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Mardi 12 mai 2009

**Standing Committee on
Estimates**

Ministry of Economic
Development

**Comité permanent des
budgets des dépenses**

Ministère du Développement
économique

Chair: Tim Hudak
Clerk: Sylwia Przedziecki

Président : Tim Hudak
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON ESTIMATES

COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Tuesday 12 May 2009

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The committee met at 0907 in room 151.

MINISTRY OF ECONOMIC DEVELOPMENT

The Chair (Mr. Tim Hudak): Good morning, folks. Welcome, Minister and Deputy, to the Standing Committee on Estimates. We are here today for the consideration of the estimates of the Ministry of Economic Development for a total of seven and a half hours.

Before we begin, I want to clarify the role of legislative research with respect to the ministry before the committee today. The research officer is assigned to the committee to support the work of members of the committee. Her primary function is to research and prepare briefings, summarize submissions made to the committee, draft reports to the House, and, in the case of the estimates committee, to help the committee members track the questions and issues that are raised during the review of estimates. I do ask the ministry to monitor the proceedings for any questions or issues that the ministry undertakes to address, and I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised so that the ministry can respond accordingly.

Interjection.

The Chair (Mr. Tim Hudak): Terrific, thank you. And if you wish, at the end of your appearance, verify the questions and issues being tracked by the research officer. Any questions before we begin? Okay.

We will commence with vote 901. To remind members of our procedure, that means that we begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition and 30 minutes for the third party. The minister then has 30 minutes in which to reply, and the remaining time after that is apportioned equally among the three parties, beginning with the official opposition.

We'll see how we last today. We'll decide at that time whether we'll go with Mr. Bisson's 30 minutes or postpone that to the afternoon session.

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

Hon. Michael Bryant: Thank you, Mr. Chair, for the welcome. I'm pleased to be back here again. It is my second time at estimates in my capacity as a member of the executive council. The last one was quite constructive, I thought. I try to take the approach, in terms of

taking the lead from the committee, that if there is some information that I can provide that's not four-square within the estimates process or within our ministry, I will make efforts to provide it. I'm not going to try and avoid getting you the information. There are limitations to the extent to which I can get some information. Certainly that which is in estimates and in our ministry we will get for you. If we can't get it now, because we're spread out over a couple of days or so—actually, I guess it's more than two days—we'll be able to get it to you eventually.

I know this will involve some tough questions and answers, but personally, I got a lot out of the last estimates experience, in terms of views from members, often veteran members of this House, to look at ways in which we might be doing things better. I mean that very sincerely.

The Ministry of Economic Development, as it is now, is less than a year old. The Ministry of Economic Development has come in many different iterations. The ministry itself has primarily been larger than simply local economic development. It was Economic Development and Trade at the beginning of the McGuinty government's mandate in 2003. It included responsibilities for gaming and the LCBO, as well as international trade, all research and innovation and so on. Then, I think, consistent with the changes that have been taking place in all governments, there's been a continued focus on the fiscal, and a push between 2003 and 2007 for the government to balance its budget. There has been a huge emphasis on balancing budgets. It was the case in the previous government that there was an emphasis on the fiscal as well, and federally and provincially, getting that balance sheet right became a primary goal of Canadian governments and, to a certain degree, of governments around the world.

We have increasingly seen, in addition to the fiscal, the economic playing a role. I think it has, by and large, been driven by the treasury, by the Ministry of Finance, over the years, and to a certain degree, over the years previous to 2003, without naming years. Sometimes Economic Development and Trade was kind of offstage, and most of the economic policy was being driven by Finance.

Since 2003, the Premier has created additional economic development ministries in order to put a particular focus, for example, on research and innovation. He took the ministry himself for the first while and John Wilkin-

son has had it since then. It allows one ministry and all of its officials to focus on commercialization, obviously, of research, and a particular focus on trying to take emerging technologies and commercialize them.

International trade, as a separate ministry, was created to allow a minister to spend a significant amount of time outside of the country to do both, and in the past, certainly, Minister Papatello did do both. It meant, inevitably, that she was not able to get to some international events and she was not able to get to some local events. This way, we are able to try and coordinate her efforts abroad to market and connect foreign investment to the province and then, using the funds that are available, to try and attract them into the province of Ontario.

In addition to managing the Next Generation of Jobs Fund, the communities in transition fund, the eastern Ontario development fund and the advanced manufacturing investment strategy, there are other funds, many funds, across government—it has been that way for many, many years; it precedes us. But the main economic funds are also found in the Ministry of Energy and the Ministry of Research and Innovation.

I want us to dwell on that for just a couple of minutes—I'm trying to watch the clock—to talk about a speech I gave which had a reaction from some people, here and otherwise. It's my view that, for many years, governments have been playing a role in attracting investment. They certainly do so in terms of creating an environment in which government is either providing enough or not enough support, or putting enough pressure or too much pressure—the pressure coming in the form of trying to create, say, a more environmentally sustainable economy; pressure in the form of creating health and safety standards; and support in the form of literally supporting business or streamlining the approvals process.

Obviously, the tax system is another way in which government plays a significant role. We had major tax changes in the last budget to address that.

Then comes the issue of investment. The government can spend in one of two ways: It can spend taxpayers' dollars by way of consumption or by way of investment. On the investment side, how do we participate with businesses to draw them in? In Michigan right now, a number of battery companies—start-ups, and some more well-developed—have established themselves in Michigan. They did that partly as a result of tax credits that were provided by the state, but they also did it based upon billions and billions of dollars of subsidies that the Obama government has put into energy. And that's our competition.

I will literally have companies come in and see myself, or meet with officials in the ministry, and they'll say, "We're thinking of expanding." They may be in Ontario; they may be outside of Ontario. "We are in the midst of consolidations," or "We're in a position where we're able to expand. We want to set up a new widget company, and we really want to set it up in Ontario. We are going to invest \$10 million ourselves, and we're

going to have \$10 million of investors in it. Another state right across the way"—let's say, Michigan—"is going to offer by way of a subsidy"—which is sometimes called economic incentives, and sometimes called grants, and sometimes called investments, and obviously, there's a big difference between a loan and a grant. They will say, "Well, they're able to provide an additional 15% or 20%. They can top up our investment by 15% to 20%."

It's very routine that that takes place. Since 2003, since I've been in government, I've watched it more intensely, but this has been happening over the years. People can point to great and famous companies that got assistance from governments over the years at one time or another. In its early stages, BlackBerry got assistance. Sometimes it's very small; sometimes it's very significant.

The big investments that have been made over the past 10 years have been in the area of auto, the most famous, or infamous, being in Chattanooga; the state of Tennessee provided over \$500 million for a \$1-billion investment, so the taxpayers picked up more than half of the investment.

What do you get for that? What is the public return on investment? Well, it is primarily jobs. Particularly in industries where the level of productivity is such that the labour force is not large, what you get is product and production and economic activity. So as you get more gross domestic product, you get more product that is spun off into other industries, you have consumers around the world and customers around the world, and then, of course, those companies are paying taxes and income taxes to the government.

Why do states and governments make these investments, and why do they decide, "Okay, we're going to invest in this or that"? It's because they want to grow the economy. There are a lot of different ways of doing it.

It would be wrong to think that government leads the economy in every area. By and large, government ends up supporting where the private market is going. So you'll get companies coming to government and saying, "We're going to go here with this investment. If you provide 10% funding, then we will come to your jurisdiction."

In some cases, government does lead the economy. That would be less by way of subsidy and more by way of policy. I'd say that the Green Energy Act, with its fixed feed-in tariff policy, is in fact driving a part of the economy by creating an incentive to bring people in. I don't know what the number is, but in almost all cases, the government is not leading the economy in that sense; it's supporting where the private sector is. And, of course, the vast majority of investments that take place continue to be 100% private financed.

It is on these margins that we find ourselves competing with other jurisdictions, often with subsidiaries as partners, or, say, a global leader that is an Ontario company as a partner. The risk becomes that if we don't partner with them, they leave the jurisdiction, and in some cases, they do leave the jurisdiction.

That's the story on estimates. Obviously, we're going to get into that more and more. The main focus from the government's perspective is, if the company can demonstrate that in essence it's an innovative company that's consistent with the growth priorities of the province, then there's a heavy look at the balance sheet—a heavy, heavy, heavy look at the balance sheet—by the government in order to ensure that it's an investment that's in the interest of the taxpayers.

There have been circumstances where we've had to take a little longer, to make sure that the balance sheet was right, which has led to questions from the opposition: "What happened? Where is this investment that you're supposed to make in this company? It was supposed to be done by now. It's being delayed."

When these investments are made in these companies in people's respective ridings, often members will show up and celebrate primarily the company and primarily the workers. And yes, the government is there, and but for that investment, maybe it wouldn't have happened, but it is really a community announcement and that's why some members of this committee have been at those announcements. They are good things for those communities and good things for those economies.

Quickly, because I think I've got what, two minutes left or something, Mr. Chair?

0920

The Chair (Mr. Tim Hudak): No, you have 18 minutes left.

Hon. Michael Bryant: Beautiful. I could go on for a long time, apparently. I haven't even looked at my notes yet.

The next part, which isn't grants, is loans; it's focused on manufacturing. It's the advanced manufacturing investment strategy. It's been in place for years, whereas the Next Generation of Jobs Fund has been in place for about a year. It is a loan program and it typically invests in a capital expansion of some sort. One example is, a company wants to purchase a piece of new technology in order to make itself more productive. It will then purchase that new technology based in part, or significantly, on the loan provided from the advanced manufacturing investment strategy. Then, the company is able to repay the loan, obviously, but then is also able to expand its operations. We have seen, particularly in these times, in the last eight months or so that I've been in this position, companies able to leverage these investments, these dollars that have been set aside in advance of the recession, to even greater advantage than might have been the case, say, five years ago.

I give the example of Mitchell Plastics, which a hundred years ago was known as Mitchell Buttons. It determined that the textile industry didn't have much of a future, some seven years ago, so it became a producer of plastics. It makes, primarily, plastic parts for cars. One of its competitors had a technology that allowed it to create a plastic that looked a lot like wood panelling. That competitor in the United States was in financial trouble. Mitchell Plastics was able to purchase that technology thanks to the advanced manufacturing loan.

As a result of that, that company, Mitchell Plastics, leapt ahead of many of its competitors. So when I say that we jump-start companies to jump ahead of their competitors, that's what I'm talking about, because particularly in this time, with all these consolidation wars, because of massive customer, client and consumer demand—as a result of that and as a result of the balance sheets being exposed to the elements and the drastic lack of financing in many cases, those that have a good balance sheet and have cash available, those that can prove themselves to be a good investment or a good borrower, are able to leverage these dollars from these funds in order to leap ahead of their competitors in a way that they otherwise could not.

Let me just say what some of the alternatives might be. One alternative is, you don't provide any subsidies and you try and provide subsidies purely through tax tools. This would mean that the state would, yes, be in the business of saying, "Okay, this sector," or "that sector," or "this industry," or "that industry"—"they are our priorities"; but the state would not say which companies are.

The upside to that is that it's very efficient in that the government does not have to invest any money in determining which companies ought to be the beneficiaries and which ought not to be the beneficiaries. But its effectiveness is a big question mark, in this sense: It means that every single company in that sector, say, that's eligible for a tax credit or all companies eligible for a cut in corporate taxes—and again, I emphasize that there was a cut in corporate taxes in the latest budget. There were a number of cuts. But I'm just saying, let's take those dollars in the funds and imagine that we would put them into tax cuts instead to support those businesses, the third alternative being that we would put them into public services directly and not provide those incentives. If we don't provide those incentives, there is a real concern that a number of businesses will leave this jurisdiction and take the jobs with them.

If we decide and accept for a moment that that is money that ought to be invested, you do it by way of tax cuts: Yes, easy to administrate; the problem is, the unproductive companies, the inefficient companies, the companies with poor balance sheets and the companies that are not producing innovative products get to benefit that tax cut. That's the case for all tax cuts, but I'm just saying if you took the dollars that we put aside for the Next Generation of Jobs Fund and put it into tax cuts. The advantage of doing it this way is that we are able to make efforts to put it towards those companies and sectors and industries that have proven themselves and established themselves in some fashion to be innovative and have proven themselves and established themselves in some fashion to have a solid balance sheet. So it means that it is a better investment or a better loan and a better chance of the taxpayer dollars being leveraged for greater success.

Was that decision explicitly made by all those jurisdictions, particularly, say, in Germany and across Europe

and across the United States, that are engaging in this activity, this reverse Reaganism, this demand-oriented governmental entrepreneurialism? I don't know if they did or not. Many of the jurisdictions are doing it simply because that's the competition and that's the marketplace, and if they don't make those investments in those companies, those companies leave and those jobs leave. They feel, as legislators, that they need to keep those jobs and that they need to stay competitive. Obviously there's a limit, and I would hope we've seen the limit in what happened in Tennessee and the half-billion-dollar investment in the VW plant in Chattanooga, but maybe we'll be proved wrong.

Then we get into how those investments are made, and this is important. This is a process that we will hopefully get to describe through questions. It is a rigorous process; there's no doubt about that. There are checks and balances in place; there are objective assessments that are put into place. Obviously the government wants to do everything it can to avoid making a bad investment on behalf of taxpayers. The politicians are accountable for these at the end of the day; no question about it. So we have to make those efforts in order to achieve that accountability. In turn, where we are able to leverage greater investment in the province of Ontario, that's an economic strategy that is working.

The growth of the Ontario economy was always going to be hampered as long as we had a jurisdiction next door, Quebec, which had a harmonized sales tax, whereas Ontario did not. So, as an export-oriented economy—more than 60% of our GDP is export; more than 80% of that is to the United States—with the demand going down in the United States, with imports going down in the United States, that necessarily was hurting the province of Ontario. In turn, that meant that in order for us to promote growth we had to say to businesses, “You know that input cost that's sitting on top of everything you do as an exporter in Ontario? We're going to take that away,” and that's exactly what has happened. We're going to take that away, as in, the province is going to take away that tax as the provincial sales tax becomes harmonized with the federal sales tax. Why? Because that is there to stimulate growth so companies don't leave and so, to companies who come in, we can say that we have a very competitive export-oriented economy.

The way in which to promote growth, as we heard from person after person, and I said to Roger Martin soon after I got this job—Roger Martin is the dean at the Rotman School of Management; he's got a vast array of tools in his head and forgets more in a day than I'll know in a lifetime on economics—“What's the one thing Ontario should do on our economy?” He said, “Harmonize the sales tax.” He wants us to do 10,000 other things too—don't get me wrong—but that was number one on his list. At least two of the chief economists at the big banks said the same thing. That was their number one.

That's the picture in terms of investment attraction. What about input costs and what about ease of business between government and businesses in terms of regu-

latory compliance and so on? On that front, the Open for Business program that we announced a few weeks ago: We opened it with not a lot of fanfare for a reason. It's going to be a “show me” program. I understand; every business has said that to me, and I accept that: “We will believe it when we see it.”

0930

Some members from past governments understand that the idea of speeding up a regulatory approval process is easier said than done, but this is the idea behind it. Until recently, the regulatory approach—outside of health and safety, so for economic matters; not health and safety matters; forget about that—was a process one. You had to meet the process, and if you met the process, then you had regulatory compliance. Arguably, with some exceptions, every company or individual was treated the same.

The problem with that, of course, is that the risk that comes with getting a certificate of approval for a restaurant fan in a small coffee shop is quite different than for a company that's installing a propane operation a few blocks away, but they could, under the process system, be treated the same. So the main shift is an approach that is, number one, based on risk management. The government assesses—and I'm going to say the “government,” and I don't just mean the Ministry of Economic Development; I mean the whole government—what it's regulating and says, “Which are the high risk and which are the lower risk?” For the high risk, the government can spend more time making sure that the high risk is addressed, and that actually will make that go faster. The lower risk—the restaurant fans—can be streamlined. We don't need to spend as much time on them. Why? Because they're lower risk. That's a big shift within the operation.

Secondly, it is extremely solutions-oriented instead of process-oriented. It's more business-facing, customer-facing—similar to what you've seen in ServiceOntario, if you've been there recently.

The last part is quite ambitious, and it's really a shift to the modern regulator, which brings businesses in on the front end and, for that matter, brings all legislators in on the front end. Instead of waiting for the regulation to be published in the Gazette and then the company writes their MPP or retains somebody to come and see the government and say, “Oh, we've got to get this regulation changed,” it's not in place yet, but the goal is to put in place a system where we can consult with those companies, those industries and those sectors from the beginning of the formation of the regulation so that we can do a better job of getting it right and companies can be involved throughout. I wouldn't be surprised if that process, in and of itself, ends up being expedited as a result.

