Ontario government "throw the door open" to private for-profit health care delivery and experimentation with two-tier health care.¹⁷

Drummond criticizes the Romanow Commission explicitly for putting access to care at the centre of their study on the future of health care in Canada. He recommends a number of privatization initiatives that would devastate the public health system, reduce coverage for residents and/or contravene the Canada Health Act. These measures include: two tier experimentation for elective surgeries such as hip, knee and cataract surgeries¹⁸; private for-profit health care delivery¹⁹; a convoluted user fee that would see, for example, cancer patients paying up to 40% of the cost of their treatments at tax time²⁰; and measures that would result in further rationing of home and long-term care²¹.

Canadian Medical Association Report Promoting Privatization, July 2011

Employing one of the most extreme examples of Orwellian double-speak in recent memory, this report authored by Drummond five other panelists, persistently attempts to redefine privatized and two-tier health care as something other than privatization. The primary recommendations in the report call for user fees and "various" insurance schemes, fee-for-service payment for hospitals (sometimes called activity-based funding) and competition.

In the report, Drummond and his Advisory Panel colleagues recommend that the CMA:

"Be open to discussing a range of ways of funding services....[through] such mechanisms as user fees, franchises and various insurance schemes..." The report goes on to

¹⁷ TD Economics Charting a Path to Sustainable Health Care in Ontario May 27, 2010. See Forward and pps.8, 9, 20, 23.

¹⁸ Ibid, page 20.

¹⁹ Ibid, pages 8, 9, 20, and 23.

²⁰ Ibid, page 32.

²¹ Ibid, pages 21 and 31.

recommend that the association, “Recognize the value of provider competition,” stating, “This is not privatization, but rather a framework that allows a range of providers – public-sector, private-sector and non-profit – to compete in carefully controlled conditions....”²²

Two-tier Report for the Macdonald-Laurier Institute, October 2011

Drummond is a member of the Advisory Council to the Macdonald-Laurier Institute. The Institute released a report in October 2011 calling for the lessons from the welfare cuts of the mid-late 1990s to be applied to health care. Denying any negative effect from the eradication of national standards giving Canadians the right to welfare based on need, the report advocates for a reduction in the Canada Health and Social Transfer (CHST) and amendment of the Canada Health Act to remove barriers to extra-billing (two-tier health care).²³

Additional Health Care Quotes

In a Globe and Mail interview, published shortly after the Commission was announced, Drummond is quoted as stating that despite the restrictions announced by the Finance Minister (on health and education privatization) he was willing to look at “almost anything” including health care and education:

“While it is clear that politicians and citizens want a single public payer for health care – in other words, a publicly funded system – “people are much less troubled right now by private-sector delivery,” he said.”

In a Toronto Star Opinion Piece in February 2011, Drummond made the same assertion about health care privatization and called it “good news”. He reiterated this pro-privatization message in speeches earlier this year at Queen’s University and in Ottawa.

“Health care consumes 42 percent of government spending, yet primary care doctors, community care and long-term care are still not properly integrated. That’s why he’s skeptical of opposition demands to eliminate Ontario’s controversial Local Health Integration Networks (LHINs). “A huge province like Ontario – you want some regionalization.”²⁴

For the Ontario Health Coalition’s Open Letter to the Premier on the Drummond Commission, see Appendix II.

²² Report of the Advisory Panel on Resourcing Options for Sustainable Health Care in Canada, Canadian Medical Association, July 2011: pages 1, 2.

²³ Clemens, Jason for the Macdonald-Laurier Institute, Reforming the Canada Health Transfer: Applying the welfare reform lessons of the 1990s to healthcare today, October 2011: pages 4-6, 48, 49.

²⁴ Cohn, Martin Regg, “Cohn: Dalton, Don and the roadmap for restraint” Toronto Star, November 12, 2011.

Drummond on Education

Drummond appears to advocate more private fees for post-secondary education, characterizing the current situation as unsustainable. He offers longer repayment plans for students who would presumably face these higher fees. He also seems to be indicating a potential recommendation for university-college integration or rationalization.

Toronto Star Opinion Piece, April 2011

“We need to look at many repayment options - including standard amortization, graduated payments and extended repayments. Income Contingent Repayable Loans, for example, have been successfully introduced in such countries as Australia and the U.K. These loans link the required pace of repayment directly to income after graduation. The system must also have the capacity to address particular situations. For example, the number of aboriginal post-secondary students must increase dramatically, but many are older and have family responsibilities and hence greater financial need.

We have reached the point in the post-secondary education system where significant new thinking is required to reconcile a higher participation rate with the reality of finite government resources. This will require willingness to rethink a system that cannot be sustained.”²⁵

A blank cheque for colleges and universities, November 2011

“Colleges and universities get a blank cheque from the province and live in splendid isolation – especially from one another: “We’re the only jurisdiction that hasn’t sorted out the appropriate relationship between colleges and universities, so I don’t think you can allow that to stand while you’re applying this kind of fiscal restraint,” Drummond said.”²⁶

Drummond on Arbitration/Wage Freezes

Drummond discounts public sector wage freezes because unions inevitably eat catchup increases down the road. But he is mindful of criticism by Hudak’s Tories that a broken arbitration system needs reform: “Broken might be a bit strong, but I will definitely be making some recommendations for change.”²⁷

Drummond on Crown Assets

Unloading crown assets rarely pays off. “There’s always a kneejerk reaction to sell the crown agencies,” he muses. But many return a dividend of 8 to 9 percent annually to the government, far more than interest on the debt. “You’d be shooting yourself in the head, never mind the foot.”²⁸

²⁵ Drummond, Don and Daniel R. Woolf, “Who will pay the bills for our education dream?” *Toronto Star*, April 1, 2011.

