



ISSN 1180-4386

**Legislative Assembly
of Ontario**

First Session, 38th Parliament

**Assemblée législative
de l'Ontario**

Première session, 38^e législature

**Official Report
of Debates
(Hansard)**

Thursday 16 December 2004

**Journal
des débats
(Hansard)**

Jeudi 16 décembre 2004

**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires

Chair: Pat Hoy
Clerk: Trevor Day

Président : Pat Hoy
Greffier : Trevor Day

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Information regarding purchase of copies of Hansard may be obtained from Publications Ontario, Management Board Secretariat, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8. Phone 416-326-5310, 326-5311 or toll-free 1-800-668-9938.

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Pour des exemplaires, veuillez prendre contact avec Publications Ontario, Secrétariat du Conseil de gestion, 50 rue Grosvenor, Toronto (Ontario) M7A 1N8. Par téléphone : 416-326-5310, 326-5311, ou sans frais : 1-800-668-9938.

Hansard Reporting and Interpretation Services
Room 500, West Wing, Legislative Building
111 Wellesley Street West, Queen's Park
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
Salle 500, aile ouest, Édifice du Parlement
111, rue Wellesley ouest, Queen's Park
Toronto ON M7A 1A2
Téléphone, 416-325-7400; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Thursday 16 December 2004

Jeudi 16 décembre 2004

The committee met at 0900 in committee room 151.

PRE-BUDGET CONSULTATIONS

MINISTRY OF FINANCE

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will please come to order. This morning, committee, we have the Ministry of Finance. We have the Honourable Greg Sorbara, Minister of Finance, here in the room, as well as some staff.

Minister, you have an opportunity to address the committee and, under our agreement with all three parties, there will be some time for questioning. We have until about 9:45. So you may begin, and I would expect that if those at the table were to speak, they should identify themselves.

Hon Greg Sorbara (Minister of Finance): Thank you, Mr Chair. Good morning, on this final day of the session, to my colleagues in the Legislature. It's a pleasure for me, now for the second time, to be here to launch this committee's pre-budget consultations.

As you know, and I've learned, the committee plays an important role in the lead-up to the spring budget. I want to tell you that the upcoming budget is the next phase in our four-year plan to grow a stronger and more prosperous economy, to responsibly manage Ontario's finances and to improve the health and education of our people.

I want to tell you that our investments in health and education are already yielding concrete results. Through innovation, strategic investments and renewed infrastructure, we really are creating a new generation of growth in Ontario. Ontario, as you know, is the economic engine of Canada. By the way, we are calling on Ottawa to partner with us to help keep—this engine, this Ontario, well-tuned.

You should know that each year Ontarians pay \$23 billion more to the federal government than we receive back in federal programs and transfer payments to our citizens. After seven consecutive surplus budgets, I believe it's time for Ottawa to invest more in Ontario, especially when it comes to post-secondary education, child care and infrastructure that supports our economic growth.

This morning, as promised in last fall's economic statement, I want to provide an update on our govern-

ment modernization project. I'm also going to recap, by the way, our current financial situation and the economic outlook, and talk about the government's priorities and challenges.

Last spring's budget, as you know, set out a four-year comprehensive plan to restore the province to financial health. Central to this plan is the elimination of the structural deficit which has added so much already to the provincial debt. That debt should be seen as a mortgage weighing upon future generations of Ontarians. You should also know that it limits our priorities today, with interest charges crowding out funding for services and programs. I've said this before, but it's worth repeating: Servicing our provincial debt costs 13 cents of every dollar that we spend. That's more than \$10 billion every year. That's more than we provide for social services, that's more than we spend on justice, and it's almost as much as we spend on education.

Let's have a look at the economy. The economy in Ontario is creating jobs. It's expanding and it is performing pretty much as we projected in last May's budget. So, for example, in the first 11 months of this year, Ontario's full-time employment climbed by 2.3% over the same period in 2003, and that translates into 116,200 more full-time jobs for Ontarians. However, our provincial economy is expanding at a somewhat slower pace than the Canadian economy as a whole. I need to mention as well that the Canadian economy slowed slightly in the third quarter, to a growth rate of 3.2%. That was as reported by Statistics Canada.

Our growth projection in the budget, in the fall statement, was quite cautious. It called for growth of 2.3% compared to the private sector consensus of 2.6%. Forecasters in the private sector are now reworking their projections for 2005. We are beginning to see slower economic momentum translate into lower growth forecasts both for Canada and for Ontario in 2005. Of course, we're going to take that information into account as we develop realistic and prudent forecasts for the budget.

