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## **Official Report of Debates (Hansard)**

**Tuesday 18 November 2008**

## **Journal des débats (Hansard)**

**Mardi 18 novembre 2008**

**Standing Committee on  
Estimates**

Ministry of Finance

**Comité permanent des  
budgets des dépenses**

Ministère des Finances

Chair: Tim Hudak  
Clerk: Sylwia Przedziecki

Président : Tim Hudak  
Greffière : Sylwia Przedziecki

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 18 November 2008

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*The committee met at 0902 in room 151.*

## MINISTRY OF FINANCE

**The Chair (Mr. Tim Hudak):** Good morning, members of the committee. We're here to resume the consideration of the estimates of the Ministry of Finance, vote 1201. Minister and Deputy and staff, welcome back.

I know, Minister, the committee members join me in extending our deepest personal condolences on the recent passing of your father.

We have a total of three hours and 43 minutes remaining. When the committee adjourned, it was time for the government members, who have 15 minutes remaining in their 20-minute rotation. Again, we're going from 9 until about 10:15 or so, 10:25, around there somewhere this morning, so the minister can prep for question period.

Mr. Rinaldi, you have the floor. You have 15 minutes.

**Mr. Lou Rinaldi:** Mr. Chair, I just thought that, as you summed it up, we have about 20 minutes left at the end of today for the Minister of Finance. I spoke to Mr. Prue and a little bit to yourself, and I think if we could be prepared to give up whatever the time is, 20 minutes or so, equally according to the three parties, we would like to have the Ministry of Finance folks not come back tomorrow, if it's feasible.

**The Chair (Mr. Tim Hudak):** Yes. As always, there's all-party agreement. Certainly, with 20 minutes left, that will usually happen, sure.

**Mr. Lou Rinaldi:** Okay. Good. Thank you.

**The Chair (Mr. Tim Hudak):** You do have just under 15 minutes now for any questions that you may have for the minister.

**Mr. Lou Rinaldi:** Sure. I think Mr. Craitor—

**Mr. Kim Craitor:** Minister, it's always a pleasure to be here with you. Just a couple of questions, I have.

My questions are going to revolve around infrastructure spending, but last week I had the pleasure of being with my colleague Minister Bradley at Niagara regional headquarters. We invited all the mayors in to a press conference and we had the pleasure of making them aware that we were keeping our commitment to provide them with infrastructure funding and actually presented the cheques to them. I think it was about \$40 million that we presented to a number of mayors, including my mayor of Niagara Falls, that got I think close to \$2 million, and Fort Erie that got about \$1.4 million, and

Niagara-on-the-Lake that got about \$800,000. The region got around \$20 million.

I remember saying to everyone there that even though we're having challenging times as a government and every government across Canada is having the same difficulties, it was important to invest in our municipalities, so we were still keeping our commitment to provide them with this funding. There was a really positive feeling in the room that day from many of the mayors saying, "We really appreciate what your government is doing in terms of the amount of infrastructure funding you've given to us, and you're still committed to us even though you have some challenging times."

I just wondered if you might go over the infrastructure spending during these economic times, which I've mentioned. Do you have any idea how we've directed some of our other money for infrastructure? I'm quite familiar with what we've done in our own areas, but across the province, some of the things that we've done, and what's our go-forward plan with infrastructure funding, even though we're having challenging times?

**Hon. Dwight Duncan:** First of all, you referenced the first ministers' meeting last week where the first ministers seemed to find consensus that, in these challenging times, running deficits in the investment and infrastructure seems to be one of a number of appropriate responses to the challenges in the economy.

Ontario has been hard hit in the manufacturing sector, as you know—in the Niagara region, Kim, and your own town—and not just manufacturing but tourism, which has been dramatically impacted because of a whole variety of factors going back to 9/11. So we laid out a five-point plan and one of those points is infrastructure, because infrastructure has two benefits. One, we do have what we've termed in the past an infrastructure deficit. For years, governments of all political stripes were not re-investing in the hard services that not just municipalities provide but that the province itself provides.

We undertook, some four years ago, a \$30-billion ReNew Ontario undertaking, which is three and a half years into the five-year plan. Now, as we're starting to wind that up, we're starting a \$60-billion, 10-year infrastructure program. You can see it up and down the highways. Whether you're on the QEW, whether you're looking in communities where they're building new hospitals, you're seeing cranes on the skyline.

The beauty of infrastructure, and I think the reason that the first ministers agree, is that, first of all, it creates

jobs in the short term. One of the areas that continues to experience growth, in spite of the challenges in the world economy, is the construction and construction services industry, and that's particularly true here in Ontario. So, because of the challenges we saw in the manufacturing sector some time ago and in the forestry sector, we deliberately accelerated our infrastructure spending, including, I think, a total of \$9.9 billion last year.

#### 0910

The money that you and Jim Bradley announced, and I did in my hometown of Windsor, came out of investing in Ontario. What that was, Kim: The province, for the last fiscal year, determined that if we had an unanticipated surplus, we would allocate the first \$600 million of that to debt reduction, which we did, and any balance over \$800 million would be allocated and apportioned to municipalities across Ontario for infrastructure. That was on top of, I think, an original \$3 billion last year in infrastructure. That money is now in the hands of municipalities. They will set their own priorities on infrastructure with respect to what they want to do with it. They'll have to have the obvious checks and accounting rules and have to show that the money is being spent on infrastructure and so on.

We think we're out ahead of the game because we started down this path some time ago, recognizing the challenges in the Ontario economy, and now others are because they're beginning to see it. We've seen the collapse in the price of oil. The housing markets are falling in Calgary, Edmonton, Vancouver and elsewhere. So the first ministers, I think, all understand.

The federal government has created something called Building Canada. We signed an agreement with them last summer. Minister George Smitherman and I participated in that on behalf of Ontario, Minister Lawrence Cannon and Minister Jim Flaherty on behalf of the government of Canada. There have been some issues around getting that money out the door, and I think the Prime Minister and the new minister, John Baird—one of our former colleagues here—federally have indicated their desire to kind of get that money out the door more quickly, recognizing the challenges in the economy. That will be coming on stream.

The other advantage, as a finance minister, that infrastructure and capital have is that it's one-time spending. You're not building into your ongoing future expenditures. Given growth rates in the economy, or lack of growth in the world, the Canadian and the provincial economies, it's difficult to program in increasing expenditures until we have a better sense of how long we think this current situation is going to proceed. We think, and even the Prime Minister acknowledged yesterday, that deficits in this era to fund things like infrastructure, which is what we've essentially done, are an appropriate public policy tool, provided there's a plan that the deficits are short-term, that once growth returns to the economy, we move back to a period of balanced budgets.

To your point, infrastructure has the short-term benefit of creating a lot of jobs and responding to very real needs in our communities. In the longer term, those infra-

structure projects, whether it's new roads, improved sewers, a new hospital, a rebuilt school or a new school, all enhance Ontario's long-term economic capability, productivity, and will form an important part of our ability to grow in the future. So we think that a managed deficit is appropriate in these times. We think investing in infrastructure and investing in training are two key components of the response that the province can make to the very real circumstances in the world today.

**Mr. Kim Craiton:** Thank you, Minister. I want to follow up with one additional question, and that's to do with the farming sector. Of course in the riding that I represent—Niagara-on-the-Lake, Fort Erie, Niagara Falls—farming is one of the major components. Again, just recently—I'm sure you're aware of it—because of a situation with surplus grapes, Minister Dombrowsky, with the help of Debbie Zimmerman and the Grape Growers of Ontario, came up with a concept of us providing about \$4 million so that they could buy the surplus grapes and then they would be used at a later time to help out the farmers, something that, for the four or five years I've been there, we've really made a commitment to right across the province, not just my riding.

I just wondered if you might touch on some of the things from your perspective, as the Minister of Finance, that we're doing to ease the tax burden that we have for farmers; some of the things that we might be going forward with.

**Hon. Dwight Duncan:** Well, first of all, on the grape situation: We did buy the surplus grapes which, as I understand—and I'm not an expert on that, Kim; you would know a lot more about that than I would—my understanding is that helped both the farmers, all the farmers I should say, and the industry itself in terms of stability and pricing. It represented, in our view, a wise investment of public dollars.

There's a range of activities we undertake with the farm sector, with the ag-rural sector and the small urban sector to help protect the industry itself, but also the way of life. I know in your region I've had the opportunity to meet with and attend a number of the wineries that are gaining enormously good reputations around the world for the product that they put out, and we have taken a number of steps. We've provided money for research to the industry. There are a number of tax advantages available to farmers throughout the federal Income Tax Act as well as through our own tax regime.

One of the measures I hope would have assisted some of the smaller wineries, particularly, is the small business threshold, which we raised to \$500,000. Just to explain that to people, the small business tax rate is much lower than the general corporate tax rate, but once you get beyond a certain income, then you have to pay the higher rate. So we raised the amount of income you have to make, which gave the effect of reducing taxes for a whole lot of businesses. It was suggested by the CFIB. We implemented it, and it has been very well received. I believe we now have, if not the highest threshold in Canada, the second-highest and still one of the lower rates on the small business tax rate.

So to my way of thinking, that was particularly helpful. As I say, our government did take the pretty extraordinary step, as I understand, and I don't know if it's happened before. When we bought up these surplus grapes, my recollection, Kim, of that situation was that there were a number of special circumstances that came to play in that situation. We were delighted to be able to be of assistance. I think it shows, where government working with, in this case, the farmers and an industry in a proactive fashion can help deal with difficult circumstances, protect the industry and protect its viability. I think that motivates us in all of our dealings with the private sector.

**Mr. Kim Craiton:** Thank you.

**The Acting Chair (Mr. Lou Rinaldi):** About two minutes.

**Mr. Kim Craiton:** Two minutes. Just one very short question, and that's to do with the auto industry and of course, again, in our riding, but also Windsor and a number of ridings throughout the province who have auto. We have General Motors down in Minister Bradley's and my riding as well. So I just wanted, quickly, from you: You were at the first ministers' meeting, and with some of the news that we've been listening to and hearing lately, do you have any sense of what the federal government is more open to in terms of assistance to the auto sector, what their feelings are?

**Hon. Dwight Duncan:** Yes. Both the Prime Minister and Minister Clement have now indicated a willingness, on the part of the federal government, to participate in some form of assistance to the automotive sector. The structure of that and the amount of it are yet to be clarified. I'm pleased that even after here two weeks ago, when the federal government at the time was not prepared to support moving forward, they've now, I think, understood what is happening in that sector and the extreme importance it has, not just to the Ontario economy but the Canadian economy. I'm pleased with what we're hearing both from the Prime Minister and Minister Clement about their willingness to work with the industry, as, by the way, they're doing in the United States, in the European Union and in Australia.

Our colleague Michael Bryant, the Minister of Economic Development, I think has made a very good point: We have to be at the table when the US government, whether it's through the existing loans as part of the Energy Act, is looking at assisting the industry, whether it's through the existing loans as part of the Energy Act or, as President-elect Obama seems prepared to do, through additional lending over and above that, if only to protect and ensure that the "footprint," as they've described it to me, the Detroit Three—and I've met with the leaders of the Detroit Three throughout the last several weeks, just keeping up to date—

**The Acting Chair (Mr. Lou Rinaldi):** Sorry, if you could wrap up.

0920

**Hon. Dwight Duncan:** So yes, they appear to be willing to help. What precise form that will take, we

don't know yet, but I'm very pleased with the progress that has been made.

**The Acting Chair (Mr. Lou Rinaldi):** Thank you very much. The time has expired. I will move to the official opposition: Mr. Hudak, for 20 minutes.

**Mr. Tim Hudak:** Minister, Deputy, thanks very much. I wanted to return to the results-based plan briefing book, specifically page 31, ministry administration, vote 1201(1). The services item: The interim actuals in 2007-08 were \$8.8 million, and the estimates for 2008-09 are \$21.6 million, so just short of a \$13-million increase in the services item at a time when one would expect financial constraint within the ministry. Can somebody explain that massive jump in the spending from 2007-08 to the estimated spending in this year?

**Mr. Peter Wallace:** I'll ask Helmut Zisser, who's the assistant deputy minister, to respond.

**Mr. Helmut Zisser:** Thank you. The increase from 2007—

**Mr. Peter Wallace:** If you could identify yourself again, sir.

**Mr. Helmut Zisser:** Helmut Zisser; with the quality service division of the ministry.

The increase from 2007-08 interim actuals to the 2008-09 estimates was due to increased funding being made available for various initiatives during that year. If you would like, we can certainly provide a more detailed listing of what those initiatives were.

**Mr. Tim Hudak:** Absolutely. Mr. Zisser, do you have that at hand? That is more than doubling, if not two and a half times—

**Mr. Helmut Zisser:** I don't have the exact list with me.

**Mr. Tim Hudak:** Can you give me some examples of what was expended in that item?

**Mr. Helmut Zisser:** Normally in this area we would be covering the variety of costs that are associated with running the ministry, including providing security services, rent and also support for the revenue processing areas that we support. Those would have been placed in that vote at the time.

**Mr. Tim Hudak:** Does anything come to mind in those areas that you just described that would tell us why you saw such a large increase? This is probably one of the largest per cent increases in the entire ministry.

**Mr. Helmut Zisser:** I don't have a specific item, but we can certainly provide you with a list of the items.

**Mr. Tim Hudak:** Terrific; just to be clear, if I could have where those items were in 2007-08 and where they're estimated to be in 2008-09 so that we can see where the increase is planned.

**Mr. Helmut Zisser:** Yes.

**Mr. Tim Hudak:** Thank you. Also for Assistant Deputy Minister Zisser, on page 37, also in ministry administration, analysis and planning, here again we see an increase in salaries and wages. If I look at the actuals of 2006-07, it was \$1.4 million. The estimate today for salaries and wages is rounded up to \$2.3 million—so approximately an \$800,000 increase in salaries and

wages and a similar per cent increase in the employee benefits. Has there been a lot of hiring in the administration, analysis and planning division?

**Mr. Helmut Zisser:** There would certainly have been some. I believe that at the time this took place, there were some adjustments being made to the organization in order to provide more robust services in this area.

**Mr. Tim Hudak:** Can you give me an example of what the new robust services are in this area?

**Mr. Helmut Zisser:** This would relate to analysis and planning associated with preparing things like the results-based plans, preparing the ministry's estimates and monitoring the expenditures of the ministry.

**Mr. Tim Hudak:** But again, with respect, those are things that happen every year, right? They're planned, they're scheduled, they're every year. But despite the fact that the objects you just mentioned are annual events, we see over a 50% increase in two years in that budget.

**Hon. Dwight Duncan:** If I may, Mr. Chair, I would like to point out to the member—again, when you look at the summary of ministry expenditures, and I'll refer you now to table 1, page 16 of 130, you'll see the estimates and actuals in 2007-08. You'll see that our estimates this year going forward are down considerably from the previous year, and in terms of interim actuals, the increases are about 2%, which is below in terms of total operating and capital. There's considerable movement within lines in any given year; that may be responding to specific circumstance that were unanticipated at the time of budgeting.

What I look for as minister is not only those individual line items but also what the aggregate is because, inevitably, in an almost \$10-million budget, there are going to be changes with large sums of money involved that appear to be out of any kind of normal variance that one would anticipate. As we look at those individual items, and of course we'll provide you with the direct responses, you'll see that overall the rate of growth and expenditure at the ministry has actually been relatively modest. The other thing to bear in mind too is, as we move forward, when you reincorporate the Ministry of Revenue and some of its functions into finance, those things will often happen.

Absolutely, we'll provide you with those answers on the individual line items, but again I would point out that the overall budget of the ministry is well within what I would call a normal variance.

