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Tuesday 14 September 2010

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Mardi 14 septembre 2010

**Standing Committee on
Estimates**

Ministry of Revenue

**Comité permanent des
budgets des dépenses**

Ministère du Revenu

Chair: Garfield Dunlop
Clerk: Douglas Arnott

Président : Garfield Dunlop
Greffier: Douglas Arnott

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

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The committee met at 0901 in room 151.

MINISTRY OF REVENUE

The Chair (Mr. Garfield Dunlop): Okay, good morning, everyone. We'll call the meeting to order. Welcome, everybody, back to our fall session.

We're starting this morning with the Ministry of Revenue and the Honourable Sophia Aggelonitis. I never get the Greek names right. Sorry, Sophia. Welcome, Minister, and all the staff from the ministry.

Mr. Dave Levac: It's all Greek to us.

The Chair (Mr. Garfield Dunlop): That's right.

We are here to resume consideration of the estimates of the Ministry of Revenue, vote 3201, and there's a total of two hours and 50 minutes remaining.

When the committee adjourned the last meeting, the third party, the NDP, had finished its 20-minute turn. It is now the turn of the government, and following that, the official opposition will start the next round for 20 minutes, followed by the third party and the government for their next round. I'll turn it over to the government. We will adjourn at 10:20 so we'll get the four 20-minute rounds in. Mr. Levac? Go ahead, please.

Mr. Dave Levac: I appreciate the opportunity—whoops, wrong mike. Thank you. I appreciate the opportunity to question our newly minted finance minister. That's kind of a pun: "newly minted." I'm just waiting for some response.

Interjection: It's early.

Mr. Dave Levac: Is it early?

Interjection: It's very early.

Mr. Dave Levac: It's too early for that, I guess. All right, I'll move on, Mr. Chairman.

Thank you very much for being here, Minister. Congratulations on your new posting, obviously, and I know, on a personal note, you will dive in and dedicate yourself to ensuring that the Ministry of Revenue is represented as strongly as you did in your previous posting and your commitment to your riding.

I can imagine that you've probably been inundated with briefing after briefing after briefing and are swimming in information. Again, there is a very technical and complex portfolio within the Minister of Revenue, and maybe some people are not aware of the depth of the importance of revenue, as opposed to, and not to the

detriment of, finance. There are large differences between them.

Inside of those briefings and inside of your now newer understanding of how revenue works within the government, I'm interested in making sure that, for the public consumption, people begin to get an understanding of why there is a Minister of Revenue, separate from but complementary to the Minister of Finance.

I know you have an extensive small business background. I also know that the portfolio that you now find yourself in is of interest to you. In the small conversations we've had since coming back, you've voiced to me on occasion joy that you finally get to sink your teeth into the concept of what revenue means for the province of Ontario, for small business, for large business—for the average Ontario citizen to understand what revenue inside of a government means.

That's a long-winded way of saying I would really welcome from you a synopsis of what the Minister of Revenue does, what the revenue does for you, but also what it does for small business, for large business, for the flow of money in the province of Ontario.

I put that on the table for you to have an opportunity to give us a Coles Notes of the massive briefings that you've received so that you can teach us all a little bit about what the Minister of Revenue does, what the ministry does, and the benefit it brings to our province. I'll turn it over to you and let you kind of open the door.

Hon. Sophia Aggelonitis: Thank you very much. You're right, Mr. Levac: You and I have had a number of conversations about revenue and small business and, really, how important small business is to the province of Ontario.

First, let me just begin by saying thank you to the members for being here so early. I know the previous Minister of Revenue, Minister John Wilkinson, appeared before you. I know, by reading the Hansard, he was very eloquent and he answered a lot of your questions.

I do want to say that I am very excited that the Premier has appointed me to this position. I believe that the Ministry of Revenue offers just so much to the people of Ontario and I'm very excited about this portfolio.

The Ministry of Revenue's activities directly support Open Ontario, and that is our government's plan to strengthen our economy and grow jobs for Ontario families. The ministry supports modern, efficient public services and enhances Ontario's business climate. It

achieves this through the administration of an efficient tax and benefit system. We also have education and outreach programs that encourage voluntary compliance. We have an integrated approach to customer service and supporting low-income Ontarians.

The goal of the Ministry of Revenue is to continually improve services and to fairly and efficiently administer tax and benefit programs and related services through accessible and customer-focused delivery channels. But mostly the Ministry of Revenue for the province of Ontario strives to be a leader in tax benefit and revenue administration.

Through our comprehensive tax plan for jobs and growth, which began to be implemented earlier this year, we're bringing Ontario in line with what is viewed to be one of the most important tax reforms in the province.

Now, just some specific facts about the ministry. In 2009-10, the Ministry of Revenue collected \$33 billion in administered tax revenue. This represents approximately 40% of Ontario's total revenue. Of that revenue, 95% was collected through voluntary compliance and 5% through enforcement—but 95% was compliant, and I think that's a really important number.

We have over 2,600 employees in 21 offices located all across Ontario and we maintain an active tax roll of approximately 413,000 registered taxpayer accounts. We have 70 interjurisdictional agreements and we work closely with a number of ministries in the Ontario government, other provinces and federally.

I'd like to take a moment to talk a little bit about our education and outreach programs. One of the priorities of the Ministry of Revenue is getting information to Ontarians and to Ontario businesses to meet their tax obligations. In addition to our extensive outreach that is done leading up to the HST and our tax plan, which I will speak to in a few minutes, the ministry has a number of seminars to help Ontario businesses. We have partnered with the Canada Revenue Agency to provide HST information seminars right across the province. The staff at the Ministry of Revenue do community visits to small businesses in communities right across Ontario each and every year. In addition, we also have free tax information seminars that are offered for small businesses in Ontario, and also new vendor visits are done to educate newly registered vendors.

0910

The ministry also maintains a very in-depth and informative website. If you haven't been on it, I would highly recommend it. During my briefings, we were very intensely on that website. We provide publications, bulletins, email alerts and RSS feeds to keep Ontarians informed on items that are of interest to them and that will keep them informed.

Now, if I could, I'd like to speak a little bit about our tax package. As many of you know, our government is very focused on our priorities in ensuring Ontarians have the best quality of life, and that includes providing great public services.

The Ministry of Revenue is committed to the priorities laid out in the government's Open Ontario plan. In order

for Ontario to compete on the global economic stage, we need to ensure that we have a climate where business can thrive. That is really the key to the tax reform package. That's why, on January 1 of this year, we began to implement our new tax reform package, and on July 1 of this year we introduced the HST.

Our whole tax plan is what Ontario needs to grow our economy, to create jobs and to invest more in our health care and our excellent educational services. We had a system that was built on a—it was an antiquated system. In fact, I think our system was older than I am—and that's old. But now we have a system that is much simpler, and it's a system