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Tuesday 1 June 2010

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Mardi 1^{er} juin 2010

**Standing Committee on
Estimates**

Ministry of Revenue

**Comité permanent des
budgets des dépenses**

Ministère du Revenu

Chair: Garfield Dunlop
Clerk pro tem: William Short

Président : Garfield Dunlop
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Tuesday 1 June 2010

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The committee met at 0901 in room 151.

MINISTRY OF REVENUE

The Chair (Mr. Garfield Dunlop): We'll call the meeting to order. Good morning everyone. Good morning, Minister Wilkinson, all the members of the Ministry of Revenue and everyone else on the committee. We're here for seven and a half hours to discuss the estimates for the Ministry of Revenue.

How we start is, the minister normally has 30 minutes to start, then we go to a response of 30 minutes from the official opposition. Ms. MacLeod, you and your colleagues can either make a 30-minute opening statement or you can go directly into questions with the minister. Then we can move to the third party for 30 minutes for their response and the same thing can apply: You can have a long response or you can go right into questions and answers. Then we go back to the minister for another 30 minutes. The minister can respond for up to 30 minutes or you can go right to questions and answers, but questions and answers have to start at the official opposition, so they would start in 20-minute rotations at that point until we complete the seven and a half hours.

Ms. Lisa MacLeod: Mr. Chair?

The Chair (Mr. Garfield Dunlop): Yes?

Ms. Lisa MacLeod: I'd like to seek unanimous consent from the committee for two stakeholders per political party to provide delegations for 15 minutes apiece, with an additional 1.5 hours added to the allotted time for the Ministry of Revenue for a total allotted time of nine hours.

The Chair (Mr. Garfield Dunlop): I'm sorry, Ms. MacLeod; at this point we had the original choice of the amount of time each party could use, and at the selection process time, the time we selected each of the ministries, it was agreed that this particular ministry would spend a total of seven and a half hours. Everyone agreed to that, so I have to rule that would not be—

Ms. Lisa MacLeod: Okay, so unanimous consent of the committee—

The Chair (Mr. Garfield Dunlop): We can't even ask for unanimous consent on that at this point. Okay?

Ms. Lisa MacLeod: Okay. Thank you very much for the clarification.

The Chair (Mr. Garfield Dunlop): Thank you.

With that, we'll now begin. We'll start with the minister. You have up to 30 minutes. I want to point out also,

ladies and gentlemen, that we do recess at 10:20 each time on the morning rounds. Okay? Thank you.

Minister, go ahead.

Hon. John Wilkinson: Good morning, Chair. Thank you so much, and thanks to all of the members of the Standing Committee on Estimates for this opportunity to speak with you this morning. I'm joined this morning by my assistant deputy ministers, Bob Laramy and Terry Hewak, and many of our ministry team here. My deputy will be joining us this afternoon.

I am particularly proud of the work that the Ministry of Revenue does for the people of Ontario and I'm pleased to have this opportunity to talk with you about the work we have done over the past year, our successes and our future plans.

As you know, the work of the Ministry of Revenue is important to Ontario's future success. Our work directly supports the government's Tax Plan for Jobs and Growth, which is designed to ensure Ontario is one of the most competitive jurisdictions in the industrialized world. We administer most of the province's tax statutes as well as a number of tax incentives and benefit programs. The revenues we collect provide the fiscal foundation upon which many of the government's programs rely.

We are a fair tax collector. By that, I mean we work hard to educate the public about their responsibilities and encourage voluntary compliance. Our efficient tax and benefit system is one that Ontarians can be proud of. We offer education and outreach services to encourage voluntary compliance, and yes, we do discourage non-compliance through enforcement activities. This work is vital to Ontario's economic health and well-being. That is something I take very seriously.

The Ministry of Revenue has had a very successful year and I want to take a moment to highlight for you some of the things we've achieved for the people of Ontario.

It's been a very busy year when it comes to tobacco tax enforcement. In five of the last seven years, Ontario budgets have strengthened enforcement against the illegal manufacture and sale of tobacco products. Convictions under the Tobacco Tax Act increased by 44% in fiscal 2009-10 from the previous fiscal year as a result of these steps.

Over the two years ending with March 31 of this year, about 77 million illegal cigarettes, 346,000 untaxed cigars and 33 million grams of fine-cut tobacco had been

seized by ministry investigators and inspectors. Those 77 million illegal cigarettes that we have seized, if we could stack them end to end, would dwarf the CN Tower. In fact, it would be roughly the height of 12,500 CN Towers. The untaxed cigars that we have seized, if stacked end to end, would be the height of 56 CN Towers. And when it comes to fine-cut tobacco, when weighed together it would rival the weight of seven African elephants.

Not only do we seize illegal product, we also lay charges against those found to be violating the Tobacco Tax Act. Ministry staff conduct an average of 600 retailer inspections each month, and since March 2006, penalties assessed against those violating the Tobacco Tax Act total over \$14.6 million. I have had the privilege of riding along with our inspectors as they do this important work.

Combatting the illegal tobacco trade is a very complex matter needing the active leadership of the federal government as well as the involvement of Ontario and Quebec, New York state, the US government, various police agencies and First Nations. The Ministry of Revenue participates in many joint operations and investigations to enforce provincial and federal tobacco laws. Recent efforts to target off-reserve smoke shacks have resulted in the closure of some of these businesses.

We have also worked hard over the past few years to modernize our systems and streamline our services to make it easier for taxpayers to do business with us. Our goal for this year, 2010-11, is to have taxpayers using online services to remit payments 55% of the time. That's roughly 275,000 online payments. In addition to providing taxpayers with the option of online payments, we've introduced a single, toll-free phone number for ministry programs and new Internet services, providing taxpayers with self-serve options to manage their tax accounts. We are modernizing our tools, responding to the needs of the business community and making it easier for taxpayers to work with us.

Internally, we have improved our data capture and payment processing technology. This dramatically reduces the administrative burden of managing government revenue by simplifying remittances, data processing and image capturing. We are now able to process, with an amazing degree of accuracy, 92% of Ontario's revenue on the same day that it is received. This means that we are updating IFIS faster and optimizing cash flow available to the Ontario Financing Authority.

0910

Of course, with the announcement of the largest tax reform in over 40 years, including the HST, this has had a significant impact on our ministry.

Before talking about the many positive impacts of tax reform and what it means to Ontario, I want to talk briefly about how the ministry has worked to transition from the current retail sales tax to the federally administered harmonized sales tax. It takes considerable work to process RST returns and refund claims; complete audits; handle objections, appeals and interpretation requests; and collect outstanding retail sales tax accounts.

We are doing that work while meeting our regular business targets and transforming, with the federal government, sales tax in Ontario. I'm very proud of ministry staff for all the work they have done in these areas in anticipation of the July 1 change.

For the past six and a half years, the McGuinty government has been strengthening Ontario's economy by investing in the skills and education of our people, creating partnerships with business, making investments in research and innovation, cutting taxes for business and people, and investing in the infrastructure that keeps our economy moving. Creating that climate started with a package of tax reforms that will modernize our tax system to make us more competitive and create more jobs. It's something that we had to do. The recession showed us that change was an absolute must.

I've had the opportunity to go right across this province and ask the same question to regular people, which is: Do you think the economy, after the recession, is going to be the way it was or do you think it's going to be different? Overwhelmingly, people tell me that the economy of the future is going to be different than the economy we have enjoyed in the past. That's why people have told us that the status quo itself is unacceptable; that we must change.

So it has been one of those rare occasions, something that occurs at most once in a generation, when we are all forced to ask ourselves some fundamental questions about the way we're doing business, about the structures and systems we've taken for granted for so long. And nowhere was there a better place to start than with the outmoded sales tax system we've been using since 1961, when I was just two years old, and when many on this committee had not even been born yet. When we look at the data, it is clear that Ontario is an export-oriented jurisdiction. We export the majority of the goods and services we produce, yet we still tax the inputs needed to make these goods and services in the first place. Quite simply, the dual sales tax system we are using today is a hindrance to Ontario businesses, one we can no longer afford.

In almost all of the advanced economies in the world today, there is but one sales tax, and it is a value-added tax. More than 140 countries now have the tax system we are bringing in on July 1. Ontario cannot afford to fall behind. We compete globally, and therefore we have to be competitive globally. As a government, we need to make sure that there are jobs today, jobs tomorrow and jobs for the next generation. That is the most important thing we all must focus on, coming out of what people refer to as "the great recession," the first time that the global economies have shrunk at the same time since the dirty thirties.

The speech from the throne launched our comprehensive five-year Open Ontario plan to create jobs, grow our economy and build a stronger Ontario. The plan begins with creating a climate where businesses can thrive, create jobs and build innovative new products to sell to the world. Open Ontario will enable us to get

ahead of the curve in emerging industries, like the green energy and clean water sectors, and it will allow us to thrive in the knowledge economy over the long term by strengthening post-secondary education for all Ontarians.

Tax reform, including the harmonized sales tax, is also a key component of Open Ontario because it will help create a climate where businesses can thrive—because Ontario is open to change, open to opportunities and open to our new world. It will make our businesses more competitive, get people back to work and cut taxes.

Why is the HST an essential item to make Ontario stronger? It is essential because we need to modernize our tax system to make us more competitive and, thus, create more jobs.

Starting July 1 this year, Ontario's businesses will deal with one sales tax instead of two, one set of rules instead of two and one level of government instead of two. Businesses will enjoy tax savings under the HST through input tax credits. They will further benefit from more than \$4.6 billion in business tax relief over the next three years, as announced in our 2009 budget. This means that businesses will have more money to invest in growth and job creation.

Independent economists have looked at our comprehensive tax package, and they like what they see. University of Calgary economist Jack Mintz looked at our whole tax package—the HST and our tax cuts—and said that it would create nearly 600,000 more Ontario jobs over the next 10 years, including over 100,000 in manufacturing alone. He said that as a result of the changes we are making, Ontario will see an increased capital investment of \$47 billion. That's like Ontario getting five new car assembly plants every year for the next 10 years. Finally, Dr. Mintz looked at our plan and said it would result in an increase in overall annual worker incomes of up to 8.8%. That's \$29.4 billion a year in additional income. These are significant numbers.

We took many steps in addition to the harmonized sales tax to support Ontario through the worst global economic downturn in 80 years. A lot of people like to talk about the HST as a one-off, but it's actually part of Ontario's Tax Plan for Jobs and Growth.

Business will also benefit as we are dramatically cutting the general corporate income tax rate from 14% to 12% as of July 1 this year and then again to 10% over the next three years.

The corporate income tax rate on income from manufacturing and processing, mining, logging, farming and fishing will be reduced from 12% to 10% on July 1.

On July 1, we're permanently cutting the small business corporate tax rate from 5.5% to 4.5%. As well, we're eliminating the small business deduction surtax, making Ontario the only province to eliminate this barrier to growth. I've always said, as someone who comes to this place from a small business, we actually have a tax on small businesses just as they really start to cook. The number one source of new jobs in this economy is small business. There is not a large business that didn't start as a small business. So we're the very

first province in this country to eliminate that tax barrier to growth.

These tax cuts are in addition to more than \$1.6 billion in annual savings for businesses from the elimination of the capital tax on July 1, 2010, a tax that our businesses had to pay in the depths of the recession even though they weren't making money. That's why it's important for us to get rid of that tax. It was a job-killing tax.

Together, these improvements mean that Ontario businesses, from factories to small businesses, will have more money to invest in their future. When businesses do well, when they become more profitable, they expand, and they invest in more and better equipment. That means hiring more people, more jobs and better jobs. At the end of the day, that not only means a more healthy economy with more people buying things; it means we're able to support those vital services like hospitals, schools and safe communities. That is what this is all about, and that is why my ministry takes pride in administering these tax changes and helping businesses transition to the harmonized sales tax.

There are some who are trying to create the impression that our tax reform comes down to nothing more than increased sales tax for many items, but this is simply only half the picture. Savings in administrative costs for businesses alone will be about \$500 million a year each and every year.

It's worth repeating that, thanks to these tax changes, Ontario will have one of the most competitive environments in the industrialized world for business investment, and that means greater prosperity for our families.

This is truly the most important tax change in a generation, and you don't have to take my word for it. The TD Bank looked at our comprehensive tax reform package. They estimate that the harmonized sales tax will reduce the cost of doing business in Ontario by roughly \$5.3 billion a year and that the majority of these savings will be passed on to consumers within the first year.

0920

Today the existing retail sales tax is passed on to consumers in the form of higher prices at the cash register because the same value is taxed more than once—in some cases, over and over again.

Under a value-added tax like the harmonized sales tax, businesses will generally be reimbursed for the tax they pay on most of their inputs, which will relieve them of this tax burden, thus lowering the cost of business. Just as higher costs lead to higher prices, lower costs lead to lower prices in a free market economy.

Economists agree with us that this package is good for business in Ontario, but what about the everyday Ontarian: the single parents, the seniors on a fixed income, the workers and their families emerging from these tough economic times? They benefit from this tax package too, in significant ways.

Let's be clear about how families and individuals will benefit from our tax measures that are providing tax relief totalling \$11.8 billion over the next three years alone. Starting on January 1 of this year, about 93% of

Ontario taxpayers saw an income tax cut. We permanently cut the personal income tax rate from 6.05% to 5.05% on the first \$37,106 of taxable income.

We're helping low- and middle-income Ontarians through the new and enhanced Ontario sales tax credit, providing up to \$260 a year for each eligible adult and each child. It will be paid quarterly, it is tax-free and it begins in August 2010. The Ontario sales tax credit will provide sales tax relief of over \$1 billion per benefit year to about 3.1 million families and individuals.

We're also helping approximately 2.8 million families and individuals who will benefit from the proposed Ontario energy and property tax credit, which would provide over \$1.2 billion annually in energy and property tax relief.

We're helping Ontarians adjust to the HST by providing the Ontario sales tax transition benefit payments in June of this year, again in December, and next June. Eligible families, including single parents with children, with adjusted family net incomes of \$160,000 or less, will receive three payments totalling \$1,000 over the next 13 months. Eligible single people with adjusted net incomes of \$80,000 or less will receive three payments totalling \$300—again, tax-free. When you add it all up, the Ontario sales tax transition benefit will provide, in the next 13 months, \$4.2 billion in tax-free cash payments to some 6.6 million Ontario families and individuals.

So although moving to the harmonized sales tax will cause some purchases to cost more, it is not an across-the-board tax grab, as some opposition members would like Ontarians to believe.

We are doing what we can to make the transition easier. In total, we are providing \$675 million a year in relief directly to Ontarians through point-of-sale rebates. Books, including audiobooks; children's clothing; children's footwear; children's car seats and car booster seats; diapers; feminine hygiene products; qualifying prepared food and beverages sold under \$4; and print newspapers will all have a point-of-sale rebate. A total of 83% of consumer purchases will not see a new tax. In fact, on a number of items, prices are expected to come down.

According to a recent report by TD Bank, an estimated 80% of the cost savings will be passed through to consumers by the end of the first year, rising to 95% by the third year.

It takes time for income tax cuts and the repricing of the market to work their way through the economy, but they will work their way through and we will see significant benefits. That's why we secured some \$4.3 billion from the federal government: to support consumers.

Again, you don't have to take my word for it. You can take the word of Michael Oliphant, director of research and communications at the Daily Bread Food Bank. He says, "In terms of the net impact of the sales tax harmonization ... overall it will actually improve the incomes of low-income Ontarians...."

Or take the word of Pat Capponi from the 25 in 5 Network for Poverty Reduction, who has said that the

2009 Ontario budget "moved the bar forward on housing, tax credits, and child benefits in ways that will make a tangible difference in the lives of many Ontarians," or perhaps John Stapleton from the Canadian Centre for Policy Alternatives, who summed it up best when he said, "This is a budget that favours low-income people, and the working poor most of all, because when you look at all of the benefits, it is clear that the working poor and those with low wages are going to be better off as a result of these budget measures."