²⁶ Cohn, Martin Regg, “Cohn: Dalton, Don and the roadmap for restraint” *Toronto Star*, November 12, 2011.

²⁷ Ibid.

²⁸ Ibid.

V. Drummond Commission Connections with P3s

Don Drummond has just recently retired from a long tenure at TD Economics, part of the TD Bank Financial Group. TD Bank and TD Securities Inc. are investors in numerous P3 projects in Ontario. TD Insurance sells private health insurance. For a list of Ontario P3 projects with TD involvement see Appendix III.

Commission member Carol Stephenson also has links to P3s. From 2003-2007 she sat on the board of Partnerships B.C. Partnerships B.C. is a company responsible for bringing together ministries, agencies and the private sector to develop projects through P3s. It is wholly owned by the province and reports to its shareholder, the Minister of Finance. The mission of Partnerships B.C. is to structure and implement P3s and foster a business and policy environment for successful P3s.²⁹ She also sits on the Ontario Teachers Pension Fund which is an investor in P3 projects. For a list of P3 projects, partially or wholly created under Stephenson's tenure on Partnership B.C.'s board of directors, see Appendix III.

²⁹ www.partnershipsbcc.ca/files/about.html

VI. Government Messaging and Opposition Parties' Responses to Drummond

An analysis of media coverage since the announcement of the Drummond Commission reveals the government's messaging regarding the Commission's work and impending cuts.

McGuinty Government is working to differentiate themselves from Harris and Ford

Mindful of potential comparisons, the McGuinty government has effectively convinced some opinion-leading media that their approach is different than Toronto mayor Rob Ford's³⁰, though the mandate of the Drummond Commission is essentially the same. Similarly, the government has garnered repeated media stories defining their approach to cuts as different than Mike Harris' strategy in the mid-1990s, though the reality of the contemplated restraint and the extent of the restructuring under consideration do not support this claim. To date, there has not been any challenge to these allegations.

Moreover, the government has not been forced to justify its decision to speed deficit reduction even as mainstream economists are divided about government approaches to the fragile economic situation. Many mainstream economists are favouring stimulus. In addition, the McGuinty government has been almost silent on job losses and the loss of manufacturing in Ontario.

- Drummond's approach is repeatedly characterized as differing from the "cross the board cuts" and "slash and burn" approach of Harris, in an attempt to bely the reality of the aggressive approach to fiscal balance that Drummond has adopted. The general tone is to cast Drummond as more enlightened, a description that fits with his demeanor and stature.
- At the same time as he is distancing himself from the Harris-era cuts, Drummond is also attempting to build public support for dramatic restructuring, "The Harris cutbacks were shortsighted," he says. Not because they were costly, damaging and ill-conceived, but rather, "because they lacked ongoing public support. Drummond understands that even if his own roadmap for restraint proves more enlightened, it must also be more enduring to have a lasting impact." Further: "It's important to realize that what would need to unfold in Ontario," he argues, "is in many cases more severe than what governments did in the 1990s."³¹

The attempt to re-cast the upcoming cuts as relatively benign has been made easier by Tim Hudak's use of inflammatory language. Blaming the government for a "spending binge" and repeating accusations of programs that are "broken", Hudak is out-of-step with most Ontarians and is speaking only to his limited base, something that Dalton McGuinty has repeatedly pointed out in media interviews.

Invoking "sustainability" and crisis management

The language of sustainability, necessity, and crisis are being used to sell cuts that will be unpalatable to Ontarians. Dwight Duncan, Minister of Finance, has, along with Drummond, taken the lead on this.

³⁰ For messaging countering the Rob Ford approach, see iPolitics, "A tale of two reviews: contrasting approaches to belt-tightening" October 29, 2011 and Cohn, Martin Regg, "Cohn: Prepare for post-election pain, no matter who wins Ontario vote" *Toronto Star*, August 20, 2011.

³¹ Cohn, November 12, 2011.

- “The challenge, emphasized Duncan, is “how to change the way we deliver services so that we can sustain the education and public health care systems that all Ontarians value.””³²
- Despite his government’s choice to reduce provincial fiscal capacity through ongoing corporate tax cuts, and refusal to consider any revenue-generating options, the Finance Minister repeatedly casts himself in the role of reluctant bearer of bad news: “There will inevitably be some difficult choices,” (Toronto Star, November 8); “...there will be a lot of difficult choices,” (Globe and Mail, November 8); “There will be difficult decisions, difficult choices,” (Businessweek, November 17).

Emphasizing his own government’s prudence, the McGuinty government has characterized the opposition as reckless and extreme:

“I’m open to constructive ideas, but the other guys ran on platforms that had reckless tax giveaways and outrageous proposals for new spending,” said McGuinty on November 3. “...the Progressive Conservatives and New Democrats will have to be more constructive and more realistic.”³³

It is likely that this approach will be used in an attempt to discredit any critics.