Just let me say a word on the Canadian dollar. There's no doubt that its sudden rise will impact jobs and economic growth going forward. The dollar reached a 12-year high in November, surpassing 85 cents US. As I've said before, that's good news for consumers who are buying imported goods and it's good news if you're travelling down south for a holiday, but it's tough for Ontario businesses that are exporting goods and services to the US and beyond, to around the world.

We all know that monetary policy and the Canadian dollar is the exclusive purview of the Bank of Canada. However, it's critical that we keep our eye on the risks in Ontario associated with a higher dollar. In that regard, I must say that I was heartened by the Bank of Canada's recent decision to hold interest rates steady, because it relieved some of the upward pressure on our dollar and therefore on our businesses.

We're nearing the end of our fiscal third quarter and all signs point to being on track in terms of our May budget projections. As of September 30, a deficit of \$2.2 billion was projected for 2004-05. It's an improvement of \$71 million from the deficit that we projected in the spring budget. For 2004-05, I want to remind the committee that the deficit targets include a one-time revenue gain of \$3.9 billion related to the projected elimination of the liability for power purchase agreements with non-utility generators.

According to the recently passed legislation that puts the new electricity market into place—that's Bill 100, I think—full costs will be passed to consumers, and this liability will therefore be eliminated. By the way, we're continuing to work closely with the Auditor General's office to ensure that we satisfy all of the requirements for this accounting treatment.

0910

An important part of our fiscal plan is spending restraint. In order to preserve and enhance valued programs and return the province to financial health, we must control spending and we must modernize this government. The May budget initiated this process. I want to tell the committee members that we are proceeding in a focused and disciplined way down this road. I want to remind the committee that the project has three goals:

(1) to find \$750 million in savings by 2007-08;

(2) to control long-term costs so we can meet the public's demand for improvements to health and education; and

(3) to create a more modern and efficient government with higher quality public services.

Over the fall, we conducted a line-by-line review of all ministries' budgets and their business plans. We also reviewed, by the way, ideas submitted by the people who work for this government in the Ontario public service. I mention that because I want to make the point that this is not a political exercise. This is a matter of exercising government responsibly.

I'm pleased to report that, to date, we've been able to identify \$350 million in savings. That, by the way, is almost half of our 2007-08 target of \$750 million or three quarters of a billion dollars in savings.

Our review of internal government business support services has identified \$200 million in achievable savings. Our goal in this area is to put in place better, streamlined purchasing practices so we can reduce the total procurement costs by 10%, based on the current spending levels, and to make that reduction by 2007-08. We believe this is a reasonable, realistic target, based on our experience to date.

Can I just give you a small example: Just last month the government re-tendered its courier services. We expect to save \$2.5 million under a new contract. Within my own ministry, in response to ideas submitted by Ontario public service employees, we're piloting a paperless pay stub system. This is cost-effective for government and more user-friendly for employees. Can I just explain? Each of us has electronic payments for the salary that we receive go into our bank accounts, and each month, for some reason, we receive as well an envelope with all the data on a paper copy. In our ministry, we're piloting a project that simply eliminates the second part of that pay process. When that's fully implemented across government, we're expecting to save approximately \$600,000 on this one item alone.

On a larger scale, we have identified a number of opportunities to achieve efficiencies when it comes to technology. Continued consolidation of information technology services and applications across ministries is going to save us \$100 million. Just one example: Right now there are more than 200 Web sites, administered by more than 20 ministries and their agencies. IT consolidation in this area will save money, reduce the total number of government Web sites and improve service to the public.

Beyond technology, we expect that the Ontario Realty Corp will help ministries trim accommodation costs by some \$50 million with a new strategy that aligns our real estate needs with government priorities. This will improve management of real estate assets and retrofit buildings to reduce energy consumption.

I also remind committee members of other savings we have made or identified over the course of the past year. Just two years ago, there were at least 17 incompatible core financial systems and almost 100 smaller systems in use across the Ontario public service. This meant that producing financial reports and statements was labour-intensive, time-consuming and complicated. I'm pleased to tell the committee that this past October, for the first time, all ministries have moved to one, integrated financial information system. Around our shop, it's known as IFIS. I think it's a truly great accomplishment, and it's work that has been going on over the past two years. IFIS will provide better and more timely information and will support improved decision-making and financial management.