The last part that the ministry participates in is to work specifically and regionally with communities to assist and support in any way in developing their economic development plans. That may be literally using communities in transition funds to provide to a community that is

developing a local economic plan. It's always the case that the local is right. Yes, we can participate in these investments, through the fund of funds, in trying to jump-start the economy, but obviously the best perspective on what the local economy's going to look like is the local. We will participate and assist with regions in that way. I'll get questions from members of the opposition about, "What are you doing for my community?" Often we work directly with economic development associations.

We work closely with the Ministry of Industry as of late in particular. I got to know Tony Clement, the Minister of Industry, when he was here in Queen's Park, so we already have a familiarity. We were brought together in a time of quasi-crisis with what happened with the auto crisis and found ourselves wandering the halls of Congress, engaging with other federal, provincial and US officials over auto. There may be questions about that as well.

I make sure that I don't personally, for whatever it's worth, spend all my time on the auto issue because there are many, many other issues to be addressed and there are much more qualified people in the Ministry of Economic Development and the Ministry of Finance who can address those issues. While I do play a role and I'm in touch with management and labour and Minister Clement on a very regular basis because, ultimately, we're going to be accountable for what happens here, I do make sure that we don't get swallowed up by these issues, which means that most of my meetings begin with, "You know, there are issues other than auto that matter, Minister Bryant." I assure them that I'm absolutely of that view and that we can't let that particular crisis envelop all that the government is doing—far from it.

In closing, I'd just say that the auto investments are not about investments in those companies, although that was the means to the end. The end was not making investments in those companies, to jump-start those companies. This was to avoid and avert an economic shock, particularly at a time—because, remember, the key decisions were made in December, when there was enormous uncertainty; there is now, but there was even more enormous uncertainty, and there was a danger that we would engage in the industry equivalent of what happened with Lehman Brothers, that something would be let go and that the consequences were not quite well-enough known. And of course, Lehman Brothers being allowed to fail turned out to be a disaster.

So this is about saying that all the competitors agree that there should be a financial rescue for these two companies, which is extremely unusual. All the competitors of those companies agree. Toyota, Honda and Ford said, "Fine. Just don't do anything anti-competitive, but go ahead and keep them alive, because their suppliers are my suppliers." We were able, with a single or two transactions, to put the finger in the dike, to avoid that economic collapse. That is the justification for that rescue, not an assessment of those individual companies. The assessment of those individual companies comes from the due diligence that's necessary to protect the taxpayer dollars.

So I look forward to this. I think I'm almost out of time.

The Chair (Mr. Tim Hudak): About two minutes.

Hon. Michael Bryant: Well, I want to use up every single second I can, Mr. Chair.

I'm very glad to be sitting here with a fantastic team of people who keep me employed—thank you—relatively speaking, other than the voters. Deputy Minister Phil Howell is to my left. Deputy Minister Howell has had experience in a number of ministries, including the Ministry of Finance, and Economic Development in a previous life. He was the deputy at Tourism before he came here. He arrived here just in the nick of time, in that he came in November, a really boring time last year to become Deputy Minister of Economic Development.

Together with this great team that we have here, we're looking forward to getting your questions. Again, if we don't have the answer right off the top, we'll either get it by the end of the session or we will make best efforts to get it to you by the end of our estimates time. Thanks, Chair.

The Chair (Mr. Tim Hudak): Terrific. Minister, thanks very much; Deputy; and Mr. Clifford, the ADM, as well, corporate services division and CAO, at the head table.

We now go to the official opposition. Mr. Chudleigh, you have 30 minutes of time.

Mr. Ted Chudleigh: Thank you very much. I'll use part of my time with an opening statement, and then perhaps we can go right into questions.

Good morning, and thank you for being here, Minister and Deputy. It's a pleasure to see you again. We're here to talk about Economic Development, which is, of course, a very critical portfolio, perhaps the critical portfolio at this moment in Ontario's history.

Last year, we had a different minister before us. Her performance in Economic Development was a little less than stellar, so I was optimistic when they brought in Minister Bryant. I look forward to his bold and innovative ideas. I've got to admit, he shocked me a bit in the last couple of days, and was somewhat disappointing, but we'll get to that as we go through.

To start out, we didn't hear very much about him, other than he was following Tony Clement around and doing his best to keep us competitive with the Americans on the auto file. That was a very necessary thing to do, something that I would agree with and take no issue with. Although financing public companies goes against my Conservative grain, I think that in this particular case there was a reason to do so.

Mr. Gilles Bisson: This is really ironic.

Mr. Ted Chudleigh: Yeah, it is ironic, isn't it? And I re-emphasize that I'm not comfortable with that, but it's the best of a bad situation.

Otherwise, the ministry has operated in much the same old same old way, just with a new face in the ministry.

The McGuinty policies have frankly failed and are continuing to fail, and the indications are everywhere. We see the net migration of Ontario workers, more than

70,000—70,000 workers have migrated to other provinces to find employment. Ontario has moved into have-not status for the first time in our history. Have-not status does give Ontario about \$14 million a quarter, and of course, Ontario tax dollars pay a lot of that money, obviously, and the revenues in Ottawa—about 42% of Ottawa's revenues come from Ontario. In fact, we can massage that figure up as high as 62% because of the number of head offices that are in Ontario. But just because those are the accidents of population, it doesn't mean that Ontario shouldn't take a very, very serious look at having fallen into have-not status.

0940

We have a bloated bureaucracy in Ontario. Half the new job creation that has taken place under this government in the last six years has been in the public sector. There are more handouts and less competition and innovation. The handouts of this government have reached disproportionate levels, and I just can't let that pass without mentioning the Toronto Cricket Club, which doesn't involve this ministry, but it's one that this government should have a great deal of shame over.

There's been some poor investments, and I would bring the Beacon project up as one of those poor investments: \$235 million. At the time we made that investment, that was a massive amount of money, only to be dwarfed by more recent job investments. The results of the Beacon project have been nothing less than disappointing, in that they have resulted in job cuts, not job growth. There's been no return on investments. There were no conditions on the loans.

There has been more regulation. The all-talk-no-action policy has not created any new jobs—and more regulations. There was a policy that for every new regulation that was created, an old one would be eliminated. I've seen lots of new ones, but I've seen no announcements of any old regulations that have gone by the board. And there have been higher costs for business: new regulations, higher taxes etc.

These indicators of Ontario's decline have existed for years, long before the current recession. We started to warn this government about it in our early days in opposition, back in 2004. We maintain that a competitive jurisdiction that is competitive in wages, competitive in taxes, competitive in red tape, competitive in being a friend to business is the way in which to kick-start Ontario's economy, and we have moved away from all those four pillars of economic growth.

But in the usual way, the Liberals have done almost the opposite of what we have said. They've governed like they were campaigning. They've been more interested in photo ops and short-term policy gains than in the tough questions and answers that kept Ontario on top of the Canadian economy for so many years. Just look at how they handled the Ruby Dhalla affair: They showed up for a photo op and then they disappeared when there was actually something that they could do. That has been a consistent approach by this government.

Throughout this recession, the government has done little else but dodge bullets. They made sure that all Ontarians got the message that the provincial government is powerless. Well, the provincial government is not powerless. During good times, it's essential that the provincial government outperform other jurisdictions. It is equally as important, during recessionary times, that Ontario continues to outperform other jurisdictions—and we're not doing that. We are absolutely last in many of the economic indicators that are important, and we're absolutely last in Canada.

In a recent report, Statistics Canada wrote this: "Ontario's growth has generally been below the national rate since 2003." That is an indication. That is a canary in the mines, if you will. It's a very important indication that something had to be done, and it should have been done back in 2003, 2004 or 2005. It wasn't, and that has made the recession that we're heading into much deeper than it might have been if more positive approaches had been taken. This isn't spin, these are facts straight from Stats Canada.

Do you think it's a coincidence that Ontario fell below the national average in 2003, the same year that the McGuinty Liberals were elected? They were immediately followed by the largest tax increase in history, followed by a large tax increase on the HST, which I'll say more about in a minute. But if you extrapolate from the Maritimes experience, it looks like Ontario's surplus tax under the harmonized sales tax is something in the \$2.5-billion area. We won't know that figure until September 2011. That's a month before a very important date, but that's when we will actually know what the tax grab on that harmonized sales tax is. It'll be an interesting figure to have, particularly at that particular time in our evolution.

Lately, the government has woken up from its economic slumber. Before 2009, they were happy to use their billions and billions of new tax dollars—over \$30 billion—for their new social engineering. It's now illegal to be a moron in Ontario, as my colleague from Thornhill once said. They've passed a slew of naughty bills, banning everything from clotheslines to sushi to teen drivers and pesticides. It's interesting, pesticides for cosmetic use in Ontario were banned, absolutely ignoring the science that has been poured into that sector of the industry. With the Green Energy Act, which was debated yesterday, every Liberal speaker who stood up said that the Green Energy Act and all of its provisions were based on science—based on science here, and absolutely ignore science there. It's so typical of this government. But now that the economy is the buzzword among voters, the Liberals are all over it. All of a sudden, I wish they'd go back to social engineering.

First, we have a harmonized sales tax, and that is in essence a massive tax hike. I was in favour of a harmonized tax personally, and I think by and large our party was in favour of harmonized tax, but not one that masquerades as a tax grab and that exists in the very middle, in the depth of a recession.

I'm not surprised that this isn't going to be instituted until July 1, 2010. Hopefully we'll be out of the recession. The Bank of Canada doesn't believe we'll be out of recession by that time because they've frozen their rates until that date, but hopefully we'll be coming out of it. I won't be surprised if the rate of 8% on the harmonized sales tax isn't reduced by this government to try to fool the voters one more time.

Then, just recently, we heard the other great strategy of this government, which was articulated by Minister Bryant while speaking at the Canadian Club of Toronto last week. We wanted something bold and innovative. Well, he gave us bold, but I think he killed innovation. Reverse Reaganism is his new strategy. The minister says that the government will pick the economic winners and losers from now on.

Subsidies for companies are paid to companies to make up for jurisdictional shortcomings. I give you the example of the Magna plant that was recently built in 2000—2001, perhaps—in Milton. Magna was looking at three locations for that plant. One was in Alabama, where they were getting a grant of over \$5 million; I think I remember it being \$8.5 million, but it was up in that ballpark. There was also a plant being considered for Saginaw, Michigan, which had the usual Michigan subsidies. There were no subsidies being given to any corporation in those days by Ontario. Yet Ontario, when they added up all the costs of all those jurisdictions, won that plant. We won that plant because we were the best place to locate, and Magna could make more money locating in Ontario over the 10-year history of that plant than they could in any of the other jurisdictions, even with those massive subsidies that were handed out by the other two jurisdictions. That is what a competitive jurisdiction should aim for. That competitiveness was there for every other plant in Ontario. It wasn't picking a winner or a loser; every plant in Ontario got to enjoy those benefits.

I think it's important to remember that the winners and losers—it was a few years ago, but the H.J. Heinz Company went broke, and I suppose that if they had done that in Ontario, they would have been considered a loser. Well, they recovered from their bankruptcy of 1888 and they went on to become one of the largest food companies in the world, and one of the most successful. So governments picking winners and losers is a non-starter, as far as I'm concerned.

What does that mean? The press and most of the economists that I've read have an aversion to this reverse Reaganism and the killing of innovation. I'm not sure whether the minister has a shining city on the hill, or whether he has some professors at the Harvard school of international business or any economists anywhere who would support this move that the government is supposedly moving towards. It means that this minister feels that he is more qualified than the whole of the private marketplace—including banks, consumers, investors and many other organizations and institutions therein—to decide who will succeed and who will fail. It is often said, and the Premier is very fond of saying, that none of us is

smarter than all of us. Apparently, the minister might have missed that innovation.

0950

Years of evidence show us that excessive government involvement in the economy destroys innovation and efficiency. Even the Premier acknowledged that earlier this year when he said, "Governments can be a brake on growth," and I think he was referring to red tape and the environment at the time. This is the case because reverse Reaganism would mark the end of competition. Competition keeps business on its toes. It forces them to cut costs, to invent, to expand and to involve. These days more than ever, it also means to be green, socially responsible and fair. But when the government subsidizes one company over another, there is no competition; there are just winners and losers, black and white. Then the losers disappear and the winners answer to nobody.

When you think about it, the minister's scheme would force losing companies, companies that failed to receive a subsidized grant from the government—they would be required to subsidize their competitors with their own tax dollars. That hardly gives the impression that Ontario is open for business.

And then there's the increased vulnerability to pork-barrel politics and headline-chasing. Lord knows that when faced with the option, this Liberal government goes for votes and publicity over the common good, and we've seen that at the end-of-year spending when \$31 million was handed out to various organizations without a program and without any application process. That was the time in which the Toronto Cricket Club got its million-dollar grant, which the government tried to claw back and was unable to do so.

Ontario could not have escaped this recession. There's no doubt about that. We're tied to the US economy, whether we like it or not. The McGuinty government could have made it easier for us by heeding the warning signs, by preparing and adjusting according to the lessons of the past, but they didn't. There's not much that we can do about that, either. For that, this minister gets a pass, because he was busy at the time banning pit bulls. But to react to the current situation with radical ideas like reverse Reaganism or über-entrepreneurialism, or whatever else you want to call this illiberal scheme, is ill advised to say the least.

I understand the fascination with Barack Obama, but to try to outspend the President is truly dangerous. And if you look carefully at the US bailout, you're seeing that the vast majority of that money is headed into the financial sector. There's a bunch of it going into the automobile industry and there's some of it going into the energy business, but it's not across the board, it's not in all sectors, and there are some very strict guidelines as to how that American money is going to be spent. I understand it's somewhat doubtful whether all that money is going to be spent anyway. But I think it's important to note that if we get into a bidding war against the US Treasury, Ontario and Canada are doomed to fail.

If you want to look into the future, just take a look at the past. In the 18th century, a gambling man by the

name of John Law once tried to control an entire economy by himself. In absolutist France, Law found the perfect vessel for this one-man show. It worked for a few years, but led, ultimately, to the notorious Mississippi Bubble and the complete collapse of the French economy.

I would refer you to *The Ascent of Money* by Niall Ferguson as an excellent read, and one which will give you an interesting perspective into where the economy has come from in the last 400 years since the first stock market opened. It wasn't long after the first stock market opened, a few years, that people found a way to trade on futures, in which most of the great bubbles of the last 400 years have been created and have exploded, much the same as the housing prices in the United States, which was really trading on futures, the future value of homes.

I invite the minister to please learn more about John Law and the consequences of government interference in the economy, but for now, we have many questions about the budget, various financial records, the auto sector and many more issues going forward.

Despite our differences, I appreciate the minister's attendance here today, and I thank the committee members and staff for the opportunity to speak on behalf of the PC Party, my constituents in Halton and all Ontarians who would like to see this government held to account.

The Chair (Mr. Tim Hudak): There are about 12 minutes remaining.

Mr. Ted Chudleigh: Can I go right into questions?

The Chair (Mr. Tim Hudak): Please do.

Mr. Ted Chudleigh: Thank you. You're a wonderful Chair, by the way.

Mr. Gilles Bisson: But would he make a better leader?

Mr. Ted Chudleigh: When we started here, he was my vice-chair of the Standing Committee on Finance, so I trained him in this business, you see. I've got to take some credit for that.

I came here with a copy of Hansard in my hands from May 13, 2008. It's a transcript from last year's committee meeting with the Ministry of Economic Development. In it, there are 10 instances where Minister Papatello defers my questions and promises to provide answers at a later date. On top of that, there are 11 written questions which I submitted to Minister Papatello, which she also agreed to answer. Finally, I have a memorandum from the research officer of this committee, Mr. Ray McLellan, which lists all of the outstanding questions from the April 29, 2008, meeting of this committee. There are three questions of mine in that document. In total, your ministry owes me 24 answers.

Did your ministry receive this letter from the clerk of the committee in June of last year, asking that answers to deferred questions be provided as soon as possible? Did you receive that request?

Hon. Michael Bryant: Firstly, thank you, sir, for your question and for your diligence. I listened to your remarks closely. I'm not sure they were offered in the spirit

of us trying to make some improvement, but nonetheless, they were pre-written and read.

Mr. Ted Chudleigh: You understand politics.

