



PATHS TO PROSPERITY

A NEW DEAL FOR THE PUBLIC SECTOR

An Ontario PC Caucus White Paper

December 2012



The years immediately following the next election must be a time of major change for Ontario, a time when we all work together to get our province back on its feet and creating jobs again. To achieve that goal, we must rethink how we run government so that it provides the services we need at a price we can afford. Ontario's \$14.4-billion deficit tells us that we are a long way from that position now. Without urgent action, the services we truly care about are at risk.

That's why we are proposing a New Deal for the public sector. By focusing on the core services that matter most to taxpayers, we believe we can create a leaner public service that delivers more value for less money. Our New Deal will have a clear direction that sets goals, measures outcomes, and then rewards the individuals who help us achieve those outcomes. We will value individuals' innovation, hard work and delivery of top quality customer service. What we won't do is give performance bonuses to 98 per cent of managers, just for showing up.

Ontario's civil service has not been producing the results the public needs, but the problem is not the civil servants themselves. It is political leadership that has no vision for government other than to make it bigger.

The Ontario PC Caucus believes that is not a pragmatic or affordable approach. Our goal is clear. We need a smaller government that focuses on the things that government can do best. We will do less, but do those things better.

This will require getting government out of businesses where it doesn't belong. For example, when too many Ontarians are waiting to get vital health care services, do we really need a government agency borrowing money to offer online gambling to compete with PokerStars?

Difficult decisions will have to be made to bring the size of the public sector in line with taxpayers' ability to pay, but it is also a long overdue opportunity to renew and refocus our provincial civil service. We are confident that we will emerge from this process with an efficient and effective civil service to which people will be proud to belong.

This Paths to Prosperity white paper presents our bold, new vision for transformational change in the public sector, and provides specific reforms for feedback and consultation.

The Premier's job is to provide the best public services and highest quality of life that our economy can sustain. A successful public sector relies on private sector growth. That's why I am so strongly focused on creating new jobs and putting an end to the debt and government overspending that are holding our economy back.

Those are my priorities and they come from the values of common sense and prudence that have long defined our province. I believe that it's time to get government working for you again, and that's what I will deliver.



Tim Hudak
Leader of the Official Opposition



Peter Shurman

MEMBER OF PROVINCIAL PARLIAMENT,
THORNHILL

Government and business have never been a good combination. Good government should be about creating a first class framework for life in its jurisdiction. Good business is concerned with creating employment, opportunity and success. That is facilitated when government focuses on developing advantageous taxation, regulatory and infrastructure policies. When this all happens in a planned and synchronized way, business prospers, people are employed, tax revenues are generated and the essential services government provides are never in doubt.

Governments that do well set their priorities in concert with the various sectors of society. Good governments don't attempt to compete with or actually become part of those sectors themselves.

Basically, governments have no business being in business. Governments exist to govern. Good businesses exist to employ a workforce and leverage it to create prosperity. At the same time, nothing prevents a government from being more innovative, more business-like or more responsive to consumer (taxpayer) needs.

While we see a bloated public sector, we also see a core of intelligent, experienced workers who can assist in transforming our province into what it should be – the leader in Confederation again. Working with our partners in the Ontario civil service, we can reform outmoded processes and eliminate dated policies. We can update information and communication technology and programming, all aimed at conserving precious tax dollars and offering a positive experience to those interacting with government.

With these facts in mind, I envision an Ontario where government vacates the space best left to business people. It shouldn't be the job of government bureaucrats to determine whether Sudoku scratch cards are more profitable than online poker. If government operates businesses and must use its considerable legislative power to create monopolistic conditions in which to function and thrive, why not imagine what could happen if the private sector were offered an opportunity in the businesses dominated and controlled by an inefficient bureaucratic structure.

To that end, the Ontario PC Caucus is putting forth ideas that will address some of Ontario's considerable debt and, at the same time, offer a more competitive and enjoyable experience in the areas it now controls exclusively. Think about the reduction in annual interest costs and those "new" dollars being used to provide vital health and education services while research and market-driven firms compete for your business by offering better priced products and a wider choice simply because buyers' needs and wants are at the root of the entire process.

I hope that this document offers not just food for thought, but a new vision of how good things could be again in an Ontario where government governs and business puts everyone to work for the good of us all. Please let us know what you think by contacting my office through email at peter.shurmanco@pc.ola.org or by phone at **416-325-1415** (Queen's Park).

A handwritten signature in black ink, appearing to read "Peter Shurman". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ontario PC Critic for Finance

CONTENTS

Introduction_ _ _ _ _	06
An Across the Board Wage Freeze_ _ _ _ _	08
A Top to Bottom Program Review_ _ _ _ _	10
Time to Fix Ontario's Broken Arbitration System _ _ _ _ _	12
A Smaller Cabinet for a Smaller Government_ _ _ _ _	14
Competition Encourages Efficiency and Quality of Service_ _ _ _ _	15
Creating a Twenty-First Century Civil Service_ _ _ _ _	17
Open Government_ _ _ _ _	19
Getting Value from Government Businesses_ _ _ _ _	20
Conclusion_ _ _ _ _	23

INTRODUCTION

We believe that the number one thing we can do to create jobs and kickstart business expansion is to get a grip on government spending.

Three numbers tell us that the need to act is urgent. The first is \$14.4 billion. That's the difference between what the provincial government spends every year and what it takes in. The second number is \$260 billion. That's how much accumulated debt government has placed on taxpayers, half of that in the last nine years alone. When independent economist Don Drummond examined the province's books, he predicted this debt figure would increase to \$411 billion within five years unless spending is curbed.

In any normal enterprise, those numbers would have set off alarm bells and led to action long ago, but that's not what has happened in Ontario. Rather than respond to those alarm bells, the current government has hit the snooze button.

How did we get into this mess?

Only a few years ago, Ontario had a brief period of budget surplus and a government wondering how to spend that money. The big spending soon became a habit, leaving government in a vulnerable position when the recession hit. Other governments increased spending to combat the recession, then cut it back. Ontario increased spending, then kept on increasing it. Even this year, after four consecutive years of historic budget deficits, the current government continued to

introduce hundreds of millions of dollars' worth of new programs despite having to borrow money to pay for the programs it already had.

