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**Tuesday 28 October 2008**

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des débats  
(Hansard)**

**Mardi 28 octobre 2008**

**Standing Committee on  
Estimates**

Ministry of Agriculture,  
Food and Rural Affairs

Ministry of Finance

**Comité permanent des  
budgets des dépenses**

Ministère de l'Agriculture,  
de l'Alimentation et  
des Affaires rurales

Ministère des Finances

Chair: Tim Hudak  
Clerk: Sylwia Przewdziecki

Président : Tim Hudak  
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

## STANDING COMMITTEE ON ESTIMATES

## COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Tuesday 28 October 2008

Mardi 28 octobre 2008

*The committee met at 0859 in room 151.*

### MINISTRY OF AGRICULTURE, FOOD AND RURAL AFFAIRS

**The Chair (Mr. Tim Hudak):** Good morning, folks. I'm calling back into session the Standing Committee on Estimates for the last day of hearings with the Ministry of Agriculture, Food and Rural Affairs. There is a total of about 55 minutes remaining on the clock, which will include votes. So what I'm going to do is have 15 minutes per party. That will leave us time to do the votes or any remaining debate so that we fit within the time frame. So that will be a full rotation.

When we last met, the government members had finished their questioning, so we'll begin with the official opposition for about a 15-minute turn, and then we'll have some end-of-session business to conduct.

**Mr. Ernie Hardeman:** Thank you very much, Mr. Chair. My colleague from Haldimand–Norfolk will start off with some questions, and then I'll finish off the 15 minutes.

**The Chair (Mr. Tim Hudak):** Outstanding. Mr. Barrett.

**Mr. Toby Barrett:** Thank you, Chair. A question of the Minister of Agriculture: You're certainly aware of some of the problems with the Ontario cattle, hogs and horticulture program. Some farmers have been missed; we hear talk of 100 or so young farmers, primarily hog, and some in cattle and hort as well.

I had a very good tour yesterday of a fairly large hog operation—600 sows—at Bartside Farms. This is a classic case of where some farmers have been missed. Wayne Bartels gave me a tour; he's 35. He runs it with his brother Geoff, aged 28. They built their barns in 2004 and 2005. They spent \$3 million, a great boost for our local economy. They received nothing. They're aware of some retired hog farmers and some deceased hog farmers receiving funding, and their operation is, in my view, anyway, in trouble. I know their line of credit dropped from \$250,000 down to \$170,000, and they borrowed \$400,000 at the beginning of this summer and have gone through that. They're in trouble; they have fallen through the cracks.

We had a good discussion inside the barns. The question they asked me to relay to you: Given that we're aware that some farmers have been missed, young farm-

ers, they want to know, since then, has there been any headway made? Is there any suggestion of any kind of an add-on program? We understand that there'll be taxation data becoming available soon that may identify those like the Bartels family, who just began in the hog business a few years ago. So if new financial data from 2007 would be made available, is there a way that we could work through this just to capture these other young farmers? I can assure you, I spent all morning in the barn, and these guys, just by timing, got caught.

**Hon. Leona Dombrowsky:** I want to thank the member from Haldimand–Norfolk for the question—very similar to other questions from your colleagues on this issue.

It gives me an opportunity to—I hopefully will be able to clarify that when we were asked to consider additional support for the cattle, hog and horticulture sector shortly after the election last year, the industry leadership put forward the case that because there had been some long-standing hurt in the industry year over year over year, producers in those sectors had not posted profits in their operations. That cumulative effect had presented some particular hardship, and there was a need to address that situation. There was a range of reasons that had been presented: the low Canadian dollar—or the high Canadian dollar; I'm sorry. I'm thinking about today. Then, the Canadian dollar was high. There were very serious issues around the cost of feed and so on, coupled with the fact that some in the cattle sector particularly had really never recovered from the BSE crisis. That is why we arranged the program the way that we did.

With respect to the member's question, for those producers who were more recently in the industry, we did use data that was gathered through the federal cost-of-production program. Anyone who would have made application to the federal cost-of-production program by September 2007—so that would have been a little over two, almost three months before the announcement was made by the Minister of Finance last December—would have qualified for consideration in the program. I think that's very important, because that federal cost-of-production program would include those producers who began farming in 2005 and 2006, and it would allow us to flow money.

The reason we used the federal cost-of-production program—the federal government obviously wanted to design a program that would flow money quickly to producers. Because that is what we heard the need was

among the sectors, that is why we decided that was the best, most appropriate vehicle to deliver those additional funds. I would also offer that we were very disappointed, of course, that there were no federal matching dollars to this program. However, I would offer at this committee that the federal government did provide advance payments to producers who had cash flow—the member, I think, specifically identified some cash flow issues, and that was the purpose of advancing dollars in programs that they would be registered in before they might otherwise receive the dollars normally through the program.

I think it's important that we clarify that the dollars that were identified were there because it was expressly the view of the stakeholders, the leadership, that there had been some long-standing hurt, that that needed to be addressed, and they wanted the money as quickly as possible. That is why we followed the federal cost-of-production program model.

**The Chair (Mr. Tim Hudak):** Mr. Barrett, you're happy with the answer? I think Mr. Hardeman wanted to ask a question.

Okay, Mr. Hardeman.

**Mr. Ernie Hardeman:** I believe the answer was no, you're not considering any further program for these young farmers. Obviously we've covered that off, Madam Minister, in previous meetings.

I wanted to go to some of the other points in the estimates. The Ontario ethanol growth fund: In 2007-08, the estimates had \$23 million; in 2008-09, \$27.23 million. Yet in 2007-08, even though there was \$23 million in estimates, there was only \$9.5 million spent. What's the holdup in getting the money out for the ethanol fund? Obviously, if you estimate to spend that much, you would look forward to getting that much spent. I noticed that in quite a number of areas where there's been money allocated in the estimates, when it comes to public accounts there's no relationship between the estimate and the spending.

0910

**Hon. Leona Dombrowsky:** I'm going to ask ministry staff to give you a more detailed accounting with respect to the numbers that you referred to, but I would also offer that when we established the ethanol growth fund, we did invite applications and then we reviewed the applications. They were successful. But the payment of the funds are certainly dependent on the successful applicant demonstrating that their project has moved along. There have been situations across the province where, for a variety of reasons, the producers were not able to get their operation up and running as quickly as they had anticipated.

**Mr. Ernie Hardeman:** I understand that, Madam Minister. My question really is—not just in the ethanol growth fund, but it seems to be prevalent in a lot of the estimates where we're estimating to spend a sum of money, and that's budgeted for, and then it seems almost in every case in which we have a program where we estimate that we can't seem to meet the spending criteria to get it into public accounts when we said we would. Is

that bad judgment or bad design of programs that causes that to happen?

**Hon. Leona Dombrowsky:** I think I need some direction because the member asked particularly about the ethanol growth fund. I've just given a general answer—

**Mr. Ernie Hardeman:** It referred directly—no, it's directly to the ethanol fund, but we've had the same problem with the drainage, a number of other ones, that the money is estimated to be spent and then it's not. I think we have a right to know whether it's a design problem or whether it's assuming that you could get something done that couldn't be done in that period of time. Maybe if you, as you suggested, let the deputy answer, maybe he could tell me that

**Hon. Leona Dombrowsky:** This would be particularly on the ethanol growth fund? I just need to be clear.

**Mr. Ernie Hardeman:** My question is to the growth fund, yes.

**Hon. Leona Dombrowsky:** Deputy, would you be able to respond to that?

**Dr. Bruce Archibald:** As we formulate our requirements in the budget and for our results-based planning piece that goes into the estimates piece of our budget, we talk with program design folks and we talk with industry in terms of expected expenditures, particularly on the capital side. On the ethanol growth fund in particular, there were a number of applicants who had put forward requests for capital funding. There were various rationales or reasons why things were delayed: approvals in terms of bringing in water lines, difficulty in terms of securing supplies, which often the applicants don't tell us about until fairly late in terms of the fiscal year. So I think we always go forward with the best estimates possible in terms of what actually can be expended and we try to examine these things and rely on the information of our stakeholders in terms of, "Are they keeping on track?" I think in the case of the ethanol growth fund there were some significant delays for a couple of the recipients in terms of building the capital infrastructure involved, which resulted in reprofiling those dollars in our years.

**Mr. Ernie Hardeman:** If we go on to the strategic partnerships, there the numbers are skewed extremely in the opposite direction. I'm sure there's a reasonable explanation, but the estimates for 2007-08 was \$632,000; the expenditure was \$58,227,000. I wonder if there's an explanation for that from the deputy.

**Dr. Bruce Archibald:** What happened on that one was that as the government was looking at various areas to make fourth-quarter investments, it was decided that there would be a strategic investment in the University of Guelph of \$56 million to advance the innovation agenda, particularly in the area of bioproducts and new transformation areas, so there was an additional expenditure of \$56 million that wasn't actually in the original budget plan.

**Mr. Ernie Hardeman:** Is that the same investment in the university that's made regularly each year for the research that they do, or is that over and above that research money?

**Dr. Bruce Archibald:** Yes, this was—

**Hon. Leona Dombrowsky:** That would be over and above.

**Mr. Ernie Hardeman:** The drainage program has the same problem. It has a major overestimate, under-expenditure. Is that strictly based on the drainage work that's taking place? Do we know more applications than that? I remember years ago, the amount of drainage work being done in agriculture was in fact limited by the amount of money available in the loan program. Looking at these estimates, I find it rather strange that we would have so much more money than we have projects going on. Is it strictly the state of the economy in agriculture—that they're not draining as much?

**Hon. Leona Dombrowsky:** The deputy will respond.

**Dr. Bruce Archibald:** This one, again, is a function of the municipalities estimating what they believe they can expend under the program and then actually not being able to get the work done within the time periods allotted.

**Mr. Ernie Hardeman:** To dwell just a little bit on the transitional assistance for meat processors, again, we only have a third of the money spent. That's the same thing—we've over-guessed or underestimated the use of the program or the ability of the program to use the money that was available?

**Dr. Bruce Archibald:** Again, I think this is another example of when people first applied to the program, they put forward a budget and expected expenditures throughout the fiscal year. Particularly for a brand new program, I guess it's not overly surprising that some of these folks have overestimated their expenditures, so that's why there is an under-expenditure in-year.

**Mr. Ernie Hardeman:** I noticed in the estimates for 2008-09, there is nothing for nutrient management. Is that because it's put in a different category?

**Dr. Bruce Archibald:** My understanding is that the program is completed, so that's why there is no expenditure for 2008-09.

**Mr. Ernie Hardeman:** So there's no more government involvement with it; it's now on the ground working, and all the other financing will be through other departments, other programs?

**Dr. Bruce Archibald:** This particular program is completed, so there is no more funding under that program.

**The Chair (Mr. Tim Hudak):** Sorry, Mr. Hardeman, that does conclude the time in this round. Thank you both, Mr. Hardeman and Mr. Barrett. Mr. Hampton, third party, you have 15 minutes.

**Mr. Howard Hampton:** Just a follow-up to something Mr. Hardeman asked; there is no longer a program for nutrient management and no more program funding for nutrient management?

**Hon. Leona Dombrowsky:** If I may, when the Nutrient Management Act was passed initially, there were no dollars to assist or support farmers to comply with regulation. When we came to government, we set aside \$23 million, I believe, and we added to that. That was to

enable those existing operations that would now be required to not just have a nutrient management plan but also to make investments to comply—these dollars were set aside to assist those operations to come into compliance. In any new operation, that's a given, so we don't subsidize any new operation. I think it makes sense that for those who are looking to get into the industry, it's a part of their business plan to comply with the regulation.

This fund has been in place, and there was very healthy subscription to it. In fact, because we did not have enough set aside to meet all the demand, we did add to it. Now those operations have received the funding; they are able to comply with the regulation.

I think there's also another piece to this that I would like to identify to this committee. We have recently signed the Growing Forward agreement with the federal government. The money that we've set aside so far—there was no cost-sharing. But we do look forward to working with the federal government to put forward programs that will assist farm operations in their endeavour to protect the environment.

**Mr. Howard Hampton:** So I take it, then, that you're saying the nutrient management problem is 100% solved?

**Hon. Leona Dombrowsky:** I believe the government has recognized that we have a responsibility when we implement new regulations to assist those operators who need some help. That's why we put the program in place; they access the program. I think as far as managing nutrient on-farm, what I've come to experience is that farmers are always looking for new and better and innovative ways to manage it. I'll use our biogas program as an example, where instead of storing nutrient, as the Nutrient Management Act would require for some operations, they can now use it to produce energy on-farm and sell it to the grid. Is it solved? I think we continue to work on that.