Hon. Michael Bryant: That's right. We're in politics.

With respect to previous questions—Chair, look, I'm happy to look into what you've just raised, but I'm presuming we're dealing with 2008 estimates—

The Chair (Mr. Tim Hudak): I can see this. Minister, I appreciate your comments when you began, and you have conducted yourself that way, which I appreciate, when you've been before the committee previously.

You weren't minister at the time, but the Ministry of Economic Development and Trade was the only ministry not to fully respond to members' questions, and they are outstanding from May 5, 2008. If you could, I think it would support the work that the committee does if you could have someone within the ministry try to respond to those. We had eight ministries and that was the only one that didn't respond. Thank you.

Mr. Ted Chudleigh: I also appreciate your comments at the beginning, and from you personally. I take that at face value and I know you mean that. I will look forward to a different result this year.

I know the ministry people. I was privileged to serve there as a parliamentary assistant for some years, and I know that they would also endeavour to answer those questions. I think those questions weren't answered by the remaining source that was involved in that process. So I'll pass over the rest of those questions and thank you, Chair. We'll look forward to receiving those answers.

A few questions on reverse Reaganism: Where exactly will the \$2 billion of direct investment money, that you suggest that will be spent here, come from?

Hon. Michael Bryant: I understand why the member might not want to subject himself to a luncheon involving my remarks, so I don't blame the member for not being there. But had the member been there, he would know that I referred to the fund of funds particularly as those that are set out in the budget: namely, the Next Generation of Jobs Fund and the advanced manufacturing fund, the eastern Ontario economic development fund and the funds that exist within the Ministry of Research and Innovation and within the Ministry of Energy.

I'd say, though, that it would be a mistake to imagine that these arose in the economic crisis or in the recession. In fact, as a senior executive said to me about a major multinational yesterday, it was the Premier's foresight to put these funds aside. The Next Generation of Jobs Fund is the most recent one that I can think of, more than a year ago, and advanced manufacturing for several years. So the money that has been set aside is certainly set out in the budget and budgets past. We're obviously happy to dig up the exact numbers for you as for how much is allocated for each fund.

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Mr. Ted Chudleigh: So this money is already in the Ministry of Economic Development's budget? It doesn't

need further paperwork to take possession of it? You control this \$2 billion now?

Hon. Michael Bryant: No. When I said “fund to funds,” I meant it. The Next Generation of Jobs Fund: Most of it is administered by the Minister of Economic Development. Yes, dollars have been allocated there. Then, with advanced manufacturing, the same thing, and with the eastern Ontario economic fund, it is there. Other ministries also have the dollars allocated as well.

Do you want to talk about the allocation and when it was done, maybe, and so on, Deputy?

Mr. Ted Chudleigh: How much of the \$2 billion is in Economic Development?

Mr. Philip Howell: First of all, I think it should be viewed as funding that is available to support the types of activity the minister was talking about. It’s not a single fund. In fact, the amount of support that the government has available to support economic and industrial development far exceeds \$2 billion. The \$2-billion number includes funding—all of this is money that’s in the fiscal plan. None of it is new money, but it would include the Next Generation of Jobs Fund, which was announced a bit over a year ago. It would include funding that is still available under AMIS. There is still a small amount of money left under the automotive investment strategy. It covers a number of existing programs.

It would also include the \$250-million emerging technology fund, which was announced in this past budget and which is the responsibility of the Minister of Research and Innovation.

Mr. Ted Chudleigh: Thank you, Deputy. Can these funds be transferred from one of these programs—AMIS to the Next Generation or to auto strategy, or to emerging technology? Can it be transferred between funds, or is it designated? The total is designated?

Hon. Michael Bryant: Yes, there is—so you go to the Next Generation of Jobs Fund, and if the desire was, “You know what? I think I’m better off going to the advanced manufacturing,” you would then go over to the separate fund.

Mr. Ted Chudleigh: The Premier, in his comments in the last week, seems to be backing away from this process a little bit. Is this something that the cabinet has approved? Is the Premier onside for this program, or is this something that you’re running a flag on?

Hon. Michael Bryant: He did announce it and it is in the budget. I did read the Hansard last week, and I blush, I say to the member, at his words of support. I understand that we’re going to talk about how it’s administered, and we should, but let’s be clear: This is a fund that the Premier established in order to make us more competitive as a jurisdiction and to create more jobs in Ontario, and it has done that.

Mr. Ted Chudleigh: When the Minister of Finance was asked about this scheme, he listed investments made in companies in opposition ridings and dared us to denounce them. Isn’t that the definition of pork-barrel politics? Exactly what can we expect from your plan?

Hon. Michael Bryant: No. I think you’ve created a new idea. It’s called reverse pork-barrel politics. Pork-

barrel politics is supposed to be where you stick a whole bunch of goodies for the local riding and include it in an entire package and vote it up or vote it down. I guess reverse pork-barrel politics is where you don’t put a whole bunch of goodies in one package; it’s just one goody, and it goes to the benefit of the opposition parties. I know that the point the finance minister is making—and I’m ready to make it in about 29 minutes, if I get asked about it—is that when these projects were announced, MPPs stood up and said, “This is good for my community,” so to criticize the government for something that the member said was a good thing for his community, we consider to be hypocritical.

Mr. Ted Chudleigh: You always throw a bone out to the opposition; then you can do what you want in your own ridings. We used to go through that in other years with other governments.

I want to ask you a personal question, Minister.

Hon. Michael Bryant: Personal? Uh-oh.

Mr. Ted Chudleigh: A personal question, yes.

Hon. Michael Bryant: I’m taking the fifth, Mr. Chair.

Mr. Ted Chudleigh: Can you explain to us what qualifies you to pick the economic winners and losers in Ontario?

Hon. Michael Bryant: Mercifully, most of the work is done by the private sector in that a company that would come, say, for a Next Generation of Jobs Fund application would already show up with the support of private investors, which speaks volumes. The government becomes involved, but the executive council members, the cabinet ministers, do not get involved to even look at the application in terms of approval or not, until all the work is done by the experts.

The reason that there arguably needs to be a look at it at the end of the process, after the outside accounting firm has looked after it, after the due diligence team has looked after it, after the outside experts have looked after it, after the internal experts have looked at it—after all those discussions, then it comes up, as there needs to be some level of accountability for it. So it is there to say, “Well, this is the recommendation. That appears to be consistent with the government mandate.” That’s the role that the politicians actually play. It is one of accountability; it is not one of lending expertise, and I think it would be a mistake to imagine that the politicians are acting as investors in their investing capacity, because we’re not doing that.

Mr. Ted Chudleigh: Now that this program is well-publicized and well-known, why would any company who is not receiving a grant invest in Ontario? Surely, every new company that is investing in Ontario, the government cannot possibly afford to support. So why would I invest in Ontario if I’m not going to get a grant? Are we not eliminating the vast majority of new companies because of this policy?

Hon. Michael Bryant: This idea of subsidies chasing capital away, firstly, is counterintuitive, but more importantly has not proven out in not just this jurisdiction, but all jurisdictions. On the contrary, it’s a magnet, because

even if the company doesn't end up qualifying for the grant or the loan today, it knows that it has a jurisdiction that is there to provide solutions for businesses and to expand the economy, as opposed to the jurisdiction that wants to put its head in the sand and pretend like the rest of the world is not making these investments, when they are.

Mr. Ted Chudleigh: I'd invite you to check out the success of Alabama.

The Chair (Mr. Tim Hudak): Folks, we'll have to conclude Mr. Chudleigh's remarks at this time. That is the full 30 minutes.

The custom in the committee, particularly around the opening blocks, is to defer so they get the full 30-minute blocks. Mr. Bisson, if that's okay with you, we will defer—

Mr. Gilles Bisson: We'll defer our entire time for this afternoon.

The Chair (Mr. Tim Hudak): So the third party will have their entire 30 minutes in the afternoon session. I remind members, minister and staff that we will resume at 3:30 back in this room, and we go until 6 p.m. for the consideration of estimates. We are on track to continue tomorrow at 3:30 p.m. and then the 26th again, the morning, because we have a break week from the House next week.

Folks, thanks very much. Minister and team, thank you very much. The committee is recessed until 3:30 p.m.

The committee recessed from 1009 to 1535.

The Vice-Chair (Mr. Garfield Dunlop): Okay. We'll reconvene the meeting. We left it that the third party would have their full 30 minutes to start. I want to welcome back the minister and the staff from the Ministry of Economic Development.

Mr. Hampton, you have 30 minutes now to proceed.

Mr. Howard Hampton: Just so I'm clear, it will be 30 minutes, 30 minutes, 30 minutes?

The Vice-Chair (Mr. Garfield Dunlop): No. After you're done, the government will have another 30 minutes to respond to our statement this morning and yours this afternoon, and then we'll move into 20-minute rotations, starting with the government right after—

Mr. Ted Chudleigh: Starting with—

The Vice-Chair (Mr. Garfield Dunlop): No; I'm sorry. After Mr. Hampton does his 30 minutes, the government will have 30 minutes to respond. Then the official opposition will have 20 minutes, and we'll go in those rotations.

Mr. Ted Chudleigh: And we get 20.

The Vice-Chair (Mr. Garfield Dunlop): You only get 20, yes.

Mr. Howard Hampton: And we're done at what time?

The Vice-Chair (Mr. Garfield Dunlop): Six o'clock tonight.

Mr. Howard Hampton: I would prefer to ask some questions, and I hope we'll get short answers.

Every month, Statistics Canada produces a labour force survey which can be broken down by job classi-

fication. My question is this: Can you please provide comparative Ontario statistics from the labour force survey for manufacturing for the period July 2004 up till March 2009? It would be appreciated if the two sets of numbers, July 2004 and March 2009, could be supplied for the following regional CMAs: Hamilton, Kingston, Kitchener-Waterloo, London, Oshawa, Ottawa-Gatineau, Thunder Bay, Toronto and, finally, Windsor. If you do not have these numbers available, or if you have them only partially available, perhaps legislative research could help us come up with the numbers by the end of estimates, because I think these are very important numbers at this time in Ontario's history.

I just want to check some facts: According to the estimates book, \$327 million has been allocated to the ministry. Is that correct? So that is your operating budget—\$327 million.

Hon. Michael Bryant: Go ahead.

Mr. David Clifford: Three hundred and twenty-four thousand, excluding the statutory appropriations.

Mr. Howard Hampton: Three hundred and twenty-four million?

Mr. David Clifford: Correct.

Mr. Howard Hampton: All right.

Mr. Philip Howell: And then there are statutory appropriations that bring it to \$327 million.

Mr. Howard Hampton: Plus \$3 million in statutory appropriations. What's the nature of the statutory appropriations?

Mr. David Clifford: Those are the ministers' salaries and also bad-debt expenses.

Mr. Howard Hampton: Okay. There is also a line in the budget called "Operating contingency fund." Is that right?

Mr. Philip Howell: In the government budget? Yes.

Mr. Howard Hampton: And \$3.21 billion has been allocated in 2009-10 to this fund. I think that's correct.

Hon. Michael Bryant: Yes. You're referring to the—

Mr. Howard Hampton: The operating contingency fund in the government's budget.

Hon. Michael Bryant: Not within the Ministry of Economic Development.

Mr. Howard Hampton: Is it fair to say that most of the money that is allocated to this operating contingency fund will eventually be funnelled through your ministry's budget?

Hon. Michael Bryant: I wouldn't assume that. You're speaking of a contingency fund to which the finance minister is ultimately accountable. I think he'd be in the best position to answer it. I will endeavour to get the answer. I do believe finance is up next in estimates. I don't want to speculate.

Mr. Howard Hampton: Let me put it to you this way: One way or another, we're going to find out what that \$3.21 billion is for. I guess I can ask now. How much of it will be used as part of the financial assistance package that is provided to Chrysler and General Motors?

Hon. Michael Bryant: Again, I just don't want to speculate with respect to Chrysler, but we can certainly talk about the dollars that have been allocated, if you'd like.

Mr. Howard Hampton: Okay. The money that has been allocated to Chrysler so far: Has that been flowed through your ministry?

Hon. Michael Bryant: I'll let the deputy speak to that.

Mr. Philip Howell: No.

Mr. Howard Hampton: So it has been flowed through the Ministry of Finance?

Mr. Philip Howell: Yes, it's being flowed by the OFA to the federal government, to the EDC, who are acting as both the federal government and Ontario government's agent in terms of facilitating the support for Chrysler.

1540

Mr. Howard Hampton: So I just want to be clear: It's flowed through the Ministry of Finance—

Mr. Philip Howell: Yes, through the OFA.

Mr. Howard Hampton: —and then it flows to the federal government, which then flows it through to Chrysler.

Mr. Philip Howell: Using Export Development Canada as the agent, which is acting as the agent for both governments.

Mr. Howard Hampton: Since the minister, at least if we listen to the press reports, has been dealing most directly on behalf of the government with both Chrysler and General Motors—I assume the press reports are correct?

Hon. Michael Bryant: Well, you can assume my quotes are accurate to the best of my ability. I can't speak for the editorials, though. What, in particular, within the estimates, would you like us to clarify?

Mr. Howard Hampton: It seems to me that we've seen a number of different components of financial packages approved by the government that have gone to Chrysler. I would assume that your ministry has dealt with those, approved those and managed those in some way?

Hon. Michael Bryant: We've certainly been very involved, as the deputy was saying, for a variety of reasons, one of which being that the financial arm of the Ontario government—the name escapes me right now—was done away with by the previous government. As a result, the way in which money would be flowed is through the federal government through the economic development corporation. Technically, the dollars have been flowed through the OFA, which is not to suggest that myself, the deputy and the senior managers at the Ministry of Economic Development have not been very involved, obviously, in the disposition of this issue of the insolvency of Chrysler and General Motors.

Mr. Howard Hampton: Okay. So since you've been involved, I guess my general question is, can you identify the separate components of the financial packages that have been extended to Chrysler?

Hon. Michael Bryant: Sure. Why don't I let Deputy Howell speak about that—maybe chronologically, does that make sense?

Mr. Philip Howell: Support is being provided by both the provincial and federal governments—

Mr. Howard Hampton: I'm only interested in the provincial part.

Mr. Philip Howell: Okay. The money has been flowed, really, in three different ways. Part of the support is being flowed as interim financing to Chrysler before they went into bankruptcy. Part of the funding is helping to finance the joint Canada-US debtor-in-possession loan to Chrysler LLC—

Mr. Howard Hampton: So I want to be clear: Ontario is involved in debtor-in-possession financing?

Mr. Philip Howell: Yes.

Mr. Howard Hampton: With Chrysler?

Mr. Philip Howell: Yes.

Mr. Howard Hampton: Okay. That's the second part.

Mr. Philip Howell: And not all of this money has flowed yet, obviously. The debtor-in-possession financing will be parsed out, I believe, on a weekly basis, according to cash flow needs that would be filed in court, and the money would then be flowed. You don't just give a chunk of cash up front in a bankruptcy proceeding, so it's flowed out over time.

Then there's a third component of the support, which will be medium-term restructuring loans that will be flowed to the new Chrysler that will emerge out of the bankruptcy proceedings in the States—it's anticipated somewhere within 30 to 60 days of them going into Chapter 11 in the States, so somewhere in the June period.

Mr. Howard Hampton: Just a question: Ontario's involved in debtor-in-possession financing, but the media keeps saying Chrysler Canada is not proceeding through bankruptcy. How does that happen?

Mr. Philip Howell: The reason that we're involved in the debtor-in-possession financing in the US is that Chrysler in the US actually pays a lot of Canadian, and in fact almost all of them Ontario, suppliers. Because of the integrated nature of the industry, there's a tremendous number of US plants that use Canadian parts. The reason for providing the debtor-in-possession financing to Chrysler is to ensure that those payments continue, and they are continuing, as Chrysler is being restructured in the States.

So the Canadian loan—and when I say Canadian, I mean Canada/Ontario. We're all the way through this one third Ontario and two thirds Canada. The Canadian loan is to ensure, during this period, that Canadian suppliers continue to be paid, and in the case of suppliers, they'll be paid up until mid-June, so 45 days, the normal term, for parts that were delivered up to the end of April. So that's why we're participating in debtor-in-possession financing. It's to protect the Canadian industry.

Mr. Howard Hampton: Just so I'm clear, and I think the public would be very interested in this, the interim

financing was before the bankruptcy filing. I just want to be clear on that: before the bankruptcy filing happened in the United States.