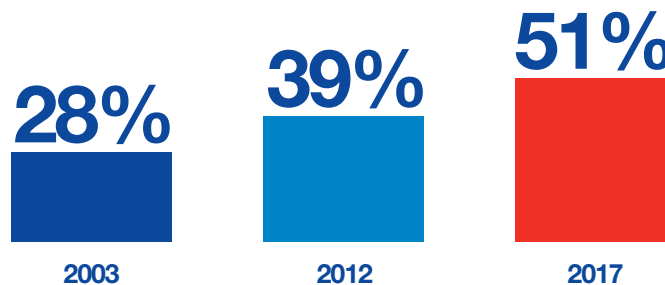
That's got to stop.

Despite various tax increases, the current government isn't gaining ground on the deficit. Simple arithmetic tells us government can't eliminate its deficit if it spends all the new money it takes in. That approach to budgeting is like a dog chasing its tail.

At least the dog keeps up with the tail. The current government can't manage that, predicting that this year's deficit will be larger than last year's.

To eliminate the deficit, the next Ontario government must substantially increase revenues, make big cuts to spending, or both. On the revenue side, we have a plan to bring in more money, but we won't do it by raising taxes. That would damage Ontario's still fragile economy. Instead, we will do it with policies that get people back to work and boost economic growth. When the unemployed are working and paying income taxes again, and when businesses are expanding and making strong profits, this leads to more revenue for the government.

Ontario Debt Levels (Public debt as a percentage of the economy)



Source: Ontario Ministry of Finance, "Ontario Economic Outlook and Fiscal Review," 2012, page 104; and, Commission on the Reform of Ontario's Public Services, 2012, page 74.

Unfortunately, Ontario’s budget problem is too big to be fixed by growth alone. To balance the budget, government spending must be cut. Just slowing the rate at which spending increases will leave a balanced budget as a distant hope, not a real goal.

Ontario does not have the luxury of time to address the problem. Lack of any meaningful spending restraint despite years of deficits has left our province in a weak position. We are vulnerable to another recession or a

“ **Nowhere has the combination of poor public policy and swings in the business cycle done more damage than in Ontario.** ”

Source: Canadian Federation of Independent Business, “Restoring Canada’s Fiscal Fitness,” 2011

We know that a wage freeze unaccompanied by structural change fails to address government’s fundamental spending problem. The current government’s approach will provide only temporary, short-term relief. In order to balance the budget before March 31, 2018 – the current government’s plan – total government spending must actually be reduced.

That’s why we are proposing a complete program review. We don’t intend to balance the books by making sweeping, across-the-board cuts. Instead, we will make a thoughtful and realistic assessment of programs and eliminate those with the lowest priority, and the jobs that come with them. That’s the rational way to address the problem.

We will also re-examine every business that government is in, to determine if there is still a need for government ownership, or real value for the public. Of particular interest are government’s gambling and liquor businesses.

Before the next election, we will put forward a comprehensive and integrated plan to balance the budget and reduce taxes. This *Paths to Prosperity* white paper presents our vision for transformational change in the public sector, and provides specific reforms for feedback and consultation.

credit rating downgrade that will push our \$11-billion annual interest charge even higher, taking away money we need for health and education. We can’t afford to put these services at risk.

To put the challenge in context, every other province with a deficit will be back to a balanced budget over the next three years. There is no reason Ontario can’t do the same.

To balance the books, Ontario’s next government will have to make difficult decisions about which programs offer the public the most value, and how much we can really afford. Is it really worth borrowing \$4.5 billion over the next four years to give you a temporary, 10 per cent rebate on your hydro bills? Do we really need to spend \$85 million subsidizing the purchase of electric cars in Ontario?

Our first step to balance the budget would be a two-year wage freeze for the entire public sector, everyone in, no exceptions. That will save government \$2 billion annually.

AN ACROSS THE BOARD WAGE FREEZE

Ontario needs some time to restructure government and bring spending in line with revenues. That’s why we are calling for a two-year wage freeze to save \$2 billion a year. It is not business-as-usual in Ontario, and we can’t afford business-as-usual salary increases.

Despite the deficit, the current government has failed to impose a hiring freeze, let alone a freeze on wages. While preaching the virtues of a wage freeze, government gave 98 per cent of its managers bonus pay, a \$36-million cost.

Some have argued that a legislated wage freeze violates the constitutional right to collective bargaining. If so, that would mean that governments lack the ability to control their spending, even when their situation is as difficult as the one in Ontario.

The fact is that government employee salaries and benefits account for 50 cents of every dollar we spend. We can’t cut the deficit without putting a temporary brake on those costs. We will also need to make do with fewer government employees.

We don’t believe that is either reasonable or the intent of the Charter, and recent judicial decisions from the Supreme Court of Canada have delivered a clear ruling on the legitimacy of a public sector wage freeze when government is facing a fiscal crisis.

We believe there is also an issue of fairness. While unions in the private sector struggled through the recession, government unions lived in a different universe. Private sector workers faced economic reality and saw stagnant wages and big job losses. Those in the government sector saw steady raises and a big expansion of jobs. In the last few years, Ontario’s economy lost 300,000 manufacturing jobs and added 300,000 government jobs.

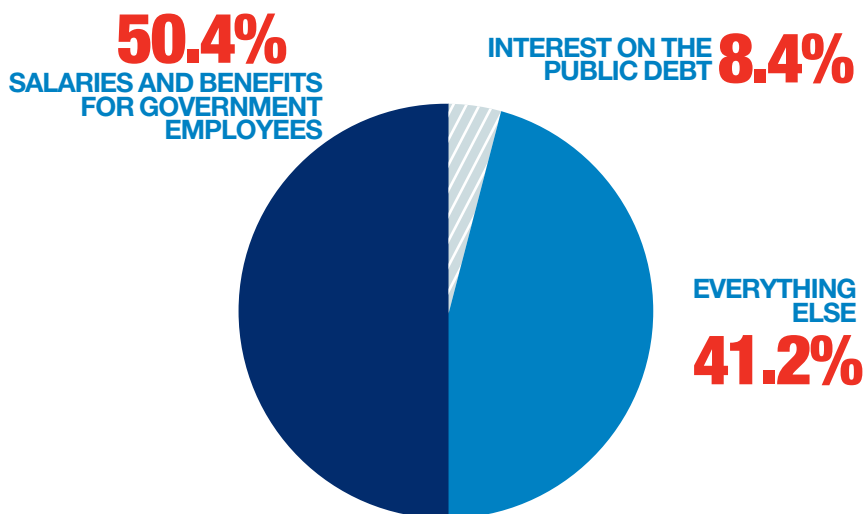
There’s no doubt that Ontario is in serious financial trouble. Our deficit and debt figures tell us that. Currently, Ontario’s third largest expenditure is interest payments on accumulated debt. If the status quo remains, Ontario will be facing a \$411-billion debt in five years. Today’s spending is simply unsustainable.