**0920**

**Mr. Howard Hampton:** My sense would be that, of the existing farmers who were out there when the Nutrient Management Act came into place, there are a lot of them who are still having a fair amount of difficulty complying with the legislation and the regulations. So if there's no more funding for nutrient management, what do those farmers do?

**Hon. Leona Dombrowsky:** I have to say that I have not heard from any of the leadership of farm organizations that have asked us to look at that issue particularly, but I'd be happy to ask staff if they would like to comment in terms of the work that we've been able to do with the investment we have made to date.

**Dr. Bruce Archibald:** I'm going to ask Dr. Stark, who is the assistant deputy minister responsible for this program, to make a few comments on the nutrient management program enforcement and then also on the Growing Forward initiative. Deb?

**Dr. Deb Stark:** Thank you. I am also a bit surprised to hear that farmers who are under the nutrient management legislation are finding it difficult to comply. That's

not something that we're hearing in a general way. We have a number of staff who are across the province willing and able to work with those individual farm operators and to help make sure they do receive the supports that they have.

As to the nutrient management enforcement itself, the Ministry of the Environment has what we call a graduated inspection system, so they spent a couple of years just getting on the farms and working with the farmers before taking any kind of compliance action, and this was the first year that they actually were out there saying, "Now if we see something, we're going to have to take action"—that being, of course, with the proviso that at any time, if they saw something that was a significant risk to the environment, they would have taken action. But just from verbal indications—and I do not have specific numbers—from my colleagues at the Ministry of the Environment, they have been very pleased at the level of compliance that they've found as they have been out there working with the individual producers.

**Mr. Howard Hampton:** So it's your position that there's no more nutrient management funding, and a nutrient management program is not needed in the Ministry of Agriculture, Food and Rural Affairs?

**Hon. Leona Dombrowsky:** If I may, Mr. Chair, we consult very closely with our stakeholders, and, as I indicated before, we meet with them regularly, and this is not an issue in terms of a pressing need that they have brought to our attention. In fact, in recent months, I cannot think of a stakeholder that has brought to me a need to consider some additional funding to enable producers to comply with that regulation.

**Mr. Howard Hampton:** Okay.

Over the last few days, my colleague the member for Oxford has asked a number of questions about the Ontario cattle, hog and horticulture payment program. We're told that over 2,000 hog producers left the industry between 2000 and 2006. Is that a correct number from the ministry's perspective, that over 2,000 hog producers left the industry?

**Hon. Leona Dombrowsky:** I'm going to ask the deputy to respond to that.

**Dr. Bruce Archibald:** I don't know if that's a correct number or not. I know there's been some rationalization in terms of the industry, so the exact number—I guess we would have to go back and look at our database and see if that kind of contraction has happened at that kind of level.

**Mr. Howard Hampton:** One of the other things that my colleague from Oxford has asked about is the fact that, because of the use of the years 2000 to 2004 as reference years for the cattle, hog and horticulture payment program, money has in fact gone to retired, bankrupt or even deceased farmers. The ministry acknowledges that.

**Hon. Leona Dombrowsky:** What I would acknowledge is that we've used the same method of calculating entitlement to these dollars as the federal cost-of-production program. In terms of who receives the money,

I have heard anecdotally—when cheques are delivered, it's based on information that we have in our system as a result of their application to our programs.

I'm going to ask the deputy as well to weigh in on this by way of response and perhaps explain that the way our programs are set up, we do rely on end-of-year information, so it is entirely possible that someone would qualify for a business risk-management payment because they lost money when they were in the business. It may in fact be that they are no longer in the business when they receive the cheque, but they have presented information to this ministry consistent with the way all other producers right across Canada provide information for these programs.

Deputy, would you perhaps explain a little more for me?

**Dr. Bruce Archibald:** Right. Thank you, Minister.

As the minister has stated, the programs are, by design, based on actual farm income data, so it's always a historical perspective.

This was intended, as these programs were developed jointly between federal and provincial governments, to ensure that they were trade-neutral. One of the big concerns in this sector, particularly in the hog sector, is ongoing threat of countervail challenges, trade challenges. They have had to sustain a number of those types of challenges. One of the ways in which we've been advised by trade experts to get around those types of issues is to look at injury from a historical perspective so you're not actually influencing decisions in-year, potentially making market decisions for producers as a result of government program.

Because they are historical, there is always the potential that individuals who were in production in that time period or in 2005 or 2006 may have exited the industry, but the fact of the matter is they still sustained the injury. They provided the documentation in terms of income tax returns and are eligible to receive the payments allocated under the program.

The other thing is that even though there was a reference period chosen based on the federal cost-of-production payment, producers who entered the industry in 2005 or 2006, as the minister has previously stated, were also still eligible provided that they applied for the federal cost-of-production payment up to September 2007. There was a small window of time when individuals would be missed by this program, but individuals who were new into the business in those time periods were still eligible for payment under the program. Those who came in after that period were eligible for advance payment programs both through the federal and provincial AgriStability, formerly known as CAIS, programs as well.

**Mr. Howard Hampton:** Well, what we've been told is that the effect has been that money from this program has gone to retired, bankrupt or deceased farmers. On the other side of the ledger, many younger beginning farmers have had a much more difficult time in terms of the financial support that they received.

Mr. Hardeman asked how many cheques went to farmers who were retired or deceased at the time the cheque was issued. I'm going to ask a further question with respect to that: Can you also provide information on the total dollar amount of those cheques? We want to know how many cheques went to farmers who were retired or deceased; we also want to know—you don't have to identify people—the total dollar amount that went to retired or deceased farmers.

I also want to know how many cheques were issued to hog farmers who were bankrupt at the time the cheque was issued and the total amount of money that went to those farmers. I'd also like to know how many beef farmers—and I don't expect you have these numbers with you right now, but I think we need to know this—who received support through the program were retired, deceased or bankrupt at the time the cheque was issued and the total dollar amount that those farmers would have received.

**0930**

This is more of a question, I think, that you can answer: Do you track the number of new or beginning farmers by commodity? In other words, does OMAFRA keep track of, let's say, the number of new farmers entering the beef sector, new farmers entering the hog sector, and so on? Does OMAFRA keep figures like that, or do you have access to figures like that?

**Dr. Bruce Archibald:** Anyone who registered under the farm business registration requirements—so this would be in order to be eligible for a number of various benefits that producers receive—would have to make a registration. So we do keep track in terms of new numbers in those areas. We don't break it down by commodity, but when they apply for programming, that information is included in their applications because it's part of the tax data they submit.

**Mr. Howard Hampton:** Just a follow-up question: How many new farmers have entered the livestock and horticultural industry since the year 2000?

**Dr. Bruce Archibald:** We'll have to get that data, as well.

**Mr. Howard Hampton:** I want to know how many of these could be considered young farmers, let's say those under 40. Could you tell us that?

**Dr. Bruce Archibald:** I don't know whether we have age data on individuals, but we can look at that.

**Mr. Howard Hampton:** That's fine.

Chair, I have a number of questions that I wanted to ask, but—

**The Chair (Mr. Tim Hudak):** Do you mind reading them into the record?

**Mr. Howard Hampton:** I want to give them to the clerk, if that's okay, and deem them read into the record.

**The Chair (Mr. Tim Hudak):** The procedure I follow, as Chair, is I need them read into the record, and then I'll find them acceptable and have the ministry pursue them. So please go ahead.

**Mr. Howard Hampton:** I won't possibly get them all read into the record.

We know that hundreds of beginning pork and beef farmers did not receive support through the OCHHP, because the program is based on 2000-04 revenues. It seems that it was known from the onset of the program that using the cost-of-production payment as the base for the program was flawed, but the flaw was accepted due to the desire to flow money more quickly, and as you pointed out, there were some trade issues. My question is this: Why was nothing done to address these flaws in the program after the money went out, to make sure that farmers who were unfairly left out also received support?

Many of the farmers left out have been forced to take on extra debt. I'm sure you would agree with me today that carrying debt, having to rely on debt financing, or having to refinance debt under current economic conditions is not a situation you want any farmer to be in. Will the government commit now to provide retroactive assistance to these deserving farmers who did not qualify for funding but are now carrying very high debt loads at a time when I don't think anybody would want to be carrying debt?

If there is no money left in the OCHHP program, why won't the government implement a second phase of funds to support farmers who lost out in the first place due to the program's inconsistency?

The Ontario Federation of Agriculture and others have called for the government to base future programs on industry average allowable net sales for the size and type of farm that a typical beginning farmer would operate. In other words, they say it's possible to sit down and develop an economic description of what most new farms would look like and therefore base the funding program on that. Will OMAFRA do this to ensure fairness?

**The Chair (Mr. Tim Hudak):** Mr. Hampton, that does conclude our time. This is maybe the first time we've faced this in this round of estimates, and it's just how I proceed, as Chair. Each ministry has anywhere from five to 10 hours for questions, and that's often a lot of time. But that helps members to prioritize their questions. If members do run out of time, I ask that they ask them orally in the time that's permitted. I don't allow written questions, because we could have a large number of questions that come in, as opposed to prioritizing them. So, thank you for your understanding on that.

**Mr. Ernie Hardeman:** Recognizing your ruling, I do want to point out that I was under the understanding, from the previous day, that we could submit questions with the clerk. Having heard your ruling, I do have a one-line question I would like to ask that would help facilitate the questions Mr. Hampton was talking about. I think it would make it easier for the minister to—

**The Chair (Mr. Tim Hudak):** Unfortunately, the opposition's time has expired. If you want to ask a question, you would have to have consent from the other committee members to add on that question.

**Hon. Leona Dombrowsky:** I would offer that I would answer it in question period, or an order paper question.

**The Chair (Mr. Tim Hudak):** Is there support for Mr. Hardeman to ask one last question for ministry follow-up? Okay.

**Mr. Ernie Hardeman:** Thank you very much. The question is very simple: How many of the farmers who shipped hogs in 2007 did not receive a payment from the Ontario cattle, hog and horticulture program? I think that goes along with the question I asked before, which I hope to get a written reply to.

**The Chair (Mr. Tim Hudak):** Again, that's how we will proceed. If we get to the end of the time and members still have questions, I ask you to present them orally as part of the record. If you want to submit a written version for clarification, that's fine, but I want all questions asked on the record through Hansard. Thank you for your understanding on that.

We have now 15 minutes for government members. Mr. Rinaldi.

**Mr. Lou Rinaldi:** I don't have any questions, but I just want to make a couple of comments, if I may, and leave some time for the minister to make any final comments she might want to make.

First of all, I'd like to take the opportunity to thank the minister. I think it's been a good session; I think there was a lot of information—and somewhat co-operative from all sides. I'd also like to thank the minister's staff for their hard work in putting forward all the information. Needless to say, ministry staff from the deputy down were very helpful in providing answers and also follow-up on any unanswered questions. Thank you very much, Chair, and thanks to committee members for once again going through this particular ministry in a somewhat fair and understandable manner. We did get some answers.

At this time, I would leave whatever time the minister needs to make some final comments.

**Hon. Leona Dombrowsky:** How much time do we have left?

**The Chair (Mr. Tim Hudak):** You have 13 minutes and 30 seconds.

**Hon. Leona Dombrowsky:** I think I can do it in that amount of time.

First of all, I would like to thank all members of the committee who have come out for the last, I think, four sessions. Thank you very much for all your questions. As Minister of Agriculture, Food and Rural Affairs, I'm always very happy when this ministry has an opportunity to talk about the work it does, and also to understand from all members of the Legislature those issues that are important and that you need clarification on. Certainly we've done our best during these proceedings, and we will do our best to get you answers to the questions that have been filed at the table—I understand it's within 30 days. We very much appreciate the opportunity to present the estimates of this ministry.

I think it would be important at this time as well to thank all the people who are involved in this industry: farmers, food processors and the people who are focused on economic development, particularly in rural Ontario. I work very closely with all those partners, as I know members at this table do. There are members at this table who represent rural ridings particularly, and you have brought their issues and concerns to me, in some cases

directly and in some cases by way of letters. I thank the farmers especially, who have, in my view, encountered and managed through some significant challenges and are continuing to do that, and still enabled us to say that the second-largest economic driver in this province is the agri-food sector. Our economy is the better for all the hard work they do and for their commitment.

The way we come to understand issues in the industry is through direct contact with the leadership of farm organizations and food-processing organizations and with rural economic development representatives. Again, I think they have done an excellent job. I believe we have cultivated a spirit of partnership and co-operation, and while we may not be able to address all their issues, I think we have certainly demonstrated that this is a government that is prepared to work with them and, when possible, address the issues.

I would also like to thank the members of this committee. I think all parties have recognized the work at the Ministry of Agriculture, Food and Rural Affairs. I have to say that it's a tremendous privilege to lead this file and the calibre of people who work on behalf of the people of Ontario to deliver the programs in the agriculture and food industry. I hear time and again, as I'm sure you do in your ridings as well, about the great working relationship that staff at the ministry have developed with our constituents and with industry partners.