Opposition Parties

Tim Hudak has repeatedly called for more measures against unions, wage-freezes and changes to arbitration, a review of agencies, and a more aggressive approach to cuts excluding health care. Despite his criticism of Drummond during the election campaign, Hudak was very positive after meeting with Drummond earlier in November. Recently, Hudak has also been pushing the government on severe job losses in Ontario.

Andrea Horwath was initially indicating openness to Drummond’s suggestions. In recent weeks, her key messages have linked the Conservatives’ and Liberals’ approaches -- “They’re three peas in a pod” – and have warned of the impact of impending cuts on families and the most vulnerable.

³² Benzie, Robert, “Cuts are looming, warns Duncan” [Toronto Star](#), November 08 2011.

³³ [CBC News](#), November 3, 2011.

VII. Other Players

As of November 3, 2011, Drummond has met with CD Howe, OHA and the CMA.

Various unions have meetings scheduled for early December.

Reports on health care reform have been recently released or are planned to be released soon by the following:

- C.D. Howe Institute (Drummond is a Fellow and chairs a key committee)
- Canadian Medical Association (Drummond is on the Advisory Panel)
- Conference Board – Alliance for Sustainable Healthcare (TD is a key supporter)
- Ontario Medical Association
- Ontario Hospital Association
- Ontario Health Coalition
- Macdonald-Laurier Institute (Drummond sits on the Advisory Panel)

The Ontario Chamber of Commerce reported that it is drafting a submission to the Commission. It states that it will call for:

- a “more modern” regulatory regime;
- a revised debt and deficit elimination strategy; and
- greater taxpayer value from the province’s transfers to municipalities.

On the further right, the Canadian Taxpayer’s Federation has called for much more significant cuts than Drummond has proposed, chastising Tim Hudak’s Conservatives as a “left-wing” party, that, like the Liberals and NDP “think they can spend like Greece...”³⁴

³⁴ Artuso, Antonella and Jonatha Jenkins, “Ontario parties failing to address overspending: Taxpayers’ group” *Canoe News*, November 9, 2011.

VIII. Weaknesses of the Drummond Commission and its Approach to Fiscal Policy

- **The McGuinty government has no mandate**

The Drummond Commission was scarcely mentioned in the provincial election campaign. Ontarians are generally unaware of the “crisis” and are not primed for cuts. Spending projections have been repeatedly ratcheted down since June and the McGuinty government has repeated its pattern of running elections with a Liberal approach and then changing policy towards that right afterwards. This could be both a weakness and a strength. While McGuinty has not sold this plan to Ontarians, neither is there a clear opposition.
- **Economists are divided on whether restraint or stimulus is the best response to a fragile economy**

Currently, there is not a consensus of support for Drummond’s approach and it may be possible to amplify the voices of those who advocate for a more balanced approach.
- **The McGuinty government appears to have no plan to address the serious economic situation**

Fiscal restraint will not rebuild Ontario’s manufacturing, logging, and other damaged sectors. It will not address levels of foreign ownership and offset the weakness of the U.S. economy. It is a weakness that McGuinty appears to have no progressive measures or strategies to address the economy.
- **The Drummond Commission is undemocratic**

Drummond is a banker/economist and has never been elected. He is not an accepted expert on health care or any other social programs. Engagement of “stakeholders” and the general public in his Commission’s work has been virtually absent to date. Drummond seems to enjoy the media spotlight and appears to be inclined to conduct the campaign to convince the public through his own speeches to elite clubs and media interviews rather than a broader engagement strategy. His media messages are wide-ranging and often seem like speculation. It is likely he will continue to have a high media profile after his report is released. This could be a weakness, if Ontarians become concerned about the undemocratic nature of the Commission, Drummond’s history, and his strong links to private interests.
- **Ontario already spends less than other provinces on all programs and services**

Both on a per capita basis and as a percentage of GDP, Ontario ranks near or at the bottom of all provinces in support for programs and services. Ontario has engaged in tax cuts for longer than the other provinces, and has adopted tax cuts that are deeper than anywhere else in Canada. If other provinces can fund their social fabric more adequately, why can’t we? Though we have the worst deficit of the country, these facts show that there are other options and other approaches.

- **Ontario continues to engage in significant corporate tax cuts – which polling indicates public opinion could oppose – even while draconian cuts to public services are being contemplated/undertaken**
The unfairness in this approach is a weakness. There is a lack of evidence that McGuinty’s corporate tax cuts are improving the lives of most Ontarians while there is significant evidence that service and program cuts will worsen inequalities and hurt middle and lower income earners.
- **Ontario has a high unemployment rate, which the McGuinty government is ignoring in its pursuit of public sector restructuring**
This is out-of-step with the interests of Ontarians, and could prove to be a major weakness. It is very possible to redirect attention to the critical issue of unemployment and the economy, and with this, solutions that are in keeping with the public interest and the interests of working people.
- **There are other options**
See the recommendations in the next section.

IX. Some Initial Recommendations

If it has not done so already, the Ontario Federation of Labour should study the messaging and campaign strategies of the labour movement in Ohio, which successfully characterized an attack on unions and collective bargaining as an attack on the already-beleaguered middle class. Lessons from the Ohio experience should be integrated into Ontario campaigns.

It is important to focus the counter-campaign and arrive at a disciplined message that speaks to a broad base of Ontarians. One of the key weaknesses in McGuinty's fiscal approach is that he is virtually ignoring job losses and the economy. I recommend that the OFL focus on jobs and the economy and the impact of public service cuts through this lens.

