

## ONTARIO INTRODUCES 2015-2016 BUDGET: BUILDING ONTARIO UP

### INTRODUCTION

On Thursday, April 23, 2015, the Ontario Minister of Finance, Charles Sousa, introduced the province's 2015-2016 budget "Building Ontario Up". The key theme is economic growth fueled by new investments in infrastructure. As the Minister stated in his speech to the Legislature:

The very best thing we can do to make sure our economy continues to grow and produce jobs is to build the roads, bridges and transit that a 21<sup>st</sup> century economy needs (p. 5).

This bulletin provides a summary of key elements of the budget that may be of interest to BLG's clients and contacts.

### HIGHLIGHTS OF THE 2015-2016 BUDGET

- Broaden ownership of Hydro One through an initial public offering ("IOP") with the province being the largest shareholder and one owner having no more than 10% of the total shares of the company;
- Dedicate \$31.5 billion over 10 years for public transit and key infrastructure across Ontario. This is an increase of \$2.6 billion from the 2014 budget;
- Enhance the Jobs and Prosperity Fund by \$200 million, bringing the total to \$2.7 billion over 10 years;
- Continue efforts to create a cooperative capital markets regulatory system;
- Move forward with a "Cap and Trade" emissions trading system under the Western Climate Initiative;
- Meet deficit reduction targets – \$8.5 billion for 2015-2016, \$4.8 billion in 2016-2017 and balance the budget by 2017-2018; and
- Ensure continued economic growth – estimates for 2015-2016 are 2.7%.

### ELECTRICITY SECTOR:

- The Hydro One IPO – the government will introduce legislation to ensure the company's executive offices remain in Ontario and all senior executive functions remain in Ontario as well;
- Extend the Northern Electricity Rate Program beyond 2016 with \$120 million invested annually;
- Expand the Industrial Conservation Initiative by lowering the threshold for qualifying industrial sectors from 5MW to 3MW. This will allow more firms to be eligible for rate mitigation;
- Amend the *Ontario Energy Board Act, 1998* to enable the implementation of the Ontario Electricity Support Program that will provide monthly benefits to low income electricity consumers;
- Remove the Debt Retirement Charge from residential electricity bills after December 31, 2015;
- Incent consolidation of the municipal electricity distribution sector by:
  1. Reducing the transfer tax from 33% to 22% for three years;

2. Exempting municipal electricity distribution companies with fewer than 30,000 customers from the transfer tax for three years; and
  3. Exempt capital gains component of the departure tax rules described in the *Electricity Act, 1998* for three years.
- Amend Regulations under the *Electricity Act, 1998* to adopt federal changes to the *Income Tax Act* on taxation of capital gains on the disposition of partnership interests to specific persons. The amendments under the *Electricity Act, 1998* would prevent the avoidance of PILs through the disposition of partnership interests made directly or indirectly as part of a series of transactions to a person not subject to PILs; and
  - Stranded Debt: \$9.8 billion (2014) estimate in 2015: \$8.3 billion. Residual Stranded Debt is \$2.6 billion.

### TRANSPORTATION INFRASTRUCTURE

The 2015 Budget increases projected dedicated funds by \$2.6 billion, to \$31.5 billion available over 10 years for public transit, transportation and other priority infrastructure projects across Ontario. About \$16 billion will be invested in transit projects in the Greater Toronto and Hamilton Area (GTHA) and about \$15 billion will be invested in transportation and other priority infrastructure projects outside the GTHA. For example, key projects in the GTHA include:

- Beginning in 2015–16, the government will provide additional funding to Metrolinx to offer new services on all rail corridors, including:
  1. New peak trips during the morning and afternoon commutes;
  2. New trips during the day and in the evening; and
  3. New weekend trips.

### EDUCATION INFRASTRUCTURE:

Over 10 years, the Province plans to: provide \$11 billion in capital grants to school boards. In addition, the Province plans to provide almost \$900 million over 10 years to address critical maintenance repairs and upgrades to existing postsecondary facilities.

### HEALTH AND SOCIAL INFRASTRUCTURE

Ontario plans to provide more than \$11 billion in hospital capital grants over 10 years to provide adequate infrastructure capacity in the health care sector.