**Mr. Tim Hudak:** I appreciate the minister's response. The challenges of using the chart the minister spoke of is that sometimes included in these numbers are one-time initiatives that don't continue in subsequent years. I think it's always important to bear down on the specifics, and I appreciate the assistant deputy minister's responses to my questions and his endeavours to get more details as to the reasons behind these expenditures. If it's simply the Ministry of Revenue coming back in, then I'm sure we'll get that answer in a short period of time.

I'll also turn, continuing on this vote, to page 43, ministry administration, information services. Again, if

you look at the growth, the actuals in 2006 of \$11.7 million, the interim actuals of 2007-08 \$14.1 million and then a significant leap in 2008-09 to \$17.5 million, about a \$6-million increase, about 50%, over two years from 2006-07: I wonder if we could have some understanding of why we saw this large increase in salaries and wages—

**Hon. Dwight Duncan:** I'm sorry, Tim, what page was that again?

**Mr. Tim Hudak:** Sorry, page 43, salaries and wages, ministry administration, information services.

**Mr. Helmut Zisser:** This is the item in the budget that's responsible for revenue processing, and during that time we were, and we still are, in the process of modernizing some of those services as well as adding additional functionality to the service to handle the various sources of revenue that the government receives. We in fact, through this area, now process about 92% of all revenue coming into the province, and that involves millions of transactions. At that point, we were in fact improving some of those processes as well as adding new initiatives that were coming into play.

**Mr. Tim Hudak:** Again, could you—

**Hon. Dwight Duncan:** Also, if I can, Tim: Again on that same page, you'll note that for that particular division, that particular line item, the estimates for this year versus the interim actuals for last year and versus estimates for last year are actually almost 10% below budget overall. I see that one of the larger reasons for that is an increase in recoveries. Again, we will get you the specifics of that, but I think it's important to keep in its proper context that within that overall line, the estimates for this year, 2008-09, are \$66 million, versus the interim actual of \$72 million last year, a decrease of \$6.2 million overall.

**Mr. Tim Hudak:** This is what's curious: There's a reduction in the services item, and that's the largest explanation for the overall drop in this part of the ministry. I'm curious: If there are less services being provided, and there's less expenditure on supplies and equipment, how then do you reconcile more people working there? It must be a significant number of new people working in that part of the ministry to see that nearly 50% increase in salaries and wages in two years' time.

**0930**

**Hon. Dwight Duncan:** The other thing we've done—and again, we will get more details on this. They provide strategic advice on the planning and use of I&IT to enable central agent ministries' business agendas. We have had to invest considerable amounts of money in I&IT. Your government hired a lot of outside consultants who were considerably more expensive than public servants, and that may in fact inform part of it. Again, I want to get back to you, but I do think it's important to point out that the overall information services budget is actually down almost 10%, and in my view, it probably would represent a more cost-effective use, even though

the salaries and wages are higher than they were two years ago.

**Mr. Tim Hudak:** I'd ask too, as Assistant Deputy Minister Zisser gets back to us on the items that I brought up last time we met and today, if we could have the growth in the FTEs in those particular departments. As a reminder, it was the operating item on page 31 of the binder; page 37, analysis and planning; and information services that I'm discussing currently on page 43. I can note the pages with Mr. McLellan, and that way we'll be clear.

Just to continue, page 45: ministry administration, revenue operations and client services. Again, we see \$11.7 million in the actuals for salaries and wages in 2006-07, climbing to \$14.3 million in this fiscal year's estimates, so that's a \$2.6-million increase in two years—not as high as the last item but still something that caught my eye. Does the ADM have some explanation as to this growth?

**Mr. Helmut Zisser:** There was a salary shortfall in the previous year, and this represented a reallocation of funds in order to fully pay for the salaries of the staff in the area.

**Mr. Tim Hudak:** Can you explain what that means?

**Mr. Helmut Zisser:** It simply means that the amounts for salaries that have been allocated have not been sufficient, and the ministry then reallocated funds into that area in order to fund all of the positions.

**Mr. Tim Hudak:** So to ensure that those folks were paid, you had reallocated funds from another budget line.

**Mr. Helmut Zisser:** That's correct.

**Mr. Tim Hudak:** Again, I'd appreciate it if you would kindly provide the FTEs in this part of ministry administration at the same time.

To look on the same page, interim actuals 2007-08: On the services line, there is an estimate of \$286,000, but the bank was blown here with a \$6-million increase. I can't even do the percentage increase in my head. What would explain the jump of \$6 million in the interim actuals of 2007-08 compared to the estimates from last year?

**Mr. Helmut Zisser:** This would have been what we're calling the long-term-solution project, which was actually the acquisition of this revenue processing machinery. I believe that would be the area there, but we will confirm that that is in fact the expenditure.

**Mr. Tim Hudak:** Okay, if you don't mind. So that was an unbudgeted item last year.

**Mr. Helmut Zisser:** It had not been provided for in the previous year's budget, yes.

**Mr. Tim Hudak:** From the estimates last year, it was \$286,000; and this year, again, even if the equipment was purchased last year, we're up to about \$4.9 million, a 1,600% increase in expenditure from last year's estimates.

**Mr. Helmut Zisser:** Pardon me?

**Mr. Tim Hudak:** The services item—I'm just comparing estimates in 2008-09 to the estimates of last fiscal year. There's a 1,600% increase in that budget.

**Hon. Dwight Duncan:** Which line was that again, Tim?

**Mr. Tim Hudak:** For services, on page 45: ministry administration, operating. The assistant deputy minister just described that the increase in 2007-08 was due to the purchase of new equipment for the new initiative. That's why it was much greater than the \$286,000 that had been allocated. But again, this year you're over \$4 million higher than the estimates from last year. You'll note that the change from the 2007-08 estimates is a 1,600% increase.

**Mr. Helmut Zisser:** Yes. I think for this year the increase was due to the actual services that we needed to acquire to do the programming to transfer the applications from the old system onto the new system.

**Mr. Tim Hudak:** So in 2007-08, the increase was due to the purchase of a new IT?

**Mr. Helmut Zisser:** I believe we acquired the equipment during 2007-08 and this year we're now in the process of transferring the applications from the old system into the new system.

**Mr. Tim Hudak:** So can we expect that line, then, to subsequently decrease in 2009-10?

**Mr. Helmut Zisser:** I believe there's still some considerable work to do in 2009-10, but I think for the outgoing years it certainly will be decreasing as that work completes.

**Hon. Dwight Duncan:** And I think, just if I may interject a little bit, Tim: Reflecting on it, I also point out that the actuals in this operating branch of the ministry, the revenue operations and client services, this year the estimates for 2008-09 are actually lower than the actuals in 2006-07. So I think what has gone on here is we've had a major IT acquisition. It's the implementation of that that will in fact save the taxpayers, I suspect, money and provide better service over time. So I do want to point out for members of the committee, if you look at the actuals for this branch of the ministry, in 2006-07 it was \$19.6 million, and the estimates for 2008-09 are \$19.1 million. Tim is absolutely correct: There has been a large increase in a couple of subcategories in there that reflects the acquisition and implementation of new technology that will reduce costs associated with the management of our revenues and provide better service to the public. I'm actually very pleased that we've been able to do this and that the line item in this branch of the ministry is actually lower than it was three years ago.

**The Acting Chair (Mr. Lou Rinaldi):** Mr. Hudak, just under four minutes.

**Mr. Tim Hudak:** The challenge I'm highlighting here is the growth in the salaries and wages of FTEs, the purchase of equipment that's going to reduce costs—

**Hon. Dwight Duncan:** I just think you have to be careful that as you look at individual lines, you keep in mind first of all what is happening within that. We will provide you with much greater detail, but when you look at that particular branch, which is \$19 million out of a \$9-billion budget, the actuals are lower for this year than they were three years ago.

**Mr. Tim Hudak:** I appreciate the minister has made that point, and I think it's our duty on this committee to ask the questions about why, for example—

**Hon. Dwight Duncan:** Absolutely, no question. I just want to make sure that—

**Mr. Tim Hudak:**—you were \$8 million over budget in this area last year.

**Hon. Dwight Duncan:** No, we're not over budget.

**Mr. Tim Hudak:** Last year you were.

**Hon. Dwight Duncan:** I think we want to make sure, however, that numbers aren't isolated and taken out of context. You have to look at them in a context. I try to put them into, first of all, the broader ministry context, as well as in this particular branch of the ministry.

**Mr. Tim Hudak:** I'll return to my questions, if I could, Chair. There are a number of numbers that I wanted to get through. I do want to point out that this part of the ministry, in 2007-08, was \$8 million over the estimates, which is about two thirds of the estimated value.

If you turn to page 61, this is the economic policy division of the ministry, the economic, fiscal and financial policy. The item is economic policy, again, page 61. Here again, we see a \$2-million increase in salaries and wages within the ministry, even from last year's estimates, a 17.4% increase. Whether this is ADM Zisser's area of responsibility or another ADM, again my inquiries are, what explains that significant increase in the salaries and wages line?

**Mr. Peter Wallace:** I'll ask Patrick Deutscher to respond.

**Mr. Patrick Deutscher:** Pat Deutscher, ADM, office of economic policy. A number of items included in this are provisions for support of modelling related to climate change modelling. That's one of the items in this. A second item is support of some of the government's partnerships in budget measures. A third item, which is a bit buried within this, is a reclassification. We used to hire co-op students from various universities on a contractual or service basis. Basically our procedures have changed so that these are now accounted for as part of salaries and wages. We make pretty extensive use of co-op students.

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

0940

**The Acting Chair (Mr. Lou Rinaldi):** You have about half a minute left.

**Mr. Tim Hudak:** All right. My last question, then, in this round, the services item—if you could explain as well the 97.7% increase in the services line.

**Mr. Patrick Deutscher:** Again, this is an area where we work both in climate change, various modelling activities that we are trying to plan for, as well as activities in support of legislative initiatives related to financial services regulation; for example, mortgage brokers, credit unions, securities, auto insurance. There are areas we have to provide for potential legal and consulting costs.

**The Acting Chair (Mr. Lou Rinaldi):** The time has expired.

**Mr. Tim Hudak:** Okay, thank you.

**The Acting Chair (Mr. Lou Rinaldi):** Thank you, Mr. Hudak. Mr. Prue, you have 20 minutes.

**Mr. Michael Prue:** Thank you very much. I want to continue on the issue of the auto sector because I think that's really key in most people's minds these days. Certainly, every day I open up a newspaper or a group of newspapers it seems to be a lead story.

On the last estimates day, you indicated that Ontario would not be willing to go it alone in providing assistance to the auto sector, and you made a pretty compelling case why Ontario did not have the money without the federal government being involved. You've had a meeting, and this has been discussed. Did the federal government or the minister or any of the bureaucrats explain what federal program would be utilized to deliver money should the federal government decide to go down that road?

**Hon. Dwight Duncan:** They haven't indicated that, Michael, but there have been a couple of very positive developments, I think, since the last time we met a couple of weeks ago. One, the federal government has now very clearly indicated its willingness to participate, which is right up to and including the Prime Minister and the Canadian Minister of Industry, Minister Clement. So that's number one.

Number two, they have not identified a specific program or vote where they would get their money from. I presume within their budget they have contingencies and others to assist them in unexpected or unanticipated areas. The Prime Minister has also indicated, as recently as yesterday, that the government is prepared to run a deficit at this point in time, given that the G20 ministers pretty much all concur that deficits are an appropriate policy tool at a point in time like this.

The other issue, in fairness to the federal government—Minister Bryant, on behalf of our government, is travelling to Washington, as I understand it, on Thursday along with Minister Clement to determine what form assistance will take in the United States and what the expectations for Canadian participation would be. These discussions, both between governments and between the automotive companies themselves and the various governments, will inevitably be, I suspect, very difficult sessions. While no specific program has been identified, I'll venture that they do have contingency within their budget to provide for assistance, number one, and that, number two, until the nature and the timing of that assistance—if it's loan guarantees, for instance, it wouldn't involve the flow of cash. If, on the other hand, it involves direct cash, that would obviously have different accounting as well as program implications. I think once the nature of the participation of the Canadian and Ontario governments is determined, and the amount, then at that point it would probably become clearer how they intend to actually implement their undertaking to be at the table on this.

**Mr. Michael Prue:** Okay. The government's auto investment strategy has funding, and I quote in part from that, for "large-scale capital projects" and "leading-edge auto manufacturing projects." I can't seem to see anything or any existing programs to provide short-term credit to manufacturers or new or special programs that would create or provide assistance to these manufacturers. You have a long-term strategy, and it's there. Are you looking at any short-term strategies?

**Hon. Dwight Duncan:** Yes, we're obviously at the table. Minister Bryant and the Premier met with the Detroit Three. There was no specific ask, by the way, last Friday at that meeting. In our budget contingency, we have other funds. We are prepared to adjust, to respond once we have a sense of what the expectation of the government of Ontario would be. Once we've had what I would call meaningful dialogue, I think it's fair to say that we need to do what I would call due diligence in terms of what the industry's specific needs are—the timing of those needs, how they will be met, how the government in the United States will attempt to meet them, whether or not the current Congress and President actually are the signatories to this or whether the industry can hold through until President-elect Obama is sworn into office—and the Democratic Congress, which may have a different approach.

There are a number of variables. I think that's one of the reasons Minister Bryant is going with Minister Clement to Washington on Thursday to begin to—last night I had a look at Senator Reid's bill that's before the Senate, which apparently is in some difficulty in terms of passage.

**Mr. Michael Prue:** I'm not familiar with Senator Reid. Is he a Democrat or a—

**Hon. Dwight Duncan:** He's a Democrat. That's the package the Democrats have put forward. I had a chance to look at the bill last night. I'm told, via the media—I don't have any insights that you don't have—that that is not going to fly in terms of the Bush administration or the Republicans in both Houses of Congress. However, there do appear to be ongoing discussions. There's some fear that one or more of the Detroit Three could find themselves in bankruptcy prior to the new administration taking over, so I suspect that the next few days and the next couple of weeks are going to be extremely important in terms of what we're able to do.

**Mr. Michael Prue:** Just to follow up, you said that there was no specific ask when you met with them last week. They gave no indication of the amounts of money that they're going to need? You sat around a table and they just said, "We're in trouble," and didn't say anything?

**Hon. Dwight Duncan:** That's right. I wasn't present at the meeting, but that is part of the challenge. It will be incumbent on the automakers themselves. One of the difficulties will be that Chrysler, for instance, is privately held by Cerberus; it's not a publicly traded company anymore. The due diligence that will have to go into these decisions has to begin. We will take steps as a gov-

ernment to do that. I'm going to have to defer to Minister Bryant and his discussions with Minister Clement. I imagine the governments of Canada and the government of Ontario would undertake that due diligence in a coordinated fashion as opposed to doing our own thing.

I can tell you that myself, Minister Bryant and Minister Papatello met with Nardelli, the CEO of Chrysler, a couple of weeks ago. All of us have been in discussions with various people, but again, the precise nature of the ask and the timing of it have still—all we've seen is what they're looking for from the United States. To my knowledge, there have been no formal discussions. I think this is part of the reason that Minister Clement and Minister Bryant are going to Washington: to get a better sense of what's going on there.

**Mr. Michael Prue:** I know that no commitments have been made, but I am anxious to try to find out under what budget the Ontario government may be considering giving some kind of relief or financing to the auto industry. We're talking about hundreds of thousands of jobs. What statutory authority would the province rely upon to provide short-term assistance? Would this come out of a contingency fund, because it has probably not been thought of in advance? Is there some kind of funding that the government has at the ready? Where would the funds come from? I know it's hypothetical, but it's here.