Private sector workers have been paying for raises in the government sector while suffering themselves. We think it’s time for a little balance.

We believe that the most basic responsibility of government is prudent control over how your money is spent. We don’t believe the Charter was intended to prevent that.

Had that control been exercised over the last few

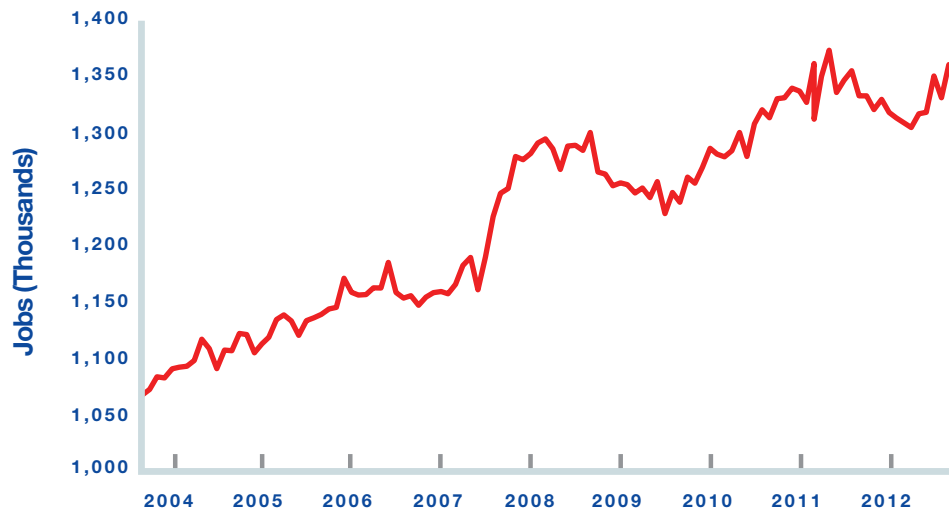
Total Government Spending



Source: Based on Budget 2012 figures, Ontario Ministry of Finance

years, we wouldn't be in the position we are in today, but we can't change history. We must address the spending problem the Ontario government has, and a wage freeze is a necessary first step. We believe it must be immediate and all inclusive. That's the only fair way to proceed. It's not right to single out some groups just because their contracts are up, nor is it feasible to deal with 4,000 union contracts one at a time.

Public Sector Jobs in Ontario



Source: Statistics Canada, Labour Force Survey, CANSIM Table 282-0089

PATH 1

Freeze the annual compensation of all employees in the public sector for two years.

Cover all Ontario broader public sector employees, without exception, as defined in the *Public Sector Salary Disclosure Act*. Members of Provincial Parliament should also be included in the freeze. For the period of the freeze, the government should eliminate performance bonuses as well as experience-related increases in union collective agreements.



A TOP TO BOTTOM PROGRAM REVIEW

It's time for the Ontario government to set priorities, and the tool to do it is a thorough and hard-nosed review of government operations. Tough decisions have to be made about what Ontario's smaller civil service will do.

The top priority for the Ontario PC Caucus, and the public, is frontline health care. Even there, we will carefully examine spending to control costs. One study by Boston Consulting Group and Bridgepoint Health estimated the savings possible from better local co-ordination of health care could be in the range of \$4 billion to \$6 billion a year. In a previous white paper, *Paths to Prosperity: Patient-Centred Health Care*, we put forward a plan to achieve this target.

Setting priorities means that relatively less important areas will face cuts. It doesn't mean actually increasing spending in 16 of 24 ministries, as the current government's most recent budget did. And that despite a recommendation from the government's own efficiency expert, Don Drummond, that spending should only increase in four ministries.

Our program review will be led by cabinet and involve both senior public servants and outside experts. But let's be clear, this is not a plan to study, it is a plan to act.

Common sense would suggest that a government already borrowing to deliver programs shouldn't add new ones paid for with even more borrowed money. And yet, the most recent budget promised spending on home repair tax credits, tuition rebates, welfare increases and a new fund to pick winners and losers among private businesses in southwestern Ontario. This is spending we were living without only a year ago. In total, these new programs will cost taxpayers \$2.5 billion over the next four years. We propose eliminating them to reduce the deficit.

The recent Drummond Commission report offered literally billions of dollars in cost-saving ideas. The vast majority of those have not been taken up. Drummond's work will certainly help shape our plan to reduce government spending.

We've already identified a lot of bureaucracy we think is unnecessary. Ontario can live without Local Health Integration Networks, the administration costs of Community Care Access Centres, the Ontario Power Authority and Waste Diversion Ontario. From a review of its performance, it appears the Ministry of Economic

The Spending Review Framework

In determining which programs have value, we will draw inspiration from the actions taken by other recent and successful program reviews, such as one implemented by British Prime Minister David Cameron.

Less than one month after taking office, Prime Minister Cameron launched a comprehensive program review called "The Spending Review Framework," which eventually led to 20 per cent reductions, on average, in departmental budgets over four years. Every departmental budget was forced to justify its programs against the following criteria:

- Is the activity essential to meet government priorities?
- Does the government need to fund this activity?
- Does the activity provide substantial economic value?
- Can the activity be targeted to those most in need?
- How can the activity be provided at lower cost?
- How can the activity be provided more effectively?
- Can the activity be provided by a non-state provider or by citizens, wholly or in partnership?
- Can non-state providers be paid to carry out the activity according to the results they achieve?
- Can local bodies, as opposed to central government, provide the activity?



Development and Innovation exists primarily to hand out individual grants to private, for-profit companies.

restaurant was a restaurant. It's time someone woke up and smelled the coffee.

Government spends too much time on things that don't matter to taxpayers. Did you know our province still has the Ontario Film Review Board? This provincial agency reports to the Ministry of Consumer Services, has 19 paid board members and might have made sense when it was created in 1911. But are the movies suitable for Michigan or Saskatchewan really not suitable for Ontarians?

There is no shortage of ideas for reducing government spending, but every decision has to be made in a bigger context than whether a particular program is good or bad in isolation. The real question is, can we afford the program? In many cases, the answer will have to be no.

Our plan to reduce Ontario's 386,251 regulations by one-third over three years will help cut the cost of government by refocusing civil servants on things that really matter. It will mean fewer people doing useless things on the public tab.

The decisions that are made have to be part of a comprehensive and integrated plan. As Drummond recommends, the government should create a formal document outlining its vision and path toward a balanced budget, as Prime Minister Brian Mulroney did in 1984 and Prime Minister Jean Chrétien did in 1994.