I think it's important that, as minister, I take this opportunity to say to all those under the leadership of Deputy Archibald, thank you very much; you're doing a good job. Again, I think we are able to achieve what we do when we are able to work co-operatively in that spirit, and that has been recognized more than once at this table. I'm always delighted when I hear that. I would encourage the staff to continue their very good work on behalf of the people of this province.

Mr. Chair, that concludes my remarks at this time.

**The Chair (Mr. Tim Hudak):** We still have nine minutes, if any other government members have questions of the minister.

**Mr. Lou Rinaldi:** Chair, does the time get redistributed if we don't use it, or does that end the session?

**The Chair (Mr. Tim Hudak):** We'd have to have all-party consent if you want to redistribute the time. Otherwise, if you're finished with your questions, then that concludes—

**Mr. Lou Rinaldi:** I don't have any further questions.

**The Chair (Mr. Tim Hudak):** Okay. Thank you very much. We will now proceed to the formal part of our estimates consideration.

For the estimates of the Ministry of Agriculture, Food and Rural Affairs:

Shall vote 101 carry? Carried.

Shall vote 107 carry? Carried.

Shall vote 108 carry? Carried.

Shall the 2008-09 estimates for the Ministry of Agriculture, Food and Rural Affairs carry? Carried.

Shall I report the 2008-09 estimates for the Ministry of Agriculture, Food and Rural Affairs to the House? I will do so.

Last items of business:

—We did receive follow-up answers from the Ministry of Agriculture, Food and Rural Affairs—thank you for doing so, Minister and ministry staff—as well as from the Ministry of Labour. Members have received copies of those responses. These are outstanding questions with responses, as well from the Ministry of Labour. It's good to see the ministries responding to members' questions on a timely basis. We thank them for that. I did send a letter to the Minister of Economic Development and Trade asking for those responses, which are well overdue.

—You have received a memo on special warrants, courtesy of Larry Johnston in the research office. You may have noticed in your estimates binders the appearance of the term “special warrant” in a lot of the estimates tables. It's a bit of background material, at my request for members' information, on what that particular item in the estimates binder means.

—Having now concluded Agriculture, Food and Rural Affairs, we will reconvene this afternoon for the Ministry of Finance for 10 hours. We'll start in the afternoon session and continue with the Ministry of Finance on Wednesday and next week as well.

Minister Dombrowsky, Deputy Minister Archibald and Ministry of Agriculture, Food and Rural Affairs team, thank you very much for your attendance here and for your responses to the members' questions. Members of the committee, thank you for a very enjoyable session. We're now recessed until 4 this afternoon.

*The committee recessed from 0942 to 1606.*

## MINISTRY OF FINANCE MINISTÈRE DES FINANCES

**The Chair (Mr. Tim Hudak):** Good afternoon, folks. The Standing Committee on Estimates is back in session for our ordinary afternoon sitting.

We're here today for the consideration of the estimates of the Ministry of Finance for a total of 10 hours that we're all looking forward to—10 hours.

**Hon. Dwight Duncan:** Is that all?

**The Chair (Mr. Tim Hudak):** It's the record this time around, by the way.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised so the ministry can respond accordingly. If you wish, at the end of each session, have that person speak with Ray, our research assistant, just to clarify, if any things weren't clear during the estimates discussions.

Any questions on procedure before we start?

Okay, folks, I will now call vote 1201. That means we'll begin with a statement of not more than 30 minutes by the minister himself, followed by statements of up to 30 minutes by the official opposition and the third party.

Then, Minister, you'll have 30 minutes for your reply, and that will get us to the end of the session for today's hearing in this committee of estimates.

When we resume on Wednesday, the remaining time will be apportioned equally among the three parties, beginning with the official opposition. Good stuff?

Minister, the floor is yours. You have 30 minutes, sir.

**Hon. Dwight Duncan:** Thank you, Mr. Chair, and good afternoon.

I am joined this afternoon by my deputy minister, Peter Wallace. Peter just assumed his current assignment in September. He has a career in the Ontario public service that dates back, I think, some 26 years, in a variety of senior capacities across a range of ministries and across a number of governments of different political stripes. Peter will represent the ministry ably here, joined by a cast of a number of individuals, senior officials, from my ministry, behind me and in the seats for the public.

I would like to thank all of you for the opportunity to address the committee, and I look forward to sharing with you the things we are doing at the Ministry of Finance to continue moving Ontario forward.

Today, I would like to tell you about the McGuinty government's 2008 fiscal plan, to update you on the Ontario economy, to report on some of our achievements for the past year and the various measures we are taking to manage our resources.

Aujourd'hui, je voudrais vous parler du programme fiscal de 2008 du gouvernement McGuinty. J'aimerais aussi vous donner un compte rendu sur l'économie de l'Ontario, vous parler de nos accomplissements de l'année passée et des mesures que nous prenons pour bien gérer les ressources du gouvernement.

Since my budget in March, private sector economists have been changing their projections about growth in the US and Canada, and the world, at a rapid pace. In this age of global economic uncertainty, today's numbers are tomorrow's ancient history.

Today's economic circumstances led Doug Porter of the Bank of Montreal to recently say, “Trying to do an economic forecast right now is like trying to put a value on your house while the kitchen is on fire.” The University of Toronto's policy and economic analysis program put out a release a couple of weeks ago entitled, *Short-Term Outlook: We Don't Have a Clue and We're Not Going to Pretend That We Do*. The wit and underlying seriousness of these comments are evident. Still, as finance minister, I am compelled to assess how things have changed and what we will do next. Three guiding principles will help us rise to the challenges facing Ontario today.

First, the McGuinty government's five-point economic plan continues as the foundation of our approach to today's economy.

Second, the government will continue its prudence while maintaining the ability to respond quickly to changing economic circumstances.

Third, the government will do everything it can to protect the gains made by Ontario, while taking a balanced, comprehensive approach to future growth.

We will be prudent and cautious, but we'll move quickly to respond to changing circumstances. In the absence of hard numbers, judgment and intuition will guide our thinking.

We will continue to consult widely and involve as many people as possible in decision-making. As I said earlier, we are in the age of global economic uncertainty. Based on the information we have today and on the private sector forecasts that are ever-changing, we project economic growth at 0.1% for 2008. The private sector forecast, on average, for 2009 is 0.7%. As a result, we expect our revenues to decline.

Expenditures in some areas will continue to increase due to the increased need for our programs during difficult times. Due primarily to lower revenues, the government is projecting a \$500-million deficit for fiscal year 2008-09. This represents one half of 1% of the 2008-09 revenue outlook. Our government is making a conscious decision to allow for a deficit in order to protect the services most important to Ontarians.

Our government is continuing to encourage long-term economic growth and doing everything it can to protect key public services. At the same time, in order to deliver the services most vital to the ongoing health of our province and its people, we have to achieve savings in a number of areas. We will manage the deficit while recognizing the government has a role to play in promoting economic growth and encouraging stability.

We were able to balance the budget and erase the hidden \$5.5-billion deficit that was left by our predecessors and we have balanced the budget for the three years that followed. At the same time, we've been able to make investments in the key priorities Ontarians elected us to do.

Like Ontario families do when faced with economic challenges at home, we too will tighten our belts. We are taking immediate action to implement fiscal restraint. We will continue to achieve savings in a number of areas and will delay and slow down the launch of some new spending. For example, in 2004, we said we would find \$750 million in efficiency savings; in fact, we found \$806 million in annual savings that year. Two hundred million dollars more will be saved through a more streamlined purchasing process, vendor rebates and new vendors of record—decreasing procurement costs. One hundred million dollars will be saved through the consolidation of desktop management and rationalization of common services and applications across the Ontario public service; reduced inbound toll-free and outbound long-distance telephone costs. Fifty million dollars was found via reduced accommodation costs by better aligning real estate needs and retrofitting government buildings so they use less energy. Improving the collection of the government's accounts receivable and increasing the use of electronic funds transfers, resulting in more efficient management of government revenues, resulted

in \$57 million in savings. Program review, ministry efficiencies, and a central agency review and integration resulted in the remaining \$399 million in annual savings.

While we have been making investments and finding efficiencies, we have also been reducing the accumulated deficit. The accumulated deficit-to-GDP ratio has been declining steadily since we took office. We are now looking at a ratio of 17.8% for 2008-09, down from 25.2% in 2003-04.

Our budget this year continued our government's strategic investments in Ontario's greatest strength, its people. Since 2003, we have invested in programs and services to help individuals, families and businesses reach their full potential: publicly funded education, universal health care, modern infrastructure, and support for vulnerable citizens and a greener Ontario.

We have been able to support these priorities for Ontarians because of our disciplined and prudent fiscal management and because of our five-point economic plan. For five years, the McGuinty government has invested in what matters most to Ontarians and helped to prepare the province for the uncertainties it faces today. These investments continue through our five-point economic plan, which responds to the needs of individuals, families and businesses by investing in skills and knowledge, investing in infrastructure, lowering business costs, strengthening the environment for innovation, and forming key partnerships. We are using these strong pillars to move Ontario forward and make it attractive to businesses and people.

Since October 2003, the Ontario economy has created 501,800 net new jobs. Over this same period, the unemployment rate has fallen from 7% to 6.4% in September 2008. Of these net new jobs, 334,400, or 67%, were full-time and 167,400, or 33%, were part-time. The majority of the net new jobs created in Ontario since 2003 have been in high-skilled, high-paying occupations. There has been strong employment growth in sectors paying above-average wages, including: health care and social assistance—more than 89,200; the education sector—more than 98,000; the construction sector—more than 73,500; professional services—more than 62,100; and finance—more than 47,800. So far this year, we have created 104,000 net new jobs; 83% of these jobs have been in the private sector.

In the 2008 budget, we announced our Second Career strategy that helps retrain laid-off workers for jobs in the new economy. It is part of the \$2-billion skills-to-jobs action plan. It will train laid-off workers for new careers, expand apprenticeships, build more spaces in colleges and universities, and help students with education costs. Just last week, we announced enhancements to the Second Career program to expand access for workers so that they can take advantage of the long-term training opportunities.

#### 1620

A highly skilled workforce is a key economic advantage, and at the moment, it's critical. Our Reaching Higher plan for post-secondary education and invest-

ments in skills training mean that there are 100,000 more students attending Ontario colleges and universities and 50,000 more students learning a trade.

The McGuinty government has modernized schools, social housing, hospitals, roads, bridges, public transit, community facilities and water systems. The 2008 budget contained an additional \$1 billion across the province to be allocated to our municipal partners for their infrastructure priorities. All of this is in addition to our ongoing capital commitments to health care, education and the environment. Investing in infrastructure creates jobs in the short-term and improves productivity in the long-term.

Three years ago we launched ReNew Ontario, a five-year, \$30-billion infrastructure investment program that is building new roads, schools, hospitals, bridges and transit right across Ontario. Today, there are more than 100 major construction projects that have been initiated, and our infrastructure investments will create more than 100,000 jobs this year.

The Investing in Ontario Act, which was introduced this year, allows the government to invest in areas that strengthen our communities and stimulate the economy in addition to reducing the accumulated deficit. The Premier recently announced that our government is allocating \$1.1 billion from its 2007-08 year-end surplus for priority municipal infrastructure projects this year. We chose municipalities and their infrastructure needs because we know that investing in municipal infrastructure means more jobs in the short-term and improved prosperity in the long run. In fact, this investment will create the equivalent of 11,000 full-time jobs, creating jobs for our families and making communities stronger. Municipalities will be able to address immediate infrastructure needs in our communities, whether it is to improve roads and bridges, expand transit or upgrade social housing.

We are continuing with our plan to help lower the cost of doing business in this province. In the 2007 budget, Ontario announced that it would accelerate the elimination of the capital tax to July 1, 2010.

In the fall of 2007, just a year ago, I announced a package of business tax relief of \$1.1 billion over three years, primarily benefiting manufacturers and resource companies. This included an increase in the small business deduction from \$400,000 to \$500,000, extending the small business corporate income tax to more small businesses.

In the 2008 budget, we provided additional support for manufacturers and resource companies by eliminating the capital tax for these businesses retroactive to January 1, 2007. This entitled them to \$190 million in rebates to help them invest and grow. This came at just the time when these companies needed it most.

We have also reduced the capital tax for all firms by 21% retroactive to January 1, 2007.

We also plan to enhance capital cost allowances, providing firms with \$433 million over three years to invest in new machinery and equipment.

The 2007 budget announced a plan to cut high business education tax rates by \$540 million over seven years. This is expected to benefit more than half a million businesses in 321 municipalities across Ontario.

The 2008 budget announced the acceleration of the business education tax rate cuts by four years in northern Ontario. Over three years, this will save northern businesses a total of more than \$70 million.