I want to take you back to the Provincial Auditor's report of 2002. It identified numerous concerns about government's use of consultants. Following the auditor's advice, we have reduced the Ontario public service's reliance on outside consultants and will be achieving savings of about \$17 million a year.

I also want to remind the committee that the government has made good on its commitment to eliminate partisan advertising, and this is going to save Ontarians at least \$10 million a year.

I probably don't have to remind you that we've frozen MPPs' salaries, we've frozen the salaries of political staff and, finally, we have cancelled bonuses this year and

frozen compensation for the government's senior civil servants—a tough decision.

Roughly 80% of the government's program and capital budget of \$70.1 billion goes out in the form of transfer payments to hospitals, colleges, universities, school boards and other agencies. Through recently passed amendments to the Audit Act, we've expanded the Auditor General's mandate to include value-for-money audits on all of those entities. We also have given the Auditor General the right and responsibility to audit crown-controlled corporations such as Ontario Power Generation and Hydro One. We believe profoundly that accountability and transparency are essential in creating value for Ontarians.

We're also working with our transfer partners to improve their procurement processes. OntarioBuys was set up in the 2004 budget and is working closely with hospitals to improve supply chain management. Ontario hospitals are huge consumers of supplies and equipment—about \$3 billion per year. A large teaching hospital spends more than \$100 million on goods and services, and a mid-sized community hospital spends about \$25 million. The benefits of OntarioBuys supply chain management strategies will not only be used in the hospital sector but will be applied as well to universities, colleges and school boards.

I want to tell you that we're at a point in our review where we've identified other modernization projects as well, and we're continuing to work to quantify specific savings. Let me give you a couple of examples. We're working to improve regulation and enforcement practices. We're moving to a more modern, risk-based approach to focus on businesses that are chronic violators. We're also providing business with easier access to information through the Ministry of Labour's Workplace Gateway. That's going to be available through the ServiceOntario Web site. These efforts are going to result in better services for business and better value for Ontarians.

0920

We're working to improve front-line services to the public. Last week you heard that Jim Watson, Minister of Consumer and Business Services, has taken steps to respond to the public's frustration with birth certificates. Minister Watson announced a new feature of ServiceOntario designed to cut the wait time for birth certificates and improve customer service.

We're also working closely with our counterparts in Ottawa to improve services, strip out duplication and save taxpayers' money. Last month, we announced that the Ontario and federal governments will begin working together to design a single tax collection system for both Ontario and federal corporate taxes. The two governments will soon announce comprehensive agreements on labour market services and immigration.

Let me just say a word now about Ontario's contribution to keeping Canada strong. This year, Ontarians will contribute almost \$85 billion to federal revenues. As I said earlier, Ontario residents and businesses contribute

\$23 billion more to the federal government than we receive in federal programs and transfers each and every year. Since 1997-98, the year the federal government began running surpluses, Ontario's cumulative net contribution to Confederation has been about \$174 billion. I repeat: The cumulative net contribution is \$174 billion.

Ontarians have always believed in Canada's equalization ideals; there is absolutely no doubt about that. But I want to tell the committee that after seven consecutive federal budget surpluses, Ottawa is in a position to do more to support economic growth in Ontario. I want to reiterate that the recent federal health care agreement, in which our Premier played such a pivotal leadership role, represents an important step for both governments in this regard, but much more is required. The federal government needs to provide more support through the Canada social transfer for post-secondary education and social programs. This, by the way, is particularly important as Ontario awaits the Rae report on Ontario's post-secondary education system. Enhancing that system will be a key element in ensuring that Ontario remains strong.

One of the ways that Ottawa can help Ontario is by improving the fairness of transfers it sends to the provinces. This year, Ontario will receive \$445 million less than if the Canada health transfer and the Canada social transfer were distributed on an equal per capita cash basis to all provinces. Again, since 1996-97, it's estimated that Ontario has lost almost \$6 billion because of this one inequity. So we're calling on the federal government to form a critical partnership with us to ensure that Ontario remains the engine of economic growth in Canada. In particular, we see this critical partnership as a priority for funding post-secondary education, as I've just discussed, child care and building new infrastructure.

There are a lot more difficult decisions to come.