- Messaging needs to recognize -- and be compelling enough to overcome -- the petty politics of envy and divisiveness that have been successfully employed against unions in Windsor, Toronto and other communities' recent municipal struggles. In this period of economic insecurity and high unemployment, unions need to build messaging and strategies to forge solidarity with those who are vulnerable to messages of hate and envy. Immigrants and unionized workers are in peril of being defined as the problem, not the solution, and it would be perilous to ignore this. Lessons from Ohio labour movement and the Occupy movement that have successfully moved mass popular support may prove instructive.
- Any PR campaign to boost public awareness of the benefits of unions in our society would help, if it were well-constructed and made efficient use of resources.
- The positive impact of unions on wages and protecting the middle class should be emphasized.

It is urgent that the Labour Movement develop alternatives to the Drummond approach. Though it is necessary to participate in the Drummond process (to the extent of meeting with the Commission and making a submission) we should not put much stock in appealing to Drummond to fundamentally change course. He is a seasoned campaigner and his ideology has been honed over decades.

- We are pushing against an already well-formed policy direction. Direct lobbying of elected politicians may yield better results than appeals to Drummond. But lobbying will need to be supported by a movement that forces the government to listen, as well as coordination with opposition parties.
- It may be useful to convene a round table of progressive thinkers and union leadership as a starting point to develop counter-proposals. There are tax reform options that should be considered and developed. The pace of deficit elimination should be considered and potentially challenged. Ideas for addressing unemployment, loss of manufacturing and the economy should be developed.
- It would be helpful to identify champions who have broad credibility and who can help to promote alternatives through an expert report on jobs and the economy or similar tool.
- This work could culminate in a high-profile conference on jobs and the economy that presents the ideas and alternative approaches, possibly engaging government and definitely engaging media.
- Militant action to defend jobs and highlight corporate greed should be incorporated into the action plan.

It is also urgent that labour activists be educated in the perils of the Drummond Commission and budgetary restraint. Most union members are not aware of what is coming. Labour Council conference calls, special forums, briefings and communications should be employed to get the word out.

- Activists will need campaign tools and resources to spread the word and alternatives, once messaging is developed.
- There is an opportunity to develop local activists' ability to articulate our positions through development and presentation of submissions in the budget hearings this winter. It is also possible to organize a cross-province "budget watch" with local media, in which local labour activists hold media conferences or gatherings on budget day with local media and measure the provincial budget for its impact on job creation, economic stimulus and reducing inequality. Pre-briefing and a budget-day conference call with lead organizers in each community would be required.

The Ontario Health Coalition is planning a campaign on Drummond's impacts on health care and privatization.

- The OFL should continue to coordinate with and support the OHC policy development/messaging on Drummond.

Social movement organizing on poverty is anemic and it is not clear where the Occupy Movement will be going after they are removed from their occupation sites. The labour movement should actively support the development of social movement organizing against poverty and growing inequality.

- When Canadians see that there is a struggle against poverty and growing inequality, they generally support it. The visibility of these campaigns needs continual support and bolstering. Fiscal and economic policy should be relentlessly measured against these factors. Where coalitions do not currently exist, they should be developed as a partnership between community and labour, with the expectation of clear results in the form of visible campaigns that challenge policy makers and appeal to Ontarians' values. If funding is contemplated, it should be provided for specific, articulated campaigns with clear goals to improve the visibility of these issues and continue to broaden and mobilize public support.
- These campaigns and coalitions should be linked to the movements that are working on temporary and casualized work, work-justice and other precarious work issues.

The Last Word

“ I read Drummond’s piece with mounting scepticism. He states boldly that economic theory justifies corporate tax cuts, and then call for empirical tests. If the theory is so solid why do any tests?”

In fact the “theory” is not proven, there is no solid evidence that lowering corporate taxes raises investment.... Corporations invest when they expect to make profits, not because they have more money. Lowering income taxes does allow corporations to book more profits, boost their share price, and helps the bubble economy....

If Drummond wanted to demonstrate he has an open mind on the subject of the cuts he helped design so much the better, it will help his reputation with economic historians.

I cannot help comparing his work with that of Al Johnson, Assist. Deputy of Finance in the Pearson era who negotiated Medicare, the Canadian Assistance Plan, the Canada/Quebec Pension plan, equalization payments, the Arts Bank, and grants for post-secondary education. Somehow I don’t think corporate tax cuts measures up as public policy.

Johnson came to Ottawa from Saskatchewan where he had been Deputy Treasurer under the CCF. His book on the period Dream No Little Dreams is well worth reading.

Perhaps when Drummond writes his book he can explain the thinking behind the 1995 budget cuts that undid so much of the work done by Johnson and his colleagues in Finance in the 1960s (when I was a junior member of the Department...). The rise in homelessness, and the increase in the number of destitute Canadians dates from that budget.”