Hon. Michael Bryant: Do you mean what we would refer to, probably, as the bridge loans? Is that what you mean?

Mr. Howard Hampton: The interim financing. I think some people said they were line of credit. So that—

Hon. Michael Bryant: Did dollars flow prior to the filing of Chapter 11? Yes.

Mr. Howard Hampton: Yes. I mean, I remember the Premier and the Prime Minister's announcement before Christmas. I would assume that dollars started to flow then, because we were told—

Hon. Michael Bryant: No.

Mr. Howard Hampton: No?

Hon. Michael Bryant: No. Actually, what chronologically took place, and you'll keep me accurate on the dates, is the commitment was made in December. The dollars did not flow in December. In fact, what happened is, I guess, the inverse of what the deputy just described. In other words, the financing was being provided by Chrysler, limited liability—what we might think of as US Chrysler—to the Canadian operations, and then at a certain point the US government and the US operations and the Canadian government and Canadian operations said, "Okay, now it's necessary," it's time or it's fair, "it's appropriate for the Canadian dollars to flow." And that took place in March—

Mr. Philip Howell: March 30, April 6 and then May 1.

Hon. Michael Bryant: It was in three tranches, I seem to recall. March 30 was—

Mr. Philip Howell: Five hundred million.

Hon. Michael Bryant: —five hundred million, and then April 6, \$250 million, and then May 1, \$250 million. So that—

Mr. Philip Howell: And those are total; you'd have to take a third of that.

Mr. Howard Hampton: May 1?

Mr. Philip Howell: Yes. You'd have to take a third of that to get the Ontario amount, so \$333 million.

Hon. Michael Bryant: And that was, in essence, the fulfillment of the December commitment made by the Prime Minister and the Premier.

Mr. Howard Hampton: So \$333 million, basically.

Mr. Philip Howell: Yes.

Mr. Howard Hampton: Then when did the debtor-in-possession financing start? The date of the filing?

Mr. Philip Howell: Yes. Well, it was agreed to. It's part of the filing. Most of that money has not yet flowed.

Mr. Howard Hampton: I understand. And Ontario and Canada agreed, I believe, to \$3.75 billion?

Mr. Philip Howell: Yes.

Mr. Howard Hampton: And Ontario's share of that is \$1.25 billion?

Hon. Michael Bryant: Yes.

Mr. Howard Hampton: But that has not started to flow yet.

Mr. Philip Howell: That's inclusive. That's the total support. That's inclusive of the interim funding, inclusive of the debtor-in-possession funding, and inclusive of the eight-year, medium-term loans that will be advanced to the new Chrysler coming out of—

Mr. Howard Hampton: So that is the total package?

Mr. Philip Howell: Yes.

Mr. Howard Hampton: We have to subtract from that immediately \$333 million, because that has already been advanced as part of the interim financing. So has the government decided yet how much of this is going to be debtor-in-possession financing and how much is going to be medium-term restructuring loans for the new Chrysler?

1550

Mr. Philip Howell: Yes, there is a limit on the debtor-in-possession financing. Whether all of it's required is going to depend on the length of time the US court proceeding takes.

Mr. Howard Hampton: What's the limit?

Mr. Philip Howell: It was \$1.45 billion of the \$3.775 billion.

Mr. Howard Hampton: What's Ontario's limit?

Mr. Philip Howell: Well, we're a third of that.

Mr. Howard Hampton: So a third of 1.45?

Mr. Philip Howell: It's just under 500; I think it's 487.

Mr. Howard Hampton: The figure again? It's important that you give me the figure, that I don't assume figures.

Mr. Philip Howell: Yes. Okay, let me just—actually, Ken, do you have that? I'll get you that. It seems to me it's 487.

Mr. Howard Hampton: And therefore the proposed total medium-term restructuring loans from Ontario will be?

Mr. Philip Howell: In total, the medium-term restructuring loans are \$1.16 billion for Canada, so we're in for a third of that.

Mr. Howard Hampton: What's that, about \$340 million?

Mr. Philip Howell: Yes, roughly. We'll get you the exact numbers—

Mr. Howard Hampton: Okay. If we could get the numbers some time by the end of this.

Just some other things. I guess I could ask questions about this all day long, and maybe I will. What are the repayment terms?

Mr. Philip Howell: On the loans, the repayment terms are the Canadian overnight deposit rate, which can go no lower than 2%. It can—that's the interbank lending rate; that's the Canadian equivalent of LIBOR, plus 500 basis points. So the minimum interest rate on the restructuring loans is 7%.

Mr. Howard Hampton: The minimum interest rate is?

Mr. Philip Howell: Seven per cent.

Mr. Howard Hampton: Now, what do you make of the federal finance minister saying he doubts that these loans will ever be paid back?

Hon. Michael Bryant: We certainly expect that the loans are going to be paid back from Ontario's perspective. I can't speak for the federal government, but from our perspective we do expect those loans to be paid back.

Mr. Howard Hampton: That's interesting. The federal government's in there for twice as much as you're in for, and they are saying there's no expectation loans will ever be paid back. That's a unique partnership.

Hon. Michael Bryant: That's your expert editorializing.

Mr. Howard Hampton: I think anybody looking at it would say that's a unique partnership.

Hon. Michael Bryant: To be fair, I wasn't there when Mr. Flaherty—

Mr. Howard Hampton: I'm not being critical. I'm just—

Hon. Michael Bryant: Fine. I wasn't there when the federal Minister of Finance allegedly said that. I don't know the context. I'm not sure. All I know is that there is an expectation that the loans will be paid back.

Mr. Howard Hampton: Okay. What is required of Chrysler in terms of employment levels, capital investment, maintenance of pensions, a footprint in Ontario?

Hon. Michael Bryant: Well, it's to keep it proportionate, and the proportion of 20% is—it's obviously going to end up being, by any measure, smaller today, next year and the next year as compared to a couple of years ago, but the basic nature of the agreement was that Canada was not going to participate in providing financial assistance, obviously, unless Canada was going to be obtaining a proportionate level of production.

The flip side of it was, if Canada didn't, then not just the risk but the likelihood would be that production would flow south of the border and that work would go with it. So it was an effort to try and find a proportionate amount to contribute by way of loan in exchange for a proportionate amount of the production.

Mr. Howard Hampton: But let's be clear. Virtually all of Chrysler Canada's production is in Ontario, is it not?

Hon. Michael Bryant: Oh, yes.

Mr. Howard Hampton: So it was to keep a proportionate amount of the overall Chrysler Corp. production in Ontario?

Hon. Michael Bryant: Exactly.

Mr. Howard Hampton: What is the proportion for Chrysler? Because it's a little bit different for each of the Detroit Three—no longer the Big Three.

Mr. Philip Howell: Maybe I can just elaborate on a couple of points. First of all, the production commitment the minister is talking about is actually a covenant in the loan agreements, and it's 20% of North American—which includes Mexico—Chrysler production. That actually is probably more protection for Canadian production

than would have been the case, since most of the data and numbers—

Mr. Howard Hampton: For Ontario production.

Mr. Philip Howell: Well, which is Canadian.

Mr. Howard Hampton: Yes.

Mr. Philip Howell:—than would have been the case in the way that people were normally looking at it in advance of this deal, which was the total of Canadian-Ontario production. A considerable amount of future Chrysler production will be in Mexico.

What that covenant has done is ensure that the new Fiat-controlled company that will emerge is committed now to producing at least 20% of North American production in Ontario, in the Brampton and Windsor plants.

Mr. Howard Hampton: You actually mention the plants?

Mr. Philip Howell: Well, no. They'll have flexibility, but what has attracted Fiat to the deal is the Brampton facility and the Windsor assembly—those are the only two assembly facilities that Chrysler has now in Ontario.

Mr. Howard Hampton: But you've got a commitment to both plants?

Mr. Philip Howell: Yes. Well, it's a commitment to 20% of North American production going forward—

Mr. Howard Hampton: But I'm being very specific. You could have 20% production in one of those plants, depending upon how small Chrysler-Fiat goes, right? I'm being very specific. Both plants are going to remain in production, both Brampton and Windsor?

Hon. Michael Bryant: Again—sorry, I turned this off because of the feedback—the covenant is the covenant, and it's 20%. How exactly, at any given time—given shifts on, shifts off, temporary suspension of shifts—that pans out is certainly something that we expect to fluctuate in the future for sure.

Mr. Howard Hampton: Okay. So that's production: 20% of North American production will stay in Ontario for Chrysler-Fiat, the new company. What does that mean in terms of employment levels? Is that spelled out in the covenants or anywhere else?

Hon. Michael Bryant: Well, it's going to depend on the Canadian Auto Workers Union; management; determinations as to, again, on a shift-to-shift basis, what is necessary; but also, it's going to depend on the productivity and the technology of the future as well, so it is going to be—

Mr. Howard Hampton: I accept all that, but is there a 20% employment guarantee?

Hon. Michael Bryant: It's going to be the case that with that 20% production, yes, comes jobs. There also comes the revenue from it, the economic activity—

Mr. Howard Hampton: I'm satisfied with the answer.

Hon. Michael Bryant:—and as well, obviously, the spill off—the parts that are being supplied to it. I'm sure the member wouldn't—in his chuckling—want to suggest that 20% of production isn't significant. It is.

The Vice-Chair (Mr. Garfield Dunlop): You have six minutes left in this round.

Mr. Howard Hampton: I just want to be very clear. You said that 20% of North American production of the new Chrysler-Fiat will be in Ontario.

Hon. Michael Bryant: Yes.

Mr. Howard Hampton: I want to ask you very specifically again: Do the covenants or the agreement also deal specifically with employment levels—in other words, 20% of the overall employment will be in Ontario—or does it not? If it doesn't say that, just say so.

Hon. Michael Bryant: No. I've tried to give you the best answer I can. In the circumstances, it's going to depend on agreements between the CAW and management. It will probably depend on a case-by-case basis how many employees are there at any given time, and as the member knows, the flexibility that's brought to employment is such that—I mean, personally, I have confidence that the CAW and management will be able to work that out and we will continue to achieve that 20% production.

Mr. Howard Hampton: Okay. Maintenance of pension: a big issue. Anything in the agreement dealing with pension funding?

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Mr. Philip Howell: Yes. Pension funding obligations are part of the normal course of business, and the agreement—or at least the undertakings of Fiat in the company that will emerge out of bankruptcy fully recognize their pension obligations and intend to fund those.

Mr. Howard Hampton: What about pension deficiencies?

Mr. Philip Howell: There are clear rules. There's certainly been some significant support given to pension fund managers by initiatives in the government's March budget to allow them to address the exceptional circumstances that have arisen from the financial market meltdown last year by extending the amount of time that solvency deficiencies can be repaired.

In the case of Chrysler, the pension fund was in pretty good shape and has been well managed historically. To be frank, you can't predict this, but I don't think the pension issue is something that will arise here.

Mr. Howard Hampton: Okay. Now, the other issue is this, and you alluded to this earlier: It's not just production at Brampton and Windsor. The big part of the footprint is parts. Anything dealing with parts?

Mr. Philip Howell: Again, what the agreements and covenants ensure is that suppliers will be paid in normal commercial terms going forward on the emergence of the new company. So their interests are protected in the context of the business, going forward.

Mr. Howard Hampton: But Chrysler, out of the Detroit Three, probably did the most outsourcing, looking over the last 15 years. Chrysler's probably done the most outsourcing of any of the Detroit Three. So for companies like Magna, which also have a significant footprint in Ontario, that's been important business. Are there any guarantees there?

Hon. Michael Bryant: Well, there is—and feel free to elaborate, but there is as well, of course, the accounts

receivable insurance that's established under the economic development corporation that has been in effect for some time, which addresses—albeit it's federal, because the federal government had the capacity to provide that accounts receivable protection. Otherwise, it was part of the agreement that they had to pay their bills to the suppliers.

You're absolutely right. This is an important part of the agreement, and it's a critical part of the industry. It could very well be that the size of the auto supply industry grows significantly as contrasted with that of the manufacturing industry itself.

The Vice-Chair (Mr. Garfield Dunlop): You've got time for a quick question and a quick answer here.

Mr. Howard Hampton: So what about going forward, the parts footprint going forward?

Hon. Michael Bryant: The parts footprint?

Mr. Howard Hampton: Yes.

Hon. Michael Bryant: Well, I guess it ends up being—I'm sorry, I don't quite understand your question.

Mr. Howard Hampton: Well, as you said earlier, both Chrysler Corp. and Chrysler Canada obtain a significant amount of their parts from Canadian operations.

Hon. Michael Bryant: Yes.

Mr. Howard Hampton: Anything guaranteed by that in terms of the loan financing and the financing that Ontario has provided? Are there any guarantees going forward for Ontario's parts sector?

Hon. Michael Bryant: Well, I don't know if this is helpful, but certainly the very fact that you had the US and Canadian governments integrating the agreement between the company and the governments was a reflection of the fact that the Canadian auto suppliers were so important to the US industry for a variety of reasons, not the least of which is productivity and innovation. I expect that that will continue to be the case.

Mr. Howard Hampton: But there are no guarantees.

Hon. Michael Bryant: But this was financial assistance for two of the Detroit Three. The auto suppliers have not approached any government, and I don't anticipate that they will be approaching the government.

The Vice-Chair (Mr. Garfield Dunlop): Okay, that wraps up the third party's 30 minutes.

Minister, you have to up to 30 minutes to respond to any of the comments that have been made here this morning. Then we'll go into 20-minute rotations. So there will be no questions from the government members until we get into the rotations. The minister has up to 30 minutes now, though.

Hon. Michael Bryant: I want to thank the members of the committee who spoke over the last 60 minutes.

I think it's fair to say that while Mr. Chudleigh expressed an ideological or philosophical disagreement with the notion of governments participating in investments directly with businesses, I would say again that, regardless of that ideology, it is something that certainly other Conservative governments have participated in, with about as much enthusiasm as Mr. Chudleigh expressed, but nonetheless I think that's a reflection of

pragmatism trumping ideology, because the alternative would be that the Conservative-elected official would say, “No way. This is corporate welfare, nothing more, and I’m not going to participate in that,” and risk the jobs in people’s communities. When push comes to shove, the priority goes to the people, the businesses and the jobs.

It’s in that sense that the ideological debate, the philosophical debate, Reaganism versus reverse-Reaganism, is trumped by pragmatism. You do see more demand-side economics today than you saw coming out of the recession in the early 1980s. The demand-side economics that took place under Reagan also involved an enormous amount of spending on the defence industry, but that’s not what he’s associated with.

To be fair, I think we’ve received a measure of support from the official opposition—or at least not opposition, and the member will have plenty of time to correct this if this is not the case—of the efforts to avoid the liquidation or otherwise failure of Chrysler and General Motors. There seems to have been a desire to put the workers and the companies ahead of politics, and I really think that is the right thing to do. It has also allowed the Ontario government and the federal government to participate with the US government where they weren’t having to go to Congress, once the stimulus package was passed and once other legislative measures were passed, such that the administration could enter into these agreements. It meant that the governments of Canada and Ontario could come to the table and, with confidence, the US would know and the global headquarters would know that these weren’t going to be agreements with an asterisk requiring either legislative approval or the avoidance of political opposition. So, as a result of that, it has meant that this extremely unusual economic shock prevention has taken place.

I want to emphasize again that in my own mind—and I’m sure this might be characterized differently—it is quite different from the Next Generation of Jobs Fund dollars that are extended to companies; it’s quite different from the advanced manufacturing investment strategy dollars, the eastern Ontario dollars and so on. Firstly, the loans that were provided to Chrysler and General Motors were not through those programs. Secondly, they were provided with a view to avoiding the shock to the suppliers, the distributors and also the manufacturers that would come in the event of a rapid disorderly collapse in the middle of an economic recession. The extraordinary circumstances included the fact that the competitors of the recipients of this financial assistance did not object to this.

It’s absolutely the case that Honda, Toyota and Ford said that any measures other than financial assistance cannot be anti-competitive. They did that for a variety of reasons, not the least of which is that Chrysler’s suppliers and GM suppliers are the suppliers to those other companies as well: to Ford and Honda and Toyota.

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So in that sense, the auto rescue or financial assistance, whatever one might want to call it, was not an

assessment of the companies per se as to exactly what greater investment might come from it; it was a defensive measure in order to avoid that economic shock. We don’t know what would have happened had governments not done that. It’s useful to look at the international experience that most, if not all, of the other automobile jurisdictions at one time or another over the past six months have provided some form of assistance.