Most of our budget and the public's tax dollars are spent on compensation costs, health care and education. I want to tell the committee members that we are working hard with our partners in the Ontario public service and the broader public sector to find the right balance at the bargaining table. We are looking to senior executives in the broader public sector to follow the example we have set with senior civil servants in Ontario.

This committee is off for its second series of pre-budget hearings. I believe that the first series last year was a great success and was very helpful in budget preparation. I'm simply going to suggest, as you travel the province and meet with a variety of groups, that there are some questions of particular interest to us and, I think, to Ontarians. I'm suggesting that you may put these seven questions to deputants who appear before you to encourage discussion. I'll just go through them quickly:

(1) What other measures could be implemented in Ontario to constrain spending and modernize government?

(2) Where else can duplication and waste be eliminated?

(3) What other measures could be implemented to streamline regulation and enforcement and improve service to the public?

(4) Where there is a desire to increase spending, what monies should be reallocated from other areas to fund those increases?

(5) What else can the Ontario government do to inspire new economic growth?

(6) How can fiscal transparency and accountability be further improved?

(7) How should the federal government partner with Ontario to ensure that this province remains the engine of the nation's economy?

In conclusion, I want to wish you well in your deliberations. I want to express my appreciation for the opportunity to begin with these remarks and the opportunity to update you on our plan to grow a stronger economy in Ontario, to better manage our financial resources and to improve health care and education in the province.

I want to tell members of the committee that we are determined to stay on course. I want to tell you that I believe the input from this committee, and from Ontarians generally, will help us in the work that we're doing.

Today I've had an opportunity to give you an update on the modernization of government and to tell you that we're making good progress, but I need to tell you as well that much more needs to be done and there are more difficult decisions and difficult issues to address down the road.

But I want to end by reminding you that this government does things in a different way. We work with others. We listen. We believe in a balanced approach. But make no mistake, we're a government of action, we're a government with a plan, we're a government that is willing and able to make bold and decisive moves to improve the lives of the 12.5 million people for whom this great, expansive geography is home.

Merci beaucoup. Thank you very much. I look forward to your questions.

The Chair: Thank you very much, Minister, for your presentation before the committee this morning. As per the agreement, there will be about 25 minutes for questioning, so that would allow for about eight minutes per caucus. We'll begin with Mr Flaherty.

Mr Jim Flaherty (Whitby-Ajax): Minister, we're going to use our eight minutes together, Mr O'Toole and I. We hope to get some answers from you subsequently, because you've already used about 20 or 25 minutes here this morning.

I see at the end of your statement that you're saying you have a plan and you're a government that is willing and able to make bold and decisive moves to improve life for the 12.5 million who call Ontario home. The only decisive moves we've seen as a result of all these consultations last year by this committee and the pre-budget consultations by your ministry is the largest tax increase in the history of the province of Ontario, a \$2.6-billion tax grab, which no one asked for during the consultations

that went on last year, and a spending spree in excess of \$4 billion by your government.

If those are the kinds of bold and decisive moves you consider progressive in Ontario, then our economy is going to continue to underperform, which you have just described. It's not performing at the levels predicted by your government and it's performing at less than the Canadian average economic growth, which is not much of a record to be proud of, quite frankly, as the Minister of Finance of Ontario.

"We need to reach higher in this province." You sound like David Miller from the City of Toronto here this morning. You've got your hands out—

Mr Mike Colle (Eglinton-Lawrence): Come on, don't insult the minister.

Mr Flaherty: We'll get to you about your automobile insurance in a moment, Mr Colle, and your promise about consultations, which only go till January 7. We'll get to that in a moment, the unwillingness of your government to consult.

The point is, Minister, you seem to be relying on the federal government to bail you out. You sound like David Miller coming to the provincial government saying, "Please bail me out." What the people of Ontario expect is for you to be fiscally responsible, not to have your hand out to the federal government.

What we need in Ontario, what we need nationally in this country, is tax reduction. There is a huge tax burden on individuals in this country and on the businesses of this country. Instead of talking about bailing out Bombardier, we should be talking about reducing the tax burden on our businesses.

0930

Tax policy changes the economy. It changes behaviour by small businesses and larger businesses. I just wish fervently, for the good of the quality of life in Ontario and our standard of living, that you would listen this time, which you did not do last time, to the consultations we hear around the province about reducing the tax burden and then investing in what people actually care about: transportation and infrastructure, on which your government has totally dropped the ball for 14 months now. We need transportation. When I take the GO train, I hear that they want transportation support, Minister. They want some capital investment in the province of Ontario. That's what they ask for. The bailout by Ottawa: Good luck. I guess that's going to be the refrain.