Here's an example. The ironically-named Service Ontario recently told an Ottawa restaurant that it couldn't use the name Union Local 613 because the bureaucrats thought the public might not understand that the

We believe that kind of priority setting in itself will make the civil service more effective by making clear what the government's objectives are. It's tough to do a good job when policies are reversed on a whim and big spending plans come out of the blue.

PATH 2

We propose a rigorous program review that will examine every provincial expense and transfer payment. Unlike the blue ribbon panel headed by economist Don Drummond, our program review would actively integrate the work of elected officials and senior public servants. This will lead to a budget that actually reduces spending; decreases the size of the government workforce; gets out of activities the government no longer needs to be involved in; and introduces innovative service delivery models.

TIME TO FIX ONTARIO'S BROKEN ARBITRATION SYSTEM

A mandatory wage freeze for government employees is only the first step towards reining in ballooning public service salary costs. While a wage freeze is necessary, it provides only a temporary solution to a permanent problem.

The underlying problem is an arbitration system that almost guarantees that government workers' salaries will go up every year, even if government has to borrow money from foreign lenders to cover the raises.

Here's how it works. When negotiations break down between government and one of its many unions, the two sides go to an unelected arbitrator to settle the dispute. While the rules that guide arbitrators do make some reference to considering government's ability to pay, arbitrators don't feel compelled to do so or they use the government's ability to increase taxes to justify its ability to pay.

“ Historically, many arbitrators have taken the position that governments have an infinite ability to pay simply by raising taxes or running deficits.

Source: Emergency Services Steering Committee of LUMCO, MARCO and OAPSB, April 2011

”

Even after the current government pleaded to control salary costs, arbitrators still chose to do it their way. One arbitrator said he refused to be “a minion of government.” Another said that without wage freeze legislation, the budget was of “no binding force or effect” on him.

This is a good situation for government unions, not so good for taxpayers. Say government comes to the table and asks for a wage freeze, because that's all it can afford, and the union asks for a three per cent pay

increase. The arbitrator typically doesn't side with the employer and choose zero. Instead, he or she either picks some number in the middle or awards what the previous public sector union got.

This is a recipe for ever-increasing salaries. Many firefighters now make six figures and teachers are closing in on that amount. These are important jobs, but pay needs to be kept in balance with what others earn, and what taxpayers can afford to pay.

Private sector unions use arbitration too, but the situation there is very different. When they make wage demands, private sector workers need to think about how much their companies can afford, because they need to compete and stay in business. There is no such brake in the government sector.

The Ontario PC Caucus brought forward legislation called the *Ability to Pay Act* that would have addressed these issues in a comprehensive way. Unfortunately, that legislation came to a grinding halt with the prorogation of the Legislature. That's too bad, because cities from Mississauga to Owen Sound to Thunder Bay supported it. They realized that government can't control its spending in the long run without a better arbitration system.

When the economy is growing robustly, government can afford wage increases. When times are tough, it cannot. That's the same reality that affects every other employer and worker. We need new rules that bring the government sector in line with the private sector.

PATH 3

Taxpayers deserve to know why they're being asked to pay more for government compensation costs. No arbitrator should consider that the ability to tax gives government an infinite ability to pay. For all public sector cases, independent arbitrators should be required to issue written decisions within tight timelines that explain their reasoning. These decisions should be made public in a central online location.

PATH 4

To ensure arbitration decisions reflect local economic and budgetary conditions, independent arbitrators should be required to compare the pay and benefits of government workers with those in the private sector in the same geographical area, not to other government workers in other parts of the province. Factors like the local unemployment rate, changes in the employer's tax base or the fiscal mandate of the province should also be taken into account.



A SMALLER CABINET FOR A SMALLER GOVERNMENT

Leadership starts at the top. We need a smaller, more focused civil service, and that means a smaller, more focused cabinet too. Right now, government is wasting money on too many minor ministries.

We are proposing a one-third reduction in the number of government ministries, and a system of strong parliamentary secretaries to ensure ministers can focus on the big picture and parliamentary secretaries on oversight and efficiency. Like ministers, these parliamentary secretaries should have clearly defined roles and be responsible for answering questions during Question Period. This will mean both fewer people in charge of spending decisions, and more people in charge of watching how dollars are spent. It's a vital level of oversight that is missing now.

When you have a large cabinet it also leads to putting too many priorities on the table. The larger the group, the more "good ideas" come forward for time and energy. The government's focus needs to be on job creation and reining in spending.

Our plan would eliminate, combine or realign several current ministries to achieve savings and increase individual accountability.

PATH 5

In order to reduce the number of government ministers making spending decisions, reduce the number of provincial ministries from 24 to 16, representing a one-third reduction. Individual ministers' cabinet pay would be tied to accomplishing budgetary and economic targets, such as reducing spending and the provincial regulatory burden.

One proposal for an Ontario PC cabinet includes:

- 1** The Ministry of Finance should incorporate the Ministry of Infrastructure
- 2** A new Ministry of Economic Growth should be responsible for Energy, Economic Development, Innovation, Culture and Tourism
- 3** The Ministry of Northern Development and Mines should be enhanced with a stronger role that incorporates the Ministry of Natural Resources and has a primary focus on jobs and investment
- 4** The Ministry of Health should include Long-Term Care, Children's Mental Health and Sport
- 5** The Ministry of Community and Social Services should include Children and Youth Services
- 6** The Ministry of Municipal Affairs and Housing should be responsible for all Intergovernmental Affairs
- 7** The Attorney General should be responsible for Aboriginal Affairs
- 8** The Ministry of Government Services should include Consumer Services
- 9** The Ministry of Agriculture, Food and Rural Affairs
- 10** The Ministry of Training, Colleges, Universities and Apprenticeships
- 11** The Ministry of Education
- 12** The Ministry of Citizenship and Immigration
- 13** The Ministry of Community Safety and Correctional Services
- 14** The Ministry of the Environment
- 15** The Ministry of Transportation
- 16** The Ministry of Labour

As we proposed in a previous white paper, *An Agenda for Growth*, the Deputy Premier will be appointed the minister responsible for reducing Ontario's overregulation. One of the above ministers would also have responsibility for Francophone Affairs and another would be responsible for the Women's Directorate.

COMPETITION ENCOURAGES EFFICIENCY AND QUALITY OF SERVICE

When it comes to providing services for taxpayers, government needs the best quality at the best price. It's the same approach any of us would take, even when it comes to a small project like adding a backyard deck. It really just makes sense for government to consider price and quality when spending billions of taxpayer dollars on government services.