As negotiations go, there have been times where in certain jurisdictions the government backed away from providing dollars because they didn’t feel they were getting the co-operation they needed. In North America, the way that took place was that a deadline was set for the end of March. When that deadline approached, the Canadian and US governments said, “We’re not there, so we’re going to extend the deadline 30 days to Chrysler,” and that was done and an agreement was reached, “and 60 days for General Motors,” and we are in the midst of that right now. That is a critical part of our economy, it’s an important part of our economy, it’s a significant part of our GDP and it extends far beyond the manufacturers themselves, as important as they are—to the distributors, to the suppliers and to the spin-off companies that come with it.

There are many more industries and companies that are in a position, through a variety of reasons, to compete in the current reset or recovery thanks to the position that they were in going into it and as a result of what’s happened to their competition. Because the fiscal situation, federally and provincially, was sound heading into the recession, it meant that, for example, in Ontario, some dollars had already been set aside for the Next Generation of Jobs Fund and for the advanced manufacturing strategy and other similar funds to stimulate economic growth. If it had been necessary to create those funds, as was the case in the United States, where literally they had to be created right then and there except for TARP, which had been set aside around that time in the winter, primarily at the behest of Congress, then that would have been even tougher than the last budget was, in that the government did not have to create those economic dollars out of whole cloth.

Nonetheless, the United States has provided a stimulus that some have estimated in the nature of upwards of \$10 trillion, and that is in the name of stimulating economic activities in the United States. But that is a jurisdiction against which we are competing. Companies that are looking to expand look to expand in a way that lowers their costs and increases their profits, so they shop around. If there’s a jurisdiction that can offer an economic incentive, then that’s something that they’re obviously going to look at. For Ontario to not participate in that bargain and not express a willingness to ante up dollars in the name of leveraging many more dollars—so, say, providing half a billion dollars in the name of leveraging \$2 billion. We can go through how the funds have panned out since 2003 in terms of what dollars have been leveraged, but it’s certainly not one-for-one; it’s significantly more than that.

Mr. Chudleigh mentioned—I found it quite interesting—that in his mind the dollars provided through these funds are the equivalent of filling a gap for jurisdictional shortcomings. There’s certainly something to that. It might be seen in that way in this sense: There are some jurisdictions where the tax regime may be, on the face of it, better or worse than Ontario’s. There are some jurisdictions where the health care coverage is not that of Ontario’s. There are some jurisdictions in which the education system is not that of Ontario’s, and so on down the line. I know of jurisdictions that literally offer up land and industry-ready zones. A supplier to a steel company indicated to me a couple of weeks ago, “I’m going down to such and such state, because they’re going to give me a building.” Ontario’s means by which we try to incent companies and leverage more investments is done in a more systematic and accountable way, as opposed to, “How about a building to bring you in?” That’s almost as much marketing as investment. I think Mr. Chudleigh may be on to something in the sense that this is, to a certain degree, about trying to level the playing field between different jurisdictions.

Frankly, one of the differences between jurisdictions that existed prior to the last budget revolved around taxation and, in particular, for those exporting companies that were being, in essence, hit twice—in any event, that is how they described it to me. Certainly, being right next door to Quebec, the advantage of Quebec with its harmonized sales tax system, versus Ontario, with the sales tax system we’ve had until now—it was not as export-friendly, and this becomes important at a time when it’s particularly competitive and when we continue to be, not surprisingly, extremely export-oriented, with more than 60% of our economy, in terms of the GDP, based on exports.

Making the tax changes that were made absolutely makes Ontario more competitive and, in some cases, even more competitive than other jurisdictions, and that allows funds to be used in a way that I think expands the impact during a time of recession. I say that as a matter of fact; I don’t say that as if there had been foresight in 2003 that this recession was going to land just when it did.

The wherewithal of having the funds in place—the Premier doing that—I’ll certainly give credit where credit is due for that. But it is a fact that Ontario finds itself, in my view, in a particularly advantageous position right now, coming out of a recession, because it has these funds in place and it does so now in an increasingly competitive tax environment and, at the same time, where the government is undertaking extraordinary, by which I quite literally mean unprecedented, efforts to address the input costs.

So as managers sit down and make decisions about where they are going to expand so as to find themselves going from maybe the middle of the pack to the head of the pack at a time where there are some teetering giants and some disrupters who are able to jump ahead in the same way as eBay jumped ahead coming out of the dot-

com bubble, I do believe you’re going to see companies jump ahead coming out of this recession here in Ontario. There are companies that have a footprint that might surprise people in terms of how significant it is globally and in terms of the products they put out, and the number of global leaders we have in Ontario.

The biggest challenge is not the idea that somehow the government can, magically or otherwise with that amount of money and with those funds, literally drive the global economy. It’s rather where something comes down to a marginal call, a 52:48 call, for a head office to a subsidiary or from one company deciding what jurisdiction to go to versus another.

Do we have anything to bring to the table to strategically invest on behalf of taxpayers? If all the eggs had been put into the tax rate basket, then that flexibility would not be there. This does allow governments to say, on those 52:48 calls, “Okay, we are going to provide some financial assistance to lever additional investment.” But it doesn’t happen in circumstances where the company just shows up and says, “We’ve got a good idea. Would you like to invest in us under the Next Generation of Jobs Fund?”

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Once in a while a company does come and say, “Look, if you can provide us with the first 15%, we’ll go out and get the other 85%.” We don’t do that. It’s the other way around. Companies will come to us at the end and say, “We can go to Wisconsin or to California or to Florida or to British Columbia, or we can come here. They are offering the following incentives, and we want to come to Ontario for all these reasons. But it would be contrary to our fiduciary duty to our shareholders, or otherwise to our investors, for us to not seek some kind of investment to lever the investment.” It’s under those circumstances that these dollars flow.

Are there priorities? Of course there are priorities. They’re set out in terms of the funds themselves. You can see the priorities that are set out in the funds in the research and innovation ministry. You can see, by virtue of the existence of an advanced manufacturing investment strategy, which has been in existence for longer than the Next Generation of Jobs Fund, a commitment to try to assist in modernization of the manufacturing industry.

What does that modernization mean? Well, it’s technology, more often than not. In some cases, it is capital costs; in most cases, it’s technology. As the technology changes and companies want to become more and more competitive, they seek to make those investments. Sometimes it’s to expand a piece of their business: Whereas they were making widgets, now they make two different kinds of widgets. Maybe we can come back and get into some of the specific grants and investments that have been provided and what those companies have done with it.

The government also has to ensure that the balance sheet is such that it is a risk that is appropriate to take. A member of our Legislature, who I don’t think meant to say this with attribution, so I won’t say who it was, said

to me, “You know, I don’t think you’re using the funds right. I think you should be using it for riskier investments. You should be using it where no other bank would provide assistance.” In terms of leveraging greater growth, there’s something to that argument. The problem is, it’s taxpayer money, and quite understandably we err on the side of ensuring, in the name of accountability, that these are good investments that are made by taxpayers. Are there going to mistakes made in the history of the allocation and administration of these funds? Yes, there will be, because there will be unforeseen events that take place, and that’s obviously something a government becomes accountable for, whether it’s foreseeable or not.

For example, the work that has been done over the past while by the Next Generation of Jobs secretariat and by the advanced manufacturing investment strategy group has been rigorous and does rely upon outside experts and does have a number of checks and balances in place. But the goal at the end of the day is to try, in some areas, to drive the economy, as I said. So with respect to green energy and the feed-in tariff, that would be an area where the government is driving an economy, and, yes, there are risks involved; the Premier has spoken to those. In other areas, it’s not actually like the banking industry used to be, where at least Wall Street used to follow the economy instead of literally driving the economy, as Wall Street had done in the past in terms of the creation of these new financial instruments and the ascendance of the financial industry as an industry in and of itself instead of as a means to the end of supporting an economy, instead of creating what, from a financial perspective, included a number of illusory aspects of the economy.

The government is there primarily to provide that support. It’s part of the solution. That means that in some cases the government is the lender of last resort. Government has not been in the debtor-in-possession financing business before, but in the absence of debtor-in-possession financing under Chapter 11 or CCAA, the alternative is liquidation, which is too much of a shock. Certainly that was the assessment of the government for Chrysler, and we’re continuing to work very hard with General Motors to try to put together something that is sustainable and in the taxpayers’ interest as well.

There is a significant amount of input on all this that comes locally. More often than not it is the local community or, obviously, local businesses or the MPPs—often the MPPs—who come forward to talk about what is happening in their constituency and saying, “I’ve been to this, I’ve met with the people, met with the workers, walked the shop floor, or the equivalent thereto, and I think this is a really good investment.”

You hope that everything happens as it should happen, and I try to keep in touch with the member of Parliament so that we are able to inform them. Then, if an agreement is made, we always try—at least, we always make best efforts, I think, in every case that I’ve had an opportunity—to have the local MPP attend it. It’s a good day because the company gets to expand and it has a new life,

in some cases. In the current reset, in the economic recovery, it’s under circumstances where, again, that allows them to jump ahead in a way that they might not have done otherwise.

This is government being part of the solution. That’s what it is. I know Reaganites don’t like that, that governments are supposedly the problem and not part of the solution, but—but for this effort and but for these solutions being offered, in some cases of last resort—in some cases, quite strategically—that means the company goes elsewhere. There’s a particular focus, from my perspective, on ensuring that for those companies in which that decision could go either way, the government’s in a position, provided that it’s in the taxpayers’ interest, to ensure that we secure the investment, and secure it in a way that means more production, more economic growth, more jobs, and more spinoff jobs, in many cases.

The September opening of the new engine plant in Alliston happened a week or two into my new job. It tempered the fact that Lehman Brothers went down and the financial system was under way to collapse—not in Canada, obviously, Canada having a financial system that’s been ranked by a number of objective observers as the best in the world. Certainly, the President of the United States has pointed to it as a great model. This is an instance where the government provided 10% of the \$150-million investment to build the 310,000-square-foot plant back in 2006. It was more than a \$2-billion investment in Ontario operations by Honda Canada, obviously very much to the credit of that workforce.

Two weeks ago, all of us in Ontario, I hope, celebrated the five-millionth vehicle manufactured at Honda’s Alliston operations. Had the Ontario government not been there to make those types of investments, they would not have landed in Ontario. They would have gone elsewhere. There’s no question about it. And that land would be I don’t know what—vacant land—but it would not be—

The Vice-Chair (Mr. Garfield Dunlop): Potatoes.

Hon. Michael Bryant: It might be potatoes.

The Vice-Chair (Mr. Garfield Dunlop): It would be.

Hon. Michael Bryant: It would be potatoes?

The Vice-Chair (Mr. Garfield Dunlop): Oh, yeah.

Hon. Michael Bryant: The Vice-Chair knows and wants to confirm that it would be potatoes.

Mr. Ted Chudleigh: It’s a great crop.

Hon. Michael Bryant: Well, it’s a great crop. I agree.

Mr. Ted Chudleigh: At 2,000 bucks an acre.

Hon. Michael Bryant: Two-thousand dollars an acre is an excellent crop, just as I know the member agrees that a \$2.15-billion investment by Honda in this Ontario operations is also a good investment.

That has been taking place in a greater or smaller measure in this provincial government, in other provincial governments in Canada and in the United States for years and years. It is not a new phenomenon. I dusted off the Porter textbook. In 1990, he was talking about the wealth of nations and the role that government plays. It was not a driving role, it was an augmenting role that

participated in other parts of the economy. It was routine in 1990 at that time for government to be making investments directly into businesses, and doing so in a way to keep those businesses or lure those businesses in and also create an economic climate that is business-friendly. In the same way that venture capital follows venture capital, it is also the case that capital follows capital.

By the way, the retroactive reduction and eventual elimination of the capital tax was, I think, the second smartest tax move that the government made, according to Roger Martin—the capital tax, in and of itself, being, obviously, a disincentive to economic growth.

The economic environment gains a certain momentum and a buzz that allows innovative companies to start looking even more so at a particular jurisdiction. Just as venture capital communities grow out of an ecosystem of workers, thinkers, angel investors, second-stage investors and the commercialization of it, similarly, this is a manufacturing, mixed, growing and diversified economy, under circumstances with very favourable living conditions—extremely diverse, arguably more diverse than any other jurisdiction in the world. Our ability to, on top of that—just that extra—sometimes, literally—10% or 15% of an investment allows us to be even more competitive.

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Under the circumstances, we're making the changes that we are, and that's an economic policy. That is an approach. It is an approach apart from a fiscal approach, which focuses on the taxes, the costs and the revenue coming into the government. It's also an economic approach that looks to the various factors that are taking place other than purely the fiscal tools of the government, in terms of taxation and costs.

The Vice-Chair (Mr. Garfield Dunlop): You've got about four minutes, Minister, to wrap up there.

Hon. Michael Bryant: Excellent. It's under those circumstances that—you can call it an activist, an interventionist, a jump-startist, leapsterism, reverse Reaganism. You can call it whatever you want. If you call it reverse Reaganism, I know you get the hackles of the Ted Chudleighs of the world up. It's actually intended not to do that, but rather to say that during the economic crisis, particularly one in which inflation was such a big part of it, under those circumstances the supply-side approach, rightly or wrongly, was taken and it worked. Under these current circumstances, I don't know many people who argue for a supply-side resolution.

As a result of that, he may have been right for that time, but for this time it's different. It's a different economic approach. It's demand-side. I like to call it McGuintynomics. I know Mr. Chudleigh won't want to do that. I don't know if Obamanomics is okay to him or just an interventionist, activist economic approach. But that's the approach that we've been taking, that certainly I am endeavouring to articulate, and most importantly, that we're looking forward to speaking about in the coming minutes and hours, as we go through the workings of the Ministry of Economic Development and the work that's been done by some people

I obviously should have said this at the outset, and will say it now in closing, because I just have a few seconds left: All of this that I'm saying is obviously on the shoulders of my predecessors, Minister Papatello and Minister Cordiano. The Premier and that economic team and the finance ministers put this together. I am here at this time endeavouring to articulate it and execute it, but this is very much a vision that is based on growth, only growth and nothing but growth. That's what I'm supposed to do every morning that I come into work, and I love what I do, Mr. Chudleigh. I love what I do.

I'm all done, Vice-Chair.

The Vice-Chair (Mr. Garfield Dunlop): Well, that was very good. You managed to do 28 minutes and a few seconds.

Hon. Michael Bryant: Beautiful.

The Vice-Chair (Mr. Garfield Dunlop): We'll now move over to the official opposition. Mr. Chudleigh, you get 20 minutes.

Mr. Ted Chudleigh: Thank you. Such a short period of time.

Hon. Michael Bryant: You'll get another 20.

Mr. Ted Chudleigh: I would love what I did too if I were sitting in your chair. I was parliamentary assistant in that ministry for some time, and it was one of the jobs in the government that I think I enjoyed the most. Great people to work with, and very exciting.

You mentioned one fact which I'd like to check. You mentioned that 60% of our economy is based on exports. Was that the correct number? I've always used a different figure, and I wondered if that number is correct.

Hon. Michael Bryant: Well, boy, I'm reluctant to have my number contradict your number. I'm going to double-check it. I don't have any notes in front of me, but I believe I'm taking it from the Martin Prosperity Institute. I'm taking it as a percentage of the gross domestic product.

Mr. Ted Chudleigh: Good. I want to say one thing: We could have a long philosophical discussion and use up all the time, but—

Hon. Michael Bryant: That would be great, from my perspective.

Mr. Ted Chudleigh: Yes, I'm sure you'd enjoy it.

I'm not necessarily a big supporter of Reagan and Reagan economics. Reagan only managed one side of the equation. He didn't control costs and that caused huge problems in the American economy, so my hackles don't necessarily go up when I hear you talking about him. Now, if you're talking about reverse Reaganism, I suppose you could conjure up some system that would work, but you'd have to control both sides of the economy, and I don't see you doing that.

In your opening remarks, I heard you making comments that I would have been more comfortable with than the comments you made at the lunch last week. You didn't say this, but I think you almost said that you were of the opinion that you would hold your nose and go ahead and support this industry. I don't know if that's exactly what you said, but you seemed to be hedging

your comments, that you were supporting the auto industry in order to avoid bankruptcies and sudden, huge shifts in that sector. I think I've already said that I would agree with you on that, in that it was necessary, however unpleasant. I think that perhaps it would be more unpleasant to me than it was to you.