So far businesses in Ontario have benefited from more than \$1.5 billion in savings from strategic business tax cuts that have already taken place. Our strategic tax cuts will result in \$3 billion of annual savings for businesses in Ontario when they are fully phased in. And we initiated our plan to modernize business and financial regulations to help reduce red tape for hard-working business people. At the same time, our government continues to make investments in infrastructure, in health care and in education. All of this helps to make Ontario a great place to live and a great place to invest.

Our government understands that small businesses are the economic backbone of Ontario's communities, accounting for approximately 40% of employment in the province. As I indicated a moment ago, retroactive to January 1, 2007, we have increased the small business deduction threshold by \$100,000, to \$500,000 from \$400,000. This initiative will provide thousands of small businesses across the province with about \$100 million of tax relief over a four-year period. More than 20% of this tax relief will go to small businesses in the resource and manufacturing sectors.

We are also paralleling the capital cost allowance measures announced in the 2007 and 2008 federal budgets that benefit manufacturing and support clean energy generation. We've already taken measures to help protect existing jobs, stimulate investment in new jobs and provide immediate cash flow to those industries most in need of working capital.

We are also proposing a 10-year Ontario income tax exemption for new corporations that commercialize intellectual property developed by qualifying Canadian universities, colleges and research institutes through the Ideas for the Future Act. This is an exciting new initiative. I will talk about it in more detail shortly, but it will help create homegrown ideas for hometown jobs.

All of those tax relief measures that I've just spoken of are intended to encourage job creation and economic growth, and they support the Ontario government's action plan for the economy. We have a competitive tax system that helps make Ontario an attractive place to work, invest and raise a family. The combined federal-Ontario general corporate income tax rate and the combined rate for manufacturing income are lower than the combined federal-state rates in all 50 American states. It's also lower than the federal government. Their corporate income tax rate is not scheduled to be reduced to 15% until 2012; ours is currently 14%, and 12% for manufacturers and resource-based companies.

This year we launched ONT-TAXS, Ontario's tax services, to reduce the administrative burden on busi-

nesses. Through ONT-TAXS, we are replacing more than 65 aging computer applications with one integrated computer system to support improved service delivery. Businesses will soon have 24/7 access to taxation information and services online, including account inquiry, tax filing and tax payment or change of information. In June, we established a single toll-free number, 1-866-ONT-TAXS; that's 1-866-668-8297. This line replaces 39 existing lines. Through this one new toll-free number, tax clients can receive tax administration help and information.

We've introduced one common business number as Ontario has joined the federal government and other provinces in using the federal business number to securely identify a business and its associated tax program accounts. We've also cut costs and improved efficiencies for Ontario's businesses by harmonizing federal and Ontario corporate income tax administration. This will save businesses \$90 million per year from a harmonized tax base and up to \$100 million per year in administrative and compliance costs. Businesses are now dealing with one auditor, one appeal system and one tax advisory framework, and for the 2009 and subsequent taxation years will only have to fill out one combined federal and provincial corporate tax return and make one combined corporate tax payment.

#### 1630

Taxes are only one part of the competitiveness equation, accounting for 2% to 8% of location-sensitive costs. Study after study shows, and business surveys agree, that investment decisions put more weight on factors like skills and education, health care, a supportive regulatory system, infrastructure and market access. KPMG's 2008 Competitive Alternatives report found Ontario cities remained competitive with cities in the US, with costs at or below the American average despite the unusual strength in the Canadian dollar and fluctuating world oil prices. In fact, for manufacturing, no city in the continental United States has both lower costs and lower taxes than Toronto. The overall cost of doing business in selected cities in Ontario is below that of most selected major cities in the US and other industrialized countries.

The July 28, 2008, update to KPMG's Competitive Alternatives report ranks Canada's total tax burden on business the third lowest among the 10 countries studied. Corporate income tax, other corporate taxes, including capital property sales and local taxes, and statutory labour costs were used to calculate an internationally comparable total effective tax rate. Out of 35 large international cities that they ranked, the total tax burden on business in Toronto was the seventh lowest.

Let me briefly discuss personal income tax competitiveness. Ontario's personal income tax rates are broadly competitive with those of other provinces and in line with key competing US jurisdictions and G7 countries. In 2008, most individuals earning less than \$75,000 a year in Ontario pay among the lowest provincial personal income taxes, including Ontario, Alberta and BC health premiums. In the 2008 budget, I proposed a property tax grant to help low- and moderate-income

senior homeowners pay their property taxes and stay in their homes. In early 2009, the province will provide about 550,000 senior homeowners with grants of up to \$250. The grants will rise to a maximum of \$500 for subsequent years, and over five years this will amount to \$1 billion in savings for Ontario seniors.

Our budget announced a series of tax relief measures to help Ontario businesses compete, including our proposed 10-year corporate income tax refund for new companies that commercialize research from Canadian universities or colleges. I'm pleased to say that the Ideas for the Future Act, if passed, would be the first exemption of its kind in Canada. This is actually a very exciting piece of legislation. If passed, qualifying companies would be exempt from Ontario corporate income tax and corporate minimum tax for their first decade in business. It is my understanding that it goes to committee this week, and I look forward to hearing your input on the bill.

We've also proposed to enhance the Ontario innovation tax credit and invested \$250 million over five years in the Ontario Research Fund. We recognize the potential of green technologies and are hoping to encourage the growth of new investments in the bioeconomy, clean technology, advanced health technology, telecommunications, and computer and digital technologies.

We are open to all kinds of innovation, the development of prototypes and bringing new products to market. The new \$205-million Ontario venture capital fund, which includes a \$90-million investment by the Ontario government, will help launch the next wave of innovative firms in Ontario. These incentives would also help to bring new ideas to market and turn concepts into products and profits. Our innovation investments help a whole range of ground-breaking companies. We have invested \$1 billion in innovation over 1,000 projects.

Ontario is home to over half of Canada's securities industry, in terms of GDP and number of jobs. Ontario is also home to the country's major stock exchange, the Toronto exchange, and the largest regulator, the Ontario Securities Commission.

Here in Ontario, we have the third-largest concentration of financial services employment in North America. Toronto ranks 15th internationally as a global financial hub, according to international surveys. Financial services underline the point that this province is a great place to invest in, because of the skilled financial workforce and because Ontario is a competitive place to do business.

Earlier this year, I announced the establishment of a Centre of Excellence for Education in Financial Services to promote the advancement of financial services in Ontario. The idea is to create a virtual, region-wide network of educators, researchers, financial service professionals, government partners and experts in innovation and technology. They will work collaboratively to ensure that the sector attracts, and develops, the best and brightest talent to financial services in Ontario.

The centre would support post-secondary research in financial services by helping to fund research chairs.

Seven Toronto-area universities and colleges are working with us to make the centre a reality.

The skills and talents of Ontarians are our most important economic strengths. The centre will help secure our talent advantage and provide a substantial resource for the sector.

The centre of excellence is a great example of how partners across the divide of public and private sectors, and of politics, can work together to get great things accomplished.

**The Acting Chair (Mr. Kim Craiton):** You have two minutes, Minister.

**Hon. Dwight Duncan:** Okay. And we will continue to invest in our people and encourage these partnerships.

Our government has made available over \$1 billion in support for the forest sector. The 2008 budget announced a reduction in stumpage rates for poplar hardwood, new forest biofibre pricing, a \$25-million contribution toward a centre in Thunder Bay for research and innovation, and \$15 million for a centre in Sault Ste. Marie for invasive species management.

We've done similar things in the entertainment and creative sectors and the agricultural sectors. But what's important, too, is forming key partnerships, as we have done with the manufacturing sector. Our AMIS strategy has launched 18 projects, worth more than \$880 million, creating 4,000 jobs.

We've also created a new Ministry of International Trade to help promote both trade outside of the country and investment into Canada.

We need a federal partner to support a number of these initiatives. We need a federal partner to help us with employment insurance, and to help us with Canada health transfers so Ontarians get an equal annual contribution from the federal government for their health care.

There's a lot more I could say; I understand there's not a lot of time left. Over the next few weeks, starting on Friday in London, and on Monday in Sault Ste. Marie, I will be conducting pre-budget consultations. I've had three already, and I will be travelling throughout the province over the course of the next two to three weeks to do more of those.

Ultimately, I must tell you that I am confident we'll weather this current storm, but it will take hard work, it will take ingenuity, and it won't be easy. But working together with the strength of our collective will, Ontario will come through this in stronger shape.

We will continue to seek new economic opportunities around the world. Ontarians will rise to the challenges before us, and together, we'll overcome the challenges.

**The Acting Chair (Mr. Kim Craiton):** Thank you, Minister. You have 11 seconds left.

*Interjection.*

**The Acting Chair (Mr. Kim Craiton):** Thank you very much for your opening statement. I will now turn the floor over to the opposition, to the critic, Tim Hudak.

**Mr. Tim Hudak:** Thank you, Chair.

**The Acting Chair (Mr. Kim Craiton):** You have a half hour.

**Mr. Tim Hudak:** To be sure.

**The Acting Chair (Mr. Kim Craiton):** I can make it shorter.

**Mr. Tim Hudak:** Congratulations, Chair. It's a very calm committee, by the way. You're doing a fantastic job. It's a refreshing change.

**The Acting Chair (Mr. Kim Craiton):** Thank you very much.

**Mr. Tim Hudak:** Minister, Deputy, staff of the Ministry of Finance, thank you very much for taking the time to be with us for 10 hours. I know how busy the minister's schedule is, so I do appreciate the fact that he is here, along with the deputy, for the extent of our hearings.

I want to say two things to you, Minister, and your staff. Andrew Chornenky, who is your LA—I really appreciate it, because Andrew has been very good with working with our office in coordinating meetings, briefings on budgets that you've brought forward, and with MPAC this past week. So I just want to say, through you, thanks to your staff for their responsiveness. It's very important to members of the opposition caucus to have those briefings.

**1640**

I'm actually going to sort of start out with—I want to ask some questions about the tax policy of the budget operations office. Is that Steve Orsini, the ADM for that office? Is Mr. Orsini available to answer some questions?

**Mr. Steve Orsini:** Sure.

**Mr. Tim Hudak:** Looking through your results-based briefing book—and I refer you to page 51, which is that part of the ministry. Your interim actuals last year for the office of budget and taxation policy were \$13.7 million. This year it's estimated to go up to \$42 million, so over a 200% increase in budget. Given the financial circumstances the province faces and the minister's delivery of a deficit just this past week, what exactly is the 200% increase in spending being allocated for?

**Mr. Steve Orsini:** I'd be happy to speak to that. Aside from our regular operations, we also offer a couple of transfer payment lines. For example, a number of agricultural co-operatives were having difficulty in their pensions. We had to put a \$20-million payment to help them bridge a pension issue. In addition, we have a new line item in our budget for the senior homeowners' property tax grant. This increase is really tied to new transfer payments to the broader public sector and to the public, as opposed to just operations within my division.

**Mr. Tim Hudak:** Tell me a bit more about the—so the mediated settlement was \$22.5 million; a new item you mention that has to do with some co-operatives that have problems with pensions. Can you specify what those co-operatives were?

**Mr. Steve Orsini:** There are a number of agricultural co-operatives that were facing some financial challenges in their pensions. They in turn had scheduled a wind-down of their defined benefit plan. They're sort of a MEPP; they're situated where a lot of them had a number of different funding obligations. They couldn't meet

those funding obligations for the pensioners. The minister had approved \$20 million to go towards—to help shore up their pension obligations, so that was met. It was done this summer, and apparently there was an agreement reached that the \$20 million would help bridge the funding obligations for the various pension funds.

**Mr. Tim Hudak:** Can you name who the co-operatives were?

**Mr. Steve Orsini:** I can give you that list shortly.

**Mr. Tim Hudak:** Okay. Through you, Chair, if they don't mind following up.

You mentioned the seniors' tax credit, and we'll get to that momentarily, but aside from the mediated settlements under your department, there's a 14.4% increase in salaries and wages: \$1.26 million for this fiscal year. What is that being used for?

**Mr. Steve Orsini:** We created a number of special projects; one was the pension commission, Harry Arthurs. One of the things that Harry needed was some support within the ministry, so we created a special pension support unit. They've been providing support over the last year and a half. In addition, we're providing support to the city of Toronto. They've established two new taxes, and the Ministry of Finance was critical in providing support for their personal vehicle tax, working with other ministries, and their land transfer tax. In fact, they've asked the province to help facilitate the collection of their land transfer tax through Teranet and their personal vehicle tax through Service Ontario. Our role was to provide some technical support to the line ministries in setting that up. They're special projects, and they're there to provide support for other ministries as well as to support the pension commission.

**Mr. Tim Hudak:** So how many new, full-time positions were created in this section of the ministry for the services you just mentioned?