People gather information about price and quality by seeking competitive bids. What type of work is the contractor offering to do, and at what price? Unfortunately, government too often fails to ask those two basic questions. Rather than seeking competitive bids that can offer taxpayers a better price, better service, or both, it simply goes with its own workers.

That's why we see things like maintenance workers for the Toronto District School Board charging taxpayers \$143 to install a pencil sharpener and \$3,000 to put in an electrical outlet.

When any group has a monopoly on providing a service, price rises and quality goes down. The cure is competition. We think there should be more of it when it comes to providing government services.

The issue is not just cost, it's also service. It's no coincidence that you find the best customer service in the most competitive sectors of the economy. Why should taxpayers accept lower service from government than they would expect at a fast food chain?

We're not talking about contracting out the jobs of police officers and hospital nurses, of course. Here's our test: If you can find the service in the phone book, why automatically hire a unionized government worker to do it? We believe that things like building maintenance and IT support should be open to competition.

Private sector service delivery is already happening in some areas. For example, GO Train contracts out for services, using private sector employees at Bombardier, although GO Bus doesn't. At the municipal level, the city of Ottawa contracts out most of its garbage collection, but lets its own employees bid and keep part of the business so it knows what the real price should be.

The simple introduction of competition leads to a transformation in service delivery. Several case studies have shown that this type of competition can net taxpayers significant savings. A report prepared

by international consulting agency Deloitte found it translated into savings between 10 and 30 per cent. Experience in the United Kingdom, Florida and Phoenix, Arizona shows similar results.

**“ Recommendation 3-5:
Do not hang onto public
assets or public service
delivery when better
options exist. Consider
privatizing assets and
moving to the private
delivery of services
wherever feasible. ”**

Source: Drummond Commission on the Reform of Ontario's Public Services, 2012

We believe that government must get the best deal for taxpayers, and the way to do it is through more competition. In some cases, this might mean contracting out in more sensible ways to create a level playing field. For example, the provincial government's infrastructure department – called Infrastructure Ontario – groups many small projects together so that in effect they are one massive project. While acknowledging economies of scale can exist when projects are near the same worksite, this bundling can also have the effect of narrowing competition for these projects to large, global companies or consortia, shutting out local, mid-sized Ontario companies. We need to find ways to increase competition, not limit it. We would ensure fair, open and transparent selection of sub-contractors so that local firms and trade unions can compete on a level playing field. Our approach will provide better value for taxpayers and fairer treatment for Ontario companies and workers.



Managed Competition

“Managed competition” is a term used to describe the opening up of public service delivery to market-based competition.

Former Indiana Governor Mitch Daniels significantly reduced spending by contracting out to the private sector commercial services like janitorial and food services. As one example, Indiana taxpayers saved 30 per cent per meal at its state correctional facilities.

When Seattle, Washington, examined managed competition it found that, “Even when it does not lead to privatization, gathering data about private-sector costs may provide lower-cost benchmarks for governmental departments to strive for in providing services.”

Managed competition isn’t outsourcing, and public sector unions often win procurement contracts. For example, over a 12-year period, the City of Charlotte, North Carolina, awarded more than 8 out of 10 contracts to city employees.

Prime targets for the introduction of competitive bidding in Ontario include:

- Maintenance of government auto fleets and buildings
- Information Technology
- Permit inspections
- Public transportation
- Food services

PATH 6

Government should take advantage of areas where strong competition already exists to open more services to competitive bids that offer better service at a better price.

CREATING A TWENTY-FIRST CENTURY CIVIL SERVICE

There is a new reality in Ontario, and government must adapt. The years of constantly expanding programs, paid for with debt, have to be put behind us. What Ontario needs now is a civil service that can help shape a smaller, more focused government that is effective in providing the health care, education and infrastructure Ontario needs to prosper.

We need a civil service that does fewer things, but does them better. Above all, we need a civil service that puts customer service first, and remembers that it is working for the public, not vice versa.

Ontario's civil servants want work that is meaningful. Unfortunately, years of weak political leadership have undermined the work of the civil service. Politicians have made major policy decisions on a whim and the direction of government policy can change overnight. No one thinks to consult the civil service.

When we talk about a New Deal for the public sector, we envision a civil service that once again attracts the best and the brightest, and respects the experience and knowledge they bring to the job. We envision a strong, professional civil service that can develop and implement bold, innovative and transformational ideas. We envision a civil service that works side by side with

political leadership to build a province unrivalled in its confidence and prosperity.

Finally, we envision a civil service where hard work and excellence are recognized and rewarded. If a young nurse with all the latest training applies her fresh ideas to get a patient back on his feet faster than anyone else thought possible, then we should recognize this with pay not based solely on seniority. The same goes for the teacher performing minor miracles in helping someone who always struggled to read learn the joy of a book.

Clear goal setting must come from the top. We will provide that direction. We will also lessen the burden of useless rules that keep good people from doing their job well. People must spend their time focusing on results, not on process.



PATH 7

Measure productivity and service quality, just like the private sector does, and reward people with outstanding performance accordingly. Once the pay freeze is over, we propose a tightly managed system of performance pay that encourages employees to exceed expectations.

PATH 8

In our earlier paper on labour reforms we suggested an end to compulsory union membership and dues. We believe this is especially applicable to people like managers, program supervisors and senior policy advisors in the Ontario civil service. We need to give them the opportunity to bargain individually for their compensation, if they choose not to be represented by a union.

PATH 9

Every Ontarian should have a right to apply and compete for a government job opening. Today, the vast majority of civil service positions are never posted publicly because of a closed-shop arrangement with unions. This practice prevents new people and new ideas from coming into the civil service.

Did you know these are unionized positions in Ontario's Public Service?

Senior policy advisors and **policy analysts**, financial analysts, education officers, program supervisors, auditors, scientists, public health laboratory co-ordinators, **mediators**, arbitrators, veterinarians, pharmacists, racing judges and stewards, psychiatric patient advocates, chaplains, clinical co-ordinators, media relations and communications officers, children and youth advocates, administrative co-ordinators, **information technology managers and specialists**, inspectors and investigators, labour market specialists, senior economic officers, **economists**, transportation enforcement supervisors, intergovernmental affairs specialists, epidemiologists, **arts granting officers** and many others.

Source: Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO), website, "Who we are," 2012.

OPEN GOVERNMENT

In the era of Google and Wikipedia, people want and expect to be able to access government information in a way that is easy to find and understand, and they want it now. Mail-based Freedom of Information requests are literally from another era.

