

First of Two Part Series on Ontario Dutch Disease and Government Priorities,  
Part 1 on Ontario Dutch Disease

**Ontario Dutch Disease—The Provincial Government is the  
Main Problem, Not Federal-Provincial Transfers**

**Weekly CEO/Business Leader Poll By COMPAS in *Canadian Business*  
For Publication Week of March 5<sup>th</sup>, 2012**



**COMPAS Inc.  
Public Opinion and Customer Research  
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## 1.0 Introduction

When CEOs and business leaders are asked to assign blame for Ontario's budgetary predicaments, they recommend looking in the mirror first. That is a clear signal from the COMPAS business panel.

The top blame-worthy issues are Ontario's failure to re-think government programs and poor spending decisions such as billions on wind and solar subsidies, as shown in table 2.1. While the rise of China and of the Canadian dollar as well as the decline of the U.S. economy are perceived as factors, insufficient federal transfers are not considered a major cause of Ontario's predicaments.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine.

## 2.0 Details

*Table 2.1: As you know, the government of Ontario's debt is large, possibly larger than California's on an absolute basis. Premier Dalton McGuinty has attributed the problem to the Dutch Disease, whereby increased resource exports from Alberta drive up the loonie and harm Ontario's manufacturing exports as a result. On a 7 point scale where 1 means not a cause and 7, a major cause, how much of a cause of Ontario's predicament is attributable to each of the following factors? RANDOMIZE*

	MEAN	7	6	5	4	3	2	1	DNK
Failure to re-think government programs	5.9	48	19	12	7	7	2	1	4



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	MEAN	7	6	5	4	3	2	1	DNK
Poor spending decisions such as the billions on wind and solar subsidies	5.6	42	21	14	6	7	4	4	2
Decline in the U.S. marketplace	5.3	27	23	25	11	7	5	2	0
Declining manufacturing exports because of the rise of China	5.2	20	22	29	15	8	2	0	2
Declining manufacturing exports because of the rising loonie	5.1	20	23	31	12	6	4	4	1
Insufficient federal transfer payments	3.3	2	9	9	24	24	13	17	2

*Table 2.2: In your view what should Ontario do to thrive in the new economic reality? [Open-ended question; all answers are verbatims]*

Turn Ontario into a mini Germany. Invest in technology to enhance the manufacturing base.

Get a new premier.

Ontario has to get its debt under control. The single biggest avoidable cost to the Ontario economy has yet to reach its maximum impact. That is the insane policy of green energy. There are no rewards with this policy. The construction profits go out of the country because most of the suppliers and contractors are foreign owned. The technology is very inefficient and costly to install and the end product is unaffordable. Let me think for a moment; we can buy the highest level of green energy from Quebec for \$.06 per kilowatt hour but yet we make the decision to spend literally BILLIONS of dollars that will be sent off shore to produce electricity at \$.82 per kilowatt hour. Then we turn around and sell our surplus at a loss of \$36 million a year. Between Quebec, Newfoundland Manitoba and British Columbia we can generate enough power to operate North America, yet



as a country we cannot even agree on a national policy to produce power for a Canadian Grid. I cannot believe the lunacy of our supposedly intelligent politicians. The other item that really disappoints me is the dumbing down of our children through an education system that has deteriorated to the point of no return. This coupled with our immigration policies are the ruination of our nation as we know it.

Reduce government expenditures. Reduce the value of the dollar.

Small thing, big on bogus programs, .i.e. E-health (could have picked McMasters for less than 25% of what they wasted). Nothing for apprenticeship programs, the list goes on and on. The money spent on education the quality, has produced kids who are unable to count change at McDonald's. Lack of infrastructure programs - the list goes on on... Dalton couldn't carry Harris's pencil case.

Spend what you earn.

The major thing Ontario can do is cut the civil service by 15% across the board

Act like an adult instead of a spoiled entitled child.

Stop letting public sector wage increases out-pace the private sector.

Develop a clear vision and set objectives against the vision. What do we think about research, innovation and technology growth? We have advantages there but are we encouraging them appropriately?

Be realistic about what it can afford and allocate resources accordingly.

Reduce the ability of organized labour to protect their particular interests while harming the interests of the Province as a whole, including at the civil service level.

Understand the reality of our situation and cut back where it makes sense. Contract out union provincial jobs, you will get a better ROI and much improved productivity. Get our young



folks working and have stop teachers and other government retirees double dipping by collecting pensions and working on contracts. This is almost criminal and it stalls the young people from getting into the work force.

Reduce spending.