**Mr. Steve Orsini:** I can give you the breakdown of that. Certainly that's not a challenge. The issue is that some of them are temporary and some of them are special projects, and I'll have to break that down for you.

**Mr. Tim Hudak:** Thank you. Through the Chair, if they'd supply that information, it would be very helpful.

Mr. Orsini, similarly, the services line in your division is up some \$5.2 million from the estimates from 2007-08, a 225% increase in expenditure. Again, given the financial constraints to the province of Ontario that the minister just announced, the \$500-million deficit, how are you going to spend that additional \$5.2 million?

**Mr. Steve Orsini:** I need to break that down, but again, we were funding the operations of the pension commission through my office, so a lot of these expenditures are tied to specific projects and reviews that are being done on behalf of the Ontario government. As I mentioned, the co-operatives was a \$20-million program. We had some support on that. We hired a mediator to help facilitate agreement around the co-operatives. A lot of them are tied to specific projects, and we could provide more detailed information if you would like.

**Mr. Tim Hudak:** I would. You can appreciate why I'm asking this question in light of the minister's comments, particularly this past week. That's a substantial increase in one particular division of the ministry.

What is the total cost, then, of the Expert Commission on Pensions?

**Mr. Steve Orsini:** I think it's over two years; I'll have to give you the precise breakdown. That's something I can follow up with. It's \$1 million or \$2 million, I think, over the course of the two years, but I'll give you a more precise number shortly.

**Mr. Tim Hudak:** Is the Expert Commission on Pensions staffed by ministry staff or are consultants hired through this line item?

**Mr. Steve Orsini:** Let me just give you a bit of background on the commission. Harry Arthurs is the commissioner. In addition, he has four advisers; each of them is paid a per diem for the work they are doing. They also have a research director, and they have a number of staff. None of them are directly employed by the Ministry of Finance, although some of them had been seconded to Harry Arthurs to help him out. They also commissioned about 20 research papers that are available publicly, and they are scheduled to release their report shortly.

**Mr. Tim Hudak:** Do we have a reporting date from the commission?

**Mr. Steve Orsini:** I understand it's in the fall, possibly. Minister?

**Hon. Dwight Duncan:** Initially, I was hoping by the end of this month, Tim, but it will probably be shortly after that.

**Mr. Tim Hudak:** Minister, these are substantial increases in this particular department, a lot of full-time staff being hired. The salaries and wages that I mentioned are up substantially; benefits go along with that. Are you satisfied that every one of these dollars is being—

**Hon. Dwight Duncan:** Absolutely. First of all, as Steve indicated, he will point out to you the ones that are temporary versus full-time. The pension commission work, for instance, is extremely important. As you know, several governments have looked at pension reform and have had to revisit the issue. I think we pretty much had agreement from all of us in the Legislature about the importance of an independent look at this, working with both employer and labour stakeholders with respect to this legislation. The co-ops in question are in rural Ontario. The work we've done there is extremely important.

If you look at the overall full-time equivalents in the government, you will find that they are up since 2003. A good portion of them are related to consultants. The previous government had reduced the size of the public service and then brought on consultants to do the work that was being done by public servants. In some instances—many instances—those consultants turned out to be more expensive. So we've gone back to that. We can provide you with a summary of the change in the full-time-equivalent statuses within the government.

**Mr. Tim Hudak:** That would be helpful, because obviously with the increases here in this part of your ministry, I am concerned about the expenditures. I would like, through you, Chair, a list of the number of FTEs within this division from 2004-05 to those expected in 2008-09.

Back to Mr. Orsini, you talk about the property tax grant for seniors, \$27.4 million allocated in estimates this year. Remind me: Roughly what is the upper income level cut-off for the seniors to qualify?

**Mr. Steve Orsini:** For seniors and for family seniors, I think it's \$30,000 and \$45,000 for single income and then for family income respectively.

**Mr. Tim Hudak:** It's \$250 this year and then \$500—

**Mr. Steve Orsini:** It's \$250 this year. They can file after they file their 2008 tax return, so in the spring of 2009 they'll be eligible for a \$250 grant. In subsequent years, it's \$500.

1650

**Mr. Tim Hudak:** Is it scaled on their income level or do they all get \$250?

**Mr. Steve Orsini:** Yes. As their income goes up, it's phased out.

**Mr. Tim Hudak:** Okay. What's the relationship between their assessment increase and the amount of grant that they receive?

**Mr. Steve Orsini:** It's really tied to the amount of property tax they're paying and their income, so the lower their property tax and the lower their income, the greater percentage of their property tax is covered. In some cases, 100% of their property tax would be covered by this, in addition to the property and sales tax credit that we have currently in place.

**Mr. Tim Hudak:** So it's possible that somebody whose assessment goes down would still receive the \$250, and the \$500 grant in the subsequent fiscal year.

**Mr. Steve Orsini:** If they're very low-income, yes.

**Mr. Tim Hudak:** You've been at the ministry for some time, in this particular department or division?

**Mr. Steve Orsini:** I rejoined the Ministry of Finance in the fall of 2005.

**Mr. Tim Hudak:** Okay. The 2004 and 2005 budgets, so just before you arrived, had given an outlook for future years, key financial tables and graphs—so the first year you're back, the 2005-06 plan was for a \$1-billion reserve. The outlook then was \$1.5 billion for each subsequent fiscal year: 2006-07, 2007-08, 2008-09; a \$1.5-billion reserve. Why was the decision made at that point in time to set aside a \$1.5-billion reserve?

**Hon. Dwight Duncan:** I think I should answer that. I think you're putting him in an—that's a political decision, as you well know. As I indicated to you in the House earlier this week, this year we decided, as part of our response to what was already happening in the economy, to reduce the reserve to just shy of \$800 million, as well as the normal contingency we built into that.

**Mr. Tim Hudak:** The question I was asking was more specific: Why was the decision made—you weren't minister at the time; that's why I was asking Mr.

Orsini—to increase the reserves to \$1.5 billion in 2006-07, 2007-08—

**Hon. Dwight Duncan:** Actually, 2006-07 was my budget. You'll recall that in that budget we talked about what at the time were the clouds on the horizon. We talked about the price of oil; we talked about the state of the US economy; we talked about the value of the Canadian dollar relative to the US dollar. That reserve was established, based on our view, again, largely due to the volatility of some of our tax revenues. But we felt at the time that that was the appropriate level and chose the reserves that we established to backstop us against downturns in revenue.

**Mr. Tim Hudak:** Help me understand that. By the way, this came out of the 2005-06 budget. You had had similar language in the 2008-09 budget. You were concerned about the clouds on the horizon, the slowdown in the economy—

**Hon. Dwight Duncan:** I think we said in this budget that they were here. We had already acknowledged in the fall statement of 2007 the challenges, particularly in the manufacturing and forestry sector. We had seen the dollar appreciate. The estimates for further appreciation of the dollar: I don't remember the exact timelines, Tim, but it was evident to us that the Canadian dollar would be stronger. The price of oil was continuing to trend upward. By the time of the budget, the state of the US economy—it had already begun to experience the meltdown in the housing situation; we'd gone through the asset-backed commercial paper. So again, we made decisions, in fact, to show very little growth in revenue and show very little growth in expenditure year-over-year because of our view and because we took some of the reserve out related to what we thought at the time, as we were projecting forward, would be the state of our revenues throughout the course of this year.

**Mr. Tim Hudak:** It just seems odd—with respect, Minister—and imprudent that you basically cut the reserve in half from where it was supposed to be in your previous plan, despite the fact that you knew that the economy was heading downhill.

**Hon. Dwight Duncan:** No. You'll also see that there's a much lower rate of growth in expenditures projected in this year's budget, compared to earlier budgets, where we had programmed in larger expenditure increases because, again, we assumed that we would have rates of growth in revenue that would continue to stream upwards, and we did. As it turned out, those proved to be accurate. The rate of growth in expenditures this year is relatively smaller and therefore, because of the overall situation, we did make the size of the reserve smaller this year, recognizing all of the challenges that we had to match in the budget itself.

**Mr. Tim Hudak:** Similarly, as you reduced the reserve by half of what had previously been committed to, you reduced the operating contingency fund by some \$160 million, approximately a 25% reduction in the contingency fund. Given the fiscal circumstances we're heading into, wasn't it unwise and imprudent to also cut your contingency fund?

**Hon. Dwight Duncan:** No. Last year, for instance, the year before, you criticized us for having unanticipated surpluses and having amounts that were greater than projected. So given all of the stresses and given where the economy was and where we thought it would be going and our desire to manage revenues going forward, we felt that the numbers we chose in the short term were smaller, were appropriate. I think they rise next year, and the year after as well; they get back to \$1 billion next year. The reserve next year goes to \$1 billion and I think \$1 billion the year after that.

**Mr. Tim Hudak:** Minister, you also began the year in Q1 and then subsequently in Q2 with some—I'm trying to remember the number exactly—approximately \$340 million in unbudgeted expenditures, despite the fact you knew there was a challenge to revenue, and certainly the fiscal situation would put your budget numbers in jeopardy. Despite that, you went ahead with these spending increases. Let me name a few of them. One was a significant increase in the Board of Internal Economy, I believe. Why make a decision to increase expenditures within those ministries as opposed to asking those ministries or departments to find their own internal savings for these priorities?

**Hon. Dwight Duncan:** You know the government doesn't control the Board of Internal Economy; that's controlled equally by the three political parties, as managed by your representatives and ours. With respect, the other items in that line were—you mentioned Board of Internal Economy. What were the other ones—I don't have them in front of me—that you're concerned about?

**Mr. Tim Hudak:** I am digging them up. This was in Q2 here, which I have the page open to: \$7.1 million for OMERS Administration Corp.

**Hon. Dwight Duncan:** For which?

**Mr. Tim Hudak:** OMERS.

**Hon. Dwight Duncan:** I'll ask my officials if they can respond to that and we'll get back to you.

**Mr. Tim Hudak:** The Ministry of Education, \$187.5 million for school boards, net expense, under a category you called "grants for student needs." Can you specify exactly what that almost \$200 million is used for?

**Hon. Dwight Duncan:** That is for education. That will flow to school boards, and I'll let Peter—

**Mr. Peter Wallace:** I think we'll actually have John Whitehead come up to deal with the specifics on the expense.

**The Acting Chair (Mr. Kim Craiton):** If you just want to introduce yourself, please, to the committee.

**Mr. John Whitehead:** I'm John Whitehead. I'm with the Ministry of Finance. I'm the ADM responsible for fiscal planning.

The question was with respect to roughly \$200 million of expense change in this fiscal year for the grant for student needs?

**Mr. Tim Hudak:** Exactly.

**Mr. John Whitehead:** Okay. The province has, as you know, been negotiating with school boards, and the compensation amounts for teachers are flowed through

the grant for student needs. The negotiated settlement was reached during the summer and is in the process of being ratified. It was minuted at treasury board; we were reporting out in the second quarter that change in expense.

**Mr. Tim Hudak:** So this is really salaries and benefits recently created by collective bargaining agreements for teachers?

**Mr. John Whitehead:** Yes.

**Mr. Tim Hudak:** That represents about what? I think the agreement has been made public. It was 3% per year over four years; is that correct?

**Mr. John Whitehead:** I believe it's still in the process of being ratified, but that's the approximate order of magnitude.

1700

**Mr. Tim Hudak:** So, obviously, this wasn't planned for expenditure if it came through a treasury board minute or what have you. So what had the ministry actually—

**Hon. Dwight Duncan:** Actually, we do have contingency in the budget for that. We know what collective agreements are coming up in the course of any given year, and there is usually contingency built into the budget.

**Mr. Tim Hudak:** Okay. What had you actually budgeted for in terms of salary and wage increases?

**Mr. John Whitehead:** The minister's comment is bang on. Because we knew there were negotiated settlements coming—the government needed to go through the negotiating process. So, exactly as he has said, we waited for the settlement to be reached and then offset it through the contingencies for the year.

**Mr. Tim Hudak:** Okay. Let me ask, if there is a 1% increase in salaries for Ontario teachers, what does that work out to be, roughly?

**Mr. John Whitehead:** I'll have to get back to you on that for an exact—

**Mr. Tim Hudak:** I think you do have that in your risk assessment within your budgets and that sort of thing, right?

**Mr. John Whitehead:** Yes. I just don't have it handy.

**Mr. Tim Hudak:** Okay. Let me ask it a different way, then. The \$187.5 million represents about how much of the increase in the cost due to the new collective agreement? Is it half of the increase, a third?

**Mr. John Whitehead:** It will be over half. It represents a little over 2%, I believe, and it remains to be seen how the balance of the discussion goes.

**Mr. Tim Hudak:** Okay. I'm not sure if it has been finalized or not, the agreement with the OMA with respect to the OHIP schedule. Has that been accounted for already in ministry spending, or do we expect to see another item in Q3 on the contingency fund?