As I just mentioned, we are helping Ontarians through the transition because we know change can be hard sometimes, but the world has changed, and we need to change with it.

One of the main responsibilities of the Ministry of Revenue is to help Ontarians understand the changes and why they're necessary, and to help ensure businesses and individuals get the transitional support they need. I have personally spoken to about 13,000 business stakeholders and individuals at over 90 events. My travels have taken me from Fort Frances to Leamington to Cornwall and everywhere in between. About 175 of these stakeholders were at the Ontario Economic Summit in Niagara-on-the-Lake last year, and they heard from Dr. Jack Mintz directly.

I have been ably assisted by my two parliamentary assistants, Mr. Naqvi and Mr. Delaney, who also have criss-crossed this province.

Ministry staff members, with staff from the Canada Revenue Agency, have jointly conducted more than 800 seminars in Ontario between September of last year and April of this year, reaching over 20,000 attendees. We anticipate a rate of 90 sessions per week to be scheduled for June. On top of that, we have conducted an additional 151 technical presentations to business stakeholders such as chambers of commerce and business associations for over 6,250 participants. Twenty-six more events are scheduled for this month and next.

For example, we have written articles for the newsletters of Certified Management Accountants and Certified General Accountants, conducted 16 interactive online webinars, mailed information to about 125,000 sales tax vendors each month and posted a series of tax tips on the tax change website.

Through all of this outreach and education work, we are hearing that the tax reforms are working. The business community has long understood the benefits of moving to a value-added tax from the outmoded sales tax that we've had since 1961.

I was in Cornwall on April 15, visiting a small business called DreamBuilderStudios. It provides a facility for independent artists who typically would not have access to a large studio complex to create their art. Its main focus is assisting artists to help realize their dreams. Our tax reforms are helping this business because on July 1 of this year, Ontario's businesses get to deal with one tax instead of two, one set of rules instead of two and one level of government instead of two. For Paul Bryan of DreamBuilderStudios, the new system means more time to grow his business.

I also want to tell you about my recent visit to Peterborough, also in April. I went to tour the General Electric Canada plant there, which was originally opened in 1892—not 1992 but 1892. General Electric Energy is one of the world's leading suppliers of power generation and energy delivery technologies, providing a broad array of solutions for traditionally fuelled plants as well as those driven by renewable resources such as wind, solar and biogas. They make the largest motors in the world.

GE announced that they are investing another \$100 million in Peterborough. They could have invested anywhere in the world, they could have invested anywhere in Canada, but they decided to invest in Ontario, in Peterborough. This is the biggest GE investment in our country in well over 100 years, so that tells me our investments are working, our changes are working.

But again, you don't have to take my word for it. Ross Garland, the general manager of GE Peterborough, told me that Ontario's Open for Business strategy is a strong incentive for GE's investment in our province. Subsequent to my visit to GE Canada, they announced that they have landed the largest contract ever in the history of their company. With who? The People's Republic of China. We are selling our advanced manufacturing technology products to the world and to the largest market in the world.

But the General Electric investment is not the only investment that has come about because our government was bold enough to make a monumental change to how we do business.

0930

Already, Telus, a company that has been delivering innovative telecommunication solutions to Canadians for more than 100 years, has said that because of our tax changes, they'll be able to invest more in Ontario, some \$300 million more a year. Tim Hortons recently repatriated its corporate headquarters from the US to Oakville, citing both federal and provincial tax changes. IBM's latest annual Global Location Trends report now says Ontario is the leading foreign direct investment location in North America.

Clearly, leading economists and business analysts are coming out in support of what we're doing. Business associations have been calling for a harmonized tax for many years, but how does what we are doing compare with what other jurisdictions are doing? Well, in more than 140 countries, and four of our sister provinces, the value-added sales tax, like the HST, is already a fact of life. I already mentioned that if a country wants to join the European Union, it won't even be considered unless they introduce a value-added sales tax. You probably know that when we said we were going ahead with tax reform, including the HST, BC announced that they would as well. Their Minister of Finance put it this way: "We had to move fast so as not to be left at a competitive disadvantage in comparison to Ontario."

We know these changes are good for Ontario because they have worked in other Canadian provinces. The experience in Atlantic Canada shows that following

harmonization with the federal goods and services tax, savings to businesses from the removal of the retail sales tax on their business purchases were rapidly passed through to consumers, resulting in lower prices for some products. The same is expected to occur in Ontario's highly competitive economic environment. Remember, the TD Bank predicts that 80% of business savings will be passed along in the first year, rising to 95% by the third year. When Newfoundland and Labrador, Nova Scotia and New Brunswick harmonized with the federal GST, studies show that cost savings were passed through to consumers. This led to lower prices for products. The same is expected to happen in Ontario's highly competitive economic environment.

We have to give our businesses, especially our manufacturers, the same advantages they enjoy in other jurisdictions around the world, the jurisdictions that we compete with for jobs every day. They need a level playing field so they can invest in Ontario and create jobs in Ontario. Political opponents are trying to create the impression that our tax reform comes down to nothing more than increased sales taxes for items. The truth is that our tax package is much more than that. Our tax package cuts taxes and creates jobs. It's about more people paying taxes, not people paying more taxes. The global recession has caused our corporate tax revenues to drop by nearly one half. That has never happened in the history of Ontario. That's how big and deep that global recession was, and it has caused our financial support for people, those who lost their jobs—

The Chair (Mr. Garfield Dunlop): Two minutes, Minister.

Hon. John Wilkinson: —including the cost of retraining, to rise dramatically. This has presented us with a tremendous challenge. Just as it was right for our generation to protect ourselves and stimulate our economy, it is right to turn over our books to the next generation in good fiscal order. The Ontario government is meeting that challenge.

Really, what we have here is a comprehensive tax plan for jobs and growth that is having real, tangible effects on our economy. Jobs are being created and people are getting back to work. We need more people paying taxes, not people paying more taxes, and that is exactly what we're getting.

As John F. Kennedy once said, "Change is the law of life, and those who look only to the past or the present are certain to miss the future." The McGuinty government does not want Ontario to miss the chance to prosper in a changing economy. This is about changes to the way that we do things. The world needs a strong Ontario to lead the way, not only to provide the goods and services the global economy demands, but to provide the example of a good, strong, compassionate society that our world needs.

There comes a time when a generation such as ours is called upon to do something that is not an easy thing to do. Whether we like it or not, we are grappling with the reality of a new world, and Ontarians understand that. We

want to leave—and I'm sure all of us want to leave—a better world for our children; a stronger world, a more prosperous world with better public services. That's why we're doing it: not because we want to, but because we need to. Every so often, we are called to lead and to do the things that we need to do. Thank you.

The Chair (Mr. Garfield Dunlop): Thank you. You had 15 seconds left; that was pretty good.

Hon. John Wilkinson: Thanks for the two-minute warning. That was very helpful, because I edited on the fly.

The Chair (Mr. Garfield Dunlop): Now we'll go to the official opposition. Ms. MacLeod?

Ms. Lisa MacLeod: Welcome to committee, Minister. It's great to have you here, and I appreciate you, as well as a number of your staff here today, taking the time to answer our questions for the next seven and a half hours. I do have a lot of questions for you, so I do hope that we can keep our questions and our answers short, so that we can get through as much as possible.

I just want to start off with some history. In 2003, the Progressive Conservative Party, under Premier Ernie Eves at the time, had put forward a budget that said corporate taxes would be 8% by 2006, small business taxes would be 4% by 2005 and personal middle-income taxes, second bracket, would be 8.85%.

Shortly after coming to office, your party rolled back or cancelled all those tax cuts, so corporate taxes were 14%, small business taxes were 5.5% and personal middle-income taxes, second bracket, were 9.15%.

After your comprehensive tax plan, corporate taxes will be 10%, which is a 25% net increase since 2003; small business taxes will be 4.5%, which is a 12.5% increase since 2003; and personal middle-income tax for the second bracket will be 9.15%, which is 3.4% more as a net increase since 2003.

So the question is: Why is the government continually saying that their comprehensive tax package is Ontario's largest tax cut in history when it simply isn't?

Hon. John Wilkinson: That's a good question. First of all, in 2003 when we took office, the government of the day, the one that we inherited, was actually running a deficit that was hidden from the public of Ontario. That's why we passed the taxpayers' transparency and accountability act: to ensure that governments have to be very forthcoming in virtually real time about the state of affairs when it comes to our fiscal shape.

Also in 2003, I can tell you that our government received a mandate from the people of Ontario to restore their public services, and we were very clear about that. The only thing that was unclear was the size of that hidden deficit. In this very place, Ministers of Finance of the day were telling a committee much like this that there was no deficit. Of course, work by our former Auditor General revealed that it was some \$5.6 billion, so we had to make decisions about that.

I think I'd say, Ms. MacLeod, that we have had in this province for the last 20 years provincial governments of three different political stripes and federal governments

of two different political stripes who have come to the conclusion that we should reform our antiquated sales tax system, but they were unable to find enough common ground to move forward with that.

I would say that because of the leadership of Prime Minister Harper and Premier McGuinty, and particularly of Minister Flaherty and Minister Duncan, we were able to break a 20-year logjam when it came to taxes in this province by doing two things: by allowing provinces to have some 5% leeway in regard to the exemption of items from the total tax base—that was a historic change; and also the ability of the federal government to help a province support its consumers in the first year of tax reform, because it is challenging. That change is what has allowed us now to have a dramatic reduction in income tax and corporate tax.

Ms. Lisa MacLeod: I appreciate where you're coming from, Minister, but it's totally off base. I did ask you why you said you had the largest tax cut when it wasn't.

The other thing to bear in mind is the \$5.6-billion deficit, which wasn't based on a structural deficit; it was related to SARS, to mad cow, to a blackout. It was \$5.6 billion; it pales in comparison, quite frankly, Minister, to the \$21 billion in deficit that your government has rung up over the years.

In addition to that, Minister, you must remember that not only did you take away those tax cuts, but you also implemented the health tax, which, according to your books, is \$17.8 billion to date.

I guess the question, Minister, is how much money have you taken from Ontario families since 2003, based on the health tax; based on all of the corporate, small business and personal income tax rollbacks; based on all of the other hidden fees that we've seen, whether it was from delisting services in health care or from hydro taxes or other taxes that have occurred?

0940

Can you answer and be forthright with this committee today to tell us how much more money you have taken from Ontario families, Ontario taxpayers and Ontario seniors as a result of taking office in 2003? I believe your aide is right there to tell you.

Hon. John Wilkinson: I'm here to discuss the estimates of my ministry, but if we want to have a discussion on history, I'd be more than happy to indulge the Chair on that, if he finds that acceptable.

When it comes to how much money the government of Ontario has raised since 2003, all of that is a public record. Each and every line is detailed. I think the difference now is that no government can hide a deficit because of the requirements of our act in regard to fiscal transparency and accountability. If memory serves me right, that is something that your party voted against at the time.

Ms. Lisa MacLeod: I bet there are days you wish you could hide that deficit.

Hon. John Wilkinson: No, you can never—the Premier, I think, was very, very insightful about that. You

know it's the right thing to do when you realize that if someone comes along and says—even the people, like your party, who voted against it. If they were to go to the people and say, “You know what? We'd like to go back to the old system where the government of the day can hide a deficit,” no one would support that. That's why we took that bold step, and it helps hold the government of the day and all future governments to account.

The amount of money that we raise is plain to the public.

We've looked at the fact that the recession that we are just coming out of—and we are actually leading the world—

Ms. Lisa MacLeod: Mr. Chair, I asked for a number—if he would provide me with a number of how much more money the government has received as a result of rolling back the tax cuts, bringing in the health tax and all of the other hidden fees and delisting. I would appreciate that global number. If I'm not able to receive it from the minister, I would like to move on to another question.

The Chair (Mr. Garfield Dunlop): Minister, do you have that particular number handy, or can you get it to her at another point?

Hon. John Wilkinson: The published accounts of the government of Ontario since 2003 are a matter of public record.

Ms. Lisa MacLeod: So you don't have the number.

The next question I have is, how many manufacturing jobs would have been saved if you didn't increase corporate taxes by 75%?

Hon. John Wilkinson: That would be mixing apples and oranges. That would assume that somehow the economy of Ontario had some impact on the biggest economic downturn in 80 years where every economy in the world shrank at the same time. That hasn't happened since the dirty thirties. That's an orange; your question is an apple.

Ms. Lisa MacLeod: Then let's move on to this: What is the loss of revenue from closed and bankrupt companies after you increased taxes on small businesses by 12.5%? I know you're going to talk about the global economic recession, but what was the cost to the revenues of this province?

Hon. John Wilkinson: When we rolled back your—at the time, what we would say—very unwise tax cuts while the province was running this hidden deficit that you are responsible for in your party, what happened is that Ontario enjoyed economic growth. It allowed us to pay off that deficit and to run surpluses.

Ms. Lisa MacLeod: For a very short period of time before—

Hon. John Wilkinson: Well, I think for four of the seven years that we've been in power—and you take off the one that we inherited and got that looked after in short order. And then we dealt—

Ms. Lisa MacLeod: I think that was because of the \$17.8-billion health tax.

The reality is, Minister, your party has taxed and spent, taxed and spent, taxed and spent, and now you're coming up with this myth that you hope people will buy into, that you're coming up with the largest tax cut in history, when in fact it still is nowhere near where Ontarians would have been had you not taken office and had you not rolled back those tax cuts and had you not brought in the largest tax increase, at the time, in Ontario's history with the health tax.

I'm going to quote a Premier who once said about the harmonization of taxes: “won't do it because it's going to come at an economic disadvantage to the province of Ontario. I can't see it happening unless our taxes go up ... In fact, we'll have a net loss. So, I'm not going to be harmonizing our taxes.”

Premier McGuinty said that on May 31, 1999. But just one short month ago, on May 5, Mr. McGuinty said in the Ottawa Citizen, “I think for families at the outset there will be an increase in taxation.”

This is a Premier who has shifted, along the way, his view toward what is taxation and how he's going to protect the taxpayer. It's also a Premier who desperately needs money.

You like to talk about a \$5.6-billion deficit based on three crises that the province faced in the year 2002-03, but the reality is, we have a \$21-billion deficit and you're raising taxes at consumption on some non-discretionary items which seniors and middle-class families rely upon. So I'm just wondering why the Premier, over a 10-year period, had such a dramatic change of heart.

Hon. John Wilkinson: First of all, on the first premise that we're a tax-and-spend government, I can tell you—and I know that you're not relatively new anymore, Ms. MacLeod—all governments tax and all governments spend. Government represents us coming together as a community to provide public services that we cannot provide to ourselves by ourselves. That's why there is government. It is the expression of that community. That requires people to pay taxes into the pot, and that allows the pot to provide those services. So it's a misnomer to say that there is any government that is tax and spend. That is the definition of government. The question is, who pays, how much, and where does the money go? And that, of course, leads to differences of opinion about how that is done.

We were very clear about what we needed to do to restore public services that had been decimated. That's exactly why we received a mandate from the people in 2003 and 2007.

I think when you quote the Premier—

Ms. Lisa MacLeod: Don't you think there comes a time when enough is enough?

Hon. John Wilkinson: I'm just trying to answer your—

Ms. Lisa MacLeod: I'm just asking another one, Minister. Do you not think, after all of your travels—and I applaud you, quite frankly. I know how difficult it is to travel myself, with a family at home, and I know this year has not been easy for you. You've been travelling an

awful lot, and I commend you for that. But you can't be telling me here today that the people you've talked to in all of those consultations haven't been telling you enough is enough. They're seeing a \$21-billion deficit, they're seeing the erosion of their pocketbook, and it's getting to be a very difficult time, and two of the largest tax increases in this province's history have come under your government's mandate. So I guess I'm asking that question: How much is enough?