**Hon. Dwight Duncan:** No, it's a very real and legitimate question. First of all, yes, there's contingency. As you know, in our budget we have set up a number of programs that are budgeted for but not spent in terms of the automotive sector and other sectors of the economy; we could do that. If in fact assistance takes the form of loan guarantees, while there would be no cash outflow, there would be accounting implications, obviously, for us.

We've begun to look at that, Michael, but candidly, until we know the precise form of what it takes, I can't give you a complete answer because we don't have that complete answer. However, we will be able, within our budget, to adjust and make reallocations of funds. I'm not certain that that would require legislative authority at this point, to be candid with you, but, subject to the due diligence with the automakers themselves, subject to a fair deal with the United States and with the government of Canada, we are prepared to do our part.

**0950**

**Mr. Michael Prue:** I have one or two more questions here on auto if I have time for them. It appears that the Ministry of Economic Development and Trade Act gives some broad authority to provide short-term assistance. Would the province rely on this legislation to lend monies or support to the auto sector? Is this one of the avenues or is this the likely avenue?

**Hon. Dwight Duncan:** You're absolutely correct: The act does give that authority. Again, to be completely candid, at this point we haven't determined that, but the policy commitment of the Cabinet, the government, is there. We have not worked out the details of the mech-

anism for doing that, but you've pointed out one potential mechanism that's available to the government.

**Mr. Michael Prue:** Just one last thing: I think we would all look for guarantees. You indicated, and I think everyone knows, that there is a possibility that one or more of these auto giants may go bankrupt. I think a lot of people—I've had some e-mails and some letters, and you've probably had a lot more than me—are very concerned about spending taxpayers' money to bail out an industry that may not survive. So my question is related to the kind of assistance. Would it be the Ontario government's position not only to push for job guarantees, but also for government and union representation on the board of directors of the Canadian subsidiaries to ensure that our tax dollars would be used wisely, and also to keep a very good handle, I would think, on how the money is being spent, and if bankruptcy happens, that it is not simply to reposition the jobs and the wealth back to the parent company in the United States?

**Hon. Dwight Duncan:** I can't give you an answer to some of the questions you've raised. Frankly, as a government, we haven't considered specifically union representation on the board of the Canadian subsidiary and so on. We haven't gotten to that point.

What I do think needs to be said is that one of the more difficult aspects of this is that any kind of package of assistance—even with the assistance, we may in fact see an overall decline in employment in the North American industry. It may be that any arrangement we come to is delineated more along the lines of protecting a relative share. When you look at the job losses and when you talk to the analysts about where this is all going, there still appears to be excess capacity in the industry throughout the world. I think if anybody has the false impression that any kind of assistance, whether it's from the government of the United States, Canada and Ontario together, or whatever happens—to suggest that the industry will continue at its current size, I think, is probably underestimating the real challenge that's there. The assistance package may be in fact to help reduce the negative fallout from what's going on here in Ontario relative to the United States. But what comes out of this at the end—and based on the little knowledge that I have about it, because it's not my portfolio—the package that would be there would be designed both in the United States and Canada, in Ontario, in the first instance to stabilize the industry in the short term, to prevent a bankruptcy. Most analysts I've sort of seen and heard—the risks associated with bankruptcy are far greater than the risks associated with government assistance, number one.

Number two would be designed to bridge the industry to a point—over the last few years you've seen vehicle sales in the United States at around 17 million; they're down, this year, to just a little more than 11 million. The analysts I've spoken to anticipate that that number will start to grow again in about two years. I think one of the unfortunate things that's happened as a result of this financial crisis is that a lot of the transformation that was

going on in this sector—and by the way, GM, for instance, now makes more hybrid vehicles than any other manufacturer in the world. The CAW has taken enormous concessions through work rules and so on that, in my view, have helped position the industry, and then they got hit with this wallop of the financial sector.

I think that, realistically, any package that's put together by the governments here in North America, or in the European Union particularly—one of the difficult aspects of that is that it may not in fact maintain all of the jobs that are there now. That may help the industry transition, but part of our challenge and part of the reason we want to be front and centre—Minster Bryant said this yesterday and I think I said this at committee a couple of weeks ago—one of the fears I had when the government of Canada wasn't at the table, was that any deal that would be negotiated in Washington could in fact involve the repatriation of Canadian jobs. The one example I can give you that strikes home with me is that today there are two plants in the world that manufacture the Chrysler minivan. One of them is in Windsor, Ontario, and the other is just outside of St. Louis. The St. Louis plant is being shut on June 30. It's being closed.

One of the things that struck me when all this discussion was going on in Washington was, what if a deal down there would involve the repatriation of jobs from Canada to the United States? I think we all need to bear that in mind as we move forward. It's difficult for me to answer the specifics of your question because we simply are not at that point yet.

**Mr. Michael Prue:** Well, you must have—

**The Acting Chair (Mr. Lou Rinaldi):** Mr. Prue, you've got about three minutes.

**Mr. Michael Prue:** Okay. This is my last question, but it's right on that. There's been some speculation in the press that president-elect Obama may in fact be going down that road. During the election he talked about bringing jobs home to America, and there is some speculation and there are some very real fears that that's precisely what's going to happen in terms of the Windsor minivan plant. There are probably equal fears in Mexico that the jobs are brought back to the United States at the expense of the NAFTA partners. I'm a little bit nervous as well in terms of our expending of money until that is known. This is a long question: Can we afford to wait until late January to see how this is going to play out? I just don't know either.

**Hon. Dwight Duncan:** We don't know. Given the integrated nature of the North American industry, it would be difficult, and I don't believe—I was in Washington myself about three weeks ago and had discussions with nobody close to President Obama, just people who have a little more insight and people who are significant in the Democratic Congress now. The sense I got from them is that there's not a desire on their part for that, but again, this is why it's so important that Minister Clement and Minister Bryant are going to Washington, so that we can make sure we at least know where they're going, number one, and number two, that we do everything we

can to protect what has been termed the “footprint of the industry” here in Ontario and in Canada.

**Mr. Peter Wallace:** Just one small addition to that: You used language around, “Can we afford to wait?” and to give you some assurance that there is no waiting at all, we are engaged, in conjunction with economic development and with the government of Canada, in an extraordinarily active due diligence, fact-finding research engagement with the industry process.

**Mr. Michael Prue:** I think there’s only 30 seconds, so we’ll just pass.

**The Acting Chair (Mr. Lou Rinaldi):** Probably very close to it. Back to the government. Mr. Delaney, please.

**Mr. Bob Delaney:** Thank you very much.

**The Acting Chair (Mr. Lou Rinaldi):** We have about 15 minutes left—20 minutes.

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**Mr. Bob Delaney:** Minister, I’ll switch topics from focusing on the state of the auto sector and the state of the economy, which can certainly cause almost anybody to frown. I want to talk to you a little bit about some of the things that the ministry has done over the past few years to provide incentives within Ontario to individuals and to organizations for doing the right things, and for doing things today that position our province and our communities where they should be in the years to come. Specifically, I want to talk about the environment. I’m going to ask you an open-ended question here, but I’d like you to provide a little bit of insight on what form of tax incentives Ontario has put in place, both during your tenure and in that of your predecessor, to encourage, for want of a better expression, environmentally friendly behaviour.

**Hon. Dwight Duncan:** Well, there have been a few that we’ve done. First of all, there’s a temporary retail sales tax—that’s what most people commonly refer to as PST—exemption for Energy Star household appliances and light bulbs. That expires August 31 next year. We’ve also had a temporary RST exemption—again, what we in the Ministry of Finance call the RST, most Ontarians call PST, just so people don’t get confused—for bicycles costing \$1,000 or less and bicycle safety equipment. That expires December 31, 2010. We’ve doubled the maximum provincial sales tax rebate for hybrid electric vehicles to \$2,000; that expires on March 31, 2012. In addition, Bob, to encourage corporations to invest in assets used to generate efficient and renewable energy, Ontario parallels federal provisions that permit an accelerated corporate income tax writeoff—that’s 50% of the CCA rate—for specified energy-efficient and renewable energy generation equipment acquired before January 1, 2020.

**Mr. Bob Delaney:** Certainly, as one of the purchasers of a hybrid vehicle in the last year, I very much appreciated the RST rebate.

As we get closer to Christmas, I guess most people turn their thoughts to Christmas shopping and Christmas cards and all the rest of those festive things, but, as the

Minister of Finance, I know one of the things you turn your mind to is pre-budget consultations. I’m kind of interested in knowing what, in general, you’ve heard so far in some of your pre-budget consultations.

**Hon. Dwight Duncan:** Well, we’re doing a number of consultations. We’re doing, as we’ve historically done throughout the province, some sort of large open forums where people come in and tell me what’s on their mind. We take notes and sometimes I’ll ask questions. I’ve done two of those. I’ve had to postpone two over the last couple of weeks that have been rescheduled: one in Sault Ste. Marie and one in my home of Windsor. In addition, I do a series of small meetings with community leaders across the province, industry leaders, where we engage in what I would call more of a give-and-take dialogue.

A couple of observations so far and were early on: People get it, in terms of the economy. They understand the challenges that are before us. They recognize that the world is a very different place than it was a year ago, that the eras of government surpluses, the era of our ability to invest in new programs and services has changed; it’s very different. I detect a collective sense that we need to work together to get through this, that there’s a general kind of consensus that deficit in this type of an environment is appropriate provided the money is used for specific things. The deficit would have to be managed. There would have to be a plan for eliminating the deficit. I heard a lot about infrastructure.

I have to tell you that the one model, to my way of thinking, of how to deal with our current challenges and still respond is the agreement we reached with our municipal partners on provincial-municipal service delivery review. Your mayor, Mayor McCallion, was one of the participants in that situation. Our municipal partners understood the challenges we’re faced with in the immediate term, particularly in the next couple of years. We came to an agreement on how to upload a number of services that had previously been downloaded by the Harris and Eves governments, and it’s taking longer than either side would have wanted. But I have to tell you I was genuinely impressed with their desire to work with us. They understood. They have challenges all their own right now. I hope that will be a model for dealing with other sectors as we move forward.

As you know, in my fall statement I had to curtail some new investments—not an easy thing to do. So with limited resources and what appears to be very little, if any, growth at all in revenue, certainly in the coming year and likely the year after that, we are going to have to work together, I think, with our partners, whether it’s in the broader public sector or here within the government itself, to constrain the growth of expenditure, particularly in new programs or services, until such time as we see more robust growth in the economy. Where we do spend money, it will be in areas that are designed to create jobs in the shorter term and not commit the government to year-over-year large increases in operating expenses. We simply, at this point in time, until there’s greater stability in the world economy and we sense when we’ll see a

return to real growth in the economy—I think we can all work together to get to that point.

**Mr. Bob Delaney:** I'm sure Mayor McCallion wouldn't mind my relating the fact that she speaks very highly of you personally. She doesn't miss too many opportunities to mention that you personally are doing a particularly good job and—

**Hon. Dwight Duncan:** And she doesn't miss many opportunities to tell me when she thinks I'm wrong either. Again, she and Mayor Miller, and there were a number of mayors from across the province—but you know what? It was a two-year process, and I think where we got to was exactly the way I believe governments should work together. When we talk about partnerships—part of our five-point plan—that's what it's about. When people sit down and understand each other's challenges and needs, as long as there is a full and frank discussion about issues, I believe that people of good faith can work through these things. That's part of what I'm hearing back so far.

**Mr. Bob Delaney:** I detect some of this frankness in some of our discussions with our larger employers out where I am in northwest Mississauga. I've had some discussions with companies that have done very well in the last year and are now very reluctantly doing layoffs. So among some of the people who come and see me from time to time or whom I encounter in the community, they often ask about something that you just mentioned, which is what the province is doing to create jobs, to help people get back to work, to help people transition to a new phase in their career, to a new career itself. I would be very interested if you could provide a breakdown of the \$2-billion skills to job action plan that Ontario introduced in your last budget.

**Hon. Dwight Duncan:** I'll be happy to do that—and just a little bit of narrative before that. First of all, our investments in infrastructure are designed to create jobs in the short term. The Investing in Ontario Act, the \$1.1 billion that Peel region is getting a chunk of, as well as the city of Mississauga, I think creates 100,000 jobs. Interestingly enough, in spite of the challenges in the economy, there are still about 100,000 jobs in Ontario that are not filled, because while we have, particularly in the manufacturing and forestry sectors, job loss, there are other sectors that have continued to grow. But we don't have the people with the skill sets to fill those jobs.

**1010**

So we undertook a very substantial investment—\$2 billion—in terms of a skills to jobs action plan that has a number of components: new skills for new careers, \$560 million over the next three years, to get someone who loses their job a new skill set to be able to fill one of those jobs that is looking for people; \$355 million over three years for something called Second Career strategy, which will help 20,000 unemployed workers get long-term training for new careers. This includes rapid re-employment and training service to respond to major layoffs. This is an absolutely new undertaking. There has been some criticism that it hasn't had a lot of uptake. It

involves, normally, older people—somebody in their 40s with a family, who has been well established—literally going back to school for two years. We had, internally, quite a debate as to how much take-up there would be for this. In fact, when we first introduced it, the opposition said that there wasn't enough money for the program. We were criticized that there should have been more; there are so many people unemployed. But we were nervous at the time about how many people would actually be in a position to take this program up.

We had a certain level of uptake, which was, candidly, less than we thought it would be. So the minister, Minister Milloy, had a look at the qualifications and those sorts of things, and he has made a number of adjustments which we think will allow more people to access the program. So it's brand new. But it's designed to allow someone, a man or a woman—people who are really challenged in terms of employment when they lose a job are people who are further into their career, somebody in their 40s, even in their 50s. It involves going back to school or training for a couple of years. Oftentimes, these folks have families, they have responsibilities, and it makes it more difficult. This is designed to help them, so it's very new, it's very experimental.

We've consulted widely in the province with front-line service delivery people. A very good friend of mine I asked to be involved, a woman named Marion Overholt, runs Legal Assistance of Windsor, Mr. Prue. She's a prominent New Democrat in our community, she has run for the New Democrats federally, but she also knows a hell of a lot about retraining. She has been on the front line for years, and she has given us some really good insight into how to make this program work. I just raise Marion by way of example. We've talked to many other people. So that's one component.

There's \$75 million over the next three years to expand the apprenticeship target of 32,500 new registrants annually, a 25% increase by 2011-12. Again, Bob, one of the things that has been kind of difficult is that with all of the infrastructure we have going on—and don't forget we have a massive energy undertaking under way—there's a real fear that in three or four years we won't have enough companies or skilled trades people to meet the need for all of this work. It's already an issue. Municipalities are reporting, in spite of the challenges in the economy—and we candidly don't know how much this situation is going to impact on that. But when one looks at the work plan for the next 10 years, whether you're talking about roads and sewers, hospital builds, school builds—for instance, there are some 240 new nuclear reactor projects at various stages of planning around the world today. There's only the capability to build about 140 of those in the world today. These, as you know, are long-term undertakings. So that's an important component of it.

We've put \$45 million over three years for the apprenticeship enhancement fund for state-of-the-art training equipment. We're buying equipment for education purposes for apprentices. Some of that goes to schools, some

of that goes to the unions that run training for their members. I think that one of the big training centres is in Mississauga. So, that's an important investment.

There was \$30 million for English-as-a-second-language enhancements and additional training services for new Canadians. I know that in Mississauga, you have a vibrant community of new Canadians. That builds on our previous investments. I notice you're smiling. I know—

**Mr. Bob Delaney:** I think I'm the only mainstream guy on my street.

**Hon. Dwight Duncan:** The United Way of Greater Toronto pointed out to us in very vivid terms the special challenges that new Canadians have in terms of training, in terms of language, in terms of integration into the economy. So that's an important part of that as well.