Go back 30 years, and establish a sustainable economy - one not based on a cheap currency. Now that we have 'arrived', there are no easy choices, except develop a strategy for investment in high value-add manufacturing, and drop the industrial subsidies that will achieve nothing. Jim Prentice has identified the correct path, investments must be aimed into areas where Canada can establish a comparative advantage. If Germany can thrive on a high Euro, then so can the highly-skilled and educated Ontarian. We have a Premier who correctly directed financial resources to improving education, whining about a 'petro-dollar' is not going to employ those skills.

Get competitive!

Focus on the economy, competitiveness and investment in a wide range of sectors including manufacturing and take advantage of enormous resource development in the West. Also reduce and eliminate all barriers to investment and operations (regulation) and subsidies to favored sectors and create a more affordable electricity supply.

Stop subsidizing businesses including all of the so-called farm supports. They are just subsidies that do more harm than good.

Cut Taxes, over regulation and red tape.

Stop allowing colleges to confer degrees and have them go back to providing good skills-based programs. We have too many graduates with no marketable skills.

To hide incompetence, people try and deflect, which seems to be the state of affairs in Ontario currently. The effect of side deals with unions, the inattention to the fundamental



problems within the province and the out of control spending have caused the problem. Unless Ontario improves productivity, we will never regain the base that has been the engine of growth in Canada. The present government has made Ontario an unfriendly place to do business. The civil service has grown and each new person justifies their existence by creating further regulations and fee structures. Businesses cannot cope with this as well as stay abreast of the ever changing landscape. So many of the quasi-government bodies have waster money almost to the extent that they are out of control. Where was the normal oversight over these bodies? It is the responsibility of the government that tax payer money is spent wisely. That has not happened. Our future lies in the education system and we need to be cautious about cuts there. Health is key to the province and we need to open up the marketplace to a more effective use of funds. Let entrepreneurs enter the competitive field and provide high quality services with professional and not bureaucratic control over the billing processes. Stating that the Canadian dollar should be devalued is an insult to the rest of the country and the taxpayers of Ontario.

A lot of the manufacturing companies in Eastern Canada have been complacent for too long. There were no complaints when the Looney heading to 60 cents but net importers had find ways to survive. This is a fluid world market now and companies have to be proactive and not sit back on their laurels or rely on protectionism. When business does well, the provincial economy does well. Yes there is a double wamee because of the U.S. economy, but this too shall pass and those Eastern Canadian companies who react appropriately to their present situation will thrive and be stronger.

Back to basic principal and invest on infrastructure and education. At the same time reduce the size of government and more tax friendly policies on both business and personal



level. On the separate note, let more involvement for private sector on health care with allowing 100% tax reduction for eligible health costs for citizens.

The following verbatim comments provide a nuanced sense of respondent opinion:

Canada needs Ontario to get its act together. Let's hope they do.

Cuts need to come in the public sector not small or large business, these businesses are what create jobs and drive the economy

Dalton learned his finance in Greece.

McGuinty has basically assisted Ontario into the ditch while smiling all the way and patting himself on the back. I believe his government is incapable of tackling the budget and competitiveness problem but I would like to be surprised.

Perhaps one day governments will eventually learn that you can't keep spending more than they're taking in. So the choices are more taxes or cuts to government programs. More corporate tax will further worsen the problem with Ontario's ability to sell products and would likely result in even higher unemployment. So, really it comes down to more personal income tax or cut government spending. The best solutions will likely involve a bit of both. Let's just hope that our politicians in Ontario at least have the courage and wisdom to get started on solutions now don't wait until it's a crisis like the Greeks did.

The government needs to focus on the quality of the education our children are receiving. We are graduating



people now who have no skills, no motivation and an entitled attitude. We should focus on high school trades training, so that some students will be able to enter the workforce with at least a basic understanding of a trade they can use to feed and clothe themselves.

Here is a hidden cost to our health care system. The cost is the wait that people must endure to obtain health care. This is particularly true of those people taken out of "production" pending health care. For those who are out of production to start with it is not as big an issue. Hospitals should be allowed to charge for service at least at a minimum level to recoup some of their costs. Those who pay for service could have means to recoup such as expensing on taxes. There are a lot of people that do abuse themselves and the system and frankly I am tired of paying for it. Those who abuse themselves should go to the bottom of the waiting list.

Unreasonable HC costs are being incurred by: (1) Refusal to accept complementary integrated medicine which offers effective alternative treatments with high efficacy at fractional cost; (2) Costly trials of marginally useful expensive addictive prescription drugs; (3) Lack of objective review of true medical technology.

When you find yourself in a hole, you're supposed to stop digging! It's unfortunate that our 4 year political leadership program has vision problems. When will we ever learn?

### **3.0 Methodology**

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted March 2 - 6, 2012. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.



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Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=85 are deemed accurate to within approximate 10.6 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