We believe that better government starts with more openness. Politicians have too often tried to cover their inappropriate actions with a cloak of confidentiality. The failure to provide full documentation on the current government’s decision to cancel two gas power plants is only the latest example of a troubling trend of secrecy.

Our approach is simple. Unless there is a real and compelling issue of cabinet or legal confidentiality, we will release all government documentation. We won’t wait for people to ask or expect them to have to go through the hoops of access to information laws. Government must become open by default.

We will pass the Ontario PC Caucus *Truth in Government Act* to mandate the public sharing of information about contracts for goods or services, grants, travel costs and expenses. All information will be posted online, and everyone will have the chance to help stop government overspending.

Better government is the responsibility of everyone, not just politicians and civil servants. By making more information available to the public, we will enable people to participate in government by giving them the data required to develop their own ideas for improving government. Corporations don’t sit on their storehouses of data. They are constantly looking for ways to leverage this information in new and productive ways. Government shouldn’t be any different.

In the District of Columbia, for example, the DC Data Catalog provides access to 498 datasets from multiple government agencies. Users can access data over the Internet and process it in ways to request better service for their tax dollars. This isn’t just about getting more information from government, but providing it to government in a way that is useable as well. In 2009,

Sunlight Is The Best Disinfectant

“Open Government” and “Open Data” are concepts that government should *push* data out, making it easily accessible, rather than having to search for it and *pull* it out. This transparency strengthens accountability and makes government more responsive to taxpayers.

FixMyStreet.com in the United Kingdom allows people to use iPhone and Android apps to submit complaints about graffiti, potholes and a number of other public nuisances. These reports are then summarized online, and government reports on which are new problems or recently fixed ones. You can even sign up for alerts about problems in your local area.

In addition to enabling more government initiatives that openly share data, the Ontario PC Caucus would implement the *Truth in Government Act*, which would:

- 1 Expand the scope of Freedom of Information access
- 2 Provide full disclosure of all goods or services contracts over \$10,000
- 3 Provide full disclosure of all travel and hospitality expenses
- 4 Provide full disclosure of all grants over \$10,000
- 5 Provide full disclosure of all position reclassifications for government workers

a citizen competition using DC Data Catalog led to an application that combined the iPhone’s camera and GPS mapping device with a facebook app to report potholes and broken parking meters.

Government should be the leader in openness, access and service – not the last frontier.

PATH 10

Aggressively expand the amount of government data made available to the public online, both to promote transparency and accountability, and to engage citizens in rigorously evaluating value-for-money and finding efficiencies.

GETTING VALUE FROM GOVERNMENT BUSINESSES

To paraphrase a popular bank slogan, Ontarians are richer than they think. Unfortunately, much of that wealth is tied up in government-run businesses at a time when the province is desperately short of money needed to build the subways, highways, bridges and sewers required for economic growth.

To paraphrase a popular bank slogan, Ontarians are richer than they think. Unfortunately, much of that wealth is tied up in government-run businesses at a time when the province is desperately short of money needed to build the subways, highways, bridges and sewers required for economic growth.

Combined, Ontario's gambling, booze and electricity businesses alone are worth tens of billions of dollars. While those businesses do pay taxpayers a dividend, outside analyses have suggested that they aren't as well run as they should be. We have already suggested in another Ontario PC Caucus white paper – *Paths to Prosperity: Affordable Energy* – that the power generation and transmission businesses would benefit from outside management expertise and partial private ownership by major Canadian pension funds. We believe it's time to rethink government's role in the alcohol and gaming businesses too.

As a principle, we believe that government should stick to doing things that only government can do. It's difficult to argue that selling wine bottles and lottery tickets falls under that heading.

Take the Liquor Control Board of Ontario, which was established in 1927, the same year Charles Lindbergh flew the first solo flight across the Atlantic Ocean. The name tells you a lot about the philosophy behind this government monopoly. Why does the sale of beer, wine and spirits in Ontario need to be run by a "control board," when people in neighbouring Michigan, New York and Quebec can buy the same products in corner stores or grocery stores? In fact, in whatever direction you leave Ontario, consumers have more choices in where they can buy alcohol.

Some argue that only the government can prevent the sale of alcohol to minors. We do think that's important, but it's a job already being done by the private sector in thousands of restaurants, bars, resorts and arenas across the province.

As a monopoly, the LCBO hasn't had to be smart about the way it runs its business. Provincial auditor

Jim McCarter recently noted that the LCBO actually goes to some suppliers and asks them to *raise* their wholesale prices to make them conform to an LCBO formula. What real company would do that?

The LCBO is also planning to add 70 new stores over the next two years at a cost of \$100 million. We believe this government money would be better spent on MRI scans and life-saving medications than new shelf space for vodka bottles.

Competition is just the tonic the alcohol retail industry requires. Ontario wineries have long wanted the opportunity to reach their customers directly through stores in urban areas. Corner store operators and grocery store chains have long requested the ability to sell alcohol, as their counterparts do in many other places. These are options the Ontario government

“ **Most large retailers use their buying power to negotiate with suppliers to drive down costs. We found that the LCBO does not negotiate discounts for high-volume purchases to reduce its costs.** ”

Source: Ontario Ombudsman Andre Marin, in Canadian Press, June 21, 2011

should seriously consider, not dismiss out of hand.

More choice and competition in alcohol retailing would be fair to both consumers and Ontario's award-winning wineries and rapidly growing craft brewers. Both are entitled to a system with a level playing field that encourages variety and selection of product.

The province should consider all options for increasing choice and competition, ranging from the sale, partial sale or greater private franchising of the LCBO – but not to create a new private sector monopoly. The province should also end the Beer Store monopoly and allow sales in corner or grocery stores. Our goal is to get better value and service for consumers, and ultimately for taxpayers. Competition and choice are the ways to achieve that goal.

The case for change in gambling is even stronger. We believe that government must regulate the industry, but it certainly doesn't need to run its day-to-day operations. The track record of the Ontario Lottery and Gaming Corporation is a sorry one. Casino profits have dropped from \$800 million in 2001 to just \$100 million in 2011. The company itself says it requires \$1 billion in public money to refresh its outdated products. And this is after pouring hundreds of millions of dollars into its struggling resort casino in Windsor, money that could have gone towards highways or hospitals.

We don't need government bureaucrats figuring out how to compete in online gambling. It may make sense to regulate existing online sites, but not to build a brand new one. Let's be honest with ourselves, who is going to visit a government online site when they already play on Bodog, Bet365 and PokerStars? These established businesses excel in customer service precisely because they already face tough international competition. Does anyone think the OLG can compete with them?

