

Ontario's Throne Speech

EMBARKING ON CHANGE

The *Throne Speech* of Ontario's new Progressive Conservative government reiterated its major election themes: prioritizing value for the taxpayer's dollar; offering tax relief; reducing gasoline and power charges; enhancing Ontario for business; and protecting jobs (election platform, [here](#)). Rebalancing the books was promised again on a "responsible, modest, and pragmatic" timetable.

The *Speech* referenced key spending commitments such as 15,000 new long-term care beds to ease hospital congestion alongside a "Commission of Inquiry" into Ontario's financial practices and a line-by-line audit of government spending to identify efficiencies. Already announced is curtailing the cost of the Province's pharmacare plan, OHIP+, by replacing universal prescription coverage for youth 24 years and younger with a requirement to first seek coverage under their parents' health insurance. The new Premier already is advocating for Ontario with Ottawa, arguing for increased federal funding to shelter refugees beyond the recent federal promise of \$50 million across Ontario, Quebec and Manitoba.

On the complex power file, the new government has committed to keeping Pickering Nuclear Generating Station open until 2024, protecting 4,500 jobs in Durham Region. For Hydro One, Ontario's transmission utility, a new agreement covers the CEO's retirement and the replacement of the current Board of Directors by August 15 with a new Board with reduced compensation. Ontario's cap-and-trade framework will be dismantled, lowering fuel prices; other carbon tax schemes will be opposed in all forms, and the programs funded from cap-and-trade revenues will be wound down.

The Legislature is recalled this summer to address a number of issues including:

- Resolving the York University strike started in early March;
- Removing the cap-and-trade carbon legislation;
- Cancelling the White Pines Wind Project (18½ MW) approved to proceed with construction early in the election campaign; and
- Legislating greater transparency and public accountability for Hydro One.

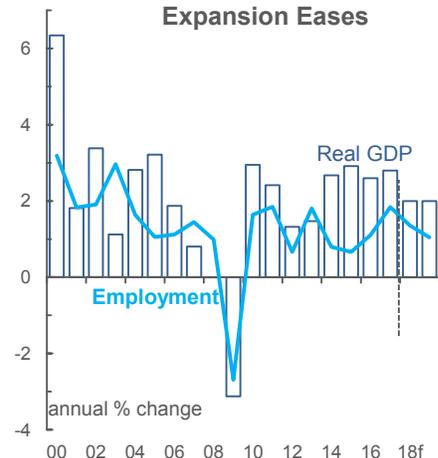
Restructuring, however, can involve costs. Corporations are expected to request compensation for their purchases of greenhouse gas allowances and offset credits. Contracts were authorized under prior Climate Change programs. The Independent Electricity System Operator issued a contract to the White Pines Project.

As the *Public Accounts* are prepared for fiscal 2017–18 (FY18), decisions are required on the Auditor General's two concerns: 1) that the full impact of the *Fair Hydro Plan's* electricity rate reduction is not incorporated, adding \$2.4 billion to FY19 spending; and 2) that overall pension expense is underreported for the Public Service and Teachers' Pension Plans by \$2.6 billion in FY19 (see [here](#)). The multiple issues facing this new government suggest that a *Budget/Update* this Fall will be just a first step towards a fuller fiscal plan in next spring's *Budget*. For the new government, the results of its financial reviews, the slower growth anticipated for Ontario after a four-year output surge averaging 2¼% annually (side chart) and the elevated uncertainty inherent in current US trade actions all suggest careful strategic planning.

CONTACTS

Mary Webb
416.866.4202
Scotiabank Economics
mary.webb@scotiabank.com

Ontario's Economic Expansion Eases



Sources: Scotiabank Economics, Statistics Canada.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.