



NEWS RELEASE

Ontario government's timeline to reduce debt lacks specifics and relies on questionable assumptions

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For immediate release

TORONTO—Queen's Park's timeline for reducing the province's historically high debt burden relies on optimistic and questionable assumptions and lacks a detailed, credible plan to achieve it, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

The Ontario government has acknowledged the province's current debt-to-GDP ratio—a measure used to evaluate a jurisdiction's debt burden—is too high at 37 per cent of the economy and has pledged to lower it back to the pre-recession level of 27 per cent by 2029/30.

But the government has offered no specifics on how it will achieve that goal.

"Queen's Park has picked a target date for reducing its debt burden several years from now and is simply hoping, somehow, that the mountain of debt it created will start shrinking on its own," said Ben Eisen, director of the Fraser Institute's Ontario Prosperity Initiative and co-author of *Wishful Thinking: An Analysis of Ontario's Timeline for Shrinking Its Debt Burden*.

Specifically, the study finds that the Ontario government's debt currently stands at \$311 billion, and the province's most recent budget will add billions of dollars of new debt until 2020. Specifically, the government's latest budget calls for \$11.4 billion (on average) in additional new debt each year until 2020. No plans are provided for eliminating the addition of new debt after 2020.

"The inference from the government's current plan and timeline for debt reduction is that most of the heavy lifting of debt reduction will come from stronger economic growth", said Eisen.

The reliance on improving economic growth rather than a proactive plan to restrain the growth in debt is worrying. For instance, the plan relies on robust economic growth for the next 12 years and assumes no recession or even an economic slowdown.

"While it's welcome news that the government has at least set a timeline for reducing Ontario's debt burden relative to the size of the economy, it has yet to chart a credible course of action to get there," said Charles Lammam, director of the Fraser Institute's fiscal studies and study co-author.

"Wishful thinking alone is not enough to get Ontario's public finances back on track."

(30)

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