There was another \$22 million in 2007-08 for the new Toyota training centre in Cambridge, and \$700,000 for automotive research. I am reminded again that in spite of the enormous downturn in the US automotive sector, there will still be 11 million cars and trucks sold in the United States this year. By 2010-11, they expect that those numbers will again begin to increase, based on historic trends. So this is still an important industry. It's still a major employer. It is having a terribly difficult time at the moment. We're making those kinds of investments as well.

There was \$5.6 million in 2007-08 for Chrysler Canada employee training in Etobicoke, Brampton and Windsor.

To redesign and improve access to Employment Ontario—again, this is part of what we've been doing up until now.

Obviously, the crisis in the world economy has put this thing onto a whole different level, but we're responding as information becomes available.

**Mr. Bob Delaney:** I'm just going to close. I believe—

**The Acting Chair (Mr. Lou Rinaldi):** You have about two and a half minutes.

**Mr. Bob Delaney:** I'm pretty assertive in going out to talk with a lot of the corporate people and businesses in the city of Mississauga. I spoke with one home builder not that long ago who said, "Don't get me wrong about the recession in the States; I feel very deeply for a lot of the people who are ultimately our customers, as homebuyers. But if there's one thing that may come out of it, I may actually be able to find bricklayers." Talking about some of the situations that home builders face in access to the trades, he said, "In our business, if we've got a subdivision in which we've brought in the bricklayers, we very literally have to have a foreman driving around in a truck making sure that nobody else comes by and poaches our bricklayers." They'll have people come by and say, "Hey, you, on the scaffold. If you get down right now and get in my truck and come over to my project, I'll double whatever they're paying you." Whether it be bricklayers or drywallers, and especially people who are experienced in HVAC, at the moment there is a desperate, desperate shortage of trades.

To further buttress some of the things that you've said, we have a very good company in Mississauga called Cyclone Manufacturing. They moved into a plant that had been vacated by a firm that had built conveyer belts. The firm moved its entire operations to the States. So, basically, what was a low-end manufacturing operation became a high-end manufacturing operation, because these people make custom aircraft parts. They have been bringing in business from all over the world. They had a major plant opening just two weeks ago. I talked to them about the skills to jobs plan, and very much like most other firms that I've spoken with, it takes businesses two and three quarters to take a new initiative and factor it into their thinking, which we've discovered in the Ministry of Research and Innovation as well. So we're probably only beginning to see the really high-quality proposals, as businesses realize the opportunities up there and move to take up those very opportunities. One of the things that Cyclone, for example, needs are very well paid machine programmers to take a big block of aluminum and turn it, using computer technology, into an aircraft part. It's all made of one piece of metal.

**The Acting Chair (Mr. Lou Rinaldi):** Mr. Delaney—

**Mr. Bob Delaney:** We're out of time, right?

**The Acting Chair (Mr. Lou Rinaldi):** You're out of time. Thank you very much.

It's about twenty after 10. We will have just under two and a half hours this afternoon and we have a two-hour time slot. With your consent, as we discussed before, we'll divide the time equally when we come back at 4, starting with the opposition. There will probably be three rounds of 20 minutes, and then if there is time left, we will divide it accordingly.

**Mr. Tim Hudak:** Yes, Chair, that's fine. We appreciate the minister and all of the ministry staff who have taken the time to be here for a number of days. Provided that we start at 4 and there's nothing that happens in the House, I'm fine with that agreement.

**The Acting Chair (Mr. Lou Rinaldi):** Good. So we'll recess until 4 o'clock this afternoon.

*The committee recessed from 1018 to 1602.*

**The Chair (Mr. Tim Hudak):** Good afternoon, folks. I'm calling back to order the Standing Committee on Estimates for the consideration of the estimates of the Ministry of Finance. All parties had come to an agreement this morning that we'd split time equally and end today at 6 p.m. So if we're starting now at 4 o'clock, that will be two sets of 20-minute rotations each, and then we'll be done at 6. When we last met, the government members were asking questions. It's now time for the official opposition, and I wonder if Mr. Delaney would be so kind as to maintain the chair for at least that round of questions.

**The Acting Chair (Mr. Bob Delaney):** For you, Chair, not a problem.

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

Minister, I wanted to continue with some of the questions on the estimates book itself. Let me see where I

was. I think I was on the economic policy side—the economic, fiscal and financial policy division, the ministry economic policy item—and I had asked some questions about the FTEs behind the salaries and wages increase. I had asked as well about the services item increase, and I think the ADM said he would get back to me with some responses about that item.

I'll now go to page 63. This is the provincial-local finance part of that division of the ministry. Again, here, Minister or Assistant Deputy Minister, for this part of the department, on the salaries and wages line again we see an increase from \$3.5 million in 2006-07 to \$4 million last fiscal, and then a 23.9% increase for this fiscal in estimates, an increase of \$1 million. I'm just looking for the justification of the increase on that line item. It's on page 63, salaries and wages, the provincial-local finance division.

**Hon. Dwight Duncan:** I'll just get the ADM to respond—Sriram.

**Mr. Sriram Subrahmanyam:** I'm Sriram Subrahmanyam, ADM for provincial-local finance. To account for the increase, I guess, first of all, from 2007-08 to 2008-09, the division has responsibility for a number of important initiatives, and the government has made a number of important announcements in the area of property tax and provincial-municipal funding. Specifically, we made some enhancements to the property tax system, such as a four-year assessment cycle and a phase-in of assessments. We also recently announced the Provincial-Municipal Fiscal and Service Delivery Review, as well as provincial land tax reform.

These initiatives have required some additional policy staff. As well, we've had a significant increase in correspondence related to this. So part of this increase is related to additional staffing requirements for those initiatives. Some of it is related to impacts of collective agreements—salary awards and so on. I can give you a fuller breakdown—

**Mr. Tim Hudak:** I'd appreciate that, thank you, if we could have the full breakdown. I'm sorry; part of it is related to—did you say MPAC's collective agreement?

**Mr. Sriram Subrahmanyam:** It's just the normal provisions we have to make for collective agreements. We just have to put in a provision for those.

**Mr. Tim Hudak:** A number of those initiatives you announced started last year, continue this year and may not be into the future; for example, provincial land tax reform initiatives this year, the MPAC changes this year. Do you anticipate that we'll see this line item, then, decrease?

**Mr. Sriram Subrahmanyam:** It's quite possible because we're constantly reviewing this. It takes a few years to implement a number of these initiatives. We'll certainly be reviewing it this year and next year.

**Mr. Tim Hudak:** The increase in the services budget that took place last fiscal year?

**Mr. Sriram Subrahmanyam:** Right. From 2006-07 to 2007-08?

**Mr. Tim Hudak:** Correct.

**Mr. Sriram Subrahmanyam:** That's also related to the same budget initiatives. It's largely IT costs. First of all, the provincial land tax as well as the property tax phase-in provisions have resulted in additional costs for MPAC, which has to adapt its systems to account for these changes. So part of that is the costs for MPAC, which the province is picking up.

**Hon. Dwight Duncan:** Some of those would be in response to the Ombudsman's recommendations, as well as recommendations out of the Legislature.

**Mr. Tim Hudak:** Help me understand in terms of why these costs are borne by the Ministry of Finance as opposed to MPAC itself. What's the finance cost here?

**Mr. Sriram Subrahmanyam:** MPAC normally charges municipalities for its services. In this case, these were provincial policy initiatives, so the government decided it would bear the costs.

**Mr. Tim Hudak:** Could you give me a couple of examples of what those are?

**Mr. Sriram Subrahmanyam:** They're largely IT costs. I don't have them with me right now. I know it's about—we can get you more detail, but it's largely changing their systems to be able to account, for example, for a four-year phase-in. You have to provide a value for each property for four years, so that results in IT changes. Provincial land tax also, in the unincorporated areas, results in significant changes in their systems. They also, I believe, had to hire additional assessors for the unincorporated areas. We can give you a fuller breakdown of what those are.

**Mr. Tim Hudak:** The IT changes for the four-year phase-in, you'd mentioned—I imagine that's the increase in the services budget? Is that what it would fall under?

**Mr. Sriram Subrahmanyam:** In our budget, yes.

**Mr. Tim Hudak:** Again, help me understand. If MPAC is conducting the four-year phase-in, why is the cost being borne by the Ministry of Finance for the computer system or the IT changes?

**Hon. Dwight Duncan:** That was a political decision made because MPAC's costs are borne by municipalities. So, as part of our relationship with municipalities, we had made a decision as a government that we would absorb those costs so that they wouldn't be borne by local taxpayers.

**Mr. Tim Hudak:** Do you anticipate—

**Hon. Dwight Duncan:** The other point that I did want to make, Tim, as I reflect on your questions and on this particular line: The last time assessments went out, you'll remember the auditor did indicate and advised that we shouldn't send them all out at once and that we should stagger it, which we've done. That required, again, I believe—Sriram, correct me if I'm wrong—relatively extensive changes to both the computer system and the call centre, if I'm not mistaken.

**Mr. Sriram Subrahmanyam:** That's right, yes.

**Mr. Tim Hudak:** Then those costs are being borne by the Ministry of Finance under the decisions—

**Hon. Dwight Duncan:** We would bear them, yes.

**Mr. Tim Hudak:** Now that the assessments are out this year—they're going to be every four years—new assessments will only go out if there is a material change in the property. Do you anticipate, then, that the services line will go down next year?

1610

**Mr. Sriram Subrahmanyam:** Yes, I do. These are costs associated with the implementation of those initiatives, so as that implementation takes place, the costs should wind down.

**Mr. Tim Hudak:** Okay. Thank you. I want to turn now to page 67: same division, economic, fiscal and financial policy. This is a treasury board office. The item I'm concerned with and still, through you, Chair, I would request the FTE increases from 2006-07 through the estimates of 2008-09 for this item and the last one that I had addressed. So again, you go from \$13 million here in salaries and wages to \$21.3 million in two years. The increase this fiscal is 12.5%. What's happening at the treasury board office to justify that large increase in salaries and wages?

**Mr. Helmut Zisser:** The increases in—are we on page 67?

**Mr. Tim Hudak:** Exactly. The treasury board office, page 67: salaries and wages increase 12.5% this fiscal year.

**Mr. Helmut Zisser:** I don't personally have the details of the specific increase to the treasury board office in this one, but in general, when salaries and wages like this are going up, one of the major contributors is the provision that the ministry is making for the various collective agreement awards that we're required to provide to staff under the collective agreement. So that would be accounting for a large part of the increase.

**Mr. Tim Hudak:** But it wasn't a 12.5% increase. Surely this must be—

**Mr. Helmut Zisser:** No. That would be a large part, but the other details—we would have to get back to you with specific details on that.

**Mr. Tim Hudak:** Okay. Thank you. Similarly, on that same chart, services have gone up from \$5.5 million to \$26.1 million to \$42.9 million; a 57.2% increase in this fiscal year.

**Mr. Helmut Zisser:** And again, on that one we would have to get back to you with details on what initiatives were included in the ministry's budget to justify that.

**Mr. Tim Hudak:** What was the reporting entity project?

**Mr. Helmut Zisser:** I'll ask Bruce Bennett, Provincial Controller, to respond to that.

**Mr. Bruce Bennett:** Bruce Bennett, Office of the Provincial Controller, ADM.

The reporting entity project was a result of the requirement of changes in accounting standards to implement the consolidation of hospitals, school boards and community colleges into the provincial accounts.

**Mr. Tim Hudak:** You had budgeted \$16.8 million and \$1.8 million was spent. Did the project actually not transpire?

**Mr. Bruce Bennett:** What happened is it was, again, an initiative in the 2005 budget, and we maintained an estimate of the cost to implement that project, which was an initiative of education, health, and TCU. We retained the target for them doing the costs in finance for that particular year as a contingency, in the event that they didn't maintain their target for it. So, initially the demand was for higher costs, but we retained a certain amount in Finance, in case they needed to run over. The fact is, they came in below cost estimates, and so we didn't need the money for that final year.

**Mr. Tim Hudak:** I'm not sure, ADM Bennett, if this is your area too: the supply chain management project for the broader public sector. You're targeting a \$20-million, or a 67%, increase in that budget.

**Mr. Dan Wright:** My name is Dan Wright, BPS Supply Chain Secretariat.

**Mr. Tim Hudak:** A \$20-million increase in the budget this year has been estimated for your project. How do you justify the \$20-million increase under the fiscal circumstances?

**Mr. Dan Wright:** It's a good-news story, if I may say so. We're a secretariat that was set up four years ago to help broader public sector institutions become more efficient in how they're running their supply chains; for example, in the health care sector, hospitals alone purchase over \$2 billion a year of goods and services, the BPS overall purchases about \$10 billion a year. What we found in discussions with our broader public sector partners was that because of the emphasis on front-line services—patient care, teaching, research and so on—there was not very much emphasis on back offices. During the first three years, we ran a number of our projects—about 50 projects, some terrific success stories—and on the strength of that experience were strong encouragement from places like the Ontario Hospital Association. The government, in this year's budget, decided to increase our program both in terms of the number of institutions that we were able to address and the kinds of services that we were able to help our broader public service partners improve.

**Mr. Tim Hudak:** So, specifically, what will the \$20 million be used for, then? Is it for staffing or grants?

**Mr. Dan Wright:** Let me give you some concrete examples. In general, it is about improving how the supply chains, the finance departments, the HR departments of our institutions work out there. I'll give you a concrete example: the Ottawa Hospital, which is close to a billion-dollar institution. Three years ago, a billion-dollar corporation in this province—10,000 employees, close to \$200 million a year of purchasing done entirely using a paper-based system, and just a crazy way to run an institution like that. We gave them just shy of \$2 million. They're now saving close to \$2 million a year cash, all of which was directed back towards patient care.

What I like about that story best of all is not from the Ministry of Finance guy—I love the ROI stuff. What I love are the stories of the doctors and the nurses talking about how their lives are better because they're not on

hold for 10 minutes trying to figure out whether that widget is going to show up for the procedure, or where the parcel is—or, a really crazy thing, like they've got a choice between four items and they don't have to go through four different paper catalogues to figure out which one to buy. It's all there electronically for them: Bang, make your decision and move on. So on the strength of this—sorry for getting excited, but I do get excited about our program—

**Mr. Tim Hudak:** I think you've got a future in communications too.

**Mr. Dan Wright:** On the strength of this, despite even during, you can appreciate, all the tough decisions that are made every budget year, and on the strength of a PricewaterhouseCoopers external review completed last year, supervised by an external review committee, the government said, "You know what? Despite all the pressures for front-line services, these results are too good not to support even more than we already have."

**Mr. Tim Hudak:** So, largely, those funds work out as transfers. This is not a staffing increase, it's a transfer to support the—

**Mr. Dan Wright:** I'd love to have more staff. I don't know if the deputy would tolerate that conversation.

But no, that line is—your earlier question about vote 1203-8: I am the guilty party driving up the 12% increase in that, clearly, if we are going to be putting \$50 million out there to work, we have to be watching over that very carefully.

We actually now have hospitals—if you can believe this, and I hope my hospital colleagues won't be frustrated with me saying this into the public record—saying to us, "Could you provide us even more support? Could you be in our face even more?" I just met today with a hospital CEO, who said, "Why do I have conflict-of-interest rules in my hospital that are different from the conflict-of-interest rules"—these are to do with relations with suppliers—"in the hospital just 10 miles down the road? Can you please provide us with even more support?" So, despite the fact that FTE increases are watched like a hawk around here, as I've learned in my three years in the public service, it was decided to give me a few more staff in order to provide more support for our province.