**Mr. John Whitehead:** Indeed, the Ontario Medical Association agreement was just ratified and, clearly, we wouldn't have had a way to anticipate that at budget time in its final form. However, the Ministry of Health is quite a large ministry and is managing at this point a number of

things, including that agreement. I think it is well over 40% of our total budget, the Ministry of Health. So our normal practice would be to see how the expenses are going for this year and catch it up at the end.

**Mr. Tim Hudak:** Let me ask it this way, then: In terms of your planning for health's expenditures in 2008-09, what did you build in as an expectation for the settlement with the OMA?

**Mr. John Whitehead:** There are a variety—I'm sorry. Pardon me.

**Hon. Dwight Duncan:** It's part of a broad government contingency, Tim. We look at it on an individual basis but also build it into contingency and then, as what we term a risk to the budget becomes more real and becomes obviously a realized risk, once it's ratified, that amount is taken out of the overall government contingency. I guess, in effect, there's contingency within the contingency; that is, that that contingency is built to accommodate. Some items that are risks will come in lower than we thought, some will come in higher. So it comes out of the contingency. Therefore, it has been accounted for in the budget.

**Mr. Tim Hudak:** Out of the contingency fund?

**Hon. Dwight Duncan:** Out of the planned contingency, yes. We don't just randomly set a contingency. We look at risk. Obviously there are some risks that are higher and some risks that are lower. For instance, risks like that would have been a high risk. We would have programmed it into the overall contingency fund, knowing that we would be faced with the bargaining, in this case, with the OMA, that we didn't know precisely what the final result would be. In any bargaining, whether it's with the OMA, whether it's with teachers and others, mandates are given to our senior officials, as you would be aware, to negotiate, and then as part of the budget process, recognizing that those agreements will be reached, not knowing precisely what they are, there's a contingency built in and it's built in within—

**Mr. Tim Hudak:** So—

**Hon. Dwight Duncan:** Let me just finish. It's built in within a larger contingency. By the way, again, sometimes the risks that we budget or provide for in contingency turn out not to be as high.

**Mr. Tim Hudak:** Sure.

**Hon. Dwight Duncan:** For instance, one of the interesting phenomena in health is that we often have under-spending in health in a lot of line items, but by the end of the year we think, when we've presented you with the budget and with the updates, that that reflects our best assessment of what the health budget will be.

**Mr. Tim Hudak:** So to answer the question I had—your answer to me earlier was that one of the reasons why you reduced the contingency fund was because you had limited spending in the ministry, so the spending increase was lower—

**Hon. Dwight Duncan:** Growth in spending.

**Mr. Tim Hudak:** —limited growth in spending. Given the state of the economy and given that you have two very powerful bargaining groups to deal with—

**Hon. Dwight Duncan:** Eight.

**Mr. Tim Hudak:** Well, sure, but there's just the two that I've mentioned so far. I still don't understand, then, why you would reduce the contingency fund when you're heading into negotiations with the teachers and the doctors.

**Hon. Dwight Duncan:** We do that because first of all, we recognize the risk levels and the higher versus lower risk. For instance, a risk that's associated with two years from now is a lower risk. There's a whole range of calculations. But at the end of the day, one tries to strike a balance where you don't have scenarios where you have large variances on either the revenue or expenditure line at the end of the year. Oftentimes, people criticize for having very large variances. So it's a bit of both the reserve and the contingency. The reserve is designed more for revenue, to deal with unanticipated declines in revenue, which—

**Mr. Tim Hudak:** So you're—

**Hon. Dwight Duncan:** —if I may, by the end of the year, if you're off by a substantial portion, will tend to exaggerate a surplus. On the other hand, on the contingency, if you build in too much contingency—it's a matter of striking the right balance. Because of the economic circumstances—

**Mr. Tim Hudak:** Minister, I appreciate the answer. You're heading into negotiations currently under way with OPSEU, the next major bargaining unit. What have you built into your plan for an increased—

**Hon. Dwight Duncan:** I don't want to comment on that. There's an overall government contingency, and negotiations are just beginning. I think our bargaining partners are aware that government always takes these things into consideration. The only answer I can give you at this point is that we believe we've taken account, recognizing that we have negotiations with OPSEU followed by AMAPCEO, PEGO and others. It would prejudice the government's bargaining position to deal with that.

**The Acting Chair (Mr. Kim Craitor):** Two minutes.

**Mr. Tim Hudak:** Do you expect to be coming back and dipping into what's remaining of the contingency fund as a result of the OMA agreement or the OPSEU agreement?

**Hon. Dwight Duncan:** Well, we know now what the OMA agreement is and the cost of it, so that's taken out. We look at the overall contingency fund from an overall government perspective. Again, some risks are realized, some risks are not realized. The answer to your question, I guess it's fair, gentleman, is to say that it depends. But overall, what you see in terms of the actual expenditure numbers, the contingency and the reserve, is our best analysis of where things are going to be by March 31, 2009.

**Mr. Tim Hudak:** You mentioned that there are eight large collective agreements. Is that what you said?

**Hon. Dwight Duncan:** I think it's eight, yes.

**Mr. Tim Hudak:** So aside from the three that I've mentioned, what else do you have yet to go in this fiscal year?

**The Acting Chair (Mr. Kim Craiton):** We've got one minute left.

**Hon. Dwight Duncan:** We've got OPSEU, AMAPCEO, PEGO—we don't have an agreement yet with elementary teachers, correct?

**Mr. Peter Wallace:** With elementary teachers, law officers, the crown and the Ontario Provincial Police Association.

**Mr. Tim Hudak:** Okay. The other item I wanted to highlight for in-year spending increases was \$100 million in Ministry of Health OHIP payments. What's the nature of the \$100 million in unbudgeted spending this year in OHIP?

**Mr. John Whitehead:** The Ministry of Health tracks all of its major spending lines quite closely. The increase that we reflected there is a utilization increase, primarily. So it's reflecting people's visits to the doctor, quite frankly, up until this point. At this point, we thought it was appropriate to indicate those amounts. I reiterate the point the minister made, which is—

**The Acting Chair (Mr. Kim Craiton):** Thank you very much. Sorry to interrupt, but the time has expired, and I want to make sure my colleague from the third party gets his half hour. Thank you, Tim. Michael?

**Mr. Michael Prue:** Yes, and there's lots of time here to boot. Okay. I have a number of questions. Some of them may appear at first to be a little hypothetical, but I just want to get a framework around this.

The first one I want to ask—and I want to make sure we're all on the same book. The Ministry of Finance is charged with determining the operating budgets of each ministry. Is that correct? Each ministry comes and asks for the amount of money. The cabinet will sit down, it will determine which ministries will get what they're going to get, some more, some less, but in the end the Ministry of Finance is responsible.

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**Hon. Dwight Duncan:** That's correct.

**Mr. Michael Prue:** Taking that response, how long is the planning cycle?

**Hon. Dwight Duncan:** The planning cycle starts with something called results-based planning. For instance, we've just begun results-based planning. It starts with a note going out from the Ministry of Finance to each individual ministry. The deputy of finance meets with his counterpart in each of the individual ministries. Political staff from the Ministry of Finance meet with their counterparts. We give them an indication of the sorts of things we're looking for from them. They, in turn, submit a results-based plan to Management Board and treasury board of cabinet. Management Board and treasury board of cabinet consider each one of them individually. Some of the smaller ministries don't receive the same kind of attention that some of the larger ministries receive. Those results-based plans are then adopted by treasury board and Management Board. They then go to cabinet for approval, and then they form the basis of the expenditure side of the provincial budget.

Mr. Prue, just to be more specific about your question, those original letters went out—what?—about a month ago, Deputy?

**Mr. Peter Wallace:** Yes, absolutely. But in a very realistic way, the annual planning cycle is a full year. As soon as ministries have their budget, they're required to manage them very tightly. They report in to us at quarter 1; that then forms the basis for the conversation around the subsequent cycle.

**Hon. Dwight Duncan:** Just to add to that, the deputy points out quite correctly that there will be overspending in some areas, underspending in others. Management Board will make adjustments throughout the course of the year, and there is a full reporting process that culminates with public accounts.

**Mr. Michael Prue:** I know all of that is correct. Perhaps my question wasn't specific enough. In other words, how many years into the future are allocations planned? I've always understood the government has a four-year cycle. You start looking at things down the road. You start looking at what may or may not transpire down the road, and you're working in four-year cycles. Is that a correct assumption or not?

**Mr. John Whitehead:** It's three. The Fiscal Transparency and Accountability Act requires the government to plan for current year plus two in its budgets. So our planning—

**Mr. Michael Prue:** So it's three.

**Mr. John Whitehead:** Our planning process reflects that. For capital planning purposes, it's a little bit of a longer horizon just because of the nature of the work, but for operating purposes we focus on current plus two.

**Mr. Michael Prue:** Okay. So, at this present time, staff are working not only on this year's budget but next year and the year after. It's all pretty preliminary, and I understand the vagaries of the market and everything that's happening, but you are going through that process at this time.

**Mr. John Whitehead:** That's correct.

**Mr. Michael Prue:** Okay. Has the Ministry of Finance developed preliminary plans, then, for funding allocations to each of the ministries for the 2009-10 fiscal year?

**Hon. Dwight Duncan:** No. We've just begun the results-based planning process.

**Mr. Michael Prue:** So even though you do this analysis two years in advance, you haven't put any ideas to paper at all for next year?

**Mr. Peter Wallace:** Let me answer the question very precisely. It might be better phrased, "Have we adjusted them?" The answer is no, we have not adjusted them.

**Hon. Dwight Duncan:** For instance, Michael, a large portion of any ministry's expenditures are wages and benefits. We know—not precisely, but we build out budgets in two years—roughly what those expenditures will be. We do adjust them year over year. Again, there's contingency built three years out as well in terms of risks that are emerging as time goes on.

**Mr. Peter Wallace:** We need to answer your question very carefully as well because we run a realistic and rigorous process. Of course we've had conversations, as the minister said, with deputies and others around the changes that they may expect, reflecting changes in underlying economic drivers, reflecting changes in costs, reflecting changes in government policy and priorities, reflecting the savings opportunities we would expect them to come forward with, of course, through all of that. So if you ask the question as general as, "Have we formulated any ideas?" of course you would expect us naturally to have formulated ideas, and those are rigorous, ongoing and, from time to time, fairly painful conversations.

**Mr. Michael Prue:** I'm sure they're painful; that's for sure.

Are you in a position to provide this committee with the planned operating allocations or the capital plans for ministries for 2009-10?

**Hon. Dwight Duncan:** No. That will be presented in the budget.

**Mr. Michael Prue:** And there's no way you could give us even a thumbnail sketch of what you expect is going to happen?

**Hon. Dwight Duncan:** You'll see what's published in last year's budget.

**Mr. Michael Prue:** The reason I ask that is because the minister started off, and I think quite correctly, saying that economics and forecasting in this current time and place is very difficult. I'm trying to get a handle on where we might be headed. The reason I ask that, in part—just let me digress a little. I'm looking at the statement, the Ontario Economic Outlook and Fiscal Review. I looked on page 29, as an example, just one very small example, "Impacts of Changes in Key Assumptions on Ontario Real GDP Growth." The first one was, "Canadian dollar depreciates by five cents US." That is going to have an impact on growth, and it sets out what it is. Since the time of writing this, the Canadian dollar has declined by more than five cents, just in a scant week. Is this something that we should anticipate?

**Hon. Dwight Duncan:** We did not—and I indicated this in the statement last week—update estimates in the fall statement. We will provide that at budget time, when we have more real numbers in from our revenues. Again, there are a number of variables that we look at, whether it's the value of the dollar, whether it's the price of oil, whether it's retail, or whether it's home sales. There are a number of variables that go into the modelling we do in terms of the economy, and the budget will present our expenditure forecast for 2009-10. You can see, in what we have published this year, in the 2008-09 budget—we publish for two years out. For 2009-10, you will see more up-to-date numbers based on decisions the government has to take.

**Mr. Michael Prue:** I asked the question in terms of the dollar. I can ask the same question about oil. I look on page 31, where the government's estimate for oil for 2008 in the budget was \$80 a barrel; it went way above

that. That must have caused some concern. But today—or yesterday, anyway; I didn't see today's—it was trading at \$63. I don't know what it's trading at this afternoon, but it was \$63. Surely this must have some huge impacts on planning and what the forecasts are going to be.