Duncan Cameron³⁵
June 13, 2011

³⁵ Duncan Cameron joined the Department of Finance (Ottawa) in 1966 and was financial advisor to the Canadian Delegation at the United Nations General Assembly in 1967. After working at the Canadian International Development Agency (CIDA), he went on to complete a doctorate from the University of Paris I (Paris-Sorbonne) in 1976. Duncan is an adjunct professor of political science at Simon Fraser University, a director of the Karl Polanyi Institute of Political Economy at Concordia University in Montreal, and a research fellow of the Centre for Global Political Economy at SFU. He was a member of the political science department at the University of Ottawa from 1975 until 2004. He is the author, co-author, editor or coeditor of 11 books including Ethics and Economics (with Gregory Baum), The Other Macdonald Report (with Daniel Drache), The Free Trade Papers, The Free Trade Deal, Canada Under Free Trade (with Mel Watkins) and Constitutional Politics (with Miriam Smith).

This quote is from <http://www.progressive-economics.ca/2011/06/12/evaluating-tax-cuts/#comments>

Appendix I.

According to the 2011 Budget, the Ministry of Finance is already forging ahead with plans as follows:³⁶

While the Commission does its work, the government will move ahead with measures to make public services more effective and to improve value for money. The government will:

- consolidate programs and services to reduce overlap and duplication;
- develop new ways to deliver programs; and
- seek to unlock the value of physical and intellectual assets.

1. Consolidation

Overlap and duplication of functions are problems in any organization, but they are especially prevalent in large and diverse ones. Overlap and duplication create unnecessary costs and make it more difficult for people to navigate the system of services. Integrating or consolidating these functions helps reduce costs and improve services, freeing up funds to reinvest in front-line services and reduce the deficit.

Progress to Date

- **Retail sales and corporate tax administration:** By harmonizing Ontario's corporate and retail sales taxes with federal taxes, the Province is on track to save \$150 million per year and Ontario businesses are realizing compliance cost savings of more than \$635 million per year.
- **Shared services:** Shared services models have successfully consolidated services such as information and information technology (I&IT), human resources, procurement and corporate financial systems across the OPS. For example, Ontario Shared Services provides enterprise-wide employee and business support services to the OPS, resulting in savings of \$227 million and a 24 per cent reduction in staffing levels.
- **Agency clustering:** The government has strengthened agency accountability, efficiency and oversight by creating two new agency clusters of Adjudicative Tribunals under the Ministry of the Attorney General.

New Initiatives

The government will seek new consolidation opportunities in:

- **Collections:** A number of different and separate collections functions exist within the OPS. The government is proposing to move towards a more coordinated and centralized collections function within the Ministry of Revenue to reduce costs and enhance collections.
- **Audits and special investigations:** The Ministry of Revenue operates a comprehensive compliance audit function for 11 tax statutes. The ministry has also provided audit support to several other ministries. To enhance regulatory audit compliance within the OPS, the ministry is proposing to

³⁶ Ibid, pages 72-81.

provide a coordinating audit/inspection support function to all ministries. In addition, the Ministry of Revenue is proposing to provide support to other ministries and BPS organizations where forensic data recovery and forensic accounting services are required.

- **Broader public-sector pensions:** The BPS has about 70 smaller single-employer pension plans, many of which have fewer than 100 active plan members. The government will appoint a third party to pursue options for greater efficiencies, including the consolidation of plan administrative functions, pooling of assets for investment purposes and use of technology. The purpose of this review would be to achieve savings and help manage pension funding requirements.
- **Laboratories:** The government currently has eight laboratories across six ministries, performing a variety of functions. The cost of these laboratory services is \$54 million per year. While continuing to protect public safety, the government will take steps to better align laboratory services across several ministries, including consolidating common testing functions, pooling specialized procurements of supplies and equipment, and exploring facility consolidation.
- **Research:** The Ontario government conducts research on a number of fronts. The government will create a specialized organization with a clear mandate to focus research activities on productivity growth in key sectors. This will better leverage private-sector investments and result in estimated cost savings of \$3 million over three years.
- **Geographic information systems:** The numerous geographic information system-related programs existing across 18 ministries will be explored for consolidation.
- **Benefits administration:** The Province provides Ontarians with more than \$20 billion a year in income-based benefits and tax relief through more than 40 programs, delivered with the support of the federal government, municipalities and BPS organizations. Multiple application processes make it difficult for some Ontarians to access these programs. To streamline client access to program information, the government has created a one-window portal where individuals can find information quickly and easily. The government is also investigating other changes to further improve benefits program delivery.
- **Children's aid societies:** There are currently 53 children's aid societies in Ontario. The government has worked with the Commission to Promote Sustainable Child Welfare to identify 21 children's aid societies that could be consolidated, resulting in efficiencies, service delivery redesign and improved outcomes for children and youth. Efficiencies resulting from these consolidations are expected to grow to \$9 million by 2013–14. This funding will be redirected to support front-line child welfare services.
- **Prison modernization:** The government is constructing two new state-of-the-art facilities with modern features and advanced technologies that enhance public safety. The government will close underutilized prisons in Owen Sound, Walkerton and Sarnia, and partially close Toronto West Detention Centre. It is anticipated that this will reduce expenditures on the transferred inmates from the oldest facilities by more than 50 per cent, while achieving over \$8 million in annual savings.
- **Imaging and data capture services:** The Ministry of Revenue will work with ministries across the OPS to leverage its imaging and data capture services to improve and automate document-capture and transactional processing for their programs. This will reduce program costs; speed up the delivery of services to the public; increase secured access to documents electronically; and, for programs with approved record-retention schedules, reduce the size of the government's office-space footprint by moving millions of paper files to secured electronic records.