**Mr. Tim Hudak:** Terrific. ADM Wright, thank you.

I think you could keep this guy up here at the front.

I know, in the interests of time, Chair—

**Hon. Dwight Duncan:** If I can, though, I want to summarize a conclusion, if I could, as minister responsible—

**Mr. Tim Hudak:** Well, you know what, Minister, I have some time—

**Hon. Dwight Duncan:** He did point out that the government—

**Mr. Tim Hudak:** Let me—there are a few more questions I wanted to put on to get through this—

**Hon. Dwight Duncan:** Just one minute, though, Tim, because, if I may—

**Mr. Tim Hudak:** Well, the time's a little tight.

**Hon. Dwight Duncan:** The government has, over the course of a number of years—and I must say this began under your administration; that is, to help our broader public sector make better use of the resources we have. So, while it shows up as an increase here, the benefit is real and pronounced both in terms of the administration, in the instance that the ADM has cited, as well as in the services and the professional services rendered within the hospital.

1620

**Mr. Tim Hudak:** Terrific; thank you. Just for the sake of time, Chair, there are three other charts I wanted to call attention to, if the responsible ADM could just respond back: Page 71, the office of the provincial controller—again, the growth of salaries and wages and services from 2006-07 through 2007-08 to 2008-09; the Broader Public Sector Supply Chain Secretariat on page 73—we see some substantial increases, including 122% for salaries and wages this fiscal year, 144% for employee benefits and, again, we see an increase here of \$20 million on the supply chain management project, under that item. Lastly, page 75: Ontario internal audit division—again, a 25.8% increase in salaries and wages and a 20.3% increase in benefits since last fiscal year.

Chair, how much time do I have?

**The Acting Chair (Mr. Bob Delaney):** Two and a half.

**Mr. Tim Hudak:** Okay. A quick issue on MPAC: I think the ministry responded to my colleague Bob Bailey on the Lambton generating station and the MPAC's reassessment that has a substantial impact—a 47% drop in LGS's valuation. A letter from Tom Hughes, a constituent of Bob's—Bob is in social justice committee right now and asked me if you've had a chance to look into this issue yet.

**Hon. Dwight Duncan:** I have not had a response yet, no, Tim.

**Mr. Tim Hudak:** Okay. I know it's something that Bob is very concerned about because of the impact on the community. I appreciate the minister's response in the Legislature, and I know he'll be pleased to hear that the minister is concerned and looking into the issue.

Minister, MPAC's budget has increased substantially as well from 2003; it was \$145 million. In 2007, it was \$163 million. The figures aren't out for 2008 yet. Going forward, MPAC will be doing assessments every four years only and phasing them in. What kind of reduction in the MPAC budget will we see as a result of this reduction in workload?

**Hon. Dwight Duncan:** I'm not sure I agree that there will be a reduction in workload. I wouldn't agree with the premise of your question, first of all.

**Mr. Tim Hudak:** Assessments happen only every four years. There'll be fewer—

**Hon. Dwight Duncan:** They have to be updated and a lot of it is done on computer, as you know. I'll undertake to look into that and get back to you. I'll speak to the board. That is funded by municipalities, as you know. There are municipal representatives on the board. I'll

have to speak to the chair of the board and get back to you on that, Tim.

**Mr. Tim Hudak:** I appreciate that, and I asked because the ministry—

**Hon. Dwight Duncan:** But I do want to point out that I don't necessarily agree with the premise of your question.

**Mr. Tim Hudak:** I'll phrase the question in more detail, and as part of your response. The assessments will happen every four years now. While there will be assessment appeals and such and requests for reconsiderations this year, I would anticipate in future years, until the next assessment notice comes out, there will be fewer of those. So I'd like to know what kinds of efficiencies MPAC will have at out years and what the impact then will be on their individual budgets. The staff on the sunshine list has grown from 13 individuals to 40 in 2007. Has the minister had a chance to look into that increase in those on the sunshine list? But it's a tripling.

**Hon. Dwight Duncan:** Pardon me?

**Mr. Tim Hudak:** It's a tripling.

**Hon. Dwight Duncan:** Well, again, a lot of it, I suspect, would have to do with collective agreements and so on. The \$100,000 figure has been in place for, I think, 12 years now or—

**Mr. Peter Wallace:** Since 1996.

**Hon. Dwight Duncan:** So 12 years, roughly. So I'd have to look into that more deeply and get back to you.

**The Acting Chair (Mr. Bob Delaney):** And on that happy note, you're out of time. Mr. Prue.

**Mr. Michael Prue:** Thank you so much, Mr. Chair. I just have a few questions here related to recession spending, and I guess it comes back to what is being planned here in the province and what is being planned in conjunction with the federal government.

The first one is, in both the results-based plan briefing book and the fall economic statement much was made about the deficit-to-GDP ratio and it's cited as a sign of fiscal wiggle room. It's right now at 17.8%, I believe?

**Hon. Dwight Duncan:** Yes, and that's the accumulated surplus. There are three different calculations of it, but yes.

**Mr. Michael Prue:** Go ahead.

**Hon. Dwight Duncan:** Okay.

**Mr. Michael Prue:** Do you want to give me three? I mean, 17.8% is the only one I—

**Hon. Dwight Duncan:** That's the one I commonly refer to, but because of changing accounting rules there have been some adjustments done; there are other ways of looking at it. The accumulated deficit relative to GDP has decreased in the last few years. That is generally accepted as a measure of how well government is managing its deficits and its interest expenses particularly. So when you see a number like that, it's actually a good thing. When we came into office it was about—I don't have the numbers in front of me—23% to 25%. It has come down. That means we have paid down debt.

I think that most governments in the western world, and certainly the G20 governments that met in Washing-

ton, are now acknowledging the very real prospect of deficits, including our own federal government.

In the fall statement, I spoke about managed deficits. That's one indicator of whether or not a deficit becomes too large, and it's one indicator of whether you're managing a deficit well.

For instance, the same number for the federal government is still considerably higher than Ontario's, going back. It's rooted historically. I think the federal deficit eventually reached about \$42 billion by about 1993. Before a country can join the European Union, they have to get their debt-to-GDP ratio down. I forget what the number is, but I think it's below 25%. It's one measure of how large the deficit is relative to the economy, and it gives policy-makers and elected officials like ourselves an indicator of how large a deficit is relative to the strength of the economy.

**Mr. Michael Prue:** That's all well and good; I agree with every word. The question I was going to get to, though, is what kind of debt-to-GDP ratio would be healthy? Obviously, 17.8% is a healthy sign. You inherited 25%. We're going into a deficit budget this year, and if the prognostication that we're seeing out there around the world, not just here in Ontario, is likely to come to pass, we're going to see deficits in many countries, many provinces, for at least the next few years. Where can we expect to go, in terms of adding debt and probably declining revenues—they'll come together. It will make it difficult. Is the 25% that the European Union uses as high as we should go? Can it be some other number? Is it artificial?

**Hon. Dwight Duncan:** It's a good question. Do you know what? We haven't resolved that in our minds. I think that will be something that all of us will debate quite actively. I think you'll have a clear signal. We are now beginning our prebudget consultation—

**Mr. Michael Prue:** I'm not sure we're doing—oh, you are. I'm not sure the finance committee is. Anyway, go ahead.

**Hon. Dwight Duncan:** We're beginning ours. I'd urge the committee to start theirs early.

I don't have an answer to that right now. It's something I think all of us are going to have to put our minds around. The last NDP government raised the debt considerably, for instance. The debt-to-GDP ratio actually went up under the Harris-Eves government. It becomes a question of what's appropriate. In some ways, that will be subjective. We'll want to look at it from a range of angles, I guess. First of all, we're a subnational jurisdiction, so we don't have the same kind of ability that a national jurisdiction would have to eventually reduce it. One of the things we did under FTAA was require the government of the day, when they run a deficit, to lay out a plan for how they're going to eliminate it, but we're just beginning to put our minds around that.

By the way, on the European Union figure, again I want to stress that I'm going by memory. I'm not sure that's the exact figure. But the point you raise is ex-

tremely valid. People may have different views. Candidly, at this point in time we haven't put our mind around that issue. We're discussing it, looking at it in the context of the continuing information we receive with respect to the performance of the economy. The budget will give a clear indication of where the government thinks that should be and how high it can go. That's the best I can give you right now.

1630

I'd be curious to know what you think it should be, just out of curiosity, if you were in a position—

**Mr. Michael Prue:** No, really, there's wiggle room. Right up to 20% would not cause me, as a critic, to stand up saying, "You're doing disastrous things." If you went to 30%, I might.

**Hon. Dwight Duncan:** The other thing—and I'm sure you've had a chance to talk to them—the credit agencies look at is when a government spends, the relative impact of a one-time expenditure this year on infrastructure versus an expenditure that compels annualized increases and how that grows into the future. That's the other side you'd have to put your mind around. A \$100-million investment in a capital project this year could have less impact on your debt-to-GDP ratio than a \$10-million operating increase in some area. But I do think it's a valid way of looking at what I talked about in the fall statement, the notion of a managed deficit and how you define that. That's one parameter that you can look at.

**Mr. Michael Prue:** Okay, just to go on from that, the November 10 Premiers' meeting appeared to arrive at a consensus that speeding up infrastructure spending is an appropriate fiscal tool to offset declining private sector economic activity. Have the provinces, yourself in consultation with the other nine provinces and perhaps territories and federal government, come to any agreement as to how to make this happen?

**Hon. Dwight Duncan:** Well, as you know, the federal government set up the Building Canada fund. We have signed our agreement with them; I think they've got signed agreements with all of the provinces, save and except one or two. I think the federal government has indicated a desire to get that money out more quickly than they've been able to up until now. I don't say that in a critical fashion; it's a very big program and it's complicated. There's agreement on that.

The provinces themselves have all had varying levels of infrastructure expenditure. Interestingly, Alberta is seeing a lot of development on the tar sands slow down and is looking at a number of investments. Quebec has outlined an infrastructure strategy, as have we.

To some extent, because of the forestry sector and the manufacturing sector, Ontario has been confronted with this sooner than some of the other provinces, so in a very real way, we're a bit ahead of the game in terms of the initiatives in infrastructure and training. I can tell you most of our provincial colleagues are looking at training opportunities. A number of them are looking at the Second Career strategy as an interesting pilot.

The big one is Building Canada. The Prime Minister hasn't indicated whether they're going to fund more infrastructure through that particular program, but I think all the Premiers and the ministers responsible—Minister Baird was here last week and met with George Smitherman to talk about getting those projects moving more quickly.

That's one of the reasons we set up our infrastructure with municipalities, because many municipalities had projects ready to go. Environmental assessments were done. Designs were done. They just didn't have the money, and that's how we did it. That's something that I know we talked about as finance ministers a couple of weeks ago in—where was that? Montreal?

**Mr. Peter Wallace:** No, it was in the Toronto hotel—the Sheraton at the airport.

**Hon. Dwight Duncan:** It was Toronto, sorry. These hotels all—

**Mr. Michael Prue:** I fully appreciate that. All of our lives are too whirlwindy. The Building Canada fund: Everybody wants the timelines sped up, but I haven't heard of any movement. What's the blockage on speeding them up?

**Hon. Dwight Duncan:** First of all, in fairness to the federal government, a number of provinces took a good deal of time to negotiate. I wasn't the minister responsible, so I'm kind of getting out of my area now, but as I recall there had to be a framework agreement and then individual project agreements. We have reached the framework agreement, and I think all the parties would acknowledge that we can all do better in terms of seeing these projects start to come on line. I'm going to have to refer that for a better-detailed answer to Minister Smitherman. I know we signed the framework agreement in July in London, Ontario. Now it's a matter of getting the agreements on the individual projects, if I'm not mistaken, Deputy. I'll refer that to George and try to get you a better answer.

**Mr. Michael Prue:** Okay. Let's go on to the next small little area.

It was pretty clear to me, from some of your statements in the past month, that the MUSH sector cannot count on the increases in support it has relied upon in the past few years. I think you were pretty blunt. Does this imply, though, that the province is expecting to cut back infrastructure transfers to the MUSH sector? Because obviously building schools, hospitals and other things, refurbishing them, greening them and all of that is also a worthwhile goal. Can they expect not to get infrastructure money?

**Hon. Dwight Duncan:** I don't want to use a double negative here. No. Our intension is to continue on the infrastructure and capital side that gives us some additional flexibility. However, as you know, in the fall statement, in terms of schools, we can't do as many as quickly as we would like. As I've indicated before, one of the things that the provincial-municipal service delivery review did, in my view, is that we can work together with our partners in the broader public sector, whether it's the

education sector, the health sector, to say, “Look, if we can get over this hump in the next couple of years, when growth returns to the economy in a meaningful way that produces revenue growth that will allow us to not only sustain but return to a climate where we can invest more money, both on the capital and operating side, I hope that we can come to arrangements in these next two critical years.”

Most of the economists that you talk to, basically, are now pointing to mid-2010 before we see any kind of meaningful growth returning to the economy, so the next year and a half, as I indicated in my fall statement, because in the last budget, as you know, I projected out expenditures for two years. Even though those projections are at a fairly high level, our partners in the broader public sector will often take them and do kind of a rough calculation as to what that would mean for their budgets, both on the capital and operating side. The signal—I shouldn’t say “signal.” I wanted to very clearly say that given what has happened in the world economy and given what’s happening to our revenues, it would be unrealistic to use those projections to base their decisions a year or two years down the road at this point in time.

**Mr. Michael Prue:** Now, I recognize this is a political hot potato and I guess a great conundrum to governments. It would be, I guess, if I was the finance minister.

We have a lot of schools in Ontario with declining enrolment, and there’s the very thorny and difficult question of whether to close down some or not use some or use them and transfer them to other purposes—daycare centres or the like. Some of them are in pretty bad shape and require repair. Are there any plans? How are you going to do this? This is the MUSH sector. The infrastructure will be requested, I’m sure. Has the government got any plan on how you’re going to deal with this and whether you’re going to say yes or no?

**Hon. Dwight Duncan:** Yes to—I’m sorry, deal with what?

**Mr. Michael Prue:** Well, with schools; with declining enrolment and the utilization of the schools. Some of them are in bad shape. Some of them will need repairs.

**Hon. Dwight Duncan:** We do have a policy for repairs to schools. In some instances it’s determined that it can’t happen. One of the issues I know my colleague Kathleen Wynne is wrestling with is the so-called “benchmarks” for new schools and repairs to schools that have not been adjusted in a number of years.

**Mr. Michael Prue:** I think that was what I was getting to.

**Hon. Dwight Duncan:** We are faced with very real constraints. I forget the sums that we’ve invested up until now, but clearly, if you increase the benchmarks now, you’re going to be able to do fewer schools. That’s a very real consideration.

The other challenge I know she’s wrestling with is, we’re seeing, in different parts of the province, different abilities to build within those benchmarks, resultant from different labour circumstances, cost-of-production circumstances and so on. Again, that is a question that

Kathleen can give you a more complete answer on. Suffice to say we just put another, I believe it was \$500 million, into projects that had been announced that weren’t meeting the benchmarks so that those could continue on. There are a number of schools across the province that are going to benefit from that. Kathleen is looking at the whole benchmark issue.

**1640**

Again, what we were talking about: Shared services and purchasing is saving money within the broader public sector, and that money is in turn being reinvested. Dan used the hospital example, but I think the same can be said for the school systems. That money will be reinvested in those kinds of front-line services.

I’m going to relay your question to Kathleen for a more detailed answer than I’ve been able to give you.