**Hon. Dwight Duncan:** Yes, they do. That's why we quoted two economists in my statement; that's why I think virtually every economist we've met with has cautioned against projections at this point, because of all the uncertainty in these variables. A number of variables have done worse than we laid out in the budget; a number have done better. Earlier this year, I think both parties—certainly the Conservatives—criticized the fact that the value of the dollar was much higher than we projected, that oil was much higher than we had projected. Yet now, as you indicate, in the case of oil, it's much lower; the Canadian dollar is much lower. Those are year-over-year averages, by the way—

**Mr. Michael Prue:** I know that.

**Hon. Dwight Duncan:**—those are not specific-in-time numbers. So yes, they do. At the time of the fall statement, we did not update those numbers. Part of the challenge is getting the best numbers we can. We will, as the Fiscal Transparency and Accountability Act calls for, provide you with a two-year outlook in the budget.

**1720**

The other point I would make: My 2006 budget was, I think, the first budget that was presented before the beginning of the fiscal year. I could never understand that, particularly coming from a municipal background, as I know you did. One of the challenges we have is that we don't have our year-end numbers for the year just ended until quite late into the next fiscal year. So it means, in effect, that the earlier you do it, the more you're relying on out-of-date information for your future projections. That adds a certain element of risk to your projections and in terms of what you want to report to the public. So that's why treasurers and finance ministers in the past, of all three political parties, have done their budgets sometimes as late as June, awaiting the best and most up-to-date information. For instance, one of the biggest variables in the revenue line is corporate income taxes, and we won't have hard numbers on that until January-February of next year. That's why it's difficult to make solid projections on a range of things at this point.

**Mr. Michael Prue:** Something a little more specific—at least I hope it is: In the backgrounder to the fall economic statement, the following statement was made "Transfer payment funding will not be increasing in fiscal 2009-10 according to what was projected in the 2008 budget last March." Can you tell the committee two things—I'll just do one at a time. The first one is, the total payments to transfer partners—that is, to the MUSH sector; municipalities, universities, schools and hospitals—planned in the 2008 budget for 2008-09 and 2009-10: What were you going to give them? That's the first part.

**Hon. Dwight Duncan:** I don't have that specific number, but what we signalled in there is that because of

circumstances in the world and the impact of that on our economy—and as I indicated in this statement today and in the fall statement, in the absence of hard numbers you have to use a bit of judgment and you have to make some assumptions. We think it's unrealistic at this point to expect that we'll be able to continue transfers in that fiscal year according to what was laid out in the 2008-09 budget.

**Mr. Michael Prue:** I know. It certainly sent chills down the spine of many of the CEOs and people responsible in the MUSH sector.

**Hon. Dwight Duncan:** Yes.

**Mr. Michael Prue:** Can you tell us the total payments to transfer partners now planned for 2008-09 or for 2009-10?

**Hon. Dwight Duncan:** For 2008-09 we will continue along the lines that are laid out in the budget, but for 2009-10, which is what we said in the fall statement—no, we can't. That will come in the budget. Because of what is going on in the economy—particularly in terms of that impact on our revenues—we wanted to signal as early as we could to our partners.

By the way, they weren't ever given specific numbers in terms of what they would be receiving. You'll see a global budget—in our budget—like individual hospitals would know, or individual school boards would know. I think our best judgment tells us today, and we felt it important to signal to our partners that the overall figure that had been outlined in the 2008-09 budget for 2009-10 and for 2010-11 will not be as robust as the previous budget would have said.

**Mr. Michael Prue:** So hospitals that were getting 6% and/or 8% and schools that were getting 3% or 4%—I'm not sure of the exact numbers, but something in that range—probably can't expect that.

**Hon. Dwight Duncan:** Based on our best judgment today, that's correct, what you've just said. Those rates of growth will be difficult to maintain.

**Mr. Michael Prue:** The next question is: Under the Ministry of Finance's restraint initiative, they indicate that \$50 million will be saved from 2008-09 in delaying the hiring of 9,000 nurses—which was a 2007 platform promise. How many nurses were supposed to be hired in 2008-09?

**Hon. Dwight Duncan:** I'm going to get that number for you. We did plan to begin this year. It was a relatively small number, as I recall.

**Mr. John Whitehead:** I think probably the best thing for us to do is to get you that information, if we could come back to you with that.

**Mr. Michael Prue:** So it wasn't the whole 9,000?

**Hon. Dwight Duncan:** No.

**Mr. Michael Prue:** It was a small number. I'm trying to figure out how the \$50-million figure is arrived at. How many aren't going to be hired?

**Hon. Dwight Duncan:** I'll have to get you that number. I don't have it right now. We were beginning to ramp up the hiring of those nurses this year. It was a

relatively small number, as I recall. Because of these circumstances in the economy, we're going to delay that.

**Mr. Michael Prue:** That's sort of where I want to go next. You're going to hire a relatively small number of nurses out of the 9,000 this year, and you're now talking about, and your own words were, "a longer period of time than anticipated." Is there going to be funding or is there funding in place to hire the nurses in 2009-10 or 2010-11? When might the public expect the much-anticipated hiring of nurses?

**Hon. Dwight Duncan:** First of all, again, we will lay out a new budget. I hope to deliver that budget before the end of March, next year. We'll indicate at that point in time where we're at.

As I have said and as the Premier has said, our intention is to continue with the hiring of 9,000 additional nurses. With the current state of the economy and the situation our revenues are in, we have decided to delay the beginning of the implementation of that. I think the platform document that we laid out did not give a specific timeline as to when all of the nurses would be hired, whether you do X number this year and the year after. Our hope is to achieve that goal over the mandate of the government. In the last four years I think we've hired 8,400 nurses. I'll get you that precise figure, as well.

Again, the decision we had to make, in terms of running a managed deficit or a manageable deficit, was that the first order of changes had to be around delaying the implementation of new spending. We'll see where things unfold. These are very challenging circumstances we find ourselves in, as do other jurisdictions. The 2009-10 budget will update the numbers and give you a clear sense of where we see things.

**Mr. Michael Prue:** The reason I'm asking this is because this was a campaign promise in 2007; it had nothing to do with what had happened before. In 2007, the promise was made for 9,000 new nurses. To date, I'm not aware of very many, if any, having been hired. I understand the rationale, but I'm trying to find out from you—the commitment you made was within the four-year mandate, which ends in 2011. We're two and a half years from there, and it doesn't appear that there is any solid thing that can be said today about how that mandate is going to be met.

**Hon. Dwight Duncan:** That's right. There's a revenue challenge. We will update in the budget; we will update in our quarterly reports in terms of the province's finances. You'll have the Q3 numbers in mid-February, and then we'll update our own projections for the coming years in the budget. Again, I stress that because of the circumstances we find ourselves in, we have delayed the implementation of that commitment. It remains our hope and goal that we can achieve it in the course of the government's mandate, but that will be contingent upon the performance of the economy.

**Mr. Michael Prue:** From the Ontario budget 2008, going back to table 18, you gave, as an expense—and you gave a whole list of programs. For the health sector, the interim in 2007-08 was \$38.1 billion, increasing to

\$40.4 billion in 2008-09, increasing to \$42.4 billion in 2009-10. Do you anticipate being able to meet these targets?

**Hon. Dwight Duncan:** Yes, and when we can't, we will signal it to you. What we have done is delay the implementation of new spending. The rates of growth in health care are continuing, as you see even in this year—\$100 million, as John was beginning to describe to Tim, was just utilization: people going to the doctor, people showing up at hospitals, people accessing billable services. There is no question that the rate of growth in health care expenditure is going to continue. Part of the challenge we all will have to rise to is, in a world where revenues are not growing anywhere nearly as quickly as the program costs in health care, how you meet the demands that people have for the services. So it's a difficult but fine line to walk, also recognizing that health care consumes almost 50% of the provincial budget now. There's no doubt that there are going to be challenges, meeting the health care needs of this province.

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**Mr. Michael Prue:** But you still anticipate meeting this, at this time?

**Hon. Dwight Duncan:** Absolutely, and that's why, when we bring out the budget, we will update numbers, not only for this fiscal year—well, for the fiscal year that you're dealing with in the budget, but for the next two fiscal years out. Then, of course, in the year before the election, the Provincial Auditor will sign off as to the veracity of the projections that are made in the budget.

**Mr. Michael Prue:** The education sector was much more modest in terms of increases, going from the interim at \$12.4 billion through the plan this year for \$13.1 billion and next year into \$13.4 billion and, finally, into 2010 to 2011, also remaining at \$13.4 billion. Is it your anticipation you're going to keep that at \$13.4 billion, or do you anticipate that this may go down?

**Hon. Dwight Duncan:** I can't answer that right now. We are still working with the ministries. Those budget projections remain the projections of the government, and any changes in those projections will be reflected in the next budget.

**Mr. Michael Prue:** The next one is post-secondary education and the training sector. This one, perhaps, is a little puzzling. It started out at \$6.6 billion. The plan was to reduce it for this year to \$6.2 billion and then increase it slightly next year to \$6.4 billion. Given the much-vaunted—and you talked about it yourself—new training program, the long-term one Mr. Milloy has been talking about in the Legislature for the last few days, do you anticipate that there will be money for the training with hundreds of thousands of people losing their jobs?

**Hon. Dwight Duncan:** John? I'm going to ask John to respond to that.

**Mr. John Whitehead:** The beginning of your question was about a year-over-year decline. There was some one-time spending last year to improve capital, in particular as a focus of in-year changes in expense for

post-secondary education, and then we sort of resume a more normal rate of growth for the sector.

**Hon. Dwight Duncan:** The budget does provide for the Second Career strategy and all the other training programs that the government offers.

**Mr. Michael Prue:** So it's your intention, if you can, to raise that the same amount next year? I mean, you're talking about raising it back to \$6.4 billion for 2009—

**Hon. Dwight Duncan:** The budget will reflect what the government has undertaken in terms of all of its undertakings with respect to Second Career and the other obligations we have through Employment Ontario.

**Mr. Peter Wallace:** To try to be helpful here, it is worth remembering that through all of these planning cycles, under any government at any time, we publish out your numbers. We've committed to do that through the Fiscal Transparency and Accountability Act. Of course those numbers will be subject to change, and of course we publish the numbers so that people can see, to the very best of our capacity to project and the very best of our understanding of the government's policy direction, how that fits in with revenues and a variety of other factors, how that will allocate.

This year has everything in common with all years in that we will update those numbers as we go forward and provide for treasury board and then the Minister of Finance to bring those forward in the traditional fiscal cycle.

What is particularly challenging this year is that there are significant economic fluctuations that the minister has signalled and discussed in the fall economic statement. What you're seeing, in very real sense, is the continuation of the same process, pattern, structure and rigour that we've traditionally brought to our expenditure management process.

**Mr. Michael Prue:** Granted, but this brings me down to a subject near and dear to my heart. I think I ask more questions than any other person in the entire Legislature on social services, on poverty and questions related to that.

The next one is the children and social services sector, which went from \$11.3 billion to \$11.8 billion, and for the outlook for 2009-2010 was \$12 billion—a very minor increase, considering that in the last election the promises were made in terms of attacking poverty, having a plan, 25 in 5, and all the things that went with that.

Since the amount is projected, it would not allow probably for much, if any, of that to be done. Is the money available to the social service sector sufficient? What is the government going to do with this? This will probably require a massive amount. The outlook was only for a very small amount, if it can even be maintained. What is the government's plan?

**Hon. Dwight Duncan:** First of all, expenses rising from \$10 billion to \$12 billion over two or three years in my view is a significant amount of money.

**Mr. Michael Prue:** No, hold on. It was from \$11.3 billion to \$11.8 billion—

**Hon. Dwight Duncan:** But you've got to go back a couple more years to grasp the whole rollout of it.

Second of all, the poverty strategy will be introduced by Minister Matthews in December. We will respond to that in part through our budget in 2009-10. This year, we did raise the child benefit. I'm not sure if it reflects in that line that you just referenced or not. I don't have it in front of me.

There are a number of other areas. We doubled funding for student nutrition programs. We have provided a budget for a dental program. It's starting in this fiscal year and rolling out over time.

Again I want to stress, as both the Premier and I have said, that the government remains committed to the poverty agenda. Because of the economic circumstances, we will have to implement it, probably initially, in any event, when we start to see more robust growth in the economy and in our revenues. We will have to implement it more slowly than we might otherwise have wanted to, but we think that's the responsible way to move forward. It's difficult to introduce new spending measures if there's not an adequate rate of growth in revenue to cover those expenditures.

In addition, the government will seek out ways to make better use of existing expenditure. That's part of the results-based plan. Every minister is looking at their highest priorities, as well as the lowest priorities, within their ministries. They are looking at what program services work or don't work. They make recommendations to us to help fund initiatives within their ministries also. So all of these things will be part of the budget moving forward.

Once we receive the poverty committee's report, the government will begin to implement it. As the Premier and I have indicated, and again I'll stress, we will likely not be able to implement it as quickly as we would have liked, certainly not as quickly as a number of the stakeholders would like us to, but nonetheless we will begin—I shouldn't say begin. We will continue to build on the initiatives that we have already started, including the child benefit and a range of others. The student nutrition programs come to mind from the last budget.