Hon. John Wilkinson: Actually, it goes to the question of the myth that I think you're perpetrating: that somehow the HST is one part of our tax reform and the only part. As we've said in public accounts and as we've said in the House, we're actually cutting income taxes dramatically for people and businesses—billions of dollars. For individuals, in the next three years alone that accounts for some \$11.8 billion. For businesses, I think it's some \$4.6 billion. So you have to take a look at our tax reform in total, and the HST is just one part of that.

I can tell you that when I talk to the people of Ontario and I tell them the whole story, they then wonder why there are some people only telling half the story.

Ms. Lisa MacLeod: Minister, if you don't mind, I wouldn't mind asking about the modelling in which you found that this is going to create jobs and reduce prices.

I wonder two things, actually. What's the modelling that you used to come to these conclusions, notwithstanding Mintz's report—because one would have to assume the Mintz report came after your decision to move forward with the HST. The second is, if you put this model forward, are you able to expand on it and tell us exactly what prices will go down on what products and where the 600,000 jobs are going to occur—what sector—and what are those salary levels? Can you be specific?

Hon. John Wilkinson: What I can tell you is, for example, on July 1, the marginal effective tax rate on new investment on business in this province is being cut in half. Right now, we are competitive with the Great Lakes states that we compete with every day for jobs. I'm thinking of New York, Ohio, Pennsylvania, Michigan. We compete with them every day. The rate of taxation—

Ms. Lisa MacLeod: So I guess the question is back to—

Hon. John Wilkinson: Well, if I could get a chance to actually answer the question—

Ms. Lisa MacLeod: I just asked what was the model that you used and will you provide it to this—

Hon. John Wilkinson: I'm going to tell you in just one moment.

If we turn around and we say that we're competitive with the US, where we're competing for jobs, and we drop the marginal effective rate from 32% to 18%, what Dr. Mintz was saying is that will attract some \$47 billion worth of more investment into this province, resulting in some 591,000 more jobs.

What kind of jobs are created? New money in the 21st century creates new jobs, 21st-century jobs. They're not investments that go into the old economy.

For example, even a company like GE Canada in Peterborough, which was created in 1892, a company that was started by Thomas Edison, is now landing the biggest contract in their history with which market? The People's Republic of China—because they're doing advanced technology, the largest motors in the world.

Those are the types of jobs we get—

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Ms. Lisa MacLeod: You're talking about Mintz, but the reality with the Mintz report is that it, I assume, would have come out long after your government decided to undertake harmonization of the sales taxes. So can you be very specific: What economic model did your government use when deciding it was going to move forward with the harmonized sales tax, with your so-called comprehensive tax plan? I would like to know that. Is it possible to provide me with that?

Hon. John Wilkinson: What I can do is tell you that my ministry is not responsible for the modelling; that goes to the Minister of Finance. I know he'll be attending this committee next, and I would not presume to answer any question on behalf of a colleague, but under our parliamentary system, I'll deal with questions that are relevant to my ministry.

Ms. Lisa MacLeod: Okay. I appreciate that.

I guess the question I started with, with the Mintz report and economic modelling—the government tends to use the number 600,000 jobs in 10 years quite frequently. I want to probe that a little bit, because I think it speaks to the legitimacy of that claim. That's why I think we need to be specific.

Given the fact that the government has continually promised jobs—in the 2009 budget, your government said you would create 146,000 jobs, but in the end Ontario lost 143,000 jobs—I guess the next set of questions I'm going to ask pertains to that claim. Did that claim come from the government first, or after the HST was already decided on by the government and the Mintz report was commissioned by the government?

Hon. John Wilkinson: I can tell you that there isn't an economy in the western world that had a budget before the recession that wasn't changed by the reality of the global recession. I'm not the Minister of Finance, so I'm not exactly sure of the nature of your question. What I can tell you is that the Minister of Finance did the right thing. When the assumptions he used in previous budgets were found to be wanting because of the global recession, he immediately got back into the House and reported that to the good people of Ontario and kept them advised of what that meant to government revenues and government expenditures.

Of course, part of that is the fact that we entered into a very strong partnership with the federal government. There was agreement around the western world about the need for governments to borrow money in the short term to stimulate the economy to give the private sector some time to recover. The good news we have now is that it looks like Ontario is leading Canada, and Canada is leading the world, in economic recovery. I think the fact

that the federal government and provincial governments, including our own, set aside any kind of partisan differences or differences on other issues and decided to work together has left Canada in relatively good shape, but we do need to make sure we have a fiscal base that can support the public services people rely on.

Ms. Lisa MacLeod: Minister, I appreciate your answer, but I don't think it answered my questions. Six hundred thousand jobs over 10 years is 60,000 jobs a year. I guess the question I have is, is the government committing here and now that 60,000 new jobs will be created by July 1, 2011?

Hon. John Wilkinson: What we're saying is what we've always said: There are independent economists—and I would think that Dr. Jack Mintz would be considered the leading expert in this country when it comes to the relationship between taxation, investment and jobs. I don't think anybody has—

Ms. Lisa MacLeod: But can you confirm 600,000 jobs, or is it just a nice number to use from a third party but that you cannot confirm? I guess what I'm getting at is that you're using a big number, 600,000 jobs—I've been to information sessions with your colleagues who have used this number—and each and every time those who have attended these are stunned by this number because there are no specifics given.

Given what this commitment means—if you are to say 600,000 new jobs legitimately, it means 60,000 jobs need to be created a year—we need to know if you are committing to 60,000 new jobs by July 1, 2011, we need to know where those jobs will be created, we need to know what sector they will be created in, we need to know how much money, in terms of salary and wages, these people will be getting. Will they replace the 289,000 manufacturing jobs that have been lost since your government has taken office? Will they be full-time? Will they be part-time jobs? Will these jobs come with pensions? Will they come with benefits?

There's a series of questions here that just throwing out a big number of 600,000 jobs after you've not made the commitment of 146,000 new jobs in the 2009 budget—in fact, the province lost 143,000 jobs. The question from Ontarians is this: Does this 600,000 number stand up? Where will the jobs be? What sector will they be in? Will they be well-paying jobs? Will they be in Ottawa? Will they be in the north? Will they be in southwestern Ontario?

Minister, the question is, are you just using a number for show in the House or are these legitimate numbers? If these are legitimate numbers, you should be able to answer my questions.

Hon. John Wilkinson: Actually, that's a very long question that kind of assumes that somehow the government itself around here is not a proponent of the free market in the western world, but that somehow the government itself is hiring these people. What we have done is said that leading economists have had an opportunity to take a look at that.

Given the level of rhetoric, particularly from the opposition who have said quite clearly, "We don't like

your plan, but we don't have one"—if you'd like to share with us your plan to create 600,000 jobs over the next 10 years, I'd be all ears.

Ms. Lisa MacLeod: Minister, you're not answering my question. Are you creating 600,000 jobs? Is this a theoretical number? Is it an actual number? And if you're saying that the free market should decide, why are you hiding behind pretend numbers? If we are to look at what has happened in the last little while, yes, indeed, it is the public sector that has ballooned; it hasn't been the private sector.

I've asked some very serious questions. I've asked some very direct questions. I've asked some very specific questions that deserve specific answers.

The 600,000 jobs: Where will they be, will they be well paid, will they have pensions, will they have benefits, what sector? Minister, can you answer those questions, yes or no?

Hon. John Wilkinson: Well, you ask me every question one question at a time, and I'll answer it. Go right ahead. Ask me again, just so that we don't have a run-on, because I think you wanted short answers.

Ms. Lisa MacLeod: Okay. When will the first 60,000 jobs be created?

Hon. John Wilkinson: The good news is that, according to what we've read today in the paper, most of them have already been created.

Ms. Lisa MacLeod: Without this taken into effect. Okay. Where will the—

Hon. John Wilkinson: No, no. This actually is having an effect. We have signalled to the business community that this is the right place to invest. It's not just Telus, Tim Hortons and GE Canada that are making investments today.

Ms. Lisa MacLeod: Minister, you also know that Canada's Economic Action Plan was the largest stimulus investment in this nation's history. It came from the federal government, and Ontario is the largest province. So I don't think you can take complete and utter—

Hon. John Wilkinson: As I've said, we've set aside partisan differences and partnered with the Harper government, because that's exactly what people expected us to do.

Ms. Lisa MacLeod: Where will these 60,000 jobs be created, each and every year for the next 10 years?

Hon. John Wilkinson: According to Dr. Mintz, who has done the work, the type of investments that we have are 21st-century investments.

Ms. Lisa MacLeod: What does that mean? What are the jobs of the future and 21st-century investments?

Hon. John Wilkinson: They're exactly the kind of jobs that Telus is providing with a \$300-million investment every year in telecommunications. They're exactly the kind of advanced manufacturing jobs that we see at GE Canada, where they're making the largest motors in the world—the most technologically advanced motors in the world—

Ms. Lisa MacLeod: Okay, that's great—a lot of words that don't mean a lot.

If I were an 18-year-old going to university—

Hon. John Wilkinson: I'll try to keep my answers even with smaller syllables.

Ms. Lisa MacLeod: No, let's just talk to the normal Ontarian who's watching this.

If I'm 18 years old and I'm going to university, what does "the job of the future" mean? Give it to me in a job title.

Hon. John Wilkinson: It's exactly why they're going to university—because the vast majority of jobs that our children are going to have today haven't even been invented.

You know, Ms. MacLeod, I used—

Ms. Lisa MacLeod: So the 600,000 jobs you're talking about haven't been invented yet? Is that what you're saying?

Hon. John Wilkinson: Well, hopefully you're aware of the innovative economy in the 21st century and that, yes, when we look at, for example, the jobs that are coming from clean energy and from the Water Opportunities Act, that's where the puck is going, as Walt used to say to Wayne.

It is important for government to set the condition that allows us to thrive in those jobs, the jobs that we want for our children. I think that's something that we would agree—the idea that, as a parent, I wouldn't want my child to have a job in the 20th century when they're living in the 21st century. I want them to have those types of jobs.

Ms. Lisa MacLeod: So you don't really know what the job is. You're just saying that there are going to be 600,000 of those created.

Hon. John Wilkinson: The economy creates jobs all the time. The question—

Ms. Lisa MacLeod: So we've got some scientist in the back creating the jobs for all the people in the Ontario.

Hon. John Wilkinson: I'm surprised that the member from Nepean would make that statement. I'm really surprised that a member from Kanata would actually say that.

Ms. Lisa MacLeod: Actually, I'm not from Kanata. That's the member from Carleton–Mississippi Mills. I'm surprised that minister doesn't know that.

The reality is, Minister, that you're using a huge number, pretending to Ontario taxpayers that there are going to be jobs when you don't know—you don't know. If you could identify where these 600,000 jobs are coming from, where they are going, in what sector, how much the people of Ontario are going to be paid, then that would be a proper answer, sir. But you can't give me that. You're telling me that the jobs of the future are going to be invented.

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Ms. Lisa MacLeod: I'm all for the innovative economy; that's a wonderful thing. It's great to nurture it, and it's great to see where it goes. But the reality is, you're using a claim as if every kid in town is going to be able to go to university and come out in four years without a

student loan, and they're going to get a job, whether that's at an automobile manufacturing plant, whether that's in high tech or whether that's in their own little corner store in their community. But you can't do that.

Hon. John Wilkinson: What I can tell you is, we've had a very good example of what happens when the global economy turns down on our export-driven economy. That affects everybody. The fact that some quarter of a million people lost their jobs through no fault of their own because of this global recession means that governments, I don't think, are doing the right thing by pretending that what they need to do is keep with their 20th-century policies when we have to compete in the 21st century. That's exactly why we've decided to do tax reform.

A lot of it has to do with the fact that leadership was shown by both the federal and provincial governments to do something they hadn't agreed on in practice. Maybe they agreed in principle that it was the right thing to do, but it was very difficult and there were a lot of practical questions. It took leadership to get beyond that. It took leadership for our government to deal with a government that we knew quite well, actually, and decide that you can't have a strong Canada without a strong Ontario.

I'm delighted that now, on June 1, 2010, Ontario is leading the country in economic recovery and Canada is leading the world in economic recovery. That's not because the government is making that happen by itself; it's because it's playing its appropriate role, ensuring that we have a tax system that allows our companies to be even more competitive. I am confident, as someone who comes from business, that if we improve the business climate, businesses will actually do the work that is required.

Again, what I want for my children is not some job that has a very short shelf life. I want my children to have the knowledge required to compete and win in the knowledge-based economy. That's why we're spending so much money on retraining. That's why we're spending so much money on education.

Ms. Lisa MacLeod: Minister, we just have three minutes left. I'll leave you with one question, and then you can respond. I do appreciate the tussle today, and I appreciate your coming in and being as frank as you possibly can.

The reality is that Ontario, in the last number of years, has lagged in economic growth. We used to be first, and then we became worse.

Hon. John Wilkinson: Now we're first again.

Ms. Lisa MacLeod: Well, that remains to be seen—I guess we have to get out that crystal ball, based on your policies.

Hon. John Wilkinson: Well, I'm an optimist.

Ms. Lisa MacLeod: The final question I have for you in this round is, who paid for the Jack Mintz report that you cite?

Hon. John Wilkinson: The Ministry of Finance.

Ms. Lisa MacLeod: Okay. Thank you.

The Chair (Mr. Garfield Dunlop): No other questions?

Ms. Lisa MacLeod: No. Thanks again for coming.

The Chair (Mr. Garfield Dunlop): We'll now go to the third party. We've got a vote coming up in 20 minutes. We'll try to get about 15 minutes in here. Is that okay, Mr. Tabuns?

Mr. Peter Tabuns: That's fine. We're going to be here a long time.

The Chair (Mr. Garfield Dunlop): Okay, go ahead.

Mr. Peter Tabuns: Good morning, Minister. It's good to see you.

Hon. John Wilkinson: Good morning, Mr. Tabuns.

Mr. Peter Tabuns: I have a line of questioning that goes in a different direction. But I just want to say that Ms. MacLeod raised some substantial questions. Rather than go over that ground again, when we come back it would be useful for the committee to know how you break down those 600,000 jobs. If they're jobs of the future, how many are in renewable energy, how many in IT, how many in water, how many in retail, how many in construction, so that we have some understanding of how the HST will reshape the economy strategically to give us those jobs?

Hon. John Wilkinson: Just so we're clear, we have always been clear that we are quoting a report by Dr. Mintz. If it would be helpful, we can print that report; I know it's on my website. We can make sure that all the members have that and may find that very informative, if that would be of assistance.

Mr. Peter Tabuns: Does he break down the sectors where the jobs will be created?

Hon. John Wilkinson: Actually, Dr. Mintz is very clear. You can also see, from our budget documents in 2009, particularly which sectors of the economy benefit most. For example, there are substantial savings in construction on one hand, but there are also substantial savings in high tech in regard to information technology and communication companies.

Again, it's by the nature of how we're charging the tax which ones suffer the most from having embedded price increases because of the retail sales tax, which of course we're getting rid of on July 1. They, of course, would receive the largest benefit. That was highlighted in the 2009 budget.

Then, Dr. Mintz was hired by the government as the leading expert in Canada in regard to the relationship between taxation, jobs and the economy. Of course, an economist predicts, using their best information, what will happen. What actually happens is up to the economy. It can be influenced by the government, but it's the private sector, not the public sector, that creates the vast majority of wealth.

Mr. Peter Tabuns: If you could table in this committee this afternoon whatever table or chart Mr. Mintz produced showing in which sectors we would see job growth, that would be very useful.