You're counting on restraint in the Ontario public service and in the school boards. There's a letter now from Mr Kennedy to the school boards, interfering in the collective bargaining process, in which he talks about the teachers limiting their demands to 2%, 2% and so on, going forward. I hope you have a contingency plan. His letter is clear evidence of the intention of your government to impose wage controls. I assume you have a contingency plan, because when the teachers don't agree to that, and when the nurses have their arbitration award in February or March, then you'll know what the increases are going to be. They're on page 62 of your

budget document—hospital nurses, elementary and secondary school staff. The cost of a 1% salary increase for elementary and secondary school staff, \$115 million; the Ontario public service, \$45 million; nurses, \$34 million; OHIP payments to physicians, with whom you still have not settled despite the bullying by the Minister of Health, \$58 million.

I hope, Minister, that you, your government and your ministry are creating some sort of contingency plan to control the spending side of the equation. On the revenue side, I certainly hope that you will undertake to this committee and to the people of Ontario that you will not increase taxes further, and that you will indeed move to reduce the tax burden on the hard-working people in Ontario and not simply depend on a bailout from Ottawa.

On post-secondary education, I regret to read what you said in here and what you've said here this morning. What you've basically said is that you're going to get Mr Rae's report at the end of January and you're not going to do anything with it unless the federal government bails you out with more money. You shouldn't have appointed Mr Rae to undertake this very important study for the future of Ontario if you're not prepared to make a financial commitment with respect to post-secondary education, over and above what it is today. That requires that you do your job as Minister of Finance. It requires that you actually undertake the reviews you promised in your budget.

Where's the review on better management of provincial assets? The government will undertake a major review of provincial assets: That is what you said last May. Where is it? We haven't seen it yet. Where is the third-party, independent operational review of the LCBO? You said you were going to do it in the budget last May. Where is it? We still haven't seen it. As far as we know, you haven't even appointed anyone to do it, and this is December 16, 2004.

If you're serious about fiscal responsibility and about controlling the expansion of government and the so-called structural deficit, then you would have taken these steps by now, but all we get is more words, a repeat of the same stuff that was in the budget and in the economic statement.

What has happened, though, is that performance is going down. We know that retail sales tax is down from budget expectations. We know our economy is growing, as you've already said, at a pace that does not match expectations. We know that's going to affect—

Mr Colle: Doom and gloom.

Mr Flaherty: It's not doom and gloom. These are numbers. This is the finance committee. We're supposed to look at numbers—the minister responsible for automobile insurance who doesn't believe in consultations, over there.

Mr John Wilkinson (Perth-Middlesex): Do you have a question in there?

Mr Flaherty: There are lots of questions. I've raised a whole series of questions. Mr Wilkinson should mark them down, because these are going to be important

questions that are going to be raised during the pre-budget consultations of this committee.

The real question is whether the minister is going to listen and whether the government members, quite frankly, are going to listen and put some pressure on the minister, in caucus and so on, to actually walk the walk and do what he's supposed to do, and that is be fiscally responsible in the province of Ontario, not to increase taxes further, which was the answer last year, and not to increase spending further, which was the answer last year.

This is just the tax-and-spend nonsense that put Ontario in a terrible position by 1990, such a bad position that the people of Ontario threw out the Peterson government and had to actually move to the NDP in desperation because of the sad situation.

So on taxing and spending, I say to the minister, I hope you'll listen. This committee is going to spend a lot of taxpayers' money in the next month travelling around Ontario listening to the genuine concerns of people across the province. I hope we will have your undertaking to actually listen this time. Mr O'Toole?

The Chair: Thank you. Your time has expired.

Mr Flaherty: Oh, no.

The Chair: I'll move to the NDP.

Mr Michael Prue (Beaches-East York): I do have some questions, so I hope the minister will be listening. But before I do, I really have to speak about the number of individuals who came before this committee the last time around talking about tax cuts. I remember precisely two, and I attended every single meeting save and except the one in Thunder Bay. I only remember two people talking about tax cuts. I do remember hundreds not talking about that.

Anyway, be that as it may, my first question has to do with the surplus budgets in Ottawa. It's commendable you want to go and look for more money, but I have a question—a tough question, I think. Why would Ottawa want to give Ontario more money when they give money for child care and you claw it back, they give money for housing on a matched basis and you don't spend our portion? Why would Ottawa be interested in giving us more money, given what you do now?