**The Acting Chair (Mr. Kim Craitor):** You have one minute left, Mr. Prue.

**Mr. Michael Prue:** Perhaps a very fast question then. In answering a question put to you by Mr. Hudak, you made the statement that there will be \$1 billion in the contingency for next year. That's the plan.

**Hon. Dwight Duncan:** That's what's in the budget right now.

**Mr. Michael Prue:** Okay. That's what's in the budget. At the same time, have you—

**Hon. Dwight Duncan:** That's in the budget for next year, \$1 billion.

**Mr. Tim Hudak:** Reserve.

**Hon. Dwight Duncan:** It's a reserve—that's right, not contingency. There's a difference.

**Mr. Michael Prue:** Okay, sorry, in the reserve. Excuse me. I just wrote it down really quickly. Have you also come up with similar numbers, whether or not there will be an overall deficit or surplus number contained

within the planning years for 2009-10? You've already determined there's going to be a reserve.

**Hon. Dwight Duncan:** It's published as a balanced budget in each of those outlying years.

**The Acting Chair (Mr. Kim Craitor):** Twenty seconds.

**Hon. Dwight Duncan:** That is our projection in the budget. Again, we have had to revise this year. In the fall statement we chose not to revise for next year and the year after due to the challenges associated with the numbers we have now, but of course the budget will update those numbers.

**The Acting Chair (Mr. Kim Craitor):** Thank you, Minister. Thank you, Michael. We have a half hour left to allow you, Minister, to make a statement. Am I correct? We have a half hour left. I've been told that—

**Hon. Dwight Duncan:** Do we not have a vote at a quarter to?

**The Acting Chair (Mr. Kim Craitor):** I'm not finished yet, Minister.

**Hon. Dwight Duncan:** Oh, I'm sorry.

**The Acting Chair (Mr. Kim Craitor):** Just be patient now. We have a half hour, but you will not get a half hour because we have a vote. I think we worked it out to about 12 or 13 minutes, so you can speak and save the time for when we reconvene tomorrow afternoon.

**Mr. Lou Rinaldi:** No, Tuesday.

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*Interjections.*

**The Acting Chair (Mr. Kim Craitor):** Tuesday? I'm the Chair, so I say tomorrow afternoon at 4 o'clock.

If I keep talking, you'll have no time, Minister. You have until the bells start ringing.

**Hon. Dwight Duncan:** I have until the bells start. You know, I think I said everything I wanted to say in my opening statement, so I'm in your hands. Do you want to give these rascals more questions?

*Interjections.*

**The Acting Chair (Mr. Kim Craitor):** Minister, if you decide you don't want to say anything further, then we go into our normal rotation.

**Hon. Dwight Duncan:** Okay, that's fair.

**The Acting Chair (Mr. Kim Craitor):** We'll go back to the official opposition. In that case, Mr. Hudak, you have 10 minutes.

**Mr. Tim Hudak:** Prue stole my second batch of questions, so now I have to scramble for some more.

Minister, among your ministry staff, who's responsible for the Ontario Financing Authority?

**Hon. Dwight Duncan:** Gadi Mayman. Is Gadi here?

**Mr. Gadi Mayman:** Gadi Mayman, the CEO of the Ontario Financing Authority.

**Mr. Tim Hudak:** Oh my God, the CEO. Fantastic. Following up on the growth, staff in the Ontario Financing Authority has gone from 24 to 28 from 2004 to 2007. They anticipate for fiscal year 2008 they'll be getting additional staff on the sunshine list, besides the 28 that were there last year.

**Mr. Lou Rinaldi:** Chair, point of order.

**The Acting Chair (Mr. Kim Craitor):** Yes?

**Mr. Lou Rinaldi:** I think the normal practice in the short time I've been here is that the questions are directed to the minister and then the minister chooses what staff might be best appropriate, if he so feels.

**The Acting Chair (Mr. Kim Craitor):** Yes. I was being a little lenient, but normally—and I've watched you when you've chaired, Tim, as well. That normally is directed to the minister and then the minister decides if he'd like someone to come up. Maybe we could just continue with that approach.

**Mr. Tim Hudak:** I think it depends on who is asking the questions.

**Mr. Bob Delaney:** We call it the Hudak.

**Mr. Tim Hudak:** It's just a simple question in terms of the number of staff at the financing authority who are on the sunshine list anticipated for 2008.

**Hon. Dwight Duncan:** Sure, and before I turn it over the Gadi, I'll say this. One of the challenges we have with the financing authority is, because of the nature of the business they're in, we have trouble retaining people because of very high salaries down on Bay Street, although I suspect that's going to change or is in the process of changing. They do an outstanding job for us and they are true public servants. Most of them make probably half or a quarter of what they could make in comparable positions.

But to your specific question, I'll turn that over to Gadi.

**Mr. Gadi Mayman:** Yes, Mr. Hudak. I don't know the exact numbers that we'll have for next year. At the higher end, which is probably what you're looking for, there will be no more. We haven't hired anybody additionally on the trading desk. We may, as people have their annual increases and move from a \$98,000 salary to \$101,000 or \$102,000, get more at that level.

**Mr. Tim Hudak:** And the number of FTEs at the OFA currently?

**Mr. Gadi Mayman:** We started the year at 161. In the budget of 2008, we were assigned 11 new FTEs. They are in our corporate and electricity finance division. They will be responsible for three specific areas. One is the nuclear procurement project. There are a number of people who are going to be looking at the cost recovery and financing of that. In the Next Generation of Jobs Fund, we have a couple of new FTEs who have been added for that role. Finally, under the aboriginal loan and participation in energy projects, we have a number of people who have been added for that. So there are 11 FTEs added in total. The total will now be 172.

**Mr. Tim Hudak:** Through this fiscal year?

**Mr. Gadi Mayman:** Through this fiscal year. We have not quite gotten to that level yet, but my expectation is that we will be close to it by the end of the fiscal year.

**Mr. Tim Hudak:** When did you start your employment at the Ontario Financing Authority?

**Mr. Gadi Mayman:** I started in 1991.

**Mr. Tim Hudak:** A young fellow, eh?

**Mr. Gadi Mayman:** Well, I wasn't quite so young.

**Mr. Tim Hudak:** Just out of high school?

**Mr. Gadi Mayman:** I was actually joking with somebody yesterday, when the Japanese stock market dropped to its 1982 levels—I started working in 1981, so apparently, according to Japan, the value of my career and the financial value and everybody else who started with me is zero.

**Mr. Tim Hudak:** I don't know if you'd recall this off the top of your head—if you don't, please just get back to me—the number of FTEs who were at the OFA in the fiscal year 2003-04.

**Mr. Gadi Mayman:** I do not know and I will get back to you on that.

**Mr. Tim Hudak:** Super. Thank you very much. Those are my questions for the OFA.

FSCO, the Financial Services Commission of Ontario: Is somebody responsible for that, Minister?

**Hon. Dwight Duncan:** We'll take the questions and get back to you.

**Mr. Tim Hudak:** They're the same questions—and if you don't mind reporting back if you anticipate any growth in the sunshine list for 2008-09 and the number of FTEs this fiscal year and the number of FTEs in 2003-04.

I'll do some auto insurance questions as well, but I'll come back to those at another time.

For the Deposit Insurance Corp. of Ontario, I have the same questions: the number of FTEs in 2008-09 and the number that were there in 2003-04, as well as the sunshine list growth that's anticipated for 2008-09.

The Ontario Securities Commission?

**Hon. Dwight Duncan:** David is not here, but if you want to give us the questions—are they similar questions?

**Mr. Tim Hudak:** Yes, I have the exact same questions for the OSC.

**Hon. Dwight Duncan:** We'll get you those answers.

**Mr. Tim Hudak:** My colleague Mr. Prue was asking questions that were similar to those the PC caucus had about the delay of some of Dalton McGuinty's promises: specifically, the nurses; less urgent education capital improvement projects—\$25 million is the amount that you will be finding in savings this fiscal year from that deferral. Have you identified what those projects are?

**Hon. Dwight Duncan:** No. What we've identified is the calculation for how that will apply through the grants for student needs in each board—and represents about 20% of their previous allocation. So, in terms of the specific projects, no. Presumably those individual boards will make decisions on their lower-priority items.

**Mr. Tim Hudak:** It flows as one of the general grants to each board, so each board will face—

**Hon. Dwight Duncan:** It's part of the grants for student needs. It's one component of that, and each board knows how much it gets. Am I correct, Deputy, that it's 20% of that component?

**Mr. Peter Wallace:** I believe so. We'll check.

**Hon. Dwight Duncan:** Just let me double-check that for you. What will happen is that each board will have had its allocation already, and that will be reduced by

20%. So if it was \$10 million, it will be reduced by \$2 million to \$8 million. Those boards would make the allocation of the balance according to their priorities.

**Mr. Tim Hudak:** Is there a commitment, then, that that \$25 million will flow to those boards at a future fiscal year?

**Hon. Dwight Duncan:** There's a commitment that the full grants for student needs calculation will. What we've done, again, is, we have taken a percentage of what they would have otherwise received on the grants for student needs and reduced it by 20%. I do want to double-check that component. I'm going by memory as to how that precise calculation works. Our hope is to get back to the full 100% of the repairs and maintenance component of the grants for student needs in the future. As to when, I can't give you that day right now. We just don't know.

**Mr. Tim Hudak:** You're delaying the launch of the Ontario social venture capital fund. There had been an allocation of \$20 million in your economic statement. In what fiscal year will that project be launched?

**Hon. Dwight Duncan:** I don't know. Again, on all of those, I can answer your question: We've delayed them; we haven't said when we will reinstitute them. It will depend on the state of the economy, its impact on our revenues and our ability to fund the growth of new services.

**Mr. Tim Hudak:** Do you expect that it will be within the current mandate of this government?

**Hon. Dwight Duncan:** I would hope that it would be within the current mandate of this government. Again, the best analysis we're getting now from the range of economists we've met with and spoken to, including the governor of the Bank of Canada, is that the recession in the United States will likely be deeper and longer than most people have thought. That has a very direct impact on our economy. Again, depending on which analyst you speak to, relatively robust rates of growth in the economy are not expected to return until as late as the second quarter of 2010, or some say it will be as early as the third or fourth quarter of 2009.

The other thing to always bear in mind, and I don't want to put too fine a point on this because I don't expect this to happen, is that historically we have seen corporate tax returns go down when growth has gone up and returns go up when growth has gone down. Right now, because of all of the uncertainty, all of the volatility, it's very difficult to be as specific or as precise as we otherwise would like to be.

**Mr. Tim Hudak:** So there's no guarantee that within the mandate of the current government these promises will be fulfilled.

**Hon. Dwight Duncan:** The guarantee that we continue to give is that we intend to honour our campaign commitments. We will do that in the context of continued growth in the economy.

**Mr. Tim Hudak:** The \$3 million in savings from delaying the addition of 50 family health teams by one year—so this means that your full campaign commitment to family health teams will be achieved by which fiscal year?

**Hon. Dwight Duncan:** I don't want to say specifically. That particular item we've delayed for a year. I think we promised 50 new family health teams; I want to double-check that. But again, pending growth in the economy, our first line of defence in terms of managing the challenges before us is not to embark on new spending initiatives as opposed to having to reduce existing programs and services.

**Mr. Tim Hudak:** There is a \$10-million item that covers a number of restraint initiatives: reducing government staff travel costs, reducing print advertising for government jobs, freezing the real estate footprint, reducing the use of IT consultants, freezing the purchase of government vehicles and reducing government printing, photocopying, and fax costs. How do you allocate those \$10 million in expected savings?

**Hon. Dwight Duncan:** Those are cross-government savings that will be allocated among ministries and, again, will be part of our results-based planning process. One of the things you would have noticed this year is that the document that we distributed with the fall statement was considerably smaller. That's because a number of the tables that were normally printed are now done online. That was a cost-containment initiative. That represents \$10 million over the five months left in the fiscal year. In addition, our results-based planning process is under way, and we will continue to work with ministries to redefine priorities and fund new priorities.

**Mr. Tim Hudak:** Chair, how much time do I have left on my—

**The Acting Chair (Mr. Kim Craitor):** I'm going to close at this session. You have eight minutes and 50 second left—

**Mr. Tim Hudak:** Which I'll pick up in the next—

**The Acting Chair (Mr. Kim Craitor):** Which you'll pick up tomorrow afternoon.

**Mr. Tim Hudak:** Thank you.

**The Acting Chair (Mr. Kim Craitor):** Thank you, Minister; we appreciate it.

We'll be back tomorrow at 4 o'clock. This committee is adjourned.

*The committee adjourned at 1751.*







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