### FINANCIAL SERVICES REGULATION:

The budget states that the government will continue to strengthen the financial services sector through the following actions:

- Review the regulation of financial advisers and planners;
- Move forward with enhancing access to capital for businesses of all sizes and stages of development;
- Carefully consider the recommendations of the five-year review of the *Credit Unions and Caisses Populaires Act, 1994*, when it is completed in the fall of 2015;
- Conduct mandate reviews of the Financial Services Commission of Ontario, the Financial Services Tribunal and the Deposit Insurance Corporation of Ontario, and consider legislative changes to the governing acts;
- Implement key recommendations from the five-year review of the *Mortgage Brokerages, Lenders and Administrators Act, 2006*, by strengthening fraud prevention measures in regulations and prohibiting advance fees for arranging mortgages of less than \$400,000 – an increase from the current threshold of \$300,000;
- Propose future changes to update securities laws and related legislation, including:
  1. Amendments to the take-over bid provisions in the *Securities Act* to harmonize with other Canadian jurisdictions and with the proposed approach under the CCMR;
  2. Strengthened enforcement provisions, including in relation to insider trading and tipping, and more robust registration oversight tools, that are more harmonized with approaches in other CCMR-participating jurisdictions and the consultation draft *Provincial Capital Markets Act*;

3. Amendments to the *Securities Act* relating to cease trade orders to increase efficiency and harmonize with the approach in other jurisdictions;
  4. Changes to give the Ontario Securities Commission (OSC) to give it broader tools to ensure an accurate, reliable and transparent proxy voting infrastructure; and
  5. Changes to the *Securities Act* and *Commodity Futures Act* that would increase the scope of OSC compliance and continuous disclosure reviews.
- Propose technical changes to the *Financial Services Commission of Ontario Act, 1997*, and related acts to improve administrative clarity and effectiveness; and
  - Ensure an efficient and modern insurance system by repealing legislation, such as the *Marine Insurance Act*, that is no longer necessary and that is regulated by federal legislation.

## HEALTH CARE INNOVATION

The budget indicates that it will support the growth and competitiveness of Ontario's health technology

sector by adopting all of the recent recommendations from the Health Innovation Council Report, including the appointment of a Chief Health Innovation Strategist and six innovation brokers to connect health technology entrepreneurs with the people and resources needed to advance their innovations. The government will also establish the \$20 million Health Technology Innovation Evaluation Fund to support pre-market evaluations and early adoption of home-grown innovative health technologies. In addition, the government will continue working on shifting to strategic, value-based procurement and creating incentives for innovation.

For further information please contact the author.

### AUTHOR

**Stephen J. Andrews**

Toronto

416.367.6219

sandrews@blg.com

## PUBLIC POLICY AND GOVERNMENT RELATIONS GROUP

### National Contact

**Colin P. MacDonald** Calgary 403.232.9523 cmacdonald@blg.com

### Regional Contacts

**Colin P. MacDonald** Calgary 403.232.9523 cmacdonald@blg.com  
**Tommy Tremblay** Montréal 514.954.2520 ttremblay@blg.com  
**Hon. Gar Knutson** Ottawa 613.787.3729 gknutson@blg.com  
**J. Stephen Andrews** Toronto 416.367.6219 sandrews@blg.com  
**Jeffrey S. Graham** Toronto 416.367.6174 jgraham@blg.com  
**Dirk H. Laudan** Vancouver 604.640.4154 dlaudan@blg.com  
**Jeffrey S. Thomas** Vancouver 604.640.4203 jstthomas@blg.com

### BORDEN LADNER GERVAIS LLP LAWYERS | PATENT & TRADEMARK AGENTS

#### Calgary

Centennial Place, East Tower  
1900, 520 – 3<sup>rd</sup> Ave S W, Calgary, AB, Canada T2P 0R3  
T 403.232.9500 | F 403.266.1395

#### Montréal

1000 De La Gauchetière St W, Suite 900, Montréal, QC H3B 5H4  
T 514.879.1212 | F 514.954.1905

#### Ottawa

World Exchange Plaza, 100 Queen St, Suite 1300  
Ottawa, ON, Canada K1P 1J9  
T 613.237.5160 | F 613.230.8842 (Legal)  
F 613.787.3558 (IP) | ipinfo@blg.com (IP)

#### Toronto

Scotia Plaza, 40 King St W, Toronto, ON, Canada M5H 3Y4  
T 416.367.6000 | F 416.367.6749

#### Vancouver

1200 Waterfront Centre, 200 Burrard St, P.O. Box 48600  
Vancouver, BC, Canada V7X 1T2  
T 604.687.5744 | F 604.687.1415

[blg.com](http://blg.com)



*This publication is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser if you have specific questions or concerns. BLG does not warrant, guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP (BLG). If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to have your contact information removed from our mailing lists by phoning 1.877.BLG.LAW1 or by emailing [unsubscribe@blg.com](mailto:unsubscribe@blg.com). BLG's privacy policy relative to publications may be found at [www.blg.com/home/website-electronic-privacy](http://www.blg.com/home/website-electronic-privacy).*