Hon. John Wilkinson: Yes. Because it leads—I think just for greater clarity—to why there would be 591,000

new jobs. It's because, as he clearly says, of \$47 billion more of investment. Why would there be \$47 billion more of investment? He makes the case quite strongly about the relationship between where our levels of taxation are and the type of tax we have versus, particularly, the Americans. Of course, you have to remember that in the United States, they don't have a GST. They don't have a value-added tax. As a matter of fact, they have the equivalent of our retail sales tax at the federal, state and municipal levels. All those taxes tax taxes, which is very, very inefficient.

His comments had to do with what happens when you say to businesses that have to make a decision between Ontario or Ohio, "We'll tax you, but we just won't tax the same value more than once." That's what modern economies do.

Mr. Peter Tabuns: It's an interesting argument. I'd still like to see a chart showing where job creation will in fact occur.

Hon. John Wilkinson: Sure.

Mr. Peter Tabuns: Going back to the direction I want to go in, the HST involves a tax increase on consumers and a tax decrease for businesses in the form of removal of the sales tax on business inputs. Do you agree that the HST could therefore be characterized as a tax shift from businesses to consumers?

Hon. John Wilkinson: I would agree that broadly, yes, but the reason that governments have not been able to go forward is that they didn't understand—which I think we have come to the conclusion about—how one also has to reform personal income tax. That is something that started on January 1 and will continue on July 1.

When you look at tax reform, you have to look at not just the HST but also the fact that we are eliminating three taxes, decreasing three taxes, increasing three tax credits and providing three transition cheques. That dozen items plus going from a retail sales tax to one value-added tax is part of overarching tax reform, which is actually costing the government some money in the short term. It's not increasing revenues to the government overall, but it's improving the economic condition that allows the private sector to create jobs.

Mr. Peter Tabuns: The question of whether there's an increase in government revenue or not is not the question I'm pursuing, but at this point, tax—

Hon. John Wilkinson: You have to take into account that consumers today are paying a hidden tax in regard to the retail sales tax. That's embedded, some \$4.5 billion.

Mr. Peter Tabuns: If you'll just let me finish, though.

Hon. John Wilkinson: Sure.

Mr. Peter Tabuns: There will be a reduction in taxes paid by businesses, and an increase in taxes paid by consumers based on the HST itself.

Hon. John Wilkinson: The HST, for 17% of items, is an increase in sales tax, and one also has to take a look at personal income tax and how people will benefit under tax reform. We've been very clear that although 83% of

things will see no change in the rate of tax, 17% of things will.

Mr. Peter Tabuns: In the budget, your government says there will be about \$2 billion net revenue from the HST. That figure includes the amount raised from consumers from higher sales taxes less the amount spent on removing the sales tax on business inputs. Do you agree the total amount raised from consumers will be more than \$2 billion?

Hon. John Wilkinson: Well, no. The same consumer is the one who is also receiving personal income tax cuts. It's the same people; it's the same wallet. What we've tried to outline is the nature of this tax reform, which has so many components.

Mr. Peter Tabuns: Let's go back to the HST part of it. If the sales tax input is removed from businesses, then you're going to make up the revenue on the other side of the ledger.

Hon. John Wilkinson: We have a broader tax base. That's the nature of the HST: It broadens the tax bases to energy and to services.

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Mr. Peter Tabuns: That's right. So the total amount of tax that people would be paying in sales tax will be increasing.

Hon. John Wilkinson: Yes. When it comes to sales tax, yes; when it comes to income it's down. So sales tax up, income tax down, and then as I've said and why so many—I think two million people have gone to our website now at ontario.ca/taxchange. What does it mean to a person, to their family and their business? We've tried to outline the information they need.

You know, Mr. Tabuns, a good example is that two people with exactly the same income and the same set of circumstances would pay exactly the same amount of income tax. But when you're dealing with consumption tax, two people with the same income can have vastly different patterns of consumption. Some people are spendthrifts and some people are misers. That's just the nature of it. The impact really is personal for 13 million people. So what we've needed to do and what we've tried to do as a government and what my ministry has tried to do is help people see that information. For example, I think the most-accessed page on our website today is an item that is "what's changing and what's not?" That's the kind of information people need to know.

There's been a lot of, I would say, misinformation out there—not put out by the government but by those who are opposed to this—about things that somehow are going to be taxed on July 1. If people who read that think that's the gospel truth and then apply it to their budgets, they would be shocked. I think the work of the Canadian Centre for Policy Alternatives has concluded that the people with the least are actually a bit ahead; for the middle-class, it's kind of a wash—sales tax on the one hand, income tax on the other. For people who consume the most, generally the people who make the most money, there's a bit more. Overall, what we're trying to do is not raise more money, but actually make Ontario

more competitive, because we're competing with the world now for jobs. And when the world turns down, it's quite apparent what that means to our ability to fund public services.

You can't have high unemployment and high-quality public services; they don't go together. It's just the fiscal reality. So what are we doing to make sure the rate of unemployment comes down—not so that people are paying more taxes, just so there are more people paying taxes? The biggest component of our revenue shortfall because of our recession is the fact that so many people lost their jobs. Then I think the government responded correctly in the sense that we ramped up what we were doing in regard to retraining, also making sure that we're safeguarding our public services, and then understanding that the tax system we have actually isn't the one we need in the 21st century.

It's a difficult decision, but again, I don't hear anybody saying that we should actually keep the two-tax system we have today. We should take that step and move to the one value-added tax, which is used in about 140 other countries around the world and something I don't think the Americans can do. I think that will give us a structural competitive advantage for quite some time.

Mr. Peter Tabuns: Going back, excluding the cost of eliminating the tax on sales tax inputs, what's the total amount that will be raised from consumers?

Hon. John Wilkinson: Again, you'd have to ask the Ministry of Finance, because that's in their budget numbers.

Mr. Peter Tabuns: But you're collecting it.

Hon. John Wilkinson: No, I haven't yet. As the Minister of Revenue, I can always answer questions about what I have collected, but in regard to what is the tax policy of Ontario and who pays in what percentage, that is something done by the Ministry of Finance, because they put out a budget and say what those numbers are. The Minister of Finance is coming in after me. He'd be more than happy to answer that.

I think I have some kind of a detailed breakdown about revenues minus tax expenditures, if that can be helpful.

Mr. Peter Tabuns: I just find it very strange that as Minister of Revenue you wouldn't know what your target is to raise revenue in the coming year. Surely you have a target.

Hon. John Wilkinson: Just remember, on July 1, it's the federal government that collects the HST, not the provincial government. Again, the Minister of Finance has been very active on the file, looking at that whole tax change measure. I think we've published that information, his estimates of what it means to revenue, both HST and income tax cuts. I think the embedded sales tax is some \$4.5 billion or maybe \$4.6 billion a year. That is, under the system that we're getting rid of, the tax on tax that's embedded in the system.

I'll give you an example. When you buy a new house today, there's no PST, but there is in a sense because the builder had to pay PST on all the things they purchased

to build the house. That's just buried in the price. So even though there's no PST today, it's actually there, and that's a good example of how that cost is actually in the price.

Then, of course, economists have opined about how fast that pass-through happens in a free market economy.

Mr. Peter Tabuns: So you're telling me, as Minister of Revenue, that if the Harper government sent you \$1 next year and said, "Well, this is the increased revenue," you would not complain? You'd say, "Well, you're collecting it. I don't know how much you're going to give me."

Hon. John Wilkinson: No, actually, my ministry—and we do this in regard to the other taxes that are collected on behalf of Ontario by the government of Canada—has a division that keeps track of all of that.

Mr. Peter Tabuns: I would have thought so. So how much do you expect to collect?

Hon. John Wilkinson: The HST is the GST tax base minus our exemptions. Right now, that's 5% and it's going to be 13%. So I think our people have an ability to kind of sort that out. And, of course, that information is also publicly available.

Mr. Peter Tabuns: So why don't you just tell me what it is?

Hon. John Wilkinson: I'll turn to my assistant deputy minister, who is going to help me out right here—

Mr. Peter Tabuns: I would be very happy to have your assistant deputy minister speak to that.

Hon. John Wilkinson:—chapter and verse, Mr. Tabuns.

In this fiscal year, because it's coming in in part of the fiscal year, the conversion of the RST base to the HST base is \$1.2 billion; for the first full year it's just a hair over \$2 billion. Then, what you back out against that are our personal income tax cuts for \$1.2 billion, Ontario sales tax credit of \$860 million, \$530 million in Ontario energy and property taxes, and that's not taking into account the federal money that we've secured, which is an in and an out, but next year would be some \$1.4 billion.

As well, you have our corporate tax measures in regard to cutting the corporate rate, cutting the small business rate, eliminating the surtax. The small business transition, again, is an in and out; that's federal money coming in and then going back out to businesses and consumers.

We're looking at page 158 of the 2010 Ontario budget, which should be the latest numbers available from the Ministry of Finance. It shows a total cost of some \$2.7 billion. So that's our reduction in revenue.

The Chair (Mr. Garfield Dunlop): Minister, that bring us right up to about the 15-minute mark here for the NDP, so we can get ready now. I think we'll recess at this point until this afternoon, beginning with your next 15 minutes.

Mr. Peter Tabuns: At 3:45?

The Chair (Mr. Garfield Dunlop): Right after routine proceedings. We're recessed.

The committee recessed from 1015 to 1606.

The Chair (Mr. Garfield Dunlop): We'll reconvene the meeting, everyone. We have six hours and 15 minutes remaining. We thank the minister for being here once again, and all the staff from the Ministry of Revenue.

We left off with the third party. You have 15 minutes remaining in your opening 30 minutes, Mr. Tabuns—

Hon. John Wilkinson: Mr. Chair, just a point of indulgence.

Mr. Peter Tabuns: If you'd like, Minister, go ahead.

Hon. John Wilkinson: Just one moment to say that I'm delighted that we're joined by my deputy minister, Carol Layton, who's with us this afternoon. I just wanted to make sure that she was introduced to everybody in the committee.

The Chair (Mr. Garfield Dunlop): Welcome, Deputy.

Mr. Peter Tabuns: Good afternoon. Minister, I asked you in the morning if you could present a table showing the jobs that will be created. Do you have that table?

Hon. John Wilkinson: What I've done, Mr. Tabuns, is I've actually provided for all the committee members the Mintz report. What I think we'd find informative—and I kind of mentioned that—is that those subsections of the economy that see the greatest drop in their marginal effective tax rate are the ones that would receive the most benefit, according to Dr. Mintz.

So we look at that, and—I think you've got it; right here. For example, when we've mentioned, and I think you've heard us say, that the marginal effective tax rate—and I'm on page 6, figure 3, to the right-hand column, the aggregate for Ontario. When we look at an aggregate, today the marginal effective tax rate on new investment is 33.6%, which is—how many pennies of a dollar does a company have to set aside for taxes all-in? That will drop on July 1 to 23.7%. When our full corporate income tax reductions are in, in 2013, that will be 19.4%. By 2018, when we have removed all restricted input tax credits on large business, that will drop it to 18.5%.

But I draw your attention—if we look at something like construction, the fourth over, you'll see that the marginal effective rate is 42.2%, dropping on July 1 to 26%; another dramatic drop on wholesale trade from 37% to 25%; retail, from 36% down to 25%. Particularly communications is the other one I've mentioned. At 44.5%, the communications sector, which includes information technology—the IT sector—we actually have a very high marginal effective tax rate on that. It's because companies purchase software to actually be able to work. All of that software has the PST, and that PST cost has to be embedded in their price when they're doing work. So there's a true cumulative effect on all of that software PST getting into the cost of business. That's one of the reasons why there's such a dramatic reduction, down to 24.9%, and they'll continue.

I'd also turn your attention particularly to the province-by-province—

Interjection.

Hon. John Wilkinson: I'm just going to be right with you here, because I think you'll find this also informative.

If we flip back to page 4, figure number 1, what we're looking at is province by province. As you know, some provinces have the HST or the equivalent, and some do not.

When you look at Prince Edward Island, which does not have the HST and will continue not to have the HST, they have a very high marginal effective tax rate. You'll see it much lower in Newfoundland, Nova Scotia and New Brunswick. As well, in Quebec, they have the QST, which is basically the GST. It's identical, but it's actually administered by the province of Quebec. Then for Ontario, you see the drop from 33.6% down to 23.7% immediately when the HST is brought in. Manitoba is still high and Saskatchewan is still high. Alberta is high. They don't have a sales tax over there, but they actually have quite high corporate rates instead of that. Then, of course, for BC, you're going to see a drop.

Then particularly back to the argument I made, that you can't have a strong Canada without a strong Ontario: When BC and Ontario, two of the major provinces, go ahead, it means that Canada's marginal effective rate drops from 28% to just a hair under 23%, on its way down to about 19%.

Dr. Mintz's contention and his opinion—his work being peer-reviewed by three other economists—is that a dramatic shift like that is one that will impact investment decisions vis-à-vis investments that we compete against, particularly against Great Lakes states. Today, that 33% that we were talking about is very competitive with Ohio, Michigan, Minnesota, New York and those US states that we compete with every day for jobs. Of course, they do not have a value-added tax at the federal level like we do; they still have the old manufacturers' sales tax. All the states have a retail sales tax. Even municipalities have retail sales taxes.

We're not going to get jobs in the future because our dollar is cheaper than theirs, and we're not going to have—one, I don't think we'd be wise to predicate it on having cheaper energy than the Americans. But we can put in a structural competitive advantage that makes Ontario a place where we have universal health care; wonderful publicly funded universities, schools and colleges; a very competitive rate; and a system where inputs are not taxed more than once. They may be taxed more than once, but because of the credit system, you're never taxing the same value more than once.

I was the Minister of Research and Innovation the last time I appeared before this committee. One of the things we talked about is that we had yet to bell the cat around that whole piece of taxation around innovation. We had, for example, in our digital IT sector a particularly high marginal effective tax rate because we were having kind of a hidden tax on software. Everybody who had to buy software to create something in the digital age was paying PST, and there was no way for that to come back. So we've levelled that a bit to actually give those sectors—construction, again, is another one where there is, as I mentioned, a dramatic drop.

Mr. Peter Tabuns: I had a chance to look at these charts before, and I thought there might be some other

documentation that you had. There's an assumption on the part of Mr. Mintz that these tax cuts for business will result in hirings rather than investment in capital, and there's an assumption that it will generate jobs at an extraordinary rate.

Hon. John Wilkinson: Well, I am delighted—it was just announced today—that Ontario had one of the strongest quarterly growths in some 11 years, as did Canada.

Businesses, I think, are going to be faced with one of two decisions. One is around price, but another one is around purchases. For example, in Atlantic Canada—and there's a study that was done that we reference on our website—the investment in modern machinery and equipment, which would be designed to be more productive, increased 12% above the national average the year after the Atlantic provinces brought in the HST, so above the mean.

Again, if a company is improving their productivity, they do that to gain market share, which, as a result, reinforces the need to hire more people, because they're actually landing contracts. They land the contract because they're providing the best value and the best price by lowering the cost of business and taking out this disincentive to improve productivity.

I think of the Rotman School. I'm thinking of the dean, who I know—

Ms. Carol Layton: Roger Martin.

Hon. John Wilkinson: Roger Martin, whose family is actually from just outside of my riding in Wallenstein. He and many others have been talking about the need for Canada and Ontario to focus on those structural things that we need to do to improve productivity. That allows us to compete on the global market, not going to the lowest common denominator.

I'm not saying that we're going to compete against the People's Republic of China for making brooms, but instead that we're going to win a contract like we just did at GE Canada to make the largest motors in the world to supply what is becoming the largest market in the world.

I was able, when I went to GE Canada, to see the amazing robotic technology that they have been able to use to make these motors that are—I mean, you can stand inside of one. You and I could both stand inside of one and there'd be plenty of room above us. It's quite remarkable.