Hon Mr Sorbara: First of all, on the child care claw-back, I'd just refer back to my budget and the announcement that we did not claw back the increment that was attributable—

Mr Prue: It was 3%, yes.

Hon Mr Sorbara: —to the 2004-05 year, and I want to tell you that we are looking at a wide variety of mechanisms to improve the support of children, particularly Ontario's most vulnerable children.

But just on the broader question of our relationship with the federal government, I'm very optimistic, particularly given that we share political values with the federal government, that this can be an historic time for improved relationships and improved investments in Ontario over the course of the next four or five years.

We are about to sign an immigration agreement. That kind of agreement has been pending for years in Ontario. On that subject, let me just point out an anomaly in Canada. The province of Quebec has an immigration agreement with the federal government. Under that agreement, Quebec receives some \$3,200 per immigrant in settlement costs. The equivalent in Ontario is \$800 per immigrant. Where are the vast majority of new Canadians coming to? They're coming to Ontario, and the vast majority who come to Ontario are settling in the greater Toronto area. We have to do a lot more in settlement, and we can do that with the new agreement. I expect an agreement will be signed. We're also looking toward signing a labour market agreement.

In my remarks, I simply mentioned post-secondary education, child care and infrastructure. In regard to the first two, they are governed by something called the Canada social transfer. While all the public emphasis has been put on the Canada health transfer, it's now time to look at the other major transfer.

The other item that I mentioned is infrastructure. We think the federal government should be playing a larger role in the construction of the infrastructure that will be the foundation for new economic growth. We are willing to do that with agreements that are pan-Canadian, we are willing to do that with bilateral agreements such as the COMRIF deal, the Canada-Ontario municipal rural infrastructure fund, and we are willing to do that in one-off investments, whether it be for rapid transit, water systems or the like.

0940

Mr Prue: Well, I didn't hear much there; I have to be blunt. The federal government has put forward lots of money for housing; the municipalities have ponied up their share. We have not. I just wonder, how much more do you—

Hon Mr Sorbara: I just want to respond to you that our Minister of Public Infrastructure Renewal is currently discussing a breakthrough housing agreement that will start to have that money flow. Listen, I know the history. I mean, there was a regrettable wall—perhaps political, perhaps administrative—between the government of Ontario and the government in Ottawa prior to October 23. We are systematically trying to tear down that wall and enter into agreements that are for the mutual benefit of the people of Ontario and the people of Canada.

Mr Prue: OK. Back to the Quebec example you used on immigration services: Quebec, since the early 1970s, has had its own immigration grid but, more importantly, in what they've done—if we're going to do this, if we're going to be serious in Ontario, I want to hear whether we're going to actually do what Quebec does; that is, go out and recruit our own immigrants, set up our own immigration visa officers in places around the world, actually select the immigrants and help them to acculturate and be recognized in Ontario. They do much more to recognize their immigrants in Quebec, be they doctors or lawyers or engineers. They have that whole grid system and they spend a lot of money to do it. Is this the kind of

thing you're saying we're going to do, or are we simply going to say, "They get \$3,200 and we want it"? I really need to know how serious your plan is.

Hon Mr Sorbara: Michael, I think the answer to that is, the immigration challenges in Ontario are different from those in Quebec. There are cultural reasons that we could discuss for hours. The issue in Ontario is not, "Can we find the right kind of immigrant for Ontario?" We have a marvellous flow of immigrants coming to this country from every corner in the world. We are not yet doing a good enough job in settlement; we are not yet doing a good enough job in recognizing the talents of foreign-trained professionals. But I personally don't think Ontario needs visa officers to say, "Yes, you can come," to one person and, "No, you can't come," to another person. We want to encourage as many people as Ontario can absorb to come to this province, but at the same time we want to have the supports necessary to ensure that those immigrants become integrated into the Canadian economy and Canadian society and Canadian culture as quickly as possible.

Mr Prue: I hear that, but what that tells me is we're going to have half a system.

Hon Mr Sorbara: No.

Mr Prue: We're not going to end up something like Quebec. OK.

The Chair: You have about a minute left.