Neither do we need unionized government employees serving drinks in casinos or spinning roulette wheels. What we do need is to disengage government from the daily business of gambling. It is time for the government to become the responsible, respected and tough regulator and not the operator trying to bully communities into accepting new casinos. The government should move to wind down the OLG, and privatize its lotteries, casino assets and slots operations.

All these changes would take place under strict government regulation that ensures an honest game with honest players. Our approach would take a declining and poorly run asset and turn it into cash for the kinds of subway, highway and sewer projects that only government can do.

Putting an immediate end to the OLG's empire building plan for 29 new casinos across the province could also create an opportunity for Ontario's horse racing industry. One option would be to give racetrack operators a first crack at buying existing slots operations at fair market value, which could save their industry while still providing a good return to taxpayers.

We realize that political parties and governments have mused about getting out of the gambling and alcohol businesses before. We think it's time for action. We don't believe that government needs to play a dominant role in these businesses in the first place, but the most important point is that taxpayers need to get their money out of these businesses so it can be put to better use. Transit expansion alone will cost billions of dollars in the next few years. If government doesn't do that job, no one will. If government gets out of liquor and gambling, you can be sure those products will still be available to the public.



PATH 11

Gambling is a legitimate activity, but the government of Ontario should not be in the business of actively promoting it to help balance the budget. There is an inherent contradiction in the government being the regulator and also the day-to-day operator. We should move to wind down the Ontario Lottery and Gaming Corporation, getting government out of the gambling business. Government would become the tough regulator, not the operator trying to bully communities into accepting new casinos. The government should also end its foolish expansion into online gaming.

PATH 12

In jurisdictions around the world, the sale and distribution of beverage alcohol is managed responsibly through government regulation, rather than owning and running alcohol-retailing outlets. The province should examine all options to increase competition and choice, including the sale, partial sale or greater private franchising of this non-core asset – but not to create a new private sector monopoly. This could raise significant funds to be used to build economically critical infrastructure. The province should also end the Beer Store monopoly and allow sales in corner or grocery stores.

PATH 13

The proceeds of significant asset sales must be used for strategic purposes. The government should establish an Infrastructure Trust where the proceeds of asset sales will be deposited and used to fund regional infrastructure priorities and pay down debt.



CONCLUSION

It's time for a new attitude towards government in Ontario. We don't undervalue the importance of government, but we don't measure its success by the number of employees, the amount of money spent or the number of programs delivered.

“ Ontario's debt has been gathering speed like a rock plunging down a hill.

Source: Kelly McParland, National Post, November 26, 2012



ahead won't be easy, and what must be done will not always be popular. That's why we are making our proposals public well before the next election. Ontario needs a serious, adult debate about its future.

By the time of the next election, Ontario will have lost at least 18 months to indecision, months during which the jobs crisis was not addressed, annual government spending increased and the public debt continued to grow. This dithering and delay is not a path we can continue to follow.

We believe that Ontario can once again have a vibrant and expanding private sector and a civil service that is a model of excellence. We just need a government with vision, a clear plan and the willingness to make the tough decisions to get us there.

We need to lift the burden of deficit and debt that is holding our province back. Our New Deal for the public sector will take us a long way towards that goal. It's not an easy goal, but we believe it's one worth fighting for.

That's the old way of thinking, the kind of irresponsible approach that has gotten Ontario into the mess that it is in today. Even now, when asked what it has accomplished, the current government routinely cites total spending figures.

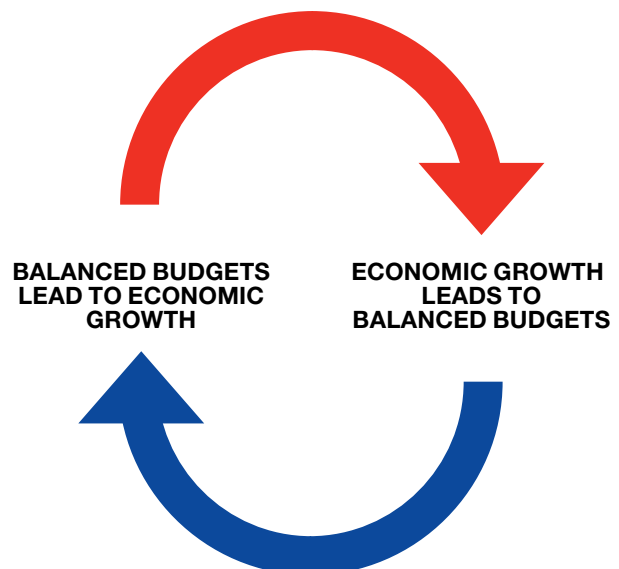
We believe the most important measure of government success is the results its spending produces, not the spending figure itself. To get results, you need to have well-defined priorities, clear goals and a rational ways to measure progress.

We believe that the path to prosperity for Ontario involves solid private sector growth and job creation, combined with a significant restructuring of government to get it refocused on its core tasks. Ontario will succeed when both the private sector and government are doing their jobs well.

That means paring back the size of government to allow growth to catch up to spending and bring the province's books into balance.

We are confident that goal is achievable, but the task

The Virtuous Circle



PATHS TO PROSPERITY

A NEW DEAL FOR THE PUBLIC SECTOR

PATH 1

Freeze the annual compensation of all employees in the public sector for two years.

Cover all Ontario broader public sector employees, without exception, as defined in the *Public Sector Salary Disclosure Act*. Members of Provincial Parliament should also be included in the freeze. For the period of the freeze, the government should eliminate performance bonuses as well as experience-related increases in union collective agreements.

PATH 2

We propose a rigorous program review that will examine every provincial expense and transfer payment. Unlike the blue ribbon panel headed by economist Don Drummond, our program review would actively integrate the work of elected officials and senior public servants. This will lead to a budget that actually reduces spending; decreases the size of the government workforce; gets out of activities the government no longer needs to be involved in; and introduces innovative service delivery models.

PATH 3

Taxpayers deserve to know why they're being asked to pay more for government compensation costs. No arbitrator should consider that the ability to tax gives government an infinite ability to pay. For all public sector cases, independent arbitrators should be required to issue written decisions within tight timelines that explain their reasoning. These decisions should be made public in a central online location.

PATH 4

To ensure arbitration decisions reflect local economic and budgetary conditions, independent arbitrators should be required to compare the pay and benefits of government workers with those in the private sector in the same geographical area, not to other government workers in other parts of the province. Factors like the local unemployment rate, changes in the employer's tax base or the fiscal mandate of the province should also be taken into account.