It's taking out that disincentive, because that retail sales tax cost is embedded every time something changes hands. There's no mechanism—I've said many times that when someone pays the GST and pays it to Jim Flaherty, they charge the GST and send it to the federal government minus the GST that they've paid. But when it comes to the PST, the business charges the PST, and I, as the Minister of Revenue, give them no credit for all the PST they've already paid.

In the House, I used the example of a new home: Even though there's no PST on that transaction, building a new home, that cost is embedded in the price, because the builder had to pay PST. So that's what you see in

construction, why you see the marginal effect of tax rate coming down.

What businesses are going to do, and what they've done everywhere else is: You make them more competitive, they land more contracts, and they invest in themselves in regard to productivity. That's what 140 countries around the world have done, along with our sister provinces. Again, we've said that if we're going to get 21st-century jobs, then we've got to make sure that we reform our tax system.

Mr. Peter Tabuns: I appreciate the presentation and I appreciate the copy of the report. Mr. Mintz makes an argument for job creation based on tax cuts, but in contrast to your remarks earlier today, he doesn't talk about 21st-century jobs. There is no breakdown of job creation by sector. There's a hope, there's a projection, there's a hypothesis, but to say that this tax cut will generate 21st-century jobs is a big leap from the documents that are before us.

Hon. John Wilkinson: Well, Mr. Tabuns, Dr. Mintz is very clear that what he believes drives the jobs are the investments. I can tell you that in the 21st century, companies which would invest \$47 billion more in Ontario will not invest in the old economy; they'll invest in the new economy, as I was mentioning to Ms. MacLeod. The reality is that the workplace is constantly changing because of innovation. Many of the jobs that are available today didn't exist when you and I were children, and that rate of change is accelerating. It's why I think we all agree around the House how important it is to educate our children and give them the best opportunity, particularly with post-secondary, because that is the nature of the types of jobs we want for our children. Because they cannot compete based on low wages, they have to compete on adding value through innovation, through knowledge.

Even a company started by Thomas Edison that's been in this province since 1892 and invested \$100 million in our province did not do so to create a product that's been around in the last century. They're creating products that meet the demands of the 21st century, and in a marketplace around the world where they are actually selling to China. We buy a lot from the People's Republic of China, and I just think that it's best for us to have jobs where we're adding value through high technology, through innovation, and giving those companies the ability not to have a disincentive to invest in their productivity and innovation. That's how they landed that contract.

Mr. Peter Tabuns: I appreciate the argument. I still think it's a huge leap of faith to assume that that, in fact, will be the outcome. However—

Hon. John Wilkinson: And the alternative is to do nothing, so we've decided that there's something that we need to do.

Mr. Peter Tabuns: Well, in fact, I think there are a variety of alternatives, but today it's your turn to answer questions.

Hon. John Wilkinson: Sure.

Mr. Peter Tabuns: Going back, the cost of eliminating the sales tax inputs: When I look at your numbers,

you said earlier today that there would be a \$5.3-billion reduction in business inputs from the HST. You show a net figure here for HST when fully deployed at \$2.1 billion. So I assume that consumers will be picking up the \$5.3 billion that businesses won't be putting forward. So it would be an overall—

The Chair (Mr. Garfield Dunlop): Two minutes remaining in this round.

Hon. John Wilkinson: As I've mentioned, consumers have but one wallet, and what we've asked them to do is take a look at the impact of an increase in regard to sales tax on 17% of their purchases—that's a consumption tax, which is what PST or GST is—versus what we're doing with the money, which is dramatically reducing income taxes, both for people in business. All in, over the next three years, there will be \$11.8 billion worth of personal income tax relief and \$4.6 billion of corporate tax relief as well. It really is a fundamental reform of our tax system.

As I've mentioned, let alone that we're changing one tax in regard to sales tax, we are reducing three taxes: the personal income tax rate, the small business rate and the corporate tax rate. We're increasing three tax credits because we're increasing the property tax grant, we're increasing the seniors' property tax grant, which is at a higher level still, and as well we're creating the new Ontario sales tax benefit, which will be on top of the GST rebate.

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We're eliminating three taxes: We're eliminating the retail sales tax but as well we're eliminating the small business surtax and we're eliminating the capital tax. All of those things have to be taken into account. Those are all permanent measures. Then, as well, we have the transitional money that we secured from the federal government, which will be paid out to people over the next 13 months. It's part of an overall package.

We've always said that it's important for people to understand how that impacts them, their family and their business. You can't just look at one thing; you need to look at the bigger picture.

The Chair (Mr. Garfield Dunlop): That pretty well clears up that round.

We'll now go to the ministry. You now have up to 30 minutes to respond to any comments.

Hon. John Wilkinson: I just wanted to share with the committee that it was about a year ago that the Premier asked me to come over and visit him and asked whether or not I would—

Ms. Lisa MacLeod: Happy anniversary.

Hon. John Wilkinson: Thank you, I say to the member.

He asked me to be Ontario's Minister of Revenue. It's a very simple job: It is to implement and communicate the largest tax reform in this province in well over 40 years. I'm ably assisted by my deputy, who is very young but also very experienced. I am blessed to lead a ministry with so many people with a depth of experience. When you ask any organization to transform itself, that is not

easy, and so I have always been impressed with the leadership of my ministry.

Despite all the changes that will impact my ministry people and their own personal lives—every day our ministry collects about \$100 million. We spend more than \$100 million a day just on health care, but our ministry collects over \$100 million a day, and I want to say publicly to my ministry that their professionalism through this great change has been something that I think all of us in the Legislature can be very proud of.

I've had an opportunity to be in Fort Frances, which I learned is across from Minnesota and in a different time zone, down to Leamington, over to Cornwall and up north, and everywhere in between, and I've had an opportunity, as I mentioned, to speak to many people, but I always start my remarks by asking a pretty simple question. We're coming out of the biggest economic downturn in 80 years, where the entire global economy shrunk at the same time. There are very encouraging signs in regard to our economy, but I ask people, "Do you think the economy is going to go back to the way it was or do you think it's going to be different?" Invariably, people tell me and share with everyone else in the room that they feel the economy is going to be different. So I say to people, "Then what kind of government would we be providing if the people know that the world has changed on us and the government recognizes that it has changed, and our response to that is the status quo; that we will do absolutely nothing?"

I think good, responsible government understands that if the fundamentals of our economy have changed—and they have: a dollar at par, higher energy costs—we have to give our business sector, which creates the wealth in this province, every advantage that we can as a government. We can't create the jobs; the private sector creates the jobs. Those of us in this place do one thing: We redistribute the wealth. We tax people and decide how much the community will put into the common pot, and then we decide how that pot is to be spent, at all times being accountable back to this House. That's what we do. But we need to make sure that we have sufficient employment in this province that we can afford the high-quality public services that are, I would say, a common legacy of all the parties who've had the privilege of governing Ontario, and that really is the question.

People understand that the government, and the government of Ontario particularly, does not control the price of oil, nor does it control the rate of exchange between us and our greatest ally, our greatest market and our greatest competitor, our friends to the south. But there is one thing that we in government actually control, and that is taxation and regulation. That falls to us. The private sector doesn't do that, right? Other levels of government don't do that. That's what we do. So we've looked at that and said, "What can we do in regard to that lever that has been entrusted to us by the public to ensure that there are good jobs not just for today, but for our children and grandchildren?" We've come to the conclusion that the status quo is not acceptable in the new world. I think the

public has understood that as well. We could always have a debate about what the right thing to do is, but I think there's almost unanimity across Ontario that something needed to be done.

For the last 20 years, we have had in this province, as I was mentioning, governments here in Ontario of three different political stripes and governments at the federal level of two different political stripes that have theoretically agreed that just having one sales tax and one government taxing every transaction instead of two governments taxing every transaction—to have one set of rules and to have a modern, value-added tax system like the rest of the world, as opposed to having the two-tax system we have today—would be better for our economy. But we've never had the ability to bridge a gulf that existed between Ottawa and Toronto. And who would have thought that Prime Minister Harper and Premier McGuinty, that Finance Minister Flaherty and Finance Minister Duncan could find common cause? But they did. Why? Because they recognized, as we did, that the world has changed, that you cannot have a strong Canada with a weak Ontario and that we had to have common cause about doing what's right for our economy.

We learned how to generate wealth and create jobs in the 19th century, and we figured out how to do it in the 20th century. It falls to those of us in a position of leadership to figure out what we need to do so that we can prosper in the 21st century, all for the noble goal of saying that our community, coming together by way of taxes, will spend that money for the benefit of the community, so that we can have universal health care, that we can have a wonderful, globally leading education system, all the way from the early years right up to post-doctoral studies.

I think we came to that conclusion. As I said, there was an agreement between Prime Minister Harper and Premier McGuinty that we actually needed to sit down and see if we could work this out, and we were able to reach that historic agreement. We were able to reach that historic agreement last year. It was introduced in our budget in March 2009, and our ministry has been working flat out to make that happen ever since.

I want to tell you about the nature of that tax reform. Yes, we're just going to have one sales tax in Ontario, a value-added tax. As I mentioned, you can't even be a member of the European Union unless you have one national value-added sales tax. You can have a different rate in England than you do in Poland, but it's the same system. And that is the largest market in the world today, the European Union. We need to trade more.

I've always asked people, "Do you think we should rely on the American market more, or do you think we should trade more with the rest of the world?" Instinctively, people tell us, "Americans are always going to be our biggest market, but we should diversify." That's why I was so pleased to see the Premier lead yet another trade mission, which seems to have been very successful for Ontario—all around the world.

It reminds me of the fact that I was in Kingston the other day at a company called Transformix. They really

got on my radar when I was the Minister of Research and Innovation. A bunch of engineers started their company in Kingston in the basement of a couple's home. They were both engineers, and they were joined by two other engineers. They had a novel idea about how to provide an engineering services company. They have tremendous expertise in their area of specialty. I was delighted that we were able to make an investment in that company. But I was back as the Minister of Revenue—they just landed their largest contract ever to Brazil. Brazil is one of those emerging powerhouses in the economy of the 21st century. I believe their sales, as a company, are going to quintuple. It was just amazing.

They have come up with a new technology that allows them to improve the processing of sugar cane for ethanol, which is an alternative to using oil and gas, and I think as we see the tragedy unfolding in the Gulf of Mexico, we understand how important that new, 21st-century clean technology can be. But why is a company in Brazil going to Kingston, Ontario? Because we have the people who can solve a problem that no other set of engineers in the world could solve.

But when I had a chance to go to Transformix—which is very, very supportive of our tax reform and part of what I said to Mr. Tabuns about the need for us to quit having multiple taxes on software, which helps improve the productivity of companies—they showed me the example of a forklift. I can't think of any major manufacturer, or even a small one in Ontario, that doesn't have a forklift.

What I find really fascinating is, when it comes to a forklift, there are actually two different sets of tax laws. When you purchase a forklift, as a business, you pay GST to the federal government. You send in your GST that you've charged your customers minus the GST you paid for the forklift, because you need the forklift for the business. But when it comes to the PST, if the forklift is used to move goods and services in the factory from one part of the production line to another part of the production line, the company can go to our ministry and file for a PST exemption certificate. But if that forklift is used to move things from the truck to the warehouse or the warehouse to the truck, then they have to pay PST. Today, that company has to determine, self assess, how much time that forklift in that factory is being used, whether or not it's being used for production or whether or not it's being used for warehousing. Three years after the fact, people from my ministry come out to that business to determine whether or not they were telling the truth.

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It seems to me that it would be better to have one tax system administered by the federal government as a value-added tax that says, "You pay the HST on the forklift, and you get it all back." You get it all back, and it's a very simple system.

That is why 140 other countries around the world have gone to that system. It's why our sister provinces have gone to that system. It's why British Columbia decided,

after we decided to do this, that they needed to go to the system: because that, at the end of the day, is the type of competitive advantage which is structural, in other words, not something that comes and goes with the price of oil or our dollar versus the US dollar. It's a structural advantage that they will have that, today, they do not have.

By doing that, by going to one tax base and by taking the step of broadening that tax base to energy and services so that it is virtually identical to the GST, it now gives us the money to permanently reduce income taxes for people and for business so that the business has more money to spend and invest, and people have more money in their wallets, and they decide how they consume.

Again, I will go through those income tax cuts. For people, for example, we now have, effective January 1 of this year, the lowest personal income tax rate on the first \$37,106 of income of any province in Canada. Why did we lower that rate? The GST, PST, HST—it's a consumption tax. It's something that people can't get away from. It's broad-based. We didn't cut taxes for a few people who make a lot of money and pay tax at the highest level. We reduced taxes by 16% on that first \$37,000 so that it applies as broadly as possible to individuals. That is a measure that cost billions of dollars. We can afford to do that because we've decided to reform our tax system.

Our ability to broaden the property tax credit that so many qualify for with another \$270 million: We can do that because we've decided to have one sales tax. Our ability to double the property sales tax credit for seniors on July 1: We can do that because we've taken the step of having one sales tax. Our ability to have a sales tax rebate provided by the government of Ontario to the people with the least in this province—and I'm thinking of seniors on a fixed income, people on social assistance and middle-class families with a lot of children. They all have one common characteristic: They don't have a lot of disposable income. The type of individuals I've talked about, every blessed cent they have, they spend just to get by.

When the GST was brought in, the GST rebate was brought in to ensure that there is equity in society. What I can tell you is that by bringing in the HST, we now have the ability to provide what we call the HST rebate.

Let me just share with you that the GST rebate today from the federal government, which is paid quarterly, provides up to \$240 for a qualifying adult and \$140 for every qualifying child in that family. That's going to be maintained, but starting in August, there's a new quarterly benefit that, for exactly the same people, will add another \$260 for every adult and child in that family. Again, that costs billions of dollars. Why can we do that? Because we've taken the step of having just one sales tax in the province of Ontario.

I know there are people who say that the best thing we can do is have two sales taxes and not change anything. But we've decided that just having one sales tax, one government, one set of rules, one rate, one set of

auditors, one set of appeals all makes more sense than the system we have today.

Again, that all really flows from the federal and provincial governments setting aside whatever regular differences they have, because at the moment they're different parties and also different levels of government, and deciding to do what is best for Canada, for Ontario and for our families and businesses here in Ontario.

The other thing I like to share when I talk to people is that beyond the fact that businesses will receive input tax credits—so they'll stop paying tax on tax, which is then buried in the price of goods and services—we're also ensuring that we're working with the federal government to make Canada one of the most attractive places in the world for investment.

The history of our country in the modern world has been based on direct foreign investment. Other people around the world are saying, "What a great country. What a great quality of life. What a wonderful, diverse, tolerant place this is compared to other places around the world." It's why people have lined up around the world to get into this country. It's also the reason why money has lined up around the world to get into this country, to have a country with universal health care, to have a country with a wonderful education system.

What we've decided is: What do we need to do to make sure we're competing for that money, because there is investment being made? There's investment being made every day. As I said, we compete for jobs every day with the Great Lakes states that surround us. As we've always said, the Americans are our greatest allies and our greatest market, but they are also our biggest competitors. They compete with us for jobs every day. If we set partisanship aside, I think we would all agree that we'd rather have the jobs on this side of the border. I think that's something we can all agree on. We may disagree on how we get there, but I think we would all agree on having the jobs on this side of the border. Looking at it, it's important for us to recognize the new 21st-century reality we are faced with, look at the things we actually have control of—taxation and regulation—and take whatever steps are required to improve the business climate so that jobs are coming here.

We've been really fortunate. I can't think of a generation of Ontarians who have not been left a standard of living higher than what was enjoyed by their parents or their grandparents. We always have difficult decisions to make. Our parents, our grandparents and their parents all had to make difficult decisions. Ontario and our great quality of life did not arrive out of the blue because people were not willing to make difficult decisions.