Mr Prue: One last one, then. You say the Ontario and federal governments will begin working together to design a single tax collection system for both Ontario and federal corporate taxes. Do you not think that the staff who work in Ontario have saved this Ontario government millions, perhaps billions, of dollars in their auditing, and that if we leave this all to the federal government we are going to miss a lot of mistakes that are happening in Ontario? I'm very worried, because I think that probably the best bang we get for our buck from any civil servant is from our auditors, who find where we're not spending it well.

Hon Mr Sorbara: I would agree with you completely that those who have worked in corporate tax collection and auditing in Ontario have served this province magnificently. I think they carry a very high standard to their work. As we negotiate a transfer of that responsibility, we are going to be insisting that those same high standards characterize the collection of Ontario corporate tax. I don't have the expertise to compare on a line-by-line basis the overall capacity of the Canada Revenue Agency, but I should think that they are doing a pretty good job of collection of corporate tax on behalf of the federal government.

The other thing to point out is that in Canada it is only the provinces of Alberta, Ontario and Quebec that have separate corporate tax collection systems provincially, so this is not revolutionary in the tax administration of the country. I wouldn't be surprised if perhaps Alberta might want to consider the same thing, although right now they're just flush with resources and perhaps they don't need to go through the rigorous modernization exercise

that we are in Ontario. I think that the province of Quebec will continue to have its own system for many years to come.

The Chair: We'll move to the government.

Mrs Carol Mitchell (Huron-Bruce): Minister, I certainly welcome the opportunity to allow my voice to be heard through the committee and through other measures.

I just want to make a couple of comments with regard to the bailout comment and remind our fellow Ontarians that the federal government receives more than \$23 billion that we do not receive back in Ontario. So we're not talking about bailouts; we're talking about critical partnerships. I would like to remind the opposition that we're not talking about bailouts. Maybe he forgot his numbers for just one little minute.

I would like to thank the minister for the opportunity to expand on the critical partnership that will be formed with the federal government and, more specifically, with regard to infrastructure.

I would also like to remind the committee that I come from a rural community, as I know that the minister knows. Further to the comment that the previous opposition member did make with regard to all the investments that they made into the communities and, more specifically, the municipalities—as you know, I come from that background and I really must say that our rural communities have, for the past decade, been hurt very hard by the lack of commitment from governments at all levels. So I applaud the initiative to move forward with our critical partnership.

My question specifically is to expand on the infrastructure.

Hon Mr Sorbara: I thank Mrs Mitchell for the question.

Let me just give you a little bit of a political background. I'm just reflecting my own impressions from the way in which Ontario, as led by our Premier, participated in both the health care summit, as it was called, and the federal-provincial meeting on equalization. There are two things to note there.

First of all, there was a quality of leadership that made me very proud. There was a point where the Premier, on the equalization discussions, said, "Look, we are not going to sit around here for two weeks fighting about stuff when there is a valid agreement on the table, as presented by the federal government." That pretty much was conclusive of the matter.

On the health care agreement, I am convinced that that meeting would have ended without agreement had it not been for the interventions of the Premier of the province.

I point to those two things because good working arrangements really have a strong foundation in strong personal respect and strong personal relations. I have that kind of relationship with Minister Goodale. We feel free to disagree with one another, to call one another on a moment's notice and to express concern. I know that the Premier has that same relationship.

Of course, it's not just relationships that you need; you need a context. I know that there is fiscal imbalance in this country. Every provincial government has referred to it. There is no doubt that, with the exception of Alberta, each government in Canada is struggling to balance the budget and is going through the same kind of exercise that we are.

At the same time, the federal government is enjoying the benefits of surplus. I think surpluses are great, and I intend that, sometime in the near future, Ontario is going to talk about its surplus.

Mr John O'Toole (Durham): You've got three years left.

Hon Mr Sorbara: Is there an echo in this room? Is it the microphone?

Mr Wilkinson: It's the ghost of Christmas past.

Hon Mr Sorbara: "Past," I think, is the operative word.

0950

Mr O'Toole: I have a small gift here, a small piece of coal. Minister, I want to present my Christmas gift—

Mrs Mitchell: I take it that you're not interested in hearing the answer to the question I put forward, Mr O'Toole.

Hon Mr Sorbara: I want to say to Mrs Mitchell that, of the various things that we need to agree on, we need to agree on improvements in the funding of infrastructure. I think we need to do that significantly in rural Ontario.