- **Collective bargaining:** There are nearly 4,000 collective agreements across the BPS. While local bargaining is an important way to achieve targeted solutions, negotiating such a large number of contracts attracts significant transaction costs and, in some cases, makes increased effectiveness and value for money more difficult to realize. The government has created a Labour Relations Secretariat that will work with stakeholders to explore moving to more coordinated bargaining in sectors where it is appropriate.
- **Environmental cleanup:** Environmental cleanup is currently carried out through four ministries. Going forward, the Province will consolidate environmental cleanup activities. Key components of this initiative will include integrating funding for cleanup activities, establishing a single inventory of contaminated sites, and developing a risk-based approach to project prioritization.
- **Direct business support:** The government has supported the growth of small, medium and large businesses in Ontario since 2003. Now that the government has fundamentally changed the cost structure for business through Ontario's Tax Plan for Jobs and Growth, there is less need for direct business support. Over the coming years, the government will reduce direct business support while simultaneously moving towards a single window for direct business support programs across the government.

2. New Models of Delivery

One way to improve productivity is to open up the provision of government services to new forms of competition. Competition determines whether services could be delivered more efficiently and effectively by another entity, be it another level of government, a not-for-profit, a social enterprise or a private-sector organization. Just because a particular government department delivers a program today does not mean it should deliver it tomorrow. This is particularly true if another entity could deliver the program more efficiently and effectively, while maintaining high service levels. Through competition, the government expects to realize better customer service outcomes. Decisions will be based on a rigorous assessment of the impact on customer services and efficiencies to be achieved. The private sector would not necessarily be the delivery partner of choice.

“From society's perspective, it does not matter what types of organizations created the value. What matters is that benefits are delivered by those organizations – or combinations of organizations – that are best positioned to achieve the most impact for the least cost.”

Michael Porter and Mark Kramer, "The Big Idea: Creating Shared Value," Harvard Business Review, 2011 No. BR1101, 62-77.

Progress to Date

- **Delivering smarter, faster and easier services** – The government is delivering services such as telemedicine, newborn registration, forms repository, online vehicle registration renewals, tax remittances, park reservations and electronic business registrations more efficiently. A faster, smarter, more streamlined government-to-business system is made possible by the new user-friendly, online tool: ONE-Source.
- **Online services** – The government has significantly increased the number and volume of services available online, including birth certificates, tax payments, vehicle registration stickers, Ontario Student Assistance Program (OSAP) applications and drug benefits. In total, 99 per cent of OSAP

applications, 99.8 per cent of Ontario Drug Benefit claims and 84.9 per cent of birth certificate requests are completed online.

- **Infrastructure Ontario** — Infrastructure Ontario (IO) has brought more than 50 infrastructure projects to market (of which 16 have been completed), worth close to \$21 billion in capital construction, using an innovative alternative financing and procurement model.

“IO is recognized by international infrastructure organizations as being world leaders thanks to a diligent focus on budget, quality, schedule and investing wisely.”

Anna Guy, “Infrastructure Ontario,” The Canadian Business Journal, September 2010.

New Initiatives

The government will pursue opportunities for new models of service delivery in the following areas:

- **ServiceOntario:** ServiceOntario is an innovative government organization that pioneered money-back service guarantees for government services. As outlined earlier in this chapter, the government will build on ServiceOntario’s accomplishments to achieve even greater service and value for Ontarians. The government will explore alternative service delivery models for ServiceOntario, including leveraging private-sector investments through a competition, and will explore opportunities to expand its one-stop delivery network to other lines of business, including delivering services on behalf of other governments through partnerships.
- **Court enforcement services:** Currently enforcement officers perform duties including the seizure/sale of assets. The government will conduct an enforcement services review to determine the feasibility of other delivery agents performing enforcement-officer functions in the most efficient and effective manner.
- **Building on Infrastructure Ontario’s success:** Building on IO’s track record and success at delivering infrastructure projects on time and within budget, the Province intends to expand the role and mandate of IO into new sectors and a broader range of projects. These changes will result in greater efficiencies and more savings for the Province.
- **Realignment of federal/provincial responsibilities:** Fiscal constraints also make the case for further realignment of responsibilities between the provincial and federal governments. Disentangling areas of overlapping responsibility clarifies roles, enhances transparency and accountability, and generates savings and efficiencies. Realignment would also help avoid scenarios in which policy decisions at one level of government impose significant costs on another level of government. Accordingly, Ontario will be calling on the federal government to enter into a realignment process with the Province, which would include the following elements:
 - devolve direct funding and responsibility for immigrant settlement programs to the Province;
 - devolve direct funding and responsibility for remaining labour-market development programs to the Province; and
 - transfer responsibility to the federal government for all inmates serving sentences of over six months.

The overall fiscal savings from any realignments would be apportioned, on an equitable basis, between the federal and provincial governments, for the benefit of Ontario taxpayers. Ontario needs a stronger federal partner for further discussion of realignment of responsibilities between the federal and provincial governments.

3. Unlocking Value Through New Partnerships

Since 2003, the government has strengthened public services and the economy by building new partnerships with key industries, other levels of government and First Nations, among others. Strong partnerships can also support the government's reform agenda by helping to unlock new forms of value in Ontario's public sector. The government's goal continues to be to ensure that the value of physical and intellectual assets developed to serve Ontario taxpayers is being fully realized. The government remains open to new models of management where these models can be demonstrated to be in the long-term interest of Ontarians.