So it falls upon us to say, "All right, we figured out how to make money in the 19th century." I think of Thomas Edison's company that landed in Peterborough, Ontario, in 1892. I think about a company that found success in Peterborough in the 20th century. But there's a company that still wants to be successful in the 21st century, landing the biggest contract they have ever been able to earn in the global market, and that is a very competitive market.

People understand that the level of competition has gone up substantially and that we need to take steps to be able to compete in that world. If we don't, then we'll be left behind. I think we'd all agree that a poorly performing economy puts at risk everything we collectively hold dear in this province, like universal health care, our publicly funded school system and our world-class post-secondary system where people from around the world are lining up to get into this province.

I want to share with you another example of an amazing company in Oakville, called Entripy. I said, "What does Entripy stand for?" They said, "We don't know. But it was a cool name, and we figured it would be easy to copyright." It was started by two guys at U of T when they were still in school. What they do is—do you know when you buy golf shirts, hats and that kind of stuff, it's all embroidered? They're a company that started in a basement and have a wonderful facility in Oakville where they have invested in technology and are able to do the design, all based on the Internet. The last time I checked, they had, I think, 25 people. They started in 1999 with two guys in a basement, and now they have 25 people in Oakville with very good jobs—a very nice thing.

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When we were doing an event there, the press asked Jas Brar, the chap who started the company, "Your costs are going down, according to Minister Wilkinson. How much?"

He goes, "We took a look at it. We think it's \$15,000 to \$20,000 a year to start."

"What are you going to do with that money?"

"We're going to hire more people."

Whether that company gets a contract is up to them; they have to be competitive in the marketplace. But if they get that contract, we need them to hire those people, because people with jobs working for companies that are making money are paying taxes, both the people with the jobs and the company making the money.

When the global economy virtually collapsed, what started it? Really, a bunch of greedy people on Wall Street; it's pretty obvious. But that problem on Wall Street infected the entire world economy. Canada and Ontario, as the financial services capital of Canada, were able to weather that storm.

A quarter of a million people lost their jobs. What that did to the revenue of the province of Ontario was substantial, and we did agree with Prime Minister Harper and the other countries in the G8 and the World Bank about the need in the short term for governments to borrow money to stimulate the economy to give the private sector time to regroup, come back and be strong.

What we see is that, just in the last quarter, Canada was leading the world in economic growth. That's because I think Canadians and Ontarians understand that every so often governments have to make decisions that are forward-looking. What do we need to do to get to where we need to be? In that context, we made the decision last year about tax reform as one of those things. It's part of our Open Ontario plan.

I've also had the advantage of working on a project—I think it was somewhat helpful that I was at the Ministry of Research and Innovation—which was, how do we take something this complicated and communicate that to people so they can understand that? As I mentioned to Mr. Tabuns, there are so many components to this overarching tax reform, the biggest tax reform in over 40 years.

As I said, my task is to implement and communicate the largest tax reform in over 40 years. We've had the advantage of using the Web, creating a dedicated Web page that I believe has had 2.2 million hits, according to the latest information from my deputy. And the one thing that's quite fascinating is that the page people are going to the most right now is, "What's changing and what's not?"

Interjections.

Hon. John Wilkinson: I appreciate the fact that maybe some of us around this table have visited that.

We've worked on the challenge of taking something this complex and making sure we can communicate that in plain English and plain French and also in 21 different languages.

Interjection: Printed.

Hon. John Wilkinson: We have printed material in 21 different languages, so that we can speak to Ontarians, in languages they can understand, the kind of pocketbook issue of taxation when it comes to both the sales tax and income taxes.

I think it's right to say that if we had not been victims of the great recession, as was the whole world, there probably would not have been the political will and leadership shown by both the federal and provincial governments to move forward. It has not been an easy decision for our government, nor was it an easy decision for the federal government. Despite the fact that they have a minority government, they understood that this was important for Canada. I want to thank so many people across the province who have set aside partisan differences and decided that this is something that is important for our country and for our province.

It wasn't that many years ago, actually, that some from the federal government were bemoaning the fact that Ontario was a lousy place to invest. Well, it didn't take too long for the good people of Ontario to kind of feed back to our federal government that talking down the biggest province in our country is not a good thing: "What are you doing to work together?" I think we would all agree that particularly in the depths of the recession, people wanted their leaders to show leadership, and sometimes that requires setting aside partisanship and working together.

I'd just ask the Chairman how much time I have.

The Chair (Mr. Garfield Dunlop): Exactly six minutes.

Hon. John Wilkinson: That will allow me to wrap up and still have 15 seconds. You're keeping track of that, I know, Mr. Chairman.

The Chair (Mr. Garfield Dunlop): Actually, you've got all kinds of spare time left.

Hon. John Wilkinson: That's right.

I did want to talk about the fact that I've also had the opportunity to do town hall meetings right across Ontario. I know many members have invited me out to their communities. We have 107 ridings, and it's been difficult to get to all of them. I do want to thank my parliamentary assistants, Bob Delaney and Yasir Naqvi, who are joining us today on the committee, for the work that they've been doing. It has not been an easy thing.

In the modern world, people tend to communicate by tweet—you know, 120 characters or less. We're doing more than tweeting; we're doing more than tweaking; we are actually reforming our tax system. What we found by going to town hall meetings is that people have been very receptive to the idea that the old world is not coming back and that we needed to do something to make sure that we could leave our children a better world.

It's amazing how that concept itself, I think, transforms political considerations. The people have a tremendous thirst for accurate information. What we've tried to do as a government is to provide that source of accurate information that many people who are not part of the government—I think now almost every major bank, business school and economic think tank has now opined on Ontario doing something that people did not think could happen, which is the largest tax reform in over 40 years.

I know that it is a work in progress, and I know that there will be people who will ask me to prognosticate about what's going to happen. What I can tell you is that since we made this announcement, there are about 140,000 more people working in this province because we sent—one of the reasons—a very strong signal that we intended to be competitive in the global economy, in that new economy that regular people in Ontario know that we're going to have to compete for and compete in.

Also, what I've found inspiring is that people have understood that the greatest decisions we've ever made as a society have not been easy. The things that we have done in the past were not easy. The things that our parents and our grandparents are proudest of are the things that, at the time, were sometimes the most controversial.

I'm fortunate, in my opinion, to be a politician in a great province like Ontario and in Canada. I saw the debate around having universal health care or some approximate to that south of the border and the kind of vitriolic debate that happened as a result. I think we can take pride in the fact that, though we may disagree, there is a certain something about Ontarians and Canadians that we understand that occasionally we have to make decisions that are difficult.

I'm heartened that I have not seen any of our opponents, while they're doing their job of opposing us, say that they would go back to the two-tax system.

Ms. Lisa MacLeod: On a point of order, Mr. Chair: I don't think this is really relevant. The minister is here today to talk about and defend his estimates. He's not here today to probe the other political parties or other

Ontarians about what they would or would not do if they were forming a government. I think it's wholly inappropriate—

The Chair (Mr. Garfield Dunlop): He has some right to do that at this point.

Hon. John Wilkinson: Thanks, Mr. Chairman.

The Chair (Mr. Garfield Dunlop): You have two minutes left.

Hon. John Wilkinson: I have two minutes left, or a minute and 45 seconds.

I would say to people that I've always believed—and I know we all come here for different reasons, and we have our own political philosophies. But at the heart of it, what makes us Canadians and Ontarians is that we believe that together we can do great things. In the past, we have done that. I think we can continue to do that.

I think the fact that we're doing something that is challenging is obvious. It does expose us to criticism, but what I'm encouraged by is that Ontario is leading Canada out of economic recession and that Canada is leading the world out of economic recession. All of this has happened since we introduced tax reform. This has happened since we said to the world, "We are open for business in Ontario. We intend to compete. We will not take a back seat. We will do what's required to make sure that there are good-paying jobs for our children—not 20th-century jobs, 21st-century jobs." That's why we make that investment.

I think that, collectively, all of us in this place, though we may differ from a partisan point of view, can take great comfort that in times of great trial, our leadership is prepared to set aside partisan differences and move forward to build a stronger province and country. Thank you.

The Chair (Mr. Garfield Dunlop): Thank you, Minister. I think what we'll do right now is we'll recess and go up for the vote—it's in six minutes. We'll come back here shortly after the vote and we'll start with Ms. MacLeod. She'll start the first 20-minute rotation, okay?

Thank you very much. We will recess and we'll be back here in about 10 minutes.

The committee recessed from 1650 to 1700.

The Chair (Mr. Garfield Dunlop): We'll reconvene the meeting. Ms. MacLeod.

Ms. Lisa MacLeod: It's a real pleasure to be back here. I want to thank the minister again for coming to listen to our questions. I also want to compliment him on his ability to rag the puck for the last 30 minutes. You must be a good hockey player. You certainly have some good skills there.

In the previous round, we talked about the comprehensive tax reform that you're talking about. On many occasions, we hear in the Ontario Legislature and we hear from Liberal members that it is the largest tax cut in Ontario's history. I really don't think you can say that, given that your corporate taxes are 25% more than they were in 2003, small business taxes have increased 12.5% since 2003, and personal middle-income tax, second bracket, is now 3.4% higher. So I don't think you can

legitimately lay claim to this being the largest tax cut in the province's history given this record, given the health tax, and now given the HST. I think that's important to point out.

I'd like to go back to the jobs. I really enjoyed our earlier conversation about that. I think we've discovered an awful lot, and I really appreciated my colleague from the NDP Peter Tabuns looking into that more thoroughly after I was able to raise it. You answered my questions on manufacturing earlier today, on the job losses that we've seen since 2003—close to 300,000 jobs manufacturing jobs that were lost. You compared it to the dirty thirties, and you said this is apples and oranges. What we ended up getting from you was an answer that was really quite a lemon. The reality is, almost 150,000 jobs were lost in Ontario right before the recession started—so another 150,000 were lost. In addition, in the 2009 budget your government put forward a jobs plan that said you would bring 146,000 jobs into the province. Instead, we lost 143,000 jobs. So there is an issue.

You're using this 600,000-job-creation number. You used it again in the Ontario Legislature, in the chamber, during question period, after we left this meeting. You have cited the Mintz report. You have not shared with us what your economic model was to determine the 600,000 jobs, outside of the Mintz report. So a very simple question, and I'm hoping you can give me a very simple answer: Did you consider the job-creation impact before the government of Ontario hired Jack Mintz to come up with this 600,000-job figure; or when you were considering implementing the HST and that other tax package, did you commission an internal study that would consider the impact on jobs, whether that's creation or job loss?

Hon. John Wilkinson: That's a great question. What I can tell you is that you're specifically asking me a question about when I wasn't the minister. The Ministry of Finance is responsible for budgeting for the province of Ontario and, of course, all other economic forecasting. I know that the Minister of Finance will be attending this committee after I am done, and I think it would be unparliamentary of me to presume that I could answer a question on behalf of my colleague for a ministry I'm not responsible for and haven't been responsible for and wasn't responsible for when you asked that question.

Ms. Lisa MacLeod: So just a quick question then: Have you been given a report? You're using the number of 600,000 as if it came from the government of Ontario. I guess in some ways it did, because you paid several thousand dollars for this report by Jack Mintz.

I guess the question to you, Minister, then becomes—you've been there now for a year—have you seen any government studies from January or February of last year, or even before that, that suggested this is the way the government needs to go? An internal document, whether it's from the Ministry of Finance—have you seen that document and did it have specific job numbers? If you are going to reference that report, will you table it with this committee?

Hon. John Wilkinson: I have not seen that. I have seen all of the reports that were subsequent to that. I also had a chance to review the literature of groups that had opined for many years about the need to do this. Again, when it comes to—

Ms. Lisa MacLeod: So you've not seen a specific government study that laid the groundwork for the government of Ontario implementing the HST in your comprehensive tax plan?

Hon. John Wilkinson: As both the Minister of Research and Innovation and now, as the Minister of Revenue, I'll just tell you I have not seen a report from the government. We have some wonderful people who work for us in regard to economic modelling and they are responsible to the Minister of Finance—

Ms. Lisa MacLeod: And they work for the Ministry of Revenue?

Hon. John Wilkinson: No, they work for the Ministry of Finance. That's why I was saying that if you have a question about that it would be disrespectful of me and my colleague to try to answer a question about a ministry that I don't have responsibility for.

Ms. Lisa MacLeod: Before this committee meets next, I would ask you to endeavour to talk to Ministry of Finance officials to table that modelling report, because we are relying an awful lot on this Jack Mintz report, where you're suggesting there are 600,000 new jobs.

Earlier this morning, you said that many of these jobs hadn't been invented yet. Then you provided us with this Jack Mintz report that says the 600,000 jobs are going to be there. But as my colleague from the NDP points out, there are no job creation numbers there. There are no job creation numbers sector by sector or region by region. There are no job creation numbers that suggest a pay scale or salary. There are no job creation numbers that suggest that these are full-time or part-time jobs. You said it was going to be in the innovation sector; the innovation sector is not mentioned in the Mintz report.

You can't say for sure, you can't say without a doubt that a single job will be created, other than this piece by Jack Mintz, which your government commissioned after you had already made a decision to implement the HST.

I realize that you are the person who's selling the HST and Dwight Duncan is the person responsible, or sort of the architect of this tax plan. But the reality is that many of the answers that we're receiving in question period, or in the public domain through the media, are that you are creating 600,000 jobs.

You did acknowledge earlier today that the government isn't supposed to be in the marketplace, yet the only place that we have seen any growth in job creation in the last three or four years has been basically in the public service. One would say that what's actually happening is that this government has a philosophy to create public service jobs, and that's where we've seen the greatest inflation.

Again, I have not seen any substantive research from the government that actually will tell me or any of my colleagues in this Legislature where those jobs will be

created, who these jobs will be created for. I think it's unfair to say that these jobs have not been invented yet. People in this province deserve the specifics of where those jobs will be located and whether you have any major manufacturing facilities in mind.

I just reiterate the point: You've said 600,000 jobs based on this Mintz report over the next 10 years. I believe you've said that's four manufacturing plants the size of GM. It also means 60,000 jobs per year over the next 10 years. When I asked you earlier today if you could commit to me that by July 1, 2011, we would actually see those 60,000 new jobs, I didn't receive a response. I think that's problematic.

I guess the question now comes down to credibility, because we are not given an economic model. The economic modelling that I've requested and that my colleague Peter Tabuns has requested has not been forthcoming, so we don't have accurate, definitive Ministry of Finance documents or department of revenue documents in front of us to tell us where these jobs are coming from and how they arrived at them.

1710

We've got the Mintz report, which you're relying on, but it does not, again, have a sector-by-sector, region-by-region pay scale or salary, full-time or part-time, whether these are new or old jobs. You use "old economy" and "new economy" quite a bit. You can't say without a doubt where these jobs are coming from.

The question is, then, how can we believe what the government is saying when consistently we have seen promises of jobs, as in the 2009 budget where 146,000 jobs were promised, and instead we saw 143,000 jobs taken out of the economy. That's at the very heart of it. How can we believe this number when you can't back it up, nor can anyone in the government, without the critical documents that the opposition requires to believe you?

Hon. John Wilkinson: Thanks for the questions. First of all, I think it's fairly informative to look at history. I think you brought in the case of the 2003 budget. I can tell you that after some unexpected things like SARS hit this province, the amount of new job creation that was estimated when your party was in power that year came in substantially less.

It is the nature that the economy is dynamic and sometimes, it goes through contractions. We did have to weather the largest economic downturn in some 80 years as a globe—not just Ontario, but as a globe.

I can tell you that when it comes to economics—and, of course, we have Dr. Mintz who did that work. He got that contract because he is, according to his peers, the leading expert on the economic relationship between taxes, investment and job creation. I can tell you that when I met with Dr. Mintz at the Ontario Economic Summit, he told me that when it comes to jobs, he actually uses something called the Cobb-Douglas production function. I'm not an economist, but I'm sure Dr. Mintz would be more than happy to answer any questions you may have on that. So there is the science of economics behind it.