I ended my last questions by saying that having companies in Ontario that were supported by the government created an unlevel field, a field where there were some companies supported and some companies not. Under this scheme, for the businesses that were not subsidized, would their corporate tax dollars not be used in some small way, working through the system, to subsidize those companies which were supported with government funds?

Hon. Michael Bryant: Firstly, just on the nose-holding front, I'm not a nose-holder. If I've got to pinch my nose, then I'm not going to do it. You didn't put yourself through the agony of sitting through a speech by Michael Bryant, I would hope, I say to Mr. Chudleigh, so you're talking about something you heard by hearsay. I certainly didn't make a nose-holder comment. We're very proud to be supporting the auto industry. It's a big, big part of our history and our economy.

On your question of how to use tax dollars and whether it would be better done in some other fashion: I would just say that but for the investments made by the government, the assistance with the investments, the loans made, the augmentation of the investments, there would have been a net loss to the economy, under the circumstances, when the company departs from the jurisdiction.

The level of activity in this economic approach, in terms of the provision of grants and so on—it has not developed, or devolved, depending on your perspective, to the point where it is akin to a procurement process. Sure, you'll have companies that are competitors that are bringing forward particular projects. But each project, in most cases, is particular to the company. I have never been in a situation where we were asking, "Are we going to invest in this company at the expense of that company?" No, that has not happened. I'm not saying that will never happen. But the nature of the program to date has been that competitors bring their own project to the table.

One of the reasons that the information is not released to the public under circumstances where it is a successful application is because of the commercial sensitivity, not just associated with the fact that they're applying, but also with the details in the program itself, which speaks to the competitive nature.

It is the case that more than one widget-making company will come to us and seek an application under one grant or another, but each one is addressed on its own merits, and the capacity of one versus another to bring its own is unique to that company. So, in that sense, I don't think that has applied, at least at this stage in the approach that has been taken to date.

Mr. Ted Chudleigh: I'll give you an example in a few minutes.

Given that I've lived through a lot of years, perhaps 35 years, of governments subsidizing businesses, and watched, sometimes from a very close perspective, how that process works—sometimes it doesn't work very well, and sometimes it works okay.

I could give you the example of the Ontario frozen food industry, which was subsidized by government in the 1950s. Without that subsidy, we wouldn't have had the frozen food business locating in Ontario to the degree that it has. I think, overall, that was a fairly successful program, although it went on far too long. We needed to establish three or four companies in the 1950s. The companies that were established in the 1960s and 1970s, and even into the 1980s, when one plant was built with subsidized dollars—I don't think it was a wise use of public funds because industry was already well established. The private sector could have picked up that production.

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But given the history of government subsidies, how will your government avoid the politicization of the process and avoid the fact that this \$2 billion, even a minor part of the \$2 billion, would become a giant slush fund that would put to shame the year-end spending fiasco that you had a couple of years ago when the Toronto Cricket Club got \$1 million? How do we avoid those kinds of repetitions in the future?

Hon. Michael Bryant: Two things: a rigorous process at the front end and an audit at the back end. It is absolutely the case that the success of the program and the reputation of the program are driven by its business success.

Mr. Ted Chudleigh: Will that be transparent and in public?

Hon. Michael Bryant: Yes. This is the reality of the process and how it works. Do you want us to go through, say, the Next Generation of Jobs process?

Mr. Ted Chudleigh: I don't think it's necessary.

Hon. Michael Bryant: We'll get there in a bit. But I take your point, and it's important to the success of it, firstly because it's taxpayer dollars, and secondly because the reputation of the jurisdiction demands that people know that when they apply to the program it's going to be based on the merits of the application and not on something else.

Mr. Ted Chudleigh: The transparency and the public nature of it is good assurance. I can only hope that it happens.

I said that I was going to provide you with an example. One that's near and dear to your heart, I know, is the money that was invested in Roxul in Milton, a town that I'm familiar with and very close to. That money built a warehouse. I think there was some publicity around that warehouse providing some export potential for the company. I would draw to the minister's attention that I think almost all of Roxul's exports come out of their Vancouver plant, not the Toronto plant. That warehouse that they built was a great advantage to the company. In producing Roxul insulation, you start up a furnace and

operate it at very high temperatures. The start-up and shutdown periods are very expensive, so the longer you can operate it, the better. This warehouse gave them the opportunity to smooth out their peaks and valleys over the year's production and provide for a more viable production.

There's also a pink-fibreglass insulation company in Georgetown which has exactly the same problems, exactly the same marketing conditions that they have to meet, and they are now operating without any government assistance. So the government has injected themselves into the insulation marketplace, giving an advantage to one company and disadvantaging the second company. The second company operates profitably, pays taxes to the Ontario government, and a portion of those tax dollars they paid to the Ontario government went to subsidize warehouse construction of their competition in Milton. That is the problem that I have with the government injecting itself into the private sector. I wonder if the minister could comment on that.

Hon. Michael Bryant: Yes. I don't accept that it's a zero-sum equation like that, but if one's going to do that, I guess you could apply it to any circumstance; you could say that money that is being invested in one good cause is money taken away from another good cause. That is just not necessarily so, in that they can both be good causes equally deserving of the dollars and there are programs and processes in place to determine whether one gets it. My point before was that they were not circumstances in which the company in Georgetown was in competition with Roxul. You're not suggesting that Roxul ought not to have gotten the investment, presumably?

Mr. Ted Chudleigh: I'm asking you the questions, actually, Minister.

Hon. Michael Bryant: Okay, but I would just say that this company in Georgetown—I have no idea if they applied to the jobs fund, but there's absolutely no reason why they wouldn't and couldn't be applying to that jobs fund for the same investment or a similar investment to it.

I understand that we can do that with the tax system, and in particular we do that when we're in opposition. I get that. That money could have been spent differently. We said to Hydro One with respect to their yacht, "You could have been putting that money into something else." I understand that. I did that as well.

Under these circumstances, there are a number of areas in which the government provides services universally, and there are a number of areas in which the government provides incentives universally around tax credits, tax deductions and so on. There are some areas where governments engage in strategic activity. In this case it is with respect to the direct investments. It does not put one company at a disadvantage over the other, but it does mean that if one company chooses not to access those dollars, then that's their choice, but that doesn't mean that it's not available to them.

I see it as a distinction without a difference, and I think it would not be accurate to say that the current

process, as it now operates, is one which quite literally provides a competitive advantage to a particular company within a particular sector versus another, certainly within a geographic space. If the member has examples of, say, the Georgetown company getting a no and Roxul getting a yes and you just can't explain and you'd like me to explain why that happened, that would be one thing. But you're not saying that, and I just can't believe that you don't support that Roxul investment. I know you do, Mr. Chudleigh. You must.

Mr. Ted Chudleigh: I don't support the concept. If you're going to spend that money anyway, and you spend it in Milton, all well and good, but I don't support the concept. The example that I would give you is that the former Liberal government under Premier Peterson gave a rather large grant to Husky Injection Moulding, and at the same time Mold-Masters was asking for a similar grant. Mold-Masters was turned down. Husky received the grant. Husky has grown into a world supplier. Mould-Masters, on the other hand, has had all of their growth offshore. They still live in Georgetown and the company is still owned in Georgetown, but all their growth has happened offshore because they were ignored by the Ontario government. I suspect there will be other examples of that if the government continues down the road of supporting the winners and ignoring the so-called losers.

The Vice-Chair (Mr. Garfield Dunlop): Mr. Chudleigh, you've got five minutes in this round.

Mr. Ted Chudleigh: Thank you, Mr. Chair.

I guess that's my next question: Why would people who are not being subsidized—I gave the example this morning of a loser, H.J. Heinz Co., which went bankrupt in 1888. If it existed today, it would be a loser and turned down, and it has become one of the most successful multinational food producers in the world. Somebody who has difficulties on a balance sheet at the current time may turn into a real loser or a real winner. What would the government do to keep those people in Ontario when they haven't received any government subsidy? I'm suggesting that the business environment for a company operating in Ontario would be the true criterion of keeping someone operating in Ontario. That's what will create the opportunity for people to create a business in Ontario and to grow that business in Ontario, regardless of government action.

Hon. Michael Bryant: First, the short answer is risk management because it's taxpayer dollars, so we have to assess the balance sheet. I understand that you're expressing ideological concerns and so on, but businesses demand, call for and support these programs. Businesses are able to use them to enhance the economic activity of their company. I know that some commentators don't like what I'm talking about, but as you said, governments have been doing it for more than 30 years, including the frozen food industry, number one. Number two, businesses are supportive of this. Why? Because it assists this jurisdiction to be highly competitive with other jurisdictions. That is the state of the economy right now. The

existence of a form of grant or subsidy or incentive has been around, I'm sure the archaeologists would tell us, for centuries and centuries. Today, it finds itself in different forms, one of which is these types of jobs funds. The key is to ensure that everybody gets fair access, that it's an appropriate use of taxpayer dollars, and you have to have a process in place that is defensible and accountable to the public.

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Mr. Ted Chudleigh: Okay. Moving on to the automotive area, I think I heard your deputy or yourself say that the parts suppliers were paid on a 45-day basis, the 15th of the month for deliveries of the past month. Is that still in effect? Is that what I heard you say? Are parts suppliers still being paid on that 45-day schedule?

Mr. Philip Howell: As far as I know. I mean, that question was in the context of Chrysler.

Mr. Ted Chudleigh: Yes. And is that true for the rest of the parts industry, like General Motors?

Mr. Philip Howell: I don't know.

Hon. Michael Bryant: I'm not sure.

Mr. Ted Chudleigh: Okay. You haven't been down the General Motors road just yet?

The Vice-Chair (Mr. Garfield Dunlop): Two minutes, Mr. Chudleigh.

Mr. Ted Chudleigh: Equity in Chrysler: You took back some equity in Chrysler. Can you expand on what that equity is and what form that equity took?

Mr. Philip Howell: Well, it's common equity, but it will be common equity in the company that emerges from bankruptcy. It's not equity in the old Chrysler.

Mr. Ted Chudleigh: So you'll be a shareholder? Is that—

Mr. Philip Howell: Yes.

Mr. Ted Chudleigh: Preferred shares or common shares?

Mr. Philip Howell: No, common equity.

Mr. Ted Chudleigh: Common equity. So if Chrysler fails, the taxpayers of Ontario have lost their money.

Mr. Philip Howell: And if they succeed, they've got some upside.

Mr. Ted Chudleigh: So you're taking a risk with taxpayers' dollars.

Hon. Michael Bryant: Oh, there's no question that there are risks that come with any attempt by a government to provide financial assistance.

Mr. Ted Chudleigh: Was there any consideration of taking back some real property or some asset that could be—was that on the table?

Hon. Michael Bryant: You mean by way of secured—

Mr. Ted Chudleigh: By way of security. Instead of taking back the shares, could you have taken back some land, something that, regardless of what happened, you could have sold in the future? Was that on the table?

Mr. Philip Howell: The equity is in the new company. That type of security was on the table with the old company, in terms of loans that were advanced in the interim financing. In the context of the new company,

what the equity investment provides is the possibility of playing in the upside potential of the company. It also gives Canada one seat on the board of the new company that emerges, and gives a far better opportunity to be on top of the progress as the company moves forward—

Mr. Ted Chudleigh: Does Ontario have any input into who that person on the board might be?

Mr. Philip Howell: Consultation; the federal government will appoint. Again, the 2% equity is in the same two thirds/one third—

Mr. Ted Chudleigh: Government consultation—that gives me all kinds of faith.

The Vice-Chair (Mr. Garfield Dunlop): Thank you, gentlemen.

Hon. Michael Bryant: No, Mr. Chudleigh, I think that it will be a consensus. I mean, look, technically, it will be consultation but it will be a consensus appointment. I don't think it will be somebody that anybody could—

Mr. Ted Chudleigh: I'd recommend Mr. DesRosiers.

The Vice-Chair (Mr. Garfield Dunlop): Thank you very much, Mr. Chudleigh and the official opposition. We'll now go to the third party for 20 minutes.

Mr. Howard Hampton: I just want to go over some things that you covered in your comments and that I think Mr. Chudleigh discussed with you as well.

The rationale for the Chrysler investment was the sense that this was going to happen in the United States. The Obama government was going to provide debtor-in-possession financing and other financial assistance, and if Ontario and Canada did not get on board, Chrysler could continue to operate in the United States but wouldn't operate in Ontario. Is that correct?

Hon. Michael Bryant: You know, I don't think that that—in terms of the chronology of it, actually, when the Ontario government began discussing support for financial assistance, it was initially in a context when President Obama had not yet been elected, and then when he was President-elect. President Bush was saying in November, "TARP money is not available for auto." Congressional leaders were saying the energy money was not available. So, in fact, Canada was, if you like, leading the argument for providing assistance at the beginning, and certainly the fact that the United States then agreed to participate in all that I think made the argument even more persuasive, that assistance was necessary. But that certainly wasn't the order of things, from my perspective.

But you're right to say what you said about the reality that had Ontario not participated, there was an extremely high likelihood that that would have meant no more auto manufacturing in Ontario for Chrysler.

Mr. Howard Hampton: And the loss of many thousands of jobs—

Hon. Michael Bryant: Yes.

Mr. Howard Hampton: What are the penalties if the terms that have been set out in the Chrysler agreement are not met?

Mr. Philip Howell: They'd be in default under the terms of the agreement and the loans could be immediately repayable.

Mr. Howard Hampton: Okay. Those are the only penalties?

Mr. Philip Howell: Yes, essentially.

Mr. Howard Hampton: So you can call in the loans. Perish the thought, but I can't help going back to what the federal minister said. He said that he doesn't ever expect that the money will be repaid. What then?

Hon. Michael Bryant: I spent a significant amount of time dealing primarily with Minister Clement and some with Minister Flaherty. It was our ongoing assumption that these were loans that absolutely would be paid back. That's why some people in this room spent a lot of hours trying to get together an agreement that was in the best interest of taxpayers. This is a loan.

Mr. Philip Howell: Minister, if I can just expand on that, it might be useful for the committee to understand that under the terms of the plan that the US Treasury has put forward, and the conditions of the loans for Fiat coming out of the bankruptcy, Fiat cannot take control of this company until all the loans are repaid. So there's a very strong incentive in this deal for Fiat to repay those loans, and perhaps to repay them before the eight years are up, assuming that they ultimately—and every indication from conversations that their executives have had with both governments is that they want to assume control of the company and run the new company. They cannot do that until all the loans are repaid.

Mr. Howard Hampton: I want to get some more details on Ontario's equity position. As I understand it, Ontario and Canada together have taken how much equity?

Mr. Philip Howell: About 2%.

Mr. Howard Hampton: So what's Ontario—

Mr. Philip Howell: So we have 0.7, roughly.

Hon. Michael Bryant: Two thirds of—

Mr. Howard Hampton: So one third of 2%?

Mr. Philip Howell: One third of 2%, yes.

Mr. Howard Hampton: Okay. What role does Ontario play in choosing the Canadian appointee to the board?

Hon. Michael Bryant: The legal language we can talk about exactly, and I think it's consultation. But I would be very surprised if it's anything other than a consensual appointment, one which we agree with. There will be a list of people and then there will be an agreement on that list. I anticipate that it's going to be somebody with experience in the field as opposed to association with the Legislature or—

Mr. Howard Hampton: So you're saying that this hasn't been determined yet? This is still up for—

Hon. Michael Bryant: Who it is? Oh, absolutely, yes.

Mr. Howard Hampton: And the criteria by which they'll be selected hasn't been—

Hon. Michael Bryant: I'm not sure if—

Mr. Philip Howell: They'll be independent, i.e., they will not be government people; they will be business people or a business person.

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Mr. Howard Hampton: But you haven't agreed on who it is?

Hon. Michael Bryant: No.

Mr. Howard Hampton: And you haven't agreed on the criteria by which they will be selected? That matter is yet to be determined? Is that correct?

Hon. Michael Bryant: Correct.

Mr. Philip Howell: Again, just to clarify, the board we're talking about will be the board of the company that emerges in 30 to 60 days from the bankruptcy proceeding. There's no board that we have a right to have anyone on at the moment. It's the board of the new company—

Hon. Michael Bryant: A future board.

Mr. Philip Howell: Yes.

Mr. Howard Hampton: I wonder if we can turn to General Motors for a minute. When the announcement was made before Christmas, it was financial assistance for both Chrysler and General Motors. As you've pointed out, Chrysler received interim financing. Then it received the—well, it hasn't received it yet, but the debtor-in-possession financing has been outlined and agreed to, although I gather hasn't been advanced. Then there's the medium-term restructuring loans. What money was advanced to General Motors and under what rubric or what concept was it advanced?