In my own pre-budget consultations last year, I heard about the inability of smaller, more rural municipalities to undertake projects as simple as the repair of bridges. We have not fixed all of that in the first budget nor have we reached a conclusive agreement that will fix all of that with greater federal participation, but it is one of the elements that is going to drive our negotiations. I think the COMRIF agreement is going to be of significant help, and I agree with you that more needs to be done.

The Chair: You have about one minute. Mr Wilkinson?

Mr Wilkinson: In the spirit of Christmas, we will not characterize the member for Whitby-Ajax, who participated in the largest gutting of public services in the history of Ontario. Despite the fact that the people of this province soundly rejected your legacy, and your own party has rejected you twice in the short order of a few years, you want to come in here and talk about a lot of different things—

Mr Flaherty: You hurt my feelings. You really hurt my feelings.

Mr Wilkinson: Well, you want to put it on the table—Christmas past.

Minister, could you update us on OSIFA? In my own riding, COMRIF is something, but OSIFA has been very well received. I know this is innovative, and I was wondering if you could comment on how that program is going.

Hon Mr Sorbara: It's a good question, because it follows on the question on infrastructure. I mentioned

COMRIF because Mrs Mitchell was asking about the federal relationship.

OSIFA, or the Ontario Strategic Infrastructure Financing Authority, is perhaps the most significant element in the budget to assist municipalities with financing of infrastructure. What it does, in a word, is use the borrowing power of the province to provide much lower financing for municipalities to undertake water system construction—infrastructure of a wide variety, including bridges and roads.

One of the things that I think is an important and perhaps underpublicized element of OSIFA is that the same model is going to expand to other parts of the broader public sector, including universities and colleges, hospitals, and school boards as well.

It's consistent with the notion of modernization. It's consistent with the notion of the province partnering with local municipalities to provide assistance. I think we've already announced some \$1.5 billion in OSIFA funding. There is more to come, I hope even before the end of the year.

The Chair: Thank you, Minister, for appearing before the finance and economic affairs committee this morning as we prepare for our pre-budget consultations.

Mr O'Toole: Mr Chair, on a point of order: Minister, in all respect—

The Chair: That's not a point of order. There are no displays allowed in the committee room.

SUBCOMMITTEE REPORT

The Chair: We will now move to the report of the subcommittee.

Mr Colle: I'd like to move adoption of the subcommittee report of the standing committee on finance and economic affairs.

Your subcommittee met on Thursday, December 9, 2004, to consider the method of proceeding on pre-budget consultations 2005, and recommends the following 19—

Mr Prue: Dispense.

The Chair: Dispense. Shall the report carry?

Mr O'Toole: Chair—

The Chair: Yes, Mr O'Toole.

Mr O'Toole: We're quite content to follow the wishes of the government. We think it's important. That being said, for the consultations the week of the 17th, we wouldn't mind a day in Barrie. Barrie is a large, important—

Mr Colle: We already agreed to it. We've changed them four or five times. We've changed Whitby back and forth.

The Chair: We've agreed to these dates, is my understanding. The committee report—it has been dispensed. All in favour? Carried.

This committee is adjourned.

The committee adjourned at 0954.

CONTENTS

Thursday 16 December 2004

Pre-budget consultations	F-1131
Ministry of Finance.....	F-1131
Hon Greg Sorbara, Minister of Finance	
Subcommittee report	F-1138

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr Pat Hoy (Chatham-Kent Essex L)

Vice-Chair / Vice-Président

Mr John Wilkinson (Perth-Middlesex L)

Mr Toby Barrett (Haldimand-Norfolk-Brant PC)

Mr Mike Colle (Eglinton-Lawrence L)

Mr Pat Hoy (Chatham-Kent Essex L)

Ms Judy Marsales (Hamilton West / Hamilton-Ouest L)

Mr Phil McNeely (Ottawa-Orléans L)

Mrs Carol Mitchell (Huron-Bruce L)

Mr John O'Toole (Durham PC)

Mr Michael Prue (Beaches-East York / Beaches-York-Est ND)

Mr John Wilkinson (Perth-Middlesex L)

Substitutions / Membres remplaçants

Mr Jim Flaherty (Whitby-Ajax PC)

Mr Peter Fonseca (Mississauga East / Mississauga-Est L)

Mrs Maria Van Bommel (Lambton-Kent-Middlesex L)

Clerk / Greffier

Mr Trevor Day

Staff / Personnel

Mr Larry Johnston, research officer
Research and Information Services