Progress to Date

- **Teranet** – The Ontario government concluded an agreement to renew its long-standing business partnership with Teranet Inc. by extending Teranet's exclusive licences to provide electronic land registration and writs services in Ontario. The Province received a \$1 billion upfront payment, which has been used to reduce the Province's debt and borrowing requirements. The Province will also, beginning in 2017, receive annual royalty payments from Teranet, which are estimated to be \$50 million in 2017–18 and to grow in future years. In addition, the agreement provides for continued Provincial control over Teranet fees for statutory land registration and writs services, long-term investments in Ontario's Electronic Land Registration System, and a performance framework that will ensure that the system remains modern and consistent with evolving industry standards.

New Initiatives

The government will seek to unlock value through new partnerships.

Examples include:

- **Exporting Ontario Public Service excellence** – In an increasingly competitive global economy, excellence in public services provides a significant competitive edge for jurisdictions. Countries such as China, India, Brazil and Russia are moving to strengthen their public services to be globally competitive. Ontario has built world-leading public service models that have considerable value to other jurisdictions. For example, Ontario's education curriculum, in which taxpayers have invested heavily, has been recognized by the OECD and McKinsey & Company, among others, as world leading and is used around the world. Ontario taxpayers have invested in these intellectual property assets over time. The potential exists, through partnerships with private- and voluntary-sector entities, to generate revenues from these assets that could be used to protect critical public services for the benefit of all Ontarians.

- **Pursuing partnerships with social enterprise:** Public-sector reform means finding new, innovative ways of delivering services. Social enterprise, which uses private markets to pursue public goals, aiming to blend social and economic value, presents an important opportunity for service delivery partnerships in an era of limited resources. In some cases, social enterprises may be able to deliver services more efficiently and effectively than government. Some view social finance investing as an area of significant potential growth, both in Canada and abroad. Social enterprises may also be able to offer new products and services that help reduce fiscal pressures on government. The government will consider opportunities to leverage social venture financing through innovative partnerships that can demonstrate cost savings while maintaining or enhancing service levels.

Appendix II.

Open Letter

May 31, 2011

Premier Dalton McGuinty

Room 281, Main Legislative Building, Queen's Park Toronto, Ontario M7A 1A1

By email: dmcguinty.mpp.co@liberal.ola.org

Dear Premier,

We are writing to express our deep concern about the “Commission on Broader Public Service Reform” announced in the provincial budget in April. According to the initial announcement, the Commission has been struck to review all of Ontario’s public services. Our concerns are threefold:

- The mandate of the Commission and the ideas for public sector reform as outlined in the 2011 Provincial Budget reflect a pro-privatization and pro-marketization ideology that is not based on evidence. Some of the privatization measures proposed in the budget have an indisputable track-record in England and in other countries, where privatizing public services to profit-seeking corporations has driven up costs, fostered inequity and reduced quality. This ideology is incompatible with both the stated goal of sustainability and with public values.
- Don Drummond, who has been named to lead the Commission, has made repeated public statements in support of privatizing our public not-for-profit health care institutions and services. These statements are in direct contradiction to both your government’s promise to safeguard public/non-profit health care in Ontario and the stated parameters of the Commission as outlined in the Budget Speech by your Finance Minister.
- Don Drummond comes from TD Economics and we believe that his appointment to review the entire public service to determine what services are to be privatized puts him in a conflict of interest. TD Economics is part of the TD Bank Financial Group. TD Bank and TD Securities Inc. are investors in the Niagara privatized P3 hospital. TD Insurance sells private health insurance.

Premier McGuinty, this Commission should be disbanded. If your government is seeking ideas for improving public services and reducing waste, such a project must be thoughtful and balanced. Principles that reflect the values and priorities of Ontarians should guide the process and frame the options considered. These principles should include cornerstone public values of equity and accessibility. The leader of the Commission should be seen to embody these values, not to act as a pundit for the private interests of Ontario’s financial and insurance sectors. In fact, Don Drummond actually argued against principles of accessibility, universality and equity in his paper on health care commissioned by the Ministry of Health released last autumn.

Furthermore, any process to generate ideas and recommendations for reform should be democratic and engage the expertise and experiences of citizens and public servants. So-called evidence on international experiments with public sector reform should be subject to open discussion to test the validity of the claims. The issues at stake are serious and the public assets at threat of privatization

are significant. These decisions about the future ownership and control could be difficult if not impossible to reverse. They should not be entrusted to a biased process.

Your government ran two elections with protecting public non-profit health care as a central campaign promise. In his Budget Speech, Finance Minister Dwight Duncan stated that the Commission would not recommend privatization of health care and education. Yet Mr. Drummond continues to use the platform afforded to him by your government's appointment to repeatedly promote the privatization of health care delivery.

In a Globe and Mail interview published shortly after the budget was released, Don Drummond is quoted as stating that despite the restrictions announced by the Finance Minister, he was willing to look at "almost anything", including health care and education:

"While it is clear that politicians and citizens want a single public payer for health care – in other words, a publicly funded system – "people are much less troubled right now by private-sector delivery," he said."