**Mr. Michael Prue:** I’ve got about four minutes, so I have one last question on this topic. Clearly, municipalities have long lists of infrastructure needs. Many municipalities—unfortunately, too many—have been rejected from various funding programs simply because the program was oversubscribed. There are a lot more people looking for good money and good projects than there is money available. Wouldn’t one way to speed up infrastructure projects be to simply provide the grants to these construction-ready projects? We could do it really fast.

**Hon. Dwight Duncan:** You’re absolutely right. That was a particular problem for smaller municipalities. That’s what we’ve done since my last budget. The MIII funding and the Investing in Ontario Act funding was allocated roughly on a per-capita basis, as opposed—

**Mr. Michael Prue:** But aren’t there still more that haven’t been dealt with?

**Hon. Dwight Duncan:** I’m sorry?

**Mr. Michael Prue:** Aren’t there still more municipalities that have not been able to get this, in spite of what you’ve been trying to do?

**Hon. Dwight Duncan:** No. In the last two major projects, we’ve very clearly changed the criteria. You’re absolutely right, and we heard this repeatedly, particularly from smaller municipalities: In the old days, they’d have to go out and spend a whole bunch of money—because they don’t generally employ the engineers and so on to do these projects—and then they might not qualify. In the case of Investing in Ontario and MIII, that money is allocated on a per capita basis and it goes across the entire province to all of our municipal partners.

**Mr. Michael Prue:** So you are ready, then. If there are any projects out there, you’re ready to go right away.

**Hon. Dwight Duncan:** In fact, with Investing in Ontario and MIII, the whole idea was projects that were ready to go. Every municipality got the money. They didn’t have to apply for it. It was allocated roughly on a per capita basis. With the MIII money, I know many of those projects are now complete.

**Mr. Michael Prue:** But there are no municipalities still on a waiting list today?

**Hon. Dwight Duncan:** Not that I’m aware of—unless those programs were established prior to the 2008

budget. I think there was still some COMRIF money outstanding, but it's a small amount.

We have very clearly made the shift to this allocation on a per capita basis. It was a particular problem for smaller municipalities—to not have to spend a whole lot of money, because more often than not, they may not qualify.

**The Chair (Mr. Tim Hudak):** To the government members: Mr. McNeely, 20 minutes, sir.

**Mr. Phil McNeely:** This morning, Minister, you touched on the increased apprenticeships in Ontario. I'd just like to know if you have more details on where we're going with that.

**Hon. Dwight Duncan:** We're going to go up to 32,500 positions over the next four years. That, I believe, represents a 25% increase. That is one of the five key components of our five-point plan: investing in skills and training. There will be \$75 million over the next three years, rising to \$50 million annually by 2011-12, to expand that number of apprenticeships.

In spite of the enormous challenges in the economy today, for a number of these skills that we're identifying, we're still seeing a shortage of skilled trades. Our desire, obviously, is to not only create the training opportunities, but to get people into those training opportunities so that once they complete their apprenticeship, they can share in the benefits.

One of the real challenges we're going to have, once we get over this rather big hump that we've run into, with the sheer number of projects that we're looking at, particularly on the energy side and the health care side, is having enough companies and enough workers to do all the work that needs to be done. That is already challenging us in some parts of the province.

**Mr. Phil McNeely:** Having sufficient trained tradespeople will continue to be a problem, then. Are there tax credits for the corporations that wish to have training?

**Hon. Dwight Duncan:** Yes. That's called the apprenticeship training tax credit. This was introduced in 2004. It goes by the acronym ATTC, and encourages employers to hire and train apprentices in skilled trades. It's a 25% refundable tax credit, 30% for small businesses. It's available to businesses on wages and salaries paid to qualifying Ontario apprentices in the construction, industrial, motive power and certain service trades.

The co-operative education tax credit: this is a separate one. Ontario businesses are eligible for a 10%—again, 15% for small businesses—refundable tax credit on the wages and salaries paid to qualifying students enrolled in a recognized post-secondary co-operative education program.

And then, for Ontario personal income tax purposes, tradespersons and registered apprentice vehicle mechanics may deduct up to \$500 from their employment income for the cost of eligible tools exceeding \$1,019. Registered apprentice vehicle mechanics may also, under certain circumstances, claim an additional tax deduction toward the total cost of eligible costs.

So I guess, Phil, the long and short of it is, you can have all the apprentice training positions in the world, but if you don't have employers hiring these young people—or anybody, for that matter, who's completing the school or academic portion—they won't be able to acquire the skill. So we have these tax incentives to encourage employers to hire trainees and co-op students so that they can, in fact, meet all the qualifications for an apprenticeship skilled trade.

**Mr. Phil McNeely:** I know you discussed it this morning, and it was the employment that comes out of the infrastructure investments. I think the Federation of Canadian Municipalities commissioned a report by Informetrica that showed that, for a \$1-billion investment in infrastructure, it was something like 15,000 jobs, but a \$1-billion tax reduction would only produce 4,000 or 5,000 jobs, about one third. Do you have any comments on that? That report interests me. I didn't read it, but I read the comments on it.

**Hon. Dwight Duncan:** I have not read the full report. What I can tell you, however, is that in the context of our five-point plan, we deal with both. We deal with infrastructure on the one hand, but also with what we term broadly “reducing business costs.” Reducing business costs not only involves tax cuts, which we've done—we've eliminated the capital tax for manufacturers; it'll be fully eliminated for all Ontario businesses by 2012. We have reduced and equalized the business education tax across the province and we accelerated that for the north this year, at the request of the Canadian Federation of Independent Business. So we do both.

We also, when we talk about lowering business costs, have a very aggressive approach to reducing regulation. I think our major accomplishment in our first administration was the harmonization of the collection of corporate taxes, the provincial-federal harmonization, saving, I think, \$400 million for corporations in Ontario in terms of compliance costs and so on. We routinely now have an ongoing effort looking at reducing red tape for business.

So we actually do both. We invest in the infrastructure that has huge and immediate—once we start work—employment impacts. Secondly, we've also taken the approach that targeted tax cuts in select areas are an appropriate tool to help stimulate growth in the economy.

**Mr. Phil McNeely:** We have, sitting in Ottawa, I think, a \$200-million commitment from both the provincial and federal governments for public transit.

**Hon. Dwight Duncan:** Yes.

**Mr. Phil McNeely:** Because of changes in the plans we haven't got those dollars near to producing jobs yet. I'm just wondering if there's any advice that you could offer for the city on that. I know the problems of it, that it's dedicated to public transit and public transit is very important. They're getting closer to the final light rail plans. They have to be reviewed by the province and the federal government to make sure that the ridership has increased with public transit. Do you have any advice there, or is that \$200 million going to sit there until we're

able to get ahead with the public transit? If you don't wish to answer that, I'd just like your comments.

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**Hon. Dwight Duncan:** I don't like to offer advice on things that I'm not entirely conversant on; I'm a little bit. I have kind of a high-level understanding.

I guess the only advice I would have is, now's a good time to get on with it and start spending that money, because even though the economy of the nation's capital tends to be more stable over time than other parts of the province, Ottawa is still going to feel the impact of what's going on.

In my view, having taken the public transit, OC Transpo, in the past, there's a need for dramatic expansion. My hope is that the appropriate authorities can work together to start moving forward and that the community come together so that that money can actually be spent, first of all in the short term to create some jobs, and in the long term to improve the comfort, safety and accessibility of public transit for so many people in the nation's capital region.

**Mr. Phil McNeely:** The Windsor-Detroit border, of course, is where—what is it?—80% of our goods go through for export to the US?

**Hon. Dwight Duncan:** Yes.

**Mr. Phil McNeely:** And it has had a lot of—I was with the Ministry of Transportation—importance put on it to make sure that we kept that access open. I suppose it's not as busy today as it was, but how's the infrastructure there? How does that tie in with international trade and that export sector?

**Hon. Dwight Duncan:** The Premier has identified the new border crossing at Windsor-Detroit as the most significant capital project for the Ontario economy. We're now just about complete in the study phase. The Detroit River international crossing study we'll be submitting to our colleague the Minister of the Environment, the completed EA, for his either rejection or approval, occurs this month, as I understand it. He has a certain period of time—I forget the amount of time—to respond and to either give it a thumbs up or to reject it.

Between the new roadbed leading to the new border crossing and the new border crossing itself, we're probably looking in the area of \$5 billion. On the Detroit side, there's massive construction already going on on the I-75 interstate highway system that connects with the existing border, which is continuing on. That was, I think, a \$250-million US project that was launched several years ago by the government of the United States and the state of Michigan.

So the work is done on both sides of the border, as I understand it, or near completion on both sides of the border. It will involve a new border crossing. That has been the position. The direct process, there are four governments that are signatories to that: the government of the United States, the government of Canada, the state of Michigan and the province of Ontario.

The environmental assessment and design processes have been going on on both sides of the border. More

trade crosses that one border crossing than the United States does with Japan, to put it into context.

You're right: There's been a decrease, particularly since 9/11, in the absolute volumes. However, we've seen this before, and it's tended to track up. So this project will be what I would call a hundred-year project. In terms of the existing border infrastructure, both the bridge and the tunnel were built in 1929, for instance. So this is needed; it's agreed to by four governments.

We're nearing the end of the study phase with the completion of an environmental assessment, and it's the hope of our government that we can get on with construction as soon as possible. First of all, the Windsor-Detroit area has been just hammered in this economic situation, just hammered. I think in my hometown of Windsor, we have the highest unemployment rate in the country. We estimate that this project will create somewhere between 12,000 and 15,000 jobs over the life of the construction, which would take four or five years. The last time I was briefed, things appeared to be on track for completion by about 2013. Again, when you talk to the manufacturing sector, any number of our corporate citizens, they all see this as perhaps the most important thing government can do to assist them transition into the new economy.

**Mr. Phil McNeely:** Chair, Mr. Naqvi would have some questions now.

**Mr. Yasir Naqvi:** We were talking about training of skilled workers earlier on, and I was hoping, in that context, you could talk about support for new Canadians in this particular budget or in previous budgets, as we try to integrate them into our workforce as well.

**Hon. Dwight Duncan:** Yasir, we talked a little bit about that this morning, and I did want to get on the record a few more points.

Ontario is now spending about \$160 million each year, through several ministries, to help newcomers settle here in Ontario in their new home, improve their language skills and find jobs through training programs that bridge their credentials into Ontario qualifications. In addition, we launched the pilot provincial nominee program in May 2007 to nominate individuals for permanent residence based on skill shortages in the labour force.

The 2008 budget also provided \$30 million more over three years to enhance English-as-a-second-language services for adult newcomers and support more of what they call "bridge training."

Immigration has been a key factor in our highly educated workforce. Diversity is one of our great strengths. In 2006, Ontario welcomed 126,000 newcomers, half of all immigrants to Canada. Talented people from all over the world help make Ontario competitive in the global economy, and policies that promote faster and more effective integration of new Canadians will continue to be a priority.

The other thing that I noted this morning, the United Way of Greater Toronto, in their look at poverty in Toronto, cited the correlation and the challenges that new Canadians have. We simply have to do a better job, in my

view, of helping those people because, quite candidly, the one thing we do know in the long run is that it's that growth in immigration of new Canadians that will allow the productivity in our economy to improve, and that will help sustain the quality of life that we all live. Just looking around the room here—I know my grandparents came to Canada—Mario and Amrit, you're new Canadians. That will have to continue to grow if we're going to sustain the quality of life we've experienced over the last century.

**Mr. Yasir Naqvi:** I want to talk a little bit about social services which are provided: 211 is a service which has been hailed as a great asset in terms of new Canadians, for people in our community to have access to. I know in my community in Ottawa alone—and MPP McNeely and I were at the launch of the 211 service in Ottawa, which is partly funded by the provincial government through provisions made in the last budget. I was hoping that you could illuminate for us what that funding is like and the kind of impact it can have on our communities.

**Hon. Dwight Duncan:** Yasir, I first became aware of it back in 2006, in the lead-up to my budget in 2006, when I was pinch-hitting for Greg Sorbara. It was the United Way across the province that was promoting the concept, and we began some work then, and then, this year, I was able to announce \$13 million that will see 211 available right across the province—I believe it's in this fiscal year.

It's a wonderful service. People can dial 211 and get a qualified person who can give them advice on a range of public services. In my home municipality of Windsor, the local government there introduced 311 service a few years ago. This is an outstanding service. You can call, you can do everything from paying your taxes to getting information about when your garbage will be picked up. I've used that service myself on a number of occasions. So this is already up and running in a number of communities. We want to make sure it's available everywhere.

Quite candidly, the government of Ontario—when I first started looking into this at the time back in 2006—I forget—had literally hundreds of 1-800 lines. For somebody now to get help on any range of social services available in their community, government services, simply by dialling 211, once it's fully implemented, you'll get a very well trained person who will be able to assist you in accessing those services. I think people from all walks of life, in all parts of the community and all parts of the province, will find it a very useful service. It was heavily promoted by the United Way right across Ontario, and so we were pleased this year to be able to fund it so the entire province has access to it.

1700

**Mrs. Amrit Mangat:** Thank you, Chair. Minister, last Friday an elderly couple and a cigarette smuggler were killed in a fatal crash. What are you doing to combat cigarette smuggling?

**Hon. Dwight Duncan:** That comes under the Ministry of Revenue, which is now part of my responsibilities.

There is a whole range of enforcement mechanisms we have undertaken over the course of the last several years. It's a challenge; there's no doubt that it's a challenge. Unfortunately, I'm not able to go into a lot of the enforcement strategies we have undertaken in any great detail. I can tell you, and you will find and see through the public accounts, that there have been increases in expenditures in terms of managing that function. So we continue to work on it.

It's an enormously complicated file. It's complicated by the international border; it's complicated by our relationship with First Nations. There are a number of challenges associated with it, but it continues to be what I would call a fairly major problem for governments, not just in Ontario. Because of our size and the size of our border, I think it's probably as big a problem here as anywhere. Quebec experiences similar challenges and so on.

**Mrs. Amrit Mangat:** In the 2005 budget, the government introduced the Reaching Higher initiative to improve access to post-secondary education. We now know that we have the highest number of people in post-secondary education in North America. Can you throw some light on how this has actually worked?

**Hon. Dwight Duncan:** How has it worked overall?

**Mrs. Amrit Mangat:** Yes.

**Hon. Dwight Duncan:** Reaching Higher, I think, is the most significant multi-year investment in post-secondary education and training in more than 40 years. It is \$6.2 billion in new investments by next year, and we've already seen significant results. Let me give you some examples: about 100,000 more post-secondary education students, an increase of 25% since 2002-03; 150,000 students per year are now benefiting from the Ontario student aid program, OSAP, from the enhancements that were introduced since 2004-05—

**The Acting Chair (Mr. Bob Delaney):** And a one-minute warning.

**Hon. Dwight Duncan:** —expanded opportunities for francophones, aboriginal peoples, people with disabilities and first-generation students whose parents did not receive post-secondary education, \$55 million by 2009-10; a target of 14,000 more graduate spaces by 2009-10; and then 160 new first-year undergraduate spaces in medicine, including the new Northern Ontario School of Medicine.

**The Acting Chair (Mr. Bob Delaney):** With a little bit of change to spare, Mr. Hudak, it's yours.

**Mr. Tim Hudak:** Thank you, Chair. Minister, as I think you know, the average retail price of homes has plummeted in recent months in various parts of the province; you're certainly well aware of that in your own neck of the woods in Windsor. Here in Toronto from October 2007 to October 2008, the average price declined by 15% and the number of resale homes is down 38%. Despite that drop in price, you're still locking homes in at the assessed value on January 1, 2008, at the height of the hot housing market. In light of the drop in

the value of homes in the province, will you consider the base year for assessment?