Mr. Philip Howell: Okay. I think there are two things here that are important. There was interim financing that has been flowed to General Motors. In terms of all of the other financing—

Mr. Howard Hampton: How much was that?

Mr. Philip Howell: Canada and Ontario was up to \$3 billion. The Ontario share that has flowed already—Ken?

Interjection.

Mr. Philip Howell: I believe it's \$750 million. So our share would be \$1 billion of the \$3 billion of interim financing that was advanced to General Motors—

Mr. Howard Hampton: That money has all been advanced?

Mr. Philip Howell: No. At this point, \$750 million of the Ontario share has been advanced. What's going to happen going forward is very much the subject of negotiations right now involving the governments, the companies and the unions. The form and shape that any future support will take has not yet been determined.

Mr. Howard Hampton: So we're not at the point of debtor-in-possession financing because we're probably about two weeks short of that.

Of the money that's been advanced to General Motors so far, were there terms and conditions for that money? And what were they?

Mr. Philip Howell: Yes. Essentially, the money has been advanced to allow General Motors to continue meeting their ongoing business obligations, and that's the primary purpose of the interim support. That covers all normal payments to suppliers, contributions to pension

plans and so on. All of their normal, business-as-usual obligations are eligible for those. That's what the funds are being used for.

Mr. Howard Hampton: I take it that certain things, then, are not permitted?

Mr. Philip Howell: Yes. There are a range of exclusions around executive compensation, against transfers offshore, against payments to the parent company and so on. Yes, there are exclusions. It's really normal business—the way to think of it is, I think, covering what you would expect a company that was operating in a normal financial condition—

Mr. Howard Hampton: Well, you want to be careful with some of these normal operating procedures.

Mr. Philip Howell: No, no. I was going to say except that there are limitations in terms of executive compensation and distribution of funds to shareholders, which, in this case, is the US parent that owns GMCL 100%.

Mr. Howard Hampton: Were there repayment terms on this interim financing?

Mr. Philip Howell: There is an interest rate. Ken, can you—

Interjection.

Mr. Philip Howell: I believe it's the same as—actually, it probably isn't LIBOR. It's probably the Canadian overnight rate, which is the equivalent of LIBOR plus 5%. So it would be a minimum of 7%.

Mr. Howard Hampton: How much time do I have left?

The Vice-Chair (Mr. Garfield Dunlop): You have exactly eight minutes left. Then we're going to have a two-minute washroom break.

Mr. Howard Hampton: I want to move on to something else, something I personally found rather puzzling. At about the same time that it was announced that Chrysler was going into bankruptcy—and the government, as you've indicated, has come forward with debtor-in-possession financing—AbitibiBowater and its subsidiaries, Bowater and Abitibi-Consolidated, announced that they were going into bankruptcy proceedings. Is Ontario participating in that financial restructuring in any way?

Hon. Michael Bryant: No. Again, certainly the competitors of AbitibiBowater would have taken issue had the government done that. Secondly, financing was obtained by AbitibiBowater.

Mr. Howard Hampton: Financing was obtained by AbitibiBowater?

Hon. Michael Bryant: You referred to debtor-in-possession financing for them?

Mr. Howard Hampton: Yes. You're aware the government of Quebec has participated to the tune of \$100 million of debtor-in-possession financing with the Abitibi-Consolidated subsidiary. Abitibi-Consolidated has significant operations in Ontario, and by the last count, I think, probably has about 3,000 employees in Ontario. One of the rationales given by the government for participation in the Chrysler debtor-in-possession financing was to sustain jobs. Why would the govern-

ment not participate with AbitibiBowater, considering it has a significant footprint in Ontario in terms of production and in terms of jobs?

Hon. Michael Bryant: Firstly, I think it would be a mistake to think that the government provided DIP financing for Chrysler during Chapter 11 for the sake of providing DIP financing. In other words, the means to the end of providing financial assistance was a variety of sources, and one of them included DIP financing.

The government of Ontario is not in a position to provide DIP financing outside of extraordinary circumstances—this being the only exception I'm aware of. The economic development corporation is in a position to do so—not in every circumstance, but it has greater flexibility to do that. Again, you have a situation where the auto industry literally was in consensus as to the need for this assistance, whereas I would have thought that the competitors to that company would have taken great umbrage had financial assistance been provided to it.

I will leave it at that.

Mr. Howard Hampton: It seems to me the situations are analogous. The Quebec government has provided \$100 million of debtor-in-possession financing to the Abitibi-Consolidated subsidiary. We talked with officials in Quebec and they said, "Look, there are thousands and thousands of good jobs here, and we feel it's the role of government to help reposition this company and sustain these jobs."

If I follow the rationale that you gave, Quebec has extended debtor-in-possession financing, which, as I understand the bankruptcy laws, then gives them almost super-priority over equity holders, debt holders, bond holders. So Quebec will be at the decision-making table when it's decided what mills are closed, what mills are sold and which ones are kept in the restructured company, much the same rationale that the Ontario government recognized with Chrysler. You wanted to be at the table and you wanted to ensure that 20% of the production and roughly 20% of the jobs stayed in Ontario.

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If it's good for Chrysler Canada and it's good for Ontario to participate in Chrysler Canada, wouldn't it also be good to ensure that the AbitibiBowater footprint is sustained in Ontario and the thousands of good jobs that go with it are sustained in Ontario?

Hon. Michael Bryant: Two things. Firstly, to be fair, I should provide more information to the member with respect to assistance that's been provided to Abitibi-Bowater over the years by the Ontario government, but I'll need to consult with my colleague to get those details from the Ministry of Natural Resources. I'm not sloughing it off to that ministry. I'm just saying I'm going to have to get back to you to give you a fuller answer.

Secondly, again, while there's no question that the assistance that was provided to Chrysler and potentially to GM, to two companies, with the covenants around the supply—the economic assistance provided to those two companies amounted to assistance to stop the complete collapse of an entire auto industry, as opposed to, ob-

viously, the massive challenges being faced by an individual company. In that sense, there would be one distinction, and then the other distinctions I don't need to repeat—complete consensus within the industry. You don't have consensus within the industry you speak of. Also, we have right now a situation, as you describe, where in fact there is assistance at this time that appears to have been advanced to AbitibiBowater.

I do want to make sure I have all the information that I can get on it, and so I'll have to undertake to follow up to give a fuller answer on that.

The Vice-Chair (Mr. Garfield Dunlop): Mr. Hampton, you have just a quick question and answer. Just a minute left.

Mr. Howard Hampton: In fact, I think you'd probably find that there would be consensus around AbitibiBowater too, because the sawmills that ship their chips to AbitibiBowater need AbitibiBowater to survive. Otherwise, they have nowhere to send their chips, and if they can't sell their chips, then their economics go down the drain and they close. So there are literally dozens of other companies, some of them big, some of them small, who, just like the parts manufacturers, would be saying, "Do this," because it's not just the 3,000 or 4,000 jobs in AbitibiBowater; it's the 5,000 or 6,000 jobs that feed into this or that take off from this.

I just find the government's rationale for the one very convincing. I agree that the government should be there at the table with Chrysler and help in the restructuring and sustain those jobs. But it seems to me that if it makes sense with respect to Chrysler, it also makes sense with respect to AbitibiBowater. I can tell you, I don't think the Quebec representatives are going to be saying, "Keep the mills open in Ontario," just as the US congressmen wouldn't have been saying, "Keep Brampton and Windsor open," in terms of Chrysler. They'd be saying, "Keep the van plant in St. Louis and keep the car plant in Delaware," or wherever it is.

I find the differing approaches of the government really hard to reconcile here. Maybe you can reconcile it for me.

The Vice-Chair (Mr. Garfield Dunlop): We're out of time in the questioning now. You can maybe bring it up again—

Hon. Michael Bryant: Yes, I will follow up.

The Vice-Chair (Mr. Garfield Dunlop): We're going to recess for about three or four minutes, and we'll be back. We'll go to the Liberals for 20 minutes and we'll clean up with the Conservatives today for another 20 minutes. Okay?

The committee recessed from 1715 to 1721.

The Vice-Chair (Mr. Garfield Dunlop): Okay, we'll reconvene the meeting and we'll immediately start with the government. Mr. Naqvi.

Mr. Yasir Naqvi: Where to start? I've got so many questions here.

Your ministry, I think you explained, has gone through its third incarnation and it's a little less than a year old. Can you describe to us what the new ministry's mandate is, please?

Hon. Michael Bryant: Sure. Going back prior to 2003, it's had different iterations as well. Monte Kwinter used to be a minister for economic development and international trade in the 1980s. I can't speak much to the 1990s. I'll say that it was started in the traditional format of economic development and trade. Then particular focus was brought to particular areas of the economy that needed that focus, and with it the heft of experts and professional civil servants that come with it and the energy that comes with it. That brings an attention and just time to international trade, for example, to the international marketing that takes place, to research and innovation, to small business, separate and apart from the work done within the Ministry of Energy, separate and apart from the work done within the Ministry of Finance. So most domestic business-facing solutions done within the government are undertaken primarily through the economic development ministry as a lead, which is not to say that other ministries are not participating. They are, crucially so.

Number two, in addition to the Ministry of Finance, all economic ministries participate in the articulation of our various strategic priorities. The administration of the funds already spoken to is a significant part of the job. So to a certain extent Minister Papatello, with companies that she may be interacting with for the first time overseas or in the United States or otherwise internationally, will then connect them to the Ministry of Economic Development or the Ministry of Research and Innovation to explore whether or not funds or loans are appropriate.

And addressing domestic—i.e., Ontario—business issues, so that if there's a company in the province that wants to talk about their future, whether it be with respect to funds or lowering costs or whatever it may be—obviously I engage in outreach with those companies.

We acknowledge as well, obviously, the connections between Ontario companies and other Canadian companies. We work closely with Minister Bachand in the province of Quebec on an interprovincial trade agreement that has been under way since before I had the portfolio, and work with other provinces, including Alberta. Ontario sent a delegation there to try and become an even greater part of the supply chain to Alberta industry.

Mr. Yasir Naqvi: You've talked in earlier comments about the context the current global economic crisis is providing to your ministry, to your role as a minister within that ministry and the kinds of activities you have to undertake. What kinds of programs and tools that we haven't really talked about have you developed and are you employing to meet the challenge we're facing right now?

Hon. Michael Bryant: Some of the most effective tools include the funds and the loan programs. If you like, we can get into how they work.

Mr. Yasir Naqvi: We'll get to that.

Hon. Michael Bryant: Okay, and you can feel free to tell me about how business is going in your great part of the world as well, but you keep going. I want to hear all about Ottawa. Keep going.

Mr. Yasir Naqvi: Before I get into specifics about Ottawa, what's important, I think, for the discussion here today—and it did come up when Mr. Chudleigh was asking the questions and I think you wanted to get into a little bit of detail about it—is the issue around accountability and transparency of these funds which you've mentioned, which are part of your ministry. I'm very interested in learning about the process by which your ministry goes around working with a company which may be seeking, let's say, the Next Generation of Jobs Fund, and ensuring that from a public policy point of view and from an accountability point of view, the public purse is well protected. Can you or your deputy walk us through the whole process there is if I'm company X from Ottawa and I knock at your day, saying, "I'm looking at this fund for this particular reason. How do we go around that process and what are the steps?"

Hon. Michael Bryant: Okay. How much time do we have, Vice-Chair?

The Vice-Chair (Mr. Garfield Dunlop): You have 14 minutes.

Hon. Michael Bryant: Okay. Deputy, the floor is yours.

Mr. Philip Howell: Okay. What I'm going to do is ask the director of that fund to come forward and explain the process—Fernando Traficante. As he does that, I would just note that in terms of the transparency aspect of the question that you ask, the details—application form, criteria, process etc.—are all available on the ministry website, downloadable and very easily accessible.

Fernando, do you want to—

Mr. Fernando Traficante: Sure. There are a number of processes. We like to talk to companies well in advance of a submission of an application. The purpose for that is so that they really understand the nature of the program and of the objectives. There really are three things that we're trying to do with respect to the Next Generation of Jobs Fund in terms of its objectives. The first is to support investments which are, secondly, innovative, and thirdly, create high-value jobs. We try to work with companies that may achieve those kinds of objectives and we ask them to submit to us a draft summaries and application so that we can review with them, walk them through the process and make sure that they understand.

This is not an effort to play "gotcha" with anyone. This is an effort to work with companies so that they can put their best case forward and so that they can define how they are going to create innovation in the province and how they're going to create jobs. So we work with them well in advance, as often as we can.

Once a company actually has what we call a full and complete application, they would submit it to us. There are a host of ancillary documents which are required with respect to that full and complete application, such as, for example, financial statements, descriptions of innovation, a full business case, very clear financial information and how the company is going to actually fund the project. Because we can only provide 15% of the funding re-

quired to fund an overall project, the company has to come to the table with the 85%. We're looking for that to be as committed as possible, so committed funds are the best. Then, if they are going to be funding it through revenues in the future, we need to understand what that looks like—so a full and complete application.

When we receive that, I typically would then send them a letter within two business days that says it is a full and complete application. That letter basically starts the clock. We have a service commitment to provide an answer to the companies within 45 days. I'll be frank: We haven't always made that, but we certainly make a serious effort to achieve that response within 45 days. So that clock starts to click from the date on which they submit a full and complete application.

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We then basically parse that application out to folks, if you will. There's a case manager within our ministry who is responsible for coordinating and undertaking the analysis. We also work with independent financial advisers who undertake due diligence with respect to the company, and we also work with independent technical reviewers who look at the technology to confirm that the innovation takes place.

We try to do all of that within approximately 10 days. That usually entails a site visit by the technology reviewer as well as the due diligence provider, accompanied with our staff. That gets translated into reports to us, which we then translate into a decision document for the minister.

That decision document goes to a committee of interministerial colleagues of mine, which I chair. That committee is comprised of director-level people from the Ministry of Economic Development, the Ministry of International Trade and Investment, the Ministry of Finance, the Ontario Financing Authority, the Ministry of Research and Innovation, the Ministry of the Environment and, for the biopharmaceutical investment projects, somebody from the Ministry of Research and Innovation as well—a second person—and a person from the Ministry of Health. We communicate broadly across the system to ensure that the company is in fact being innovative and that they are compliant with all government laws, with environmental regulations and with labour legislation. We review those and then make recommendations; that committee would make a recommendation.

From there, it goes to a second level, which is what we call independent reviewers. These are three individuals on contract to the ministry. They are two ex-deputy ministers and an ex-assistant deputy minister. They look at the project from the perspective of accountability and transparency. They basically are not looking at the conclusions—they are not making a recommendation as such—but they are looking at the process: Has it been fair? Have we looked at all of the proper information? Have we been able to articulate that proper information in a fashion which is clear? Finally, they look at it to confirm whether or not all of the questions and issues that ministers would want to know have been articulated

in the document. They in turn sign off on that document and confirm that that information is there.

From there, it goes to a committee of deputy ministers. There are four deputy ministers involved in the process: Deputy Minister Howell, the deputy minister from international trade and investment, the deputy minister of research and innovation and the deputy minister of finance. They are then briefed, and they confirm or make the recommendation, ultimately, to the ministers. The four ministers who are involved in the decision-making are again the same ministers, and Minister Bryant is the chair of that group. The ministers are the ultimate decision-makers in the process, but they are basically making the decision based upon the best information that we possibly have to ensure that the process is both transparent and objective.

Ministers make the decision. From there, we would proceed in negotiating a letter of offer with the company, which is essentially setting out the contractual terms and conditions. The contractual terms and conditions are things like the investment occurring, the jobs being created and the innovation actually taking place. We have commitments, legal contracts, which accompany every one of these. The companies would be expected to sign off on those legal contracts.

So there are two stages. One is the general business terms, which is the letter of offer. Once that is agreed to and signed by the company and by the government, then we would negotiate a letter of agreement, which is a formal contract which translates those business terms into a larger contract. That's the basis upon which funding is actually flowed. No funds flow until the actual legal contract is signed by both parties.

Mr. Yasir Naqvi: And all this is being done in 45 days?

Mr. Fernando Traficante: No. The decision by ministers is being done in 45 days. The letter of offer typically takes a little longer.

Mr. Yasir Naqvi: You did mention that 45 days has been a bit of a challenge, and I've heard from some constituents who have tried to access these funds that that tends to be sometimes not followed. What are some of the challenges in that whole process you've described you're facing in practice?