What I tried to do for Mr. Tabuns was to say, if we are dramatically dropping the cost of business, the marginal effective tax rate on new investment, Dr. Mintz says that that will increase investment over what would have happened by some 20% over the next 10 years. That represents some \$47 billion, and using the Cobb-Douglas production function, that equates to some 591,000 new jobs. Again, that's what Dr. Mintz said. So I leave it to the economists to look at that.

What will happen, of course, will happen. That's the nature of it. All we can do as a government is to set—

Ms. Lisa MacLeod: But, Minister, I think it's disingenuous of the government when you're saying this, when you're saying "What will happen will happen," yet you travel the province, you answer questions in the House, you speak to the media and you say definitively that there will be 600,000 new jobs, and you can't deliver on that promise.

Hon. John Wilkinson: Well, I say that—

Ms. Lisa MacLeod: You say that, but you can't back it up other than this report that does not talk about where these jobs will be, sector by sector, region by region, pay scale or salary, pensions and benefits, full-time or part-time. You can't tell me if they're going to be in the old sector, whether it's through exporting or manufacturing, and you can't tell me if it's going to be in the innovation sector, in the new economy.

The reality is, it's a great spin, but you've never delivered—and I speak about your government—on a jobs promise to date, in almost seven years. So the challenge for Ontarians, when you're talking about your comprehensive tax policy, which includes the 8% HST, is that Ontarians are afraid. They don't believe that the cost savings are going to be passed on.

I just got an email about the Toronto Airport Express increasing their fees by 8%. I spoke to the Nepean chamber of commerce last week, and not one business person actually felt that they were going to get the savings passed on because of the HST. In fact, when your colleague spoke and mentioned that jobs would be created, Nepean business people actually said they did not feel that there were going to be job increases. They actually thought people were going to lose their jobs.

The thing is—and you might be right, but the problem is, you've not demonstrated to us that you are right and your government has been unable to demonstrate to us that your job creation numbers are right.

You've talked about job creation in the Green Energy Act. Where are those jobs? We haven't talked about them since George Smitherman left the building. We've talked about jobs to be created in other sectors as a result of various pieces of legislation; those have not materialized. The reality is, there's a credibility gap with the people who are going to start paying the taxes, and I think that that's the challenge.

I'm not sure the government can actually talk with much credibility on job creation until they can actually come out to Ontarians—and whether that's through the finance minister or through yourself—and bring us that

document that says, "This is where the jobs are going to be created; this is how much money the people who are going to take these jobs are going to make; this is where those people who have those jobs are going to live." You can't do that right now, so there's an awful lot of fear out there. People see one segment of it as a tax grab, and the other part they really don't understand because it can't compute—how, if you're going to take 8% more, am I going to get another job or hire more people?

We had a lady in the Legislature today who owns a company called Penny Loafers; she owns a shoeshine shop. The reality is, Minister, she came to my office in an appeal. She feels that she's going to have to shut down her business.

We heard from Andy Soumbos from Curves; he'll be here tomorrow. They had a protest—probably one of the happiest protests in the history of my being in this chamber—on the fitness tax. What he did was he came to me and he said that your input tax credits are only going to be worth about 10 cents per member of his gym and his fitness centre; that's it. But he is fearing that he's going to have to close some locations down as a result of the government not being able to lessen the impact of the HST.

Again, you talk about how this is a comprehensive tax policy plan. We've actually spent very little time in the opposition talking about just the HST; we've talked about your job creation numbers. Yet, when you talk to the Ontario Real Estate Association or some of the home builders, when you talk to people who own kids' campgrounds, they're frightened because those are going to be services that are going to be impacted. They don't yet see, or their economic model for their business won't suggest that those savings will be passed down and that they're not going to go out of business.

I don't have to remind you of what happened in Atlantic Canada, and I know that many people around here love to talk about Nova Scotia as a theoretical example for the HST. I actually lived there when this occurred and I remember the toll that it took on people. In fact, I remember the home building industry, which I have relatives in, in excavation and construction, and a lot of that went underground. When you look at the numbers and you talk to the home renovation sector, they'll tell you that one third went underground, which you're going to lose revenues from in your ministry; one third went out of business, which is not good at all because you're losing more revenue; and then a third stayed in business and there were higher prices.

I'll give you another anecdotal piece: I have a sister in Nova Scotia. We both drive the exact same minivan. On Labour Day weekend last year, she drove up from Nova Scotia to stay with me, my husband and my daughter, and she was quite shocked by the price of gas in Ontario. It was 16 cents a litre less expensive in Ontario than it was in Nova Scotia. I had quite a giggle because I said, "That'll be us very soon," because we're going to see that extra tax at the pumps.

When you look at the impact of what you're saying, this all goes back to a common thread. You're telling us

that the government's going to pass the savings on; you haven't done that with the LCBO. You tell us 600,000 jobs are going to be created; you can't legitimize that claim. You tell us from time to time that the HST is going to be good for low-income people, who it's going to probably target the most. These are serious challenges that you have to face that you're not prepared to provide answers to. And those job numbers—those are the most critical, because again, you can't define where, when, how long; you can't give me a timeline on these tax cuts.

I guess there's not really much more to say to you on this point other than that I think it's incumbent upon the ministry to table that document, the economic modelling document, tomorrow so that myself, Mr. Tabuns and our respective caucuses are able to review that to best assess whether or not your job creation numbers are legitimate.

1720

Again, we have to best assess, and one would say by practice that you're not going to pass on the savings, given what happened at the LCBO and given the fact that at the same time, in the last election in Nova Scotia, there were actually signs on home heating—

The Chair (Mr. Garfield Dunlop): You have 20 seconds.

Ms. Lisa MacLeod: —that said “Heat or eat.” People were actually forced to heat or eat, and that's actually how the NDP was elected.

Mr. Chair, I want to thank you very much for the opportunity to talk about the job numbers today. Again, I hope the minister will be forthcoming with that economic modelling report, because I think that's the only way to move forward.

The Chair (Mr. Garfield Dunlop): Thank you. Now we'll move over to the third party.

Mr. Peter Tabuns: Thank you, Chair.

The Chair (Mr. Garfield Dunlop): I guess we'll go for about another 10 minutes of you, and then we have to have another break. I apologize. Go ahead.

Interjection.

Mr. Peter Tabuns: You're right, I do.

Hon. John Wilkinson: I know you do.

Mr. Peter Tabuns: And before I go into those questions, just to confirm: Altogether, the cost to the consumers for the HST will be about \$7 billion a year. The \$5 billion that businesses are no longer spending, the \$2 billion in tax cuts—it's about \$7 billion. Is that within your realm?

Hon. John Wilkinson: What I have is the information that has been provided to all of us from the Minister of Finance when he's tabling his budgets. As I've said, it's important for us to take a look. We have, as you know, a number of point-of-sale rebates that also have to be factored in.

But we're seeing, as I mentioned before, that when it comes to the revenue base of the province of Ontario, the conversion of the RST base to the HST base raises just over an additional \$2 billion in the first complete fiscal year. That's before you take into account any dealings

with, of course, the fact that we have savings on the income tax side, and of course the transitional benefits.

Mr. Peter Tabuns: But I'm assuming, then, if business is reducing its cost of inputs by \$5.3 billion, that someone's picking up that slack, because you aren't having a \$5.3-billion reduction in your revenue, and that that, in fact, will be paid by consumers.

Hon. John Wilkinson: No. As you know, that would assume, of course, that the free market doesn't apply in Ontario when it's applied everywhere else. When you raise the cost of business, they make the very strong argument that that leads to higher prices. When we lower the cost of business, that leads to lower prices because we live in a competitive market. People do not willingly overpay for any service. Businesses—and that is my background—know that you have to provide both value and price. That is what people make their decisions on.

We live in a world now, Mr. Tabuns, of course, where there's more information about value available to consumers than ever before. Again, that is why, when we talk to the work done by Don Drummond and his colleagues at TD Economics, because we're not talking about things that are warehoused but we're talking about energy and services, the prediction of course is that some 80% of the cost savings will pass through in the first year.

The cost savings are actually really on the part of the economy that today is taxed at 13%. The part of the economy in regard to goods and services that are taxed at 13%—I think of, for example, everything at Canadian Tire, which is pretty well taxed today at 13%. There's a 5% tax that Canadian Tire charges and sends in to the federal government, minus what they've paid, but there's an 8% tax that is remitted to my ministry, and there is absolutely no credit given for all of the eight per cents that that company itself has paid.

So it isn't just on the 17% of the economy affected by the increased tax base; it is the majority of the economy where we see the broadest measure of a reduction of the cost of those businesses, beyond the fact that we're also reducing corporate income taxes, eliminating the small business surtax, eliminating the capital tax.

Mr. Peter Tabuns: So on one side, Minister, you have \$7 billion that will be paid in HST by consumers, and on the other side you'll have a \$5-billion reduction in cost of inputs to businesses which you are arguing will be passed on to consumers, and \$2 billion in tax credits.

Hon. John Wilkinson: No, what I'm arguing is that it is important to understand the nature of a value-added tax and what that means.

Mr. Peter Tabuns: You've made that very clear.

Hon. John Wilkinson: That's right. And then the question is—

Mr. Peter Tabuns: You've been extremely thorough throughout the day on that. So Minister—

Hon. John Wilkinson: Then the question is, there are those who opine that if the free market does apply—

Mr. Peter Tabuns: If you don't mind—

Hon. John Wilkinson: I think it does.

Mr. Peter Tabuns: No, no, I'll make that argument separately.

I'll go back to my first question. How much do you expect to bring in, in revenue, from the HST with these changes?

Hon. John Wilkinson: That's \$2 billion. That is what is—

Mr. Peter Tabuns: In total? That's not your net figure?

Hon. John Wilkinson: That's not net. We'll get you the number—

Mr. Peter Tabuns: No, page 158, table 2.

Mr. Bob Laramy: Page 136.

Hon. John Wilkinson: It might be better if I could turn it over to my assistant deputy minister, who actually knows these numbers much more than I. Bob, if you don't mind, help us out.

Mr. Bob Laramy: These are the public revenue numbers. On page 136, you'll notice the sales tax figure in there—the interim—and you'll notice the plan, up to \$19 billion. That's the estimated number for next year. Also, there's another table in there that takes it a little bit further out. If you want to go to page 104—I'm quoting from the budget document, the 2010 Ontario budget—

Mr. Peter Tabuns: Yes, I've got it here.

Mr. Bob Laramy: That one carries the outlook out for sales tax a few years further as well. That shows the interim this year at \$17.4 billion; it shows the plan at \$19.1 billion for 2010-11; it shows 2011-12 at \$20.3 billion; and it shows 2012-13 at \$21.4 billion. Those are the forecasted numbers under the new regime.

Mr. Peter Tabuns: No, I understand that, but the reality is, you've told us today that there will be a \$5.3-billion reduction in the amount of money that businesses will be paying in provincial sales tax. If their costs are reduced by \$5.3 billion; if the amount of money they send you is reduced by \$5.3 billion, and the amount of money from sales tax revenue continues to increase, someone is covering that \$5.3 billion.

Hon. John Wilkinson: As I mentioned, in a value-added tax system, at the end of the day, it's the consumer that pays the tax once, and there's no hidden tax. What we said is—

Mr. Peter Tabuns: Someone is sending you money. They may pass on their savings in another column, but I'm saying to you, if the amount of money they're sending to your department is dropping by \$5.3 billion, someone else is paying you \$5.3 billion to make up for that.

Hon. John Wilkinson: Mr. Tabuns, as we said, overall for the government of Ontario, in the first few years, this will actually cost just over \$3 billion. Overall, we're not raising any additional money from this measure. If we were, then, of course, the Taxpayer Protection Act would kick in, and it isn't applicable in this situation.

Mr. Peter Tabuns: Even if I were to accept that argument, and I'll set it aside for the moment, you're telling me that businesses will give you \$5.3 billion less

every year, and yet your revenue figures are not going down. How is that being made up?

Hon. John Wilkinson: As I mentioned, what we're doing is, we are—and we've been very clear about this—lowering the cost of business to make them more competitive. It is very important that in this global economy we are competitive.

I leave it to the Minister of Finance to deal with the issues around the projections that he has used and will continue to use as our Minister of Finance. Again, as I mentioned to Ms. MacLeod, I am not in a position, as the Minister of Revenue, to defend—I can share with you where those numbers are in the public record; I'd be more than happy to do that, but when it comes to questions of tax policy, of course, that is the issue of the Minister of Finance. I know he's coming to this committee after I'm done here.

What I can tell you is that the estimates used by TD Economics are ones that were actually, we think—how should I say this? There are a lot of different economic opinions on that. The Minister of Finance is always one to use conservative estimates, but it is true that there are various groups that are opining on our tax reform, because it really is the biggest tax reform in over 40 years. And again—

Mr. Peter Tabuns: Minister, I find it quite shocking in fact that you can say to me, as the person in charge of the money coming in, that you're going to lose \$5.3 billion in revenue and you can't tell me where the \$5.3 billion is coming from to cover it.

Hon. John Wilkinson: We've been very clear that the consumer has one wallet, and what they're going to see on 17% is an increase on the sales tax. In the same wallet, they're going to be receiving from the government. Overall, it doesn't raise any additional money for the government, but does make our economy more competitive.

Mr. Peter Tabuns: I wasn't making that argument. What you're saying to me is that the \$5.3 billion in inputs that are a reduction for business—customers will pay less for products, but that says to me at the same time that they'll be paying more in taxes. They aren't getting a gift of \$5.3 billion; they're getting a shift.

Hon. John Wilkinson: Again, I think we've laid out—and I'm sure my ministry folks are going to help us out about how that all works out. But again, the nature of the tax reform of going to one sales tax is one that we go to the value-added model that is used in other economies, the majority of economies around the world, save our friends to the south—one of the reasons we're doing this. So what we've said—

Mr. Peter Tabuns: You made that argument earlier today and you made it quite thoroughly, but you still haven't explained where the \$5.3 billion is going to come from to reduce the inputs.

Hon. John Wilkinson: Of that number, I can tell you that the tax on tax is some \$4.5 billion. That is the hidden tax that consumers pay today. They pay that by way of hidden tax. They don't see anything on their bill that

says, “Here’s the PST and here’s all the PST you’ve paid on the PST. Here’s the PST on your new home, even though you haven’t paid PST.” Again, to be fair, you have to take a look at the cost that is coming out of the system and where that money goes. What it does is, it makes our economy much more competitive. That’s exactly why we’re doing it.

Mr. Peter Tabuns: In fact, using your argument that it’s all revenue-neutral, you’re moving the tax—\$5.3 billion—from the businesses directly to consumers. It’s not hidden anymore. It’s direct; it’s on the sales tag. In the future, there will be a \$5.3-billion reduction in payments to you from businesses that used to pay you and a \$5.3-billion increase from consumers who have paid you, as you would argue, a hidden tax in the past. It will now be an overt and open tax. Correct?

Hon. John Wilkinson: And by making that open, it means that that actually reduces the cost of business. We can have a discussion about that, but what I can tell you is that what we’re responsible for—

Mr. Peter Tabuns: I appreciate you saying it’s open. You’ve confirmed my number and I’m comfortable. That’s good. I appreciate it.

Hon. John Wilkinson: What I can tell you is that we’re providing some \$11.6—or maybe it’s \$11.8—billion worth of income tax relief to individuals, those very same people—

Mr. Peter Tabuns: Over what period?

Hon. John Wilkinson: Over the next three years. And those are permanent tax cuts. I would say that it’s important for us to take a look at all of the billions of dollars’ worth of permanent tax cuts that we’re putting into the system, because that is actually the whole picture.