**Hon. Dwight Duncan:** No. The assessment change doesn't reflect a tax change, and it's much more efficient to simply adjust the mill rate, which is what municipalities can do.

**Mr. Tim Hudak:** If somebody built a new home, my understanding from MPAC is that they will try to determine its value on January 1, 2008, even though the home didn't exist at that point in time. Clearly, the value of the home they may be purchasing as a new home will be lower than the assessed value. Do you think that's appropriate and fair?

**Hon. Dwight Duncan:** There's no system that's entirely perfect or entirely fair. As you know, your government went through seven changes to the act. Over time, I'm confident that housing values will again grow when the economy changes and these large fluctuations will be ameliorated. Again, it will be up to municipalities to manage their mill rate in a way that takes into account changes in the assessment, whether positive or negative. In the case of my community, the assessment on my own home declined about 3%, and probably the market value is somewhat more than that. But again, the municipality can adjust the mill rate to reflect that.

**Mr. Tim Hudak:** There's an interesting difference in terms of the drop in the value of homes in Toronto. It's 15%, while the rest of the 905 area is 8%; again, that's October 2008 compared to October 2007, so it has dropped at almost twice the rate. Your government has given Toronto the ability to put in its own municipal land transfer tax. To what extent do you think the larger drop in Toronto is attributable to this new tax that has been brought in?

**Hon. Dwight Duncan:** I don't think it's attributable to that at all. I think that the councillors and the mayor of the city of Toronto will act in a fashion—we have to rely on them to act and manage the affairs of Toronto in the way they see fit. They are elected by the people to do that. If the people aren't satisfied with that, they have recourse to change it at the next election. I don't think I would agree that the introduction of that had anything to do with it.

**Mr. Tim Hudak:** Then how do you reconcile the 15% drop in Toronto, when in Mississauga, for example, it's an 8% drop?

**Hon. Dwight Duncan:** Well, first of all, there are very different circumstances, a very different age of neighbourhoods in many instances. How do you reconcile the fact that communities that have had tax cuts are seeing property values plummet? That has happened too. Did property values plummet because of that? I don't think so.

I think that Toronto has a number of enormous challenges. I'm not going to comment as to how well or how badly the corporation of the city of Toronto manages its affairs. The people of Toronto elected a mayor and a council to deal with those issues. To suggest that the challenges in the housing market in Toronto are the result

of that land transfer tax—Tim, I just don't agree with you. I think you're seeing it in Calgary, you're seeing it in Vancouver, you're seeing it in Edmonton; you're seeing it in virtually every major housing market, particularly where there has been rapid growth. I'd also want to see what the relative rate of growth has been in Mississauga versus Toronto over the last few years, in terms of the price rising. I don't agree with you; I don't think that tax is the reason for that. I don't even think it's really a significant part of it.

**Mr. Tim Hudak:** It's not just me; the Toronto Real Estate Board has made its case quite vociferously.

**Hon. Dwight Duncan:** I don't agree with them. I respectfully disagree. I know they didn't agree with the policy of the city of Toronto. They will have to take that up with the mayor and members of council of Toronto.

They chose to take advantage of the opportunity—we did give them the ability to do that. We made a conscious decision to give Toronto the tools we felt were appropriate and that they needed in order to address their concerns.

**Mr. Tim Hudak:** Your government has no intention of extending the municipal land transfer tax to other municipalities than Toronto?

**Hon. Dwight Duncan:** Not at this moment, no.

**Mr. Tim Hudak:** My colleague Bob Runciman asked if I could bring this up, and I think it's a good issue as well, dealing with property assessments. Previous to your government, citizens could engage property tax agents to help make their case at the ARB—

**Hon. Dwight Duncan:** I'm sorry, they could engage whom?

**Mr. Tim Hudak:** Property tax agents, individuals who have some skill and knowledge in assessment—maybe retired assessors, that sort of thing—to help represent them with their case at the ARB. Your government made a change that no longer allows property tax agents to represent individuals at the ARB; it can only be lawyers or paralegals. I think you know, Minister, that if somebody wins one of these—a middle-class family or a senior, for example—their tax savings are probably in the hundreds of dollars, so paying for a lawyer to do that is prohibitive.

I don't think you were minister at that time—you may not have knowledge of this change—but do you think it's fair? Why couldn't somebody hire a retired assessor to help make their case at the Assessment Review Board?

**Hon. Dwight Duncan:** I think you need to tell the whole story, though. We also put reverse onus on MPAC, at the recommendation and behest of the provincial Ombudsman, which means that in the old days, if MPAC raised your assessment, you had to go and fight them. Now it's the reverse, based on the recommendation of the Ombudsman. So I think that helps that.

I would have to go back and review the reasons. I know there were some challenges about quality of representation. I know there were issues around how people credentialed themselves. I think with all the changes resultant from the Ombudsman's report and the work we

have done, particularly on the reverse onus issue, that that in my view would be largely a moot point.

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**Mr. Tim Hudak:** But if there were a concern about credentialing, why not then bring in some sort of system of credentialing rather than banning—

**Hon. Dwight Duncan:** Well, we do. It's called lawyers. People who are certified by the Law Society of Upper Canada have specialty. You can contact a professional. You can contact a professional governing council with a complaint. If there's bad service, you've got one term to describe them. I have not seen evidence that that's been a particularly onerous change, and I think, more importantly, that the whole reverse onus initiative that we undertook was far more important to ensuring that average citizens are fairly protected in front of MPAC in terms of their assessments.

**Mr. Tim Hudak:** But you do understand how, say, a senior citizen who was fighting to have her assessment reduced would save a few hundred bucks for a modest home while a lawyer would be unaffordable?

**Hon. Dwight Duncan:** Not necessarily, if she's not properly represented. I mean, fraud against senior citizens is rampant in a whole number of areas. People hold themselves out as having an expertise that they don't have, and these poor souls, particularly seniors, can be vulnerable to this and may go in thinking they've got somebody who's an expert or knows or is well trained in the field and in fact they're not. So no, I don't agree with you on that. In fact, it may wind up costing them more because they weren't properly represented.

**Mr. Tim Hudak:** So you're concerned that these tax agents are a bunch of fraudsters?

**Hon. Dwight Duncan:** I didn't say that. I talked about credentialing and you said, "What's a legitimate credential?" I'd say a law degree and a member of the law society. As I say, the other changes we've made, in terms of reverse onus particularly, I think do protect.

No, I didn't suggest that at all, but I'm given to understand that there were some real situations where people were not properly represented, and I think the steps we took at the time were appropriate.

**Mr. Tim Hudak:** Minister, golf courses have been assessed by MPAC based on a calculation of their income from green fees, memberships, cart rentals, pro shop sales, food and beverage income, etc. The golf course owners' association formed a committee that was meeting with MPAC to try to find a better way of assessing golf courses. Discussions were advanced. The election occurred in the fall 2007. I wonder if there's been any progress made that you're aware of in that respect since?

**Hon. Dwight Duncan:** No, Tim, I'm not aware of that. I'll undertake, however, to get back to you to see what, if anything, has happened.

**Mr. Tim Hudak:** Terrific. Thank you. Another issue that pops up on the assessment side is the determination of industrial property class, specifically Ontario regulation 282/98. I'll give you an example. Industrial prop-

erty class includes areas of retail sales by a manufacturer, producer or processor of anything produced in manufacturing, production or processing if the retail sales are at the site where the manufacturing, production or processing takes place, but not on land to which section 44 applies.

In short, there's a potter in my riding who does pottery in the back, has a retail space in the front, and the whole property is assessed industrial, which you know is a higher level of assessment or a higher rate of tax than commercial. So artisans like that—denturists, print shops, software developers etc.—are finding themselves at a higher level of taxation.

The Beaubien report, for example, in 2002 had recommended making a change to that definition. Have you or your ministry looked at adjusting that definition?

**Hon. Dwight Duncan:** That report was by Marcel Beaubien?

**Mr. Tim Hudak:** Yes, exactly.

**Hon. Dwight Duncan:** I haven't at this point. I'll go back and have a look at it, Tim. Again, I've heard these concerns raised by some. I know it was done in 2002, and your government had almost a year and a half after it was done and chose not to move on it. But I'll undertake to go and have a look and see what, if anything, has been done.

**Mr. Tim Hudak:** Marcel Beaubien, of course, the then member for I think Lambton-Kent had brought forward this report. It was being reviewed by the government. I'm sure the Ministry of Finance continued to review it, and if you had a chance to go back and look at it—I know it's been a number of years. He recommended that retail sales premises be removed from the industrial class and included in the commercial class. Mr. Beaubien's point was, there's a general policy under the Assessment Act that the assessment value of mixed-use properties should be apportioned among different tax classes based on the use of each portion of that property. Therefore, he argued, the same policy ought to apply to different activities that occur within industrial facilities. This issue may not be at the top of the list, but I know small businesses would appreciate it, Minister.

**Hon. Dwight Duncan:** I'll go back and have a look and see, if we have enacted, if there's a reason we have enacted, and what that is and report back to you.

**Mr. Tim Hudak:** My colleague Mrs. Mangat asked about tobacco tax revenues. In 2004-05, it was about \$1.5 billion to the province. This year, you estimate it's about \$1.1 billion. For each of the last three years, the actual revenue that has come in has fallen below projected, getting close to half a billion dollars. How much of revenues do you think are lost to the province through the black market?

**Hon. Dwight Duncan:** A substantial portion, Tim. I haven't heard a precise figure. I think it's difficult to put a precise figure on it, but I would think that it's a very substantial portion of it.

**Mr. Tim Hudak:** Where is the major problem occurring?

**Hon. Dwight Duncan:** Well, as I understand it, there are a number of points. It involves borders and it involves First Nations. The actual sales are taking place, I've heard from MPPs, in the variety stores and the corner stores in their own ridings and people coming into apartments in their ridings with the contraband tobacco. It's a terribly difficult thing to police.

**Mr. Tim Hudak:** You mentioned in your response to Mrs. Mangat that the relationship with the First Nations is a delicate one, obviously, but a central one in trying to solve this problem. Can you be more specific? What is the issue there?

**Hon. Dwight Duncan:** Well, there is a range of issues around our relationship with First Nations. In terms of what they can and cannot do, what they can and cannot sell, it's tied in not just to the tobacco issue itself, but to other issues that are part of what I would call a broad range of issues affecting our aboriginal people that I think require patience and a willingness to work together to resolve, although we may not be able to do it in the timelines or manner that would be acceptable to some people. It involves the whole relationship with First Nations, whether it's revenue sharing, whether it's land claims, whether it's all of the various social issues that challenge our First Nations and challenge all of us. I think we have to manage these issues within the broader context.

**Mr. Tim Hudak:** My colleagues in the Legislature have brought up the issue of illegal smoke shacks that are either on reserves or off or close to reserve properties. What is the Ministry of Revenue doing to shut down those operations?

**Hon. Dwight Duncan:** We work in co-operation with the federal government on reserves. We have a whole unit that looks at policing. We take what I would call a very carefully managed approach that won't create more problems by trying to solve a problem in a way that would cause greater problems in other areas.

**Mr. Tim Hudak:** Thank you. Another MPAC issue, and again, I'll give you more details; I do want to raise it. Shalom Manor is a long-term-care home in Grimsby in my riding of Niagara West—Glanbrook. They have 144 long-term-care beds which have always been exempt from paying property taxes. As part of its mandate, Shalom Manor included 36 assisted living units for seniors in the community, some family members of those who are in the long-term-care portion of the structure.

MPAC had visited after this was built and did not assess those properties. They deemed it part of the long-term-care home, and therefore exempt from assessment and property taxes. This year, MPAC shocked Shalom Manor and demanded not only assessment taxes for this year but back taxes as well, totalling \$147 million. MPAC's decision also—

**Hon. Dwight Duncan:** A hundred and forty-seven million?

1720

**Mr. Tim Hudak:** Sorry; thank you—I'm just looking at the ministry figures—\$147,000. They've taxed the

individual seniors who had lived in that home, some of who have passed away, so it's a preposterous situation where tax bills are being sent to individuals who are actually dead. I don't know if this issue has popped up in other parts of the province. Would the minister look into this situation on behalf of the residents—

**Hon. Dwight Duncan:** I'll look into it, absolutely. Again, now, you were talking about individual residents—they're being billed individually?

**Mr. Tim Hudak:** Yes. They've been sending bills, according to Shalom Manor, to individuals who had lived in the assisted-living units.

**Hon. Dwight Duncan:** That's in the assisted-living units.

**Mr. Tim Hudak:** Yes.

**Hon. Dwight Duncan:** Okay. And have they appealed the decision?

**Mr. Tim Hudak:** They're going to be moving forward with the request for reconsideration.

**Hon. Dwight Duncan:** The first piece of advice I would give them is to appeal the decision. I'll look at the policy implications of that decision and see if this has become an issue elsewhere. The government has proactively worked at trying to keep people living independently and in their own homes. I'm just going to have to look at the broader policy implication.

**Mr. Tim Hudak:** You had an interesting conversation there earlier with my colleague Mr. Prue about the auto sector and potential assistance for the Detroit Three. I know this is Minister Bryant, but the Ministry of Finance would be playing a significant role in this, and you as a representative for the Windsor area as well. Are the government's considerations limited to the Detroit Three or are you looking at other manufacturers as well?

**Hon. Dwight Duncan:** At this point, it's difficult for me to answer that because we haven't even had a formal request from the Detroit Three.

As you know, the Premier and minister met last Friday. There was no specific request other than to mirror whatever the United States does. Honda and Toyota were part of that meeting. They did not have any specific requests that I am aware of. Frankly, the emphasis has been, at this point, on the Detroit Three.

But again, I'm not aware that either Honda or Toyota are even interested, other than that part of the challenge they will have is that let's say one or more of the Detroit Three were to go under. It would likely pull down a number of parts suppliers who also supply Toyota and Honda.

We are just beginning our due diligence, Tim, working with the federal government. Minister Clement and Minister Bryant are going to Washington as part of that due diligence exercise. We will be engaging people to assist us in analyzing—

**Mr. Tim Hudak:** Sorry. A quick question, if I could. My time's running out.

I've heard from some government officials a concern that government should be telling automakers what kinds of cars to produce. There's some contemplation of an ownership share, I know, in the American discussions. Is

the McGuinty government considering telling the Detroit Three which types of cars they should be producing?

**Hon. Dwight Duncan:** No. But frankly, again, we haven't gotten down to, other than to acknowledge that we need to be at the table and we need to do our due diligence—

**The Acting Chair (Mr. Bob Delaney):** Thank you. You're out of time.

**Hon. Dwight Duncan:** Okay.

**The Acting Chair (Mr. Bob Delaney):** Mr. Prue.

**Mr. Tim Hudak:** Thanks.

**Mr. Michael Prue:** Thank you so much. I have one question, and then I'd like to get into securities.

This twigged my interest, when my colleague Mr. Hudak asked the question about the city of Toronto and the authorities that were granted to them. One was related to the sale of properties, but the second one, which has not been nearly so contentious until now, has been the licensing of vehicles, which is done in conjunction.

The city has been collecting the new fee since September 1, 2008. When the city passed the new fee, they specifically excluded commercial vehicles from the tax. It was the intention of city council to exclude taxicabs. What has happened, though, is that according to the provincial regulations, only trucks are deemed to be commercial vehicles and cabs are not. So, despite the fact that the taxi industry is regulated and controlled by the city, the province is collecting the tax on taxicabs, contrary to what the city wants. Have you been told this or do you know about this?