Mr. Fernando Traficante: The biggest challenge is really the quality in the information that we get. The issue comes down to whether, in the process of due diligence, both technical review and financial, the information is sufficient for us to be able to draw adequate conclusions. So we actually have a method of putting stops to the clock.

For example, in our due diligence review, if our financial reviewer goes to a company and says, "You're saying you have a commitment against part of the funding—we'll say 20% of the funding is from this source. Show me what that commitment looks like." If the company is not able to show that commitment, then we stop the clock until the company can show and demonstrate and provide the answers to these questions,

because we don't want to bring a recommendation to a minister where there are holes in the information. We want to make sure that the ministers have full and complete knowledge about the project when we bring it forward to them.

So if the company is asked a question on the technical side or on the financial side that they're not able to answer, we give them 24 hours to answer the question. If they can't answer the question within 24 hours, we put a hold on the project until such time as they get back to us with a full and complete answer. Once we have a full and complete answer, that restarts the clock.

Mr. Yasir Naqvi: Okay. You mentioned three criteria, and I've got two that I wrote down—innovative, high-value jobs—and what was the third one?

Mr. Fernando Traficante: Investment.

Mr. Yasir Naqvi: Investment. Those are the three things you're looking at. When you say "high-value jobs," can you describe that criterion and what you mean by that?

Mr. Fernando Traficante: Sure. We don't have what I would call a quantitative definition. What we look at are two things: First, we're looking that the jobs are at the top half of the average industrial wage, but that's a pretty crude measure. What we really look at is, what is the quality of the jobs. Are they highly skilled jobs? Do they require a significant technical level? Do they require significant competence? Do they require significant education?

So those are the kinds of qualities we look at, and we compare it to the average industrial wage, which is the overall economic measure, but we also look at the high-value jobs relative to the particular industry it's in. For example, if it's a pharmaceutical industry, we're certainly looking for highly educated jobs within the pharmaceutical industry rather than sort of packaging jobs, as such.

The Vice-Chair (Mr. Garfield Dunlop): You've got a couple of minutes left, Mr. Naqvi.

Mr. Yasir Naqvi: Oh, okay. Actually, I think one of my colleagues had a question about one of the programs, so I'll ask Mr. Leal.

Mr. Jeff Leal: Minister, it was great to see you consuming a granola bar there that's manufactured by the hard-working men and women of Quaker Tropicana Gatorade in Peterborough, so thanks so much for promoting our products that are made by 600 men and women who are employed in that company.

The Vice-Chair (Mr. Garfield Dunlop): You're not supposed to be eating in here, by the way.

Mr. Jeff Leal: Well, I just want to give credit where credit's due. One of the best, right?

Hon. Michael Bryant: I'm here to stimulate your economy, Mr. Leal.

Mr. Jeff Leal: Well thank you, sir. I appreciate that.

I'll just go to a question on behalf of my colleague Jim Brownell and myself. The eastern Ontario development fund, which has been very successful, is targeted to those business and industry and tourism opportunities in the

greatest part of Ontario, eastern Ontario. If you could, Minister, provide some commentary on the eastern Ontario development fund and the allocation for that fund for fiscal 2009-10, please?

The Vice-Chair (Mr. Garfield Dunlop): A couple of minutes, Minister.

Hon. Michael Bryant: Well, I'll have to deal with this as well on a follow-up question, because this has been successful and it is to the credit of all the eastern Ontario MPPs of all party stripes that we've been able to reach out into communities and meet with and provide some assistance to some businesses.

But in terms of the parameters of the program, I think I'm going to defer to Deputy Howell, who can speak to the program itself, and then hopefully we'll get to speak about it again in a future round of government questioning.

Mr. Philip Howell: Okay, just very quickly because the time is limited here, it is a grant program. The budget this year is \$22.3 million. As the minister mentioned, it's focused on a wide variety of businesses in eastern Ontario. I can bring someone up who can take us through the details of the fund again, but perhaps that would be later in the—

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Mr. Jeff Leal: If you'll just give us the Reader's Digest version, Deputy Minister, that will suffice, I think.

Mr. Philip Howell: Okay. The grants are to businesses, municipalities and not-for-profit associations. It focuses entirely on economic development initiatives, and can cover capital investment, infrastructure investment, worker training and also investment attraction. It's focused on smaller companies, but companies with 10 or more employees. To be eligible, the companies that are seeking assistance have to meet certain parameters in terms of job creation, and also have to have a minimum of \$500,000 in investment.

To date, there are 10 projects that have been announced over \$4 million. The project investment associated with that is \$28.6 million, and over 160 jobs are involved.

Mr. Jeff Leal: And you'll keep eating those granola bars.

The Vice-Chair (Mr. Garfield Dunlop): Yeah. Thank you very much, Deputy.

We'll finish today with the last round going to the official opposition.

Mr. Ted Chudleigh: Perhaps the member could undertake to supply the committee with some granola bars.

Hon. Michael Bryant: Done.

Mr. Ted Chudleigh: This committee is getting far too relaxed.

Going back to the automotive sector, Minister, we were talking about Bramalea and Windsor, and I think there was the suggestion that it was the hope that both of these Chrysler plants would survive the restructuring. In the questioning by the third party, there was a 20% guarantee of the production levels in Ontario. However, I take

it that there was nothing in the agreement that would protect the labour levels, nor was there anything in the agreement that would protect the parts supply. Is that correct?

Hon. Michael Bryant: Just on supply, there were prescriptions around the use of the funds provided to include that they, in essence, pay their bills to their suppliers. As to a prescription as to what suppliers they use, no, there was not that. As the member knows, the discussions between management and labour as to exactly what the human power is going to be, going forward, and exactly what are the wages and benefits and so on—that was the subject of enormous negotiations—very tough negotiations—between labour and management.

For the government to then layer another restriction on top of that to potentially scuttle that was not the approach we took under these circumstances. Rather, we said we will provide dollars for a footprint, and in exchange, labour and management will work out how that translates in terms of jobs. I know that Mr. Lewenza, the head of the CAW, would be able to provide information as to how that might look.

Mr. Ted Chudleigh: I think that's the area that concerns me. In an average automobile, there is probably 35% to 40% in labour costs. However, when that automobile goes down the assembly line, there is probably something closer to 7% in labour costs to that automobile. Ten, 15 or maybe 20 years ago, there was probably 30% in labour costs going down the assembly line and maybe 10% or even 15% in parts supply.

I know that Karmax, the Magna plant in Milton, used to stamp out dashboards for Chrysler. The dashboards would be installed in Windsor, and then people would go underneath the dash and hook everything up. Today, those dashboards are stamped out in Milton; they go across the hall and are wired up at a bench in one yoke. After it's punched into the grille, one yoke hooks it all together.

All that labour has been transferred from the assembly line to the parts plant. You can well imagine—that parts plant also stamps out the roofs of the Jeep Cherokee; you can imagine a roof panel. It's corrugated, it's relatively flat and it's an easily nested part. It could be easily shipped around the world in a container. It would not be difficult to transfer that part from being manufactured in Magna, Ontario, albeit Milton, to being produced in China somewhere or in India.

In this labour agreement, I take it there was no agreement to ensure that the labour that manufactured the parts—or that the parts themselves would be assembled in the Ontario, Canadian or even, for that matter, the North American marketplace.

Hon. Michael Bryant: Where the supplies come from was not the subject of the agreement.

Mr. Ted Chudleigh: I'm suggesting that there should have been a clause in it that covered that.

Hon. Michael Bryant: I see. Well—

Mr. Ted Chudleigh: But there wasn't, I take it.

Hon. Michael Bryant: There wasn't in the United States, and there wasn't in Canada. What comes around

goes around. I suppose that reciprocity was found in allowing the North American marketplace to work that out. It has worked out quite successfully in Canada, thanks to those companies, and—

Mr. Ted Chudleigh: To this point in time. Going forward, we don't know where those parts are going to come from or what labour is going to manufacture them.

Hon. Michael Bryant: I have a lot of confidence in the auto supply industry in Canada, and in Ontario in particular. History suggests that's a prediction that is based on a lot of success in the past.

But what the member is getting at, I think, is around trying to effect the retention of a certain amount of the economy in Ontario. This is the balance that we have to find in the global marketplace: How much does the state provide in terms of restrictions to protect its workers? Yet on the flip side of it, does that in turn drive out investment and, of course, create reciprocal, punishing, protectionist restrictions right next door?

The goal is always to find that balance. We sought to find it in this case, and I believe that we found it in the form of proportional funding for proportional production.

Mr. Ted Chudleigh: History will see if you were right or not.

Earlier, you mentioned, to Mr. Hampton's question, that the cash that flowed late last year, or earlier this year—late last year, I guess—actually flowed to the US parent company of Chrysler and then was paid back into Canada. Is that correct?

Hon. Michael Bryant: Firstly, it wasn't last year. All the money would have flowed this year.

Mr. Ted Chudleigh: Earlier this year. I'm sorry.

Hon. Michael Bryant: Just as the Canadian company was receiving operating financing for a period of time without the assistance, it then received operating assistance through its head office. But just so we're clear: There is no doubt that this was about Canada supporting Canada. The US dollars that were forwarded supported the US. We agreed to fund each other's operations.

Mr. Ted Chudleigh: Is there documentation that would show that 100% of these funds came back to Canada? You can assure me that they came back to Canada. Is there something documented that would show that?

Hon. Michael Bryant: Allow me to make efforts to look into what we can find, either for today or for the future.

Mr. Ted Chudleigh: And one other question on the automotive sector: Will your government provide pension relief to GM retirees?

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Hon. Michael Bryant: No. The government has said that we're in the business of providing assistance to the companies, and we've certainly affirmed that again and again. The companies are hard at work trying to determine a bright future for General Motors. We were able to effect that so far, and hopefully through Chrysler, but I think the Premier has been pretty clear on that.

Mr. Ted Chudleigh: One other question: Ontario taxpayers do own an equity in Chrysler, and you took it

back in shares of the new company. Could you tell us how much that equity would be worth?

Hon. Michael Bryant: Chrysler?

Mr. Ted Chudleigh: Yes.

Hon. Michael Bryant: Valuation—

Mr. Philip Howell: No. The company doesn't exist yet. The company will emerge and the capitalization of the company will be determined when it emerges.

Mr. Ted Chudleigh: What are the parameters of valuation of that? We've put a lot of money in—what is it, \$330 million? What's our equity share? We don't know yet. I understand that. The shares aren't out. The shares aren't valued. How will we know how many shares we get? What's the criteria?

Mr. Philip Howell: Canada and Ontario will get 2% of the common equity that is issued when the new company emerges.

Mr. Ted Chudleigh: The new Canadian company?

Mr. Philip Howell: No, the new Chrysler. There will be no shares for Chrysler Canada. It will be a wholly owned subsidiary of Chrysler.

Mr. Ted Chudleigh: Okay. I see. Thank you very much.

You've bailed out Chrysler and GM, and we've talked about one of us holding our nose, one of us not holding our nose too much on that issue. I wondered how you justified bailing out Chrysler and General Motors while letting other companies go it alone. I'm specifically thinking of Nortel, which is in very much a similar circumstance, looking at bankruptcy. Certainly it has the capabilities of a recovery that would match the opportunities available for Chrysler and GM. In fact, Nortel may have a brighter future, given some help. Are they on the table? Is that something that you're looking at? How can you justify helping one sector and not the other?

Hon. Michael Bryant: We help all those sectors. We provide assistance to all those sectors. We loan dollars to all those sectors. We provide grants to all those sectors.

The issue of providing what amounted to emergency financial assistance, I see as separate, in that it's not as if there's an existing program to which a company would turn to to make the case that the collapse of their business will suffer an acute, economic shock on the province of Ontario. None of that is to suggest that for those families affected, for those shareholders or investors, this isn't a terrible, horrible, acute economic shock for their lives—it is.

The situation right now is such that there are companies that we're able to provide assistance with who meet the criteria of the programs. We're not going to be able to do everything, at the risk of sounding more like Ronnie and less like his counterpart—rather, there's a role for government to play here. This instance of the auto industry's assistance was extraordinary, unusual, exceptional, and the distinction between the two is found in all the reasons I've set out before. One was about an entire industry which happened to be in one province, most of the suppliers of which were in one province, all the competitors of which consented, and the impact

being, as discussed, a very huge proportion of the GDP of the province. Under those circumstances, the provision of assistance was seen as a better alternative to the risk of collapse of the entire industry, the suppliers and the untold number of jobs that come with it.

You're making this very good point, which is this: There are other businesses, companies and workers that are suffering, and seriously suffering. There's no question about that. Is the government going to be able to assist all of them? No, they aren't going to be able to.

Mr. Ted Chudleigh: I would suggest to you, Minister, with the greatest of respect, that Nortel may very well have a greater effect on the province of Ontario than Chrysler would; certainly not as much as General Motors, but I think it would rival—not knowing the specific figures—the experience of Chrysler in the numbers of people, the numbers of dollars and the numbers of jobs. Perhaps even the potential in the future would far surpass the future of Chrysler, in which Chrysler is going to be a very much smaller company. Ten years from now I don't think we'll recognize the company of Chrysler. I think it will very much be a Fiat-type company if Fiat has the staying power, which they have not demonstrated in other ventures in other countries, where they have gone in and left again, as they left North America some years ago.

I would take issue with the fact that Nortel should be completely passed away if we're going to be in this business. Therein lies one of my concerns about getting into this business: Where do you draw the line? Apparently you've drawn the line there, and if I were a Nortel employee—past or present—or if I were an executive with Nortel I would wonder why the government doesn't consider me to be an equal Ontarian along with General Motors and Chrysler, which are foreign-owned subsidiaries, with Nortel being an Ontario-based and Canada-based company, born and bred here. I think that should give you some concern as to where you make those decisions, decisions that I would point out I don't necessarily agree with, and if I did agree to them, I would certainly do it with some remorse. Therein lies the problem: Which cat do you bell, and who bells it?

The Vice-Chair (Mr. Garfield Dunlop): A little over three minutes left, Mr. Chudleigh.

Mr. Ted Chudleigh: I'll ask the minister to respond to that.

Hon. Michael Bryant: If I understand you, I think you're saying that you're opposed to the provision of financial assistance, but once you're in the business of providing financial assistance, then you ought to be providing assistance to Nortel.

Mr. Ted Chudleigh: Based on your criteria of size—again, we're looking at two companies here that don't

meet the criteria of the grant structures that you're talking about. It's becoming a tangled web.

Hon. Michael Bryant: I hope I didn't suggest it was straightforward, but you certainly don't have the competitors of Nortel all agreeing to assistance to provide for restructuring outside of CCAA, number one. Number two, again, any company is able to come to the government, and does come to the government, seeking assistance in a wide variety of ways, and that's available to everybody. You're right: Once you're in this business, who do you say yes to and who do you say no to? We provide assistance based on the criteria that we set out: There has to be an investment, it has to be value-added jobs, it has to be innovative and it has to have a solid balance sheet. The exception to that was provided internationally to the auto industry in a fashion that you've not seen rivalled in another industry, internationally, at this time.

Mr. Ted Chudleigh: Has Nortel come to the government for assistance?

Hon. Michael Bryant: Certainly we work with Nortel; we speak with Nortel. It is an important company; it's an historic company for Ontario. There continue to be conversations with executives as to the state of that company because it is such an important company to Ontario. The specifics of that, you'll understand—we provide those kinds of specifics in the event that we provide an award to a company, but in the event that we don't, we don't get into what the discussions were. You're right to insist that we are reaching out and seeing what we can do to work with Nortel, and we're doing that.

Interruption.

The Vice-Chair (Mr. Garfield Dunlop): Guys, I think that's—

Mr. Ted Chudleigh: I heard the bell toll.

The Vice-Chair (Mr. Garfield Dunlop): Yes, Mr. Deputy?

Mr. Philip Howell: Mr. Vice-Chair, I just want to correct a statement that I made earlier to Mr. Hampton, talking about the interim loan to General Motors. I mentioned that the rate was CDOR plus 5%, with a minimum of 7%. In fact, the rate is CDOR plus 3%, with a minimum of 5%—which makes sense; it's for a much shorter term than the eight-year loans to Chrysler.

The Vice-Chair (Mr. Garfield Dunlop): Okay. Thank you very much, everyone. That was a good afternoon.

We'll be meeting tomorrow. We'll adjourn until tomorrow, May 13, at 3:30 p.m. It is now adjourned.

The committee adjourned at 1801.

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