Lest you believe that this is simply an objective observation, in a Toronto Star Opinion Piece in February, Drummond made this same assertion about health care privatization and called it "good news". He reiterated this pro-privatization rhetoric in recent speeches at Queen's University and in Ottawa. All this, despite evidence that profit-driven clinics have engaged in promoting user fees and extra billing of patients, undermining single-tier Medicare and violating the Canada Health Act.

In fact, Mr. Drummond co-wrote the TD Economics' report on health care commissioned by the Ministry of Health last year, in which the authors recommended that your government "throw the door open" to the privatization of health care delivery systems and experimentation with two-tier health care (see pages 8,9,20 and 23).

In fact, Mr. Drummond and his co-authors criticized the Romanow Commission for putting access to health care at the centre of their study on the future of health care in Canada. Mr. Drummond's report was ideological and rife with inaccuracies and contradictions. A number of recommendations were made without any supporting evidence whatsoever. We have provided you with our analysis of that report last fall and we enclose it here again. (a link is here: <http://www.web.net/~ohc/healthspendingreportsep2010.pdf>)

Premier, it is not acceptable for a figure promoted to a prestigious position by your government to repeatedly use over-the-top crisis rhetoric (health care is a "Pac Man" eating the provincial budget) that is false (if anything is "eating the provincial budget" it is tax cuts, not health care) and propound privatization. All this while your government claims at the same time to support public health care. In light of his appointment, are we to treat Mr. Drummond's public comments as a change in your government's stated policies?

Premier, we are asking that you release the mandate and terms of reference for this Commission. Further, we request information as soon as possible on how organizations such as ours will be consulted and what the projected timelines for the Commission's work will be. Finally, we request the names of individuals and organizations that Don Drummond and any of the Commission staff meet with, along with copies of any submissions received by the Commission. At the very minimum, the activities of the Commission should be on the public record with robust opportunity for public scrutiny.

Regards,
Natalie Mehra
Director

Appendix III.

Connections between TD and the P3 Industry

Of 157 projects listed on the Canadian PPP Project Database as of July 20, 2011:

Confirmed TD involvement in successful bids

Name	Consortium	TD role	Model	Current Stage	Sector	Dates	Price of contract	CPPP URL
Kingston General Hospital & Cancer Centre	PCL Constructors of Canada Inc	TD Bank "financial arranger"	Build-Finance	Under Construction	Hospitals & Healthcare-long term care	Construction start July 08 Completion: Spring 12 (proj)	\$142.1 million	1
London Health Sciences Centre	Ellis Don	TD Bank one of five financiers	Build-Finance	Under construction	Hospitals & Healthcare	Construction start: July 08 Completion: early 11 (proj) (are they behind schedule?)	\$211.8 million	2
Markham Stouffville Hospital	PCL Constructors Canada Inc	TD Securities (financial advisor), TD Bank (finance)	Build-Finance	Under Construction	Hospitals & Healthcare	Construction Start: Dec 10 Completion: 13 (proj)	NA	3
Ottawa Hospital Regional Cancer Centre	PCL Constructors Inc	TD Bank "financial arranger"	Build-Finance	Under Construction	Hospitals & Healthcare	Construction start: Jan 08 Completion: early 11 (proj) (Behind schedule?)	\$113 million	4
Thunder Bay Consolidated Courthouse	Plenary Justice	TD Securities	Design Build Finance Maintenance	Under Construction	Judicial/Corrections	Construction start: Feb 11 Completion: fall 13 (proj)	\$247.7 million	5

Confirmed TD involvement in bids where selection still pending

Name	# shortlisted bidders	Shortlisted consortium	TD role	Model	Current Stage	Sector	Dates	Price of contract	CPP P URL
Pan Am Games Aquatics Centre, Field House and CSIO Project	3	Aquatic Consortium 2015	TD Securities (financial advisor)	Design-Build Finance	shortlist	Recreation and culture	Shortlist date June 11 RFP Issue Summer 11 (est)	NA	6
Pan/Parapan Athlete's Village Project	3	Village Infrastructure Partners	TD Securities (financial advisor)	Design Build Finance Maintain	RFP	Recreation and culture	RFP Close June 11 Preferred Proponent selection Summer 11 (est)	NA	7
Sheppard East Maintenance and Storage Facility	3	Plenary Infrastructure	TD Securities	Design Build Finance Maintain	RFP	Transportation	RFPs close spring 2011 (est)	NA	8

TD involvement in unsuccessful application

Name	# shortlisted bidders	Unsuccessful consortium	TD role	Model	Current Stage	Sector	Dates	Price of contract	CPP P URL
Abbotsford Regional Hospital & Cancer Care	4	Vancouver Health Care Group	TD Securities	design-build-finance-maintain-operate	Operational	Hospitals and Healthcare	Construction start – Dec 04 Completed May 08	\$355 million	9
OPP Modernization Project	3	Forum Social Infrastructure	TD Securities	Design-Build-Finance-Maintain	Under construction	Justice/Corrections	Construction started sept 2010 Completion: fall 2012 (est)	\$292.7 million	10
William R Bennett Bridge	3	Okanagan Bridge Group	TD Securities (financial arranger and advisor)	design-build-finance-operate	Operational	Transportation	Completed may 08	\$144 million	11
Woodstock General Hospital	2	Plenary Health	TD Securities	Build-finance-maintain	Construction complete	Hospitals and Healthcare	Construction start – oct 08 Completed June 11	\$268.7 million	12