**Hon. Dwight Duncan:** No, I haven't. I wasn't aware of that. Is anybody here aware of this?

*Interjections.*

**Hon. Dwight Duncan:** So this is new, Michael, and I don't think you've written to me on it.

**Mr. Michael Prue:** No, no, I just got this from—

**Hon. Dwight Duncan:** Well, why don't you—we'll make a note of it here, through Hansard, and we'll certainly follow up.

**Mr. Michael Prue:** All right. Because what has happened is that the taxi—I'll just explain and then you can follow it up. I don't need an answer. They have gone to the city, the CFO of the city of Toronto, who acknowledges the problems but says they are unable to make the correction because it rests with the province. So the taxicab industry has gone to the Ontario Ombudsman's office—I don't know why they went there—and the Ombudsman's office has told them it may take several years to get to the root of it. Then they sent me this copy asking if I could speed up the Ombudsman's office, which obviously isn't the right route. The right route is to ask you.

**Hon. Dwight Duncan:** I will endeavour to get back to you on it. This is the first I've been made aware of it, so—

**Mr. Michael Prue:** All right, so I won't ask this one in the House. I've asked it now, and I'll make sure you get a copy of this e-mail that I got.

**Hon. Dwight Duncan:** I see scrambling going on behind me as we speak. I suspect that we'll get on it right away.

**Mr. Michael Prue:** Because the taxi industry in Toronto is hurting and it was not the city's intention to charge them the tax, which is about \$60 a year and comes due, as you know, when people renew their licences.

**Hon. Dwight Duncan:** If it's not the city's intention—well, let me have a look at it.

**Mr. Michael Prue:** All right. Good enough.

The rest of my questions, as time permits, will relate to securities. Has the staff had a chance to look at my earlier question on the changing of the term "expert" in Bill 149? I asked that, I think, last week or two weeks ago or whenever.

**Hon. Dwight Duncan:** Not yet.

**Mr. Michael Prue:** No, not yet? Okay, we'll just leave that one.

Last December, the Toronto Star had an extensive series on investor protection and the many problems with securities regulators. One of the people quoted in the Toronto Star, Jeffrey MacIntosh—he's a securities law expert—made the following statement: "The oversight they supply is very little"—talking about the government—"and the politicians really don't take any interest." That was his quote. I just need to know, how many staff do we have from the Ontario government looking after securities?

**Hon. Dwight Duncan:** I'll get you the specific number, but I would take exception to what he says. I have now attended several meetings of ministers responsible, looking at a common securities regulator. We are, I would suggest, through the securities commission but even within the government, taking a very active interest in the file. As you know, Ontario supports the position of the federal government with respect to a common securities regulator. As I think I indicated to you a couple of weeks ago, Mr. Hockin is scheduled to release his report on how the federal government can move to achieve a common securities regulator around the beginning of December. I'm told that they're on track for that. So I would differ greatly with the individual quoted in the Toronto Star about that.

There's also another component of this that involves the Ministry of the Attorney General, as you would be aware. I can tell you that they too take an active interest.

Are there things that we can do better? Yes. I can tell you we've consulted experts and so on. The Attorney General looks at those kinds of enforcement provisions. But the biggest thing we can do in terms of a better regulatory climate, better enforcement, is a common securities regulator in Canada.

**Mr. Michael Prue:** And I think all parties agreed with you. We sat here and I sat in the finance committee nearly five years ago now and we advocated that, but we also said that we had to move ahead, because there is a very real possibility, with Quebec's intransigence and the intransigence of some of the other provinces, that we

may not get there. So five years have come and gone and we're still talking about a national securities regulator—

**Hon. Dwight Duncan:** The challenge is, what do you mean by “move ahead”? You won't have a common security regulator if you don't have the provinces. It would have to be the federal government to move ahead.

**Mr. Michael Prue:** And I understand and I think they're trying to move ahead, at least from some of the more recent news articles, but in the meantime we are stuck with the system we have and it's causing a great deal of concern, given the economic downturn, some of the difficulties, people being charged or not being charged.

**Hon. Dwight Duncan:** I agree with you that I think we'd all like to see the common security regulator move forward more quickly. I do, however, just want to put on the record that I have great confidence in the Ontario Securities Commission in terms of the regulation of our capital markets. There have been debates around enforcement, particularly of criminal activities, the difference between our jurisdiction and particularly the United States, different approaches, and so there's been what I would call an ongoing and lively debate on those issues. But I do believe that the Ontario Securities Commission does a good job of regulating markets. Is there room for improvement? I think Mr. Wilson and others at the commission would agree that there is.

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In terms of your frustration with the inability to move forward on the common securities regulator, I think that's something we all share, and I know it is certainly shared by the federal government.

**Mr. Michael Prue:** Is it possible for you to find out how many ministry staff are dedicated to securities regulation? If you don't know today, I can—

**Mr. Peter Wallace:** That's not something we can answer off the top—

**Mr. Michael Prue:** That's fine.

In that same article—maybe you can answer, or maybe you can find out—Minister Bentley was questioned about the fact that of the new crown attorneys hired, not one was a securities expert. Is this a concern? Should we have some crowns who understand this to do prosecutions?

**Hon. Dwight Duncan:** I think the article referred to new crowns. I believe we have crowns within the Ministry of the Attorney General who are in fact charged with this. Many of our initiatives with new crowns in the last couple of years have involved street violence and gang violence. Again, I would have to get a more detailed answer for you from the Attorney General on that.

**Mr. Michael Prue:** Does the government have any contingency plans in case the federal government doesn't go down the road we've been so patiently waiting on for the last five years?

**Hon. Dwight Duncan:** The federal government is going to go down the road. The question is about the

legal challenges that would likely emanate from that decision.

We were told that the Hockin group is reporting back to the federal government around December 1. My hope is that the report will be one that Ontario can in fact endorse, because we endorse the concept of a common securities regulator. Once we see that, then we'll have a better sense of how the federal government is going to proceed.

**Mr. Michael Prue:** There doesn't seem to be, in my view—and you can tell me whether it's your view as well—sufficient oversight to allow the Legislature to bring the Ontario Securities Commission in front of a review committee on a regular basis. It doesn't seem to happen as often as it should. As I said, it was some five years ago that it was before the finance committee. I see very little going on. Should we be bringing them back more often?

**Hon. Dwight Duncan:** Candidly, I don't know the answer to that. I'm not sure what the standing orders say with respect to your ability to call them as part of estimates. They'd be an agency like Hydro One or OPG, so I don't know the answer to that.

**Mr. Michael Prue:** It's only a comment. The revenues by security firms are now over \$10 billion. It's a huge, huge industry.

I guess I've got five minutes?

**The Acting Chair (Mr. Bob Delaney):** You've got 10.

**Mr. Michael Prue:** Oh, my goodness. I only have one question, although it's a really long one.

There has been a lot of criticism lately—I've had people come to visit me in the office, and I'm sure the minister has and probably Mr. Hudak has too—about the RCMP's integrated market enforcement team, or IMET. Some of the people are telling me that this organization lacks the sophisticated knowledge needed to prosecute financial crimes. They have told me that although people are charged, since this has been set up the number of actual convictions has declined at a precipitous rate compared to the old system. Should we be looking at this?

**Hon. Dwight Duncan:** Again, that falls under the mandate of the Attorney General. I have not heard from people about that specific aspect of securities enforcement. I would imagine that people with those kinds of concerns would probably take them to the Attorney General.

**Mr. Michael Prue:** But you are the revenue minister, and this does fall under your—

**Hon. Dwight Duncan:** Yes.

**Mr. Michael Prue:** Okay. I met with a gentleman who was a retired Toronto police detective, Gary Logan. I don't know if you've ever had the pleasure of meeting him, but he was really quite strong. He suggested the creation of a securities crime panel, a body that would receive complaints from securities crime victims. Many of the victims are of the opinion that they're not being listened to because of the structure, the way it's set up.

The people who investigate the claims are the same ones who prosecute. It's an in-house body. He has suggested, quite frankly, that it would be better to have a panel that would assess the complaint and then assign it the proper enforcement agent, whether it was municipal, OPP or RCMP. This would create a separation between the criminal and non-criminal complaints, between the police and the regulator and all of that. Is your ministry looking at doing any of this or sending it to committee, or asking, or are you waiting for the—

**Hon. Dwight Duncan:** Well, first of all, I haven't seen his report. I don't believe I've ever met the individual. I'm sure he's a very thoughtful guy. I have not seen it, I don't know if the Attorney General has and I don't know if the Ontario Securities Commission has. But we constantly oversee what's going on. We rely on the advice of a whole range of experts as we move forward. As I say, I've not seen this particular submission or proposal, so it's difficult for me to comment on it, but we do routinely meet with the OSC. I meet with Mr. Wilson monthly; we do talk about enforcement issues. Some of them do overlap with the Attorney General and some of them overlap with the federal government as well. It's hard for me to comment on something I haven't seen specifically, and I don't know if he's taken that to the Attorney General or to the securities commission.

**Mr. Michael Prue:** Should I pass along his number to your office?

**Hon. Dwight Duncan:** You might want to ask him to put it in writing. If he's put it in writing, I'd be delighted to have a look at it and pass it on to appropriate officials.

**Mr. Michael Prue:** More a comment: Five years ago, and I've not seen all the statistics of late, when the finance committee sat down and took a really in-depth look at this for several weeks, one of the surprising statistics that bothered me then and continues to bother me is that the Ontario Securities Commission lays about one charge a day against people who are trading. The number was expected to go up. We're having people and pension plans losing enormous amounts of money, and the number of people who are being charged continues to be in the range of about one a day, I'm given to understand. Nothing has been done, really, in the last five years to try to toughen up this process. Are there any plans at all to toughen it up?

**Hon. Dwight Duncan:** I would have to differ with you. There have been a number of steps taken over the course—and I've only been involved with the file, really, in the last year. My first go-round at finance, I didn't have the securities commission as part of my mandate. I got it last year. There have been a number of steps taken. Also, you can't ignore that in addition to the enforcement activities at the securities commission, there are self-regulating aspects of it that have been enhanced. So I would disagree with your premise that nothing has been done. Is there more to be done? I'm sure there is, and I would—I'm just being handed a note here, giving me some of the steps that have been taken. Here we go:

We've given investors the right to sue for misleading secondary market disclosure; are adding clearer Secur-

ities Act offences for market manipulation and fraud and misrepresentations; stronger deterrents to wrongdoing through increased maximum court fines and prison terms; new powers for the Ontario Securities Commission to review information public companies provide to investors, impose administrative fines for securities violations and order offenders to give up their ill-gotten gains from these violations.

I'm told that ministry staff are working with the OSC on the commission's recommendation that a reciprocal order mechanism be introduced explicitly in Ontario's security legislation and, again, we continue to support a common securities regulator. Those are just some of the steps we have taken. We continue to work with the Ontario Securities Commission on those things.

**Mr. Michael Prue:** Okay, but at the same time, and I guess it's just more of a comment, the number of complaints and the number of charges continue to go up in spite of that.

**Hon. Dwight Duncan:** They do, and you'll know as well, I had lunch with—this is going back two years ago now—the head of the Windsor and District Labour Council, and one of the comments he made to me was that when he began his career at Chrysler, he never thought he'd see the day where folks on the line would be discussing their stock portfolios in the lunchroom. So there are more and more people who are active participants in the market. But you raise a very valid point, and I don't want to dismiss it, because it is a valid point, and that is consumer protection, the protection of people in the markets.

**1740**

I think one thing we've learned, particularly on the banking side in the last month or so, is that Canada and Ontario, because we are the lead jurisdictions in securities right now, have a relatively robust regulatory system that is now being regarded around the world as one that's worthy of being emulated. That's not to suggest for a moment that we can't do better, and there's a need to do better, but I would imagine that we will continue to work on these things.

As I say, Mr. Wilson is a very capable guy running the securities commission. I meet with him on a monthly basis, pretty much. I know the Attorney General has an ongoing interest in the enforcement side of what they do and has been working with them as well. So again, I did want to point out the things that have been undertaken and acknowledge the very serious nature of what you're talking about. It's about the integrity of our capital markets and consumer protection, and I think you've raised valid points. We're going to continue to move forward on enforcement initiatives.

**Mr. Michael Prue:** Thank you. That would be the end of my questions.

**The Chair (Mr. Tim Hudak):** Terrific. Thank you, Mr. Prue.

Government members, you have 20 minutes. You have the opportunity to give it to the minister, or you can

let us all leave early and enjoy the PAO reception. The pressure's on.

**Mr. Yasir Naqvi:** Let me ask one question, and I'll ask my colleagues if they have any questions.

The Ideas for the Future Act is something that is being debated in the House right now. Can you share some details about that initiative and how that would work from my perspective? As you know, I represent a riding in Ottawa. There are a lot of high-tech companies there, a lot of positive feedback in terms of what that piece of legislation's trying to accomplish. So I just wanted to give you an opportunity to discuss some details about the act.

**Hon. Dwight Duncan:** Sure. First of all, that's a tax initiative that was introduced in the March budget. This is bringing that to life. It's a 10-year tax exemption for Canadian companies that commercialize Canadian research that's done at a Canadian university, college or research institute. It will provide an exemption from corporate income taxes for 10 years for a new company. My hope is that the Legislature will pass it. It's a unique tax product, if you will, designed to encourage the commercialization. One thing I know all members on all sides of the House have heard from the high-tech sector, from professors and inventors and other people who innovate, is that we're very good at the research part of research and innovation but we're not good at commercializing it. We've taken a number of steps—this is one of those steps—to help improve the opportunities for the commercialization of research here in Ontario. What that means is, how do you take a product from the idea stage, to design, development and then actually commercialize it, make money on it, and then, if they start making money, reinvest that money to create jobs and new investment, still more investment?

So I'm very excited about it, looking forward. We had a lot of support for it. It will hopefully create new companies in Ontario. Dr. Paul Genest, the CEO of the Council of Ontario Universities, said, "Ontario is the fourth largest biomedical research centre in North Amer-

ica, a global leader in digital media and information and communications technologies.... This enlightened new tax measure will help to create a greener, healthier and economically stronger province."

Linda Franklin, president and CEO of Colleges Ontario: "Ontario's colleges have a successful track record of working together with business and industry and we support this measure to promote applied research and innovation."

**Mr. Yasir Naqvi:** Great. Thank you, Minister.

**The Chair (Mr. Tim Hudak):** Are we concluded, government members? Don't erupt with enthusiasm.

**Hon. Dwight Duncan:** They want to keep grilling me.

**The Chair (Mr. Tim Hudak):** That will conclude the government members' time.

We will now proceed with the formal votes for the estimates of the Ministry of Finance. I'll now put the question.

Shall vote 1201 carry? Carried.

Shall vote 1202 carry? Carried.

Shall vote 1203 carry? Carried.

Shall vote 1204 carry? Carried.

Shall vote 1208 carry? Carried.

Shall the 2008-09 estimates of the Ministry of Finance carry? Carried.

Shall I report the 2008-09 estimates of the Ministry of Finance to the House? Yes or no?

**Interjection:** Yes.

**The Chair (Mr. Tim Hudak):** I will do so, then. Terrific, folks. Thanks very much.

Minister, deputy minister and all the support staff from the Ministry of Finance, thank you very much for your 10 hours at the estimates committee. Minister, thank you for your responses to members' questions, and your endeavours to do follow-up are much appreciated.

Members of the committee, I'll just say we're back tomorrow for the Ministry of Training, Colleges and Universities beginning at 4 p.m. Until then, folks, we are adjourned. Have a good evening.

*The committee adjourned at 1746.*





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