It’s easy to say that we’re just going to take a look at one part of tax reform, but I think I’ve been very clear that there are over a dozen measures. One has to take a look at the HST measure as well, to be reasonable, looking at the entire picture of what the government is doing about who’s paying tax, how they’re paying, what’s coming in and what the benefits are.

My ministry is responsible not only for revenue but also for benefits, something that was started under the Gains program, I believe, under the previous government, and again, we’ve been very careful about ensuring that we have benefits. It is true—and we’ve said this, and other independent people have looked at it—that the people with the least in this province will actually have benefits greater than any costs that could be attributed to an increase in sales tax on 17% of their purchases, and that for people who are—

The Chair (Mr. Garfield Dunlop): I think we’ll just cut it off there, do a recess and go up to the vote.

Hon. John Wilkinson: Oh, we have to vote? Okay.

The Chair (Mr. Garfield Dunlop): We’ll come back for another eight minutes. Thank you very much.

The committee recessed from 1732 to 1741.

The Chair (Mr. Garfield Dunlop): We have a quorum here, so Mr. Tabuns, you can continue on. Thank you, everyone.

Mr. Peter Tabuns: Excellent. Minister, has the government estimated the annual impact of the HST on the average family?

Mr. Bob Delaney: It’s positive.

Hon. John Wilkinson: As I’ve always said to people—it’s interesting. You have to kind of define what “average” is. Even two families with identical income would have vastly different consumption patterns. Again, if you were to talk to the Minister of Finance, his people who do the econometric modelling—but what we did provide in the budget in 2009 and we updated again in 2010, speaking with caution because I’m talking about another ministry, is that we did give examples, which I think are also posted on our website, about some model examples.

I’ve told people that it’s important for them to go to the website to use the calculator to get an understanding of whether or not they qualify for various tax credits—millions of dollars that are available under the reforms of the income tax system as well, not just the sales tax. We use those models, and I could speak to those because they have been published by my colleague.

Mr. Peter Tabuns: They’re on your website; correct? Ministry of Revenue?

Hon. John Wilkinson: Yeah, and they’re also in the stuff that you have, in our fall economic statement—

Mr. Peter Tabuns: Good. I’ve got the right minister.

Hon. John Wilkinson: Yes.

Mr. Peter Tabuns: Excellent.

You’ve shown a few examples. Have you done averages? Have you done the calculation on the annual impact of the HST on families of different income groups and the annual impact of HST on families of different sizes?

Hon. John Wilkinson: We would only do impact when we look at the entire tax reform package. I think that would be the only fair way to make an assessment about looking at a family and about both parts of the equation, which is the reform of sales tax and reform of income tax. That’s the kind of stuff that’s contained in these examples which we have in the 2009 budget, the fall economic statement and the 2010 budget.

Mr. Peter Tabuns: No, I saw those. Do you have the documentation that’s behind those that you can present to this committee?

Hon. John Wilkinson: Again, the Ministry of Finance is the one that published that work, so any material that they have of course would be from the ministry, and I wouldn’t speak on behalf of the Minister of Finance any more than I would speak for the Minister of Children and Youth Services.

Mr. Peter Tabuns: Okay. So, just simply, then, you’d suggest that I wait for Dwight Duncan to ask that question?

Hon. John Wilkinson: I also would recommend that some of that work, though, was done by the Canadian Centre for Policy Alternatives, again independent from the government, which decided to take a look at that and drew conclusions about what the impact is.

Basically, if I could paraphrase, they confirm what many poverty activists have been saying: that for the people with the least in this province, particularly those with the least disposable income, they will be put in a better position, all in, their personal income tax cuts and/or credits versus any additional cost of the HST on that 17% of sales that are changing. As well, for the middle class, they consider it to be a wash: \$70 one way or the other for the entire year.

For those of us who have above-average income, there will be an overall increase, but I might add that people with the most money are actually in the best position to negotiate the best price. That's exactly why the federal government brought in the GST rebate and why we're bringing in the HST rebate: because people with the least amount of disposable income do not have clout in the marketplace. They are just trying to get by, as you know, so it's very important that there's a source of tax-free money that is predictable that they receive every quarter. They will continue to receive, quarterly, the money from the federal government, but also money from the provincial government, starting this August.

Mr. Peter Tabuns: Fair enough. I'll pursue that more with the Minister of Finance, then.

As the Minister of Revenue, how much do you expect the government will raise as a result of the new tax on gasoline and utilities?

Hon. John Wilkinson: Eight per cent.

Mr. Peter Tabuns: Eight per cent?

Hon. John Wilkinson: Yes.

Mr. Peter Tabuns: So you don't expect that there will be any reductions passed on to customers that will affect your amount?

Hon. John Wilkinson: Again, what I can tell you is that there is a competitive market for gasoline. I know there are many people who don't think there is.

Mr. Peter Tabuns: Yes, many; 13 million, I think.

Hon. John Wilkinson: As someone who travels across the province of Ontario, I am struck by how the price is common in a community but is vastly different community to community. Looking at the broadest measure, we collect taxation on energy, and particularly on gasoline, from across the whole province. I am, as someone who travels quite extensively, quite surprised by that. It does show me that there is a competitive marketplace out there.

Again, what we've said, and the reason we secured the money from the federal government, is that the entire supply value chain is going to end up getting re-priced, and it's going to take some time—

Mr. Peter Tabuns: Minister, you're getting a bit off track.

Hon. John Wilkinson: —for that to work through. So when we look at the petrochemical industry, I think that might be—because I think that's where you're going, and I'm trying to answer that.

Mr. Peter Tabuns: I'd like to know how much you expect to raise as a result of the new tax. Let's start with

gasoline. What's your number? What do you expect to raise?

Hon. John Wilkinson: Here we go. Let's take a look at, again, page 136 from my good friend the Minister of Finance, I say yet again, just so he knows I'm quoting something he has already published. If we look at page 136 and we look at gasoline tax—and you're going to help me out here, Deputy.

Ms. Carol Layton: Yes. There's the 2010 plan right there—\$2.36 billion is the forecast.

Hon. John Wilkinson: Yes, but that's the—

Ms. Carol Layton: That is just the total.

Hon. John Wilkinson: That's right. So we have the gasoline tax. That will not change. But what we will have in the tax base from the federal government is our portion of gasoline as it applies under the HST, which are the same rules as it applies under the GST.

Broadly speaking, you can take the price of gasoline and add 8% for everybody, and that's—we're going to get more money from gasoline, and we've been very clear on that. But we're also going to have—

Mr. Peter Tabuns: So you're saying it's about \$40 million a year here in this table?

Mr. Bob Laramy: I'm not sure where \$40 million comes from; sorry.

Mr. Peter Tabuns: I look at gasoline tax, and I look at the 2008-09—

Hon. John Wilkinson: The gasoline tax is 14.7 cents a litre, so that's different than the HST. Was your question about what the HST—

Mr. Peter Tabuns: Then why don't you tell me what you're going to raise from the HST on gasoline?

Hon. John Wilkinson: Eight per cent.

Mr. Peter Tabuns: And what number is that?

Hon. John Wilkinson: Again, with respect, you'd have to ask the Minister of Finance, who puts that together.

Mr. Peter Tabuns: You collect it but you don't know how much it is?

Hon. John Wilkinson: Actually, I don't collect the HST; the federal government, on July 1, will. So when it comes to projections of the revenues of the province of Ontario, that is the sole purview of the Minister of Finance, not the Minister of Revenue. Next year in estimates, I can tell you what we received from the federal government by way of our agreement with the federal government under the comprehensive integrated tax coordination agreement.

Again, as to whose role is which, I can tell you, as the Minister of Revenue, that it doesn't fall to me to project what our revenues are going to be. That falls to the Minister of Finance. That's his responsibility, not mine.

I can't compare it because today, other than the gasoline tax, which is a set amount per litre of 14.7 cents, what we're going to is new. What it will be is the same set of rules that apply to gasoline in regard to the GST. For example, petrochemical companies charge the GST and send it in to the government, minus the GST they've paid, given the fact that, for the first five years, we'll have restricted input tax credits which will phase out in the three years subsequent to that.

The Chair (Mr. Garfield Dunlop): Okay; that's the NDP round, the third party. Now we've got about 10 minutes today for the Liberals, the government, so you can start, Mr. Naqvi.

1750

Mr. Yasir Naqvi: Thank you very much, Mr. Chair, for giving me the option to ask the Minister of Revenue some questions. It has been a long time that I've been wanting this opportunity, Minister. I've been working for you for a year now, and there are a few axes to grind. No, I'm just kidding.

Mr. Peter Tabuns: Be gentle.

Mr. Yasir Naqvi: Yes, exactly.

I've been, along with the minister, as you know, Minister, travelling a fair bit across the province and talking to the good people of Ontario about the challenges this recession has posed, not only for Ontario but also for Canada and globally—I think people in their towns and cities know better, as to the challenges—and also highlighting to them what their government is doing to come out of those challenges.

I think people are extremely appreciative that the government is not sitting back and taking a “status quo is okay” approach but actually looking beyond what the current climate is and saying what kind of Ontario we're going to build. Of course, change brings anxiety and some people are concerned, but it's interesting that what I have found is that—I've had the opportunity to have conversations with individuals, groups, members of communities, church groups, you name it. We explain to them the whole tax reform package, which includes changing the sales tax structure we have, changing the income tax structure we've got and changing the corporate tax structure. They listen. They're quite struck by the bold nature of changes to the way that government has always done things. I find, in my experience, a more receptive audience in terms of the things the government is trying to do and a better understanding of the kind of impact that it is going to have on our economy. That's an important point which gets missed in the debate.

We understand that we live in a very partisan environment where we've got to score some points, but at the end of the day, when people understand that there is something more than this harmonization of GST and PST—and even then, when people recognize they're already paying 13% on 83% of their consumption, their personal income taxes are going down and corporate taxes are going down, they have a better appreciation of the overall nature of the change the government is bringing.

One of the questions, Minister, I often get asked—because I raise the same point, that this is one of the largest tax reforms in the history of the province in at least 40 years. The tax cut that the government introduced back in 2009 is one of the largest. The question I get asked—and that was the question I think the member from Nepean–Carleton was trying to ask you this morning and I don't think you got ample opportunity to answer that question, as to: How is it that the tax reform package the government has brought forward is one of

the largest in the history of the province? Can you walk us through what makes it so large? We saw some not-so-apple-to-apple comparison; more an apple-to-orange comparison. I think it will be helpful to get into the discussion as to why the nature of these tax reforms is different than those that may have been introduced by previous governments.

Hon. John Wilkinson: I think I did try to get a word in edgewise with the member for Nepean–Carleton, and then I finally decided there actually wasn't a question there. I was struck by the fact that the comment was—I heard the word I don't know how many times: fear. People are frightened. They're afraid. There's only one antidote to fear and that is the facts. What I have to do as the Minister of Revenue in implementing and communicating this is to deal in facts. As the Premier has often said, reality is our friend. In other words, there is what people fear and then there is what actually happens.

I'd just like to run through the kind of money we're talking about because we're actually talking in the billions of dollars in regard to why this tax reform is so large. For example, when we lowered the income tax rate on the first \$37,000 worth of income—that applies to 93% of the people in Ontario who actually pay provincial income tax. Of course, I've always reminded them: Who do you write the cheque to? You just do one tax return. You send it to Summerside, Prince Edward Island, but a third of that money comes to the province. Back in the old days we used to make people do two income tax returns, one to my ministry in Oshawa and another one to the Canada Revenue Agency; at the time, it was Revenue Canada. A long time ago, we decided that we should just have one government actually do the forms and run the system, and then they send us back the money.

Recently—I know we're very proud in the ministry—we were able to harmonize our corporate taxes. We used to make corporations do two tax returns in regard to corporate taxes—one set of forms with exactly the same information to Oshawa—our ministry—and another one to Revenue Canada in Summerside, Prince Edward Island. Now all the money goes to the Minister of Finance for Canada—it goes to Summerside, Prince Edward Island—and we get our share back, because we have an agreement with them. It's better for us to do that than every individual corporation or every individual in Ontario having to do all of that paperwork.

It's going to be the same thing when it comes to sales tax. Why should we have two governments tripping over themselves trying to tax the same thing: every transaction in Ontario? Instead, we're going to have the one.

Because we're doing that, that allows us next year, for example, to have a personal income tax that amounts to \$1.2 billion. Our Ontario sales tax credit for the people with the least in this province is \$860 million. Our new Ontario energy and property tax credit is for some \$530 billion. That is, of course, not taking into account that because of our historic agreement with the federal government, there will be some \$1.46 billion paid out, tax-free. That's on the personal side.

What are we doing in regard to corporations? By actually reducing the corporate tax rate and the corporation minimum tax rate, that saves \$1.4 billion. That cost of business is buried in the price of everything we buy. That's where that money is.

The small business rate is being cut; that's \$150 million. The small business surtax elimination is another \$65 million. All told, it's some \$1.6 billion.

Of course, as I've said so many times, we are paying taxes that we do not see. We are paying taxes that are hidden. We're taking the step of actually having a tax system that is transparent and accountable.

The type of questions I'm being asked, I think by the opposition—valid questions—have to do with: How do we get to the number of all the stuff that today is not transparent? What we're doing as a government is reforming that system so it is indeed transparent.

It's that transparency that allows all governments and future governments to be accountable to the taxpayer. That again is one of the benefits of having one sales tax based on the federal value-added tax. We think that that overall is very important for us. I think it will also make it easier for us, as legislators, to be able to ask the type of questions that we need to ask, both of those of us in government and those of us in opposition.

It's all part of a transformation to make our system more accountable. It's a system, of course, that has been adopted around the world. What we find there is that consumers benefit when that hidden tax is taken out of the system, because consumers will always demand best value. We will protect those consumers who have very little clout in the marketplace.

The vast majority of us are informed consumers. I've been very clear that not every consumer has to be a sharp consumer, because a business has to price to the sharpest consumer out there. That's who they have to price to. I learned that from my own experience in business. You have to price to the person who is the most discriminating shopper, not the one who's least discriminating. I would describe myself as a self-avowed least-discriminating shopper. Thank God, there are people out there—and I think of other members of my family—who are very, very discriminating shoppers. That is the nature of this reform.

What I started to say to Mr. Tabuns is that you have the reality that this amazing transformation, this really seminal transformation of our tax system, means that the entire value chain is going to be repriced. It can't happen overnight. That's why we reached the historic agreement with the federal government to have that transitional money in that first year, with cheques starting to flow very shortly—in the next few weeks.

The Chair (Mr. Garfield Dunlop): You've got about a minute left in this first 10 minutes, Minister.

Hon. John Wilkinson: Okay, Mr. Chairman.

I want to conclude, though, by saying yet again that there is fear there. There is misinformation out there. What we're trying to do, as a ministry, is to be able to deal in facts. It's very important for us to make sure that when we're quoting about things that will happen in the future, we're quoting people who are independent of our government and sharing with people what they are saying. I think that's important. Third party validation is important. What you see is that, other than people who are partisan, I think there's a wide consensus among those who actually know about this and those who will be affected by this that this is the right thing to do, and that the alternative of doing nothing is the wrong thing to do. That's why I think, overall, there's agreement—and you even hear it now—that this is something that will happen. It is something that, of course, we will be held to account for, as a government, but we welcome that, because when faced with the challenge, we decided that acting was more important than doing nothing; that taking action was more important than the status quo. No matter how comfortable that may be, that's not a good place if there are going to be great prospects for our children and our grandchildren, so that's why we took that step.

The Chair (Mr. Garfield Dunlop): Thank you.

We'll adjourn for today. We'll begin tomorrow after routine proceedings, or at 3:45, with the government. They have 10 minutes remaining in this rotation, and then we'll go to the official opposition and we'll continue on until 6 o'clock tomorrow.

Thank you very much, everyone. The meeting is adjourned.

The committee adjourned at 1800.

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