PATH 5

In order to reduce the number of government ministers making spending decisions, reduce the number of provincial ministries from 24 to 16, representing a one-third reduction. Individual ministers' cabinet pay would be tied to accomplishing budgetary and economic targets, such as reducing spending and the provincial regulatory burden.

PATH 6

Government should take advantage of areas where strong competition already exists to open more services to competitive bids that offer better service at a better price.

PATH 7

Measure productivity and service quality, just like the private sector does, and reward people with outstanding performance accordingly. Once the pay freeze is over, we propose a tightly managed system of performance pay that encourages employees to exceed expectations.

PATH 8

In our earlier paper on labour reforms we suggested an end to compulsory union membership and dues. We believe this is especially applicable to people like managers, program supervisors and senior policy advisors in the Ontario civil service. We need to give them the opportunity to bargain individually for their compensation, if they choose not to be represented by a union.

PATH 9

Every Ontarian should have a right to apply and compete for a government job opening. Today, the vast majority of civil service positions are never posted publicly because of a closed-shop arrangement with unions. This practice prevents new people and new ideas from coming into the civil service.

PATH 10

Aggressively expand the amount of government data made available to the public online, both to promote transparency and accountability, and to engage citizens in rigorously evaluating value-for-money and finding efficiencies.

PATH 11

Gambling is a legitimate activity, but the government of Ontario should not be in the business of actively promoting it to help balance the budget. There is an inherent contradiction in the government being the regulator and also the day-to-day operator. We should move to wind down the Ontario Lottery and Gaming Corporation, getting government out of the gambling business. Government would become the tough regulator, not the operator trying to bully communities into accepting new casinos. The government should also end its foolish expansion into online gaming.

PATH 12

In jurisdictions around the world, the sale and distribution of beverage alcohol is managed responsibly through government regulation, rather than owning and running alcohol-retailing outlets. The province should examine all options to increase competition and choice, including the sale, partial sale or greater private franchising of this non-core asset – but not to create a new private sector monopoly. This could raise significant funds to be used to build economically critical infrastructure. The province should also end the Beer Store monopoly and allow sales in corner or grocery stores.

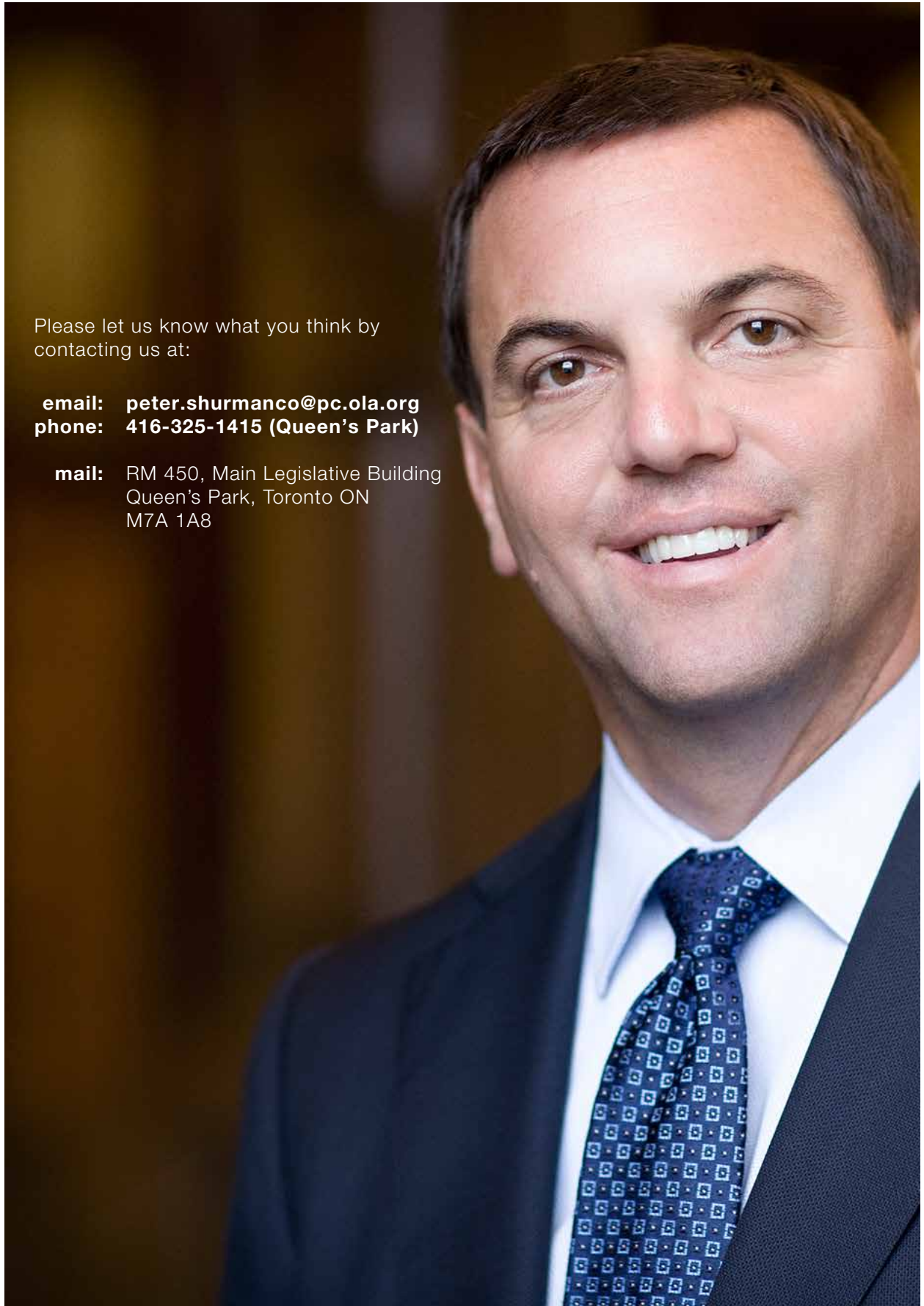
PATH 13

The proceeds of significant asset sales must be used for strategic purposes. The government should establish an Infrastructure Trust where the proceeds of asset sales will be deposited and used to fund regional infrastructure priorities and pay down debt.

Please let us know what you think by contacting us at:

email: peter.shurmanco@pc.ola.org
phone: 416-325-1415 (Queen's Park)

mail: RM 450, Main Legislative Building
Queen's Park, Toronto ON
M7A 1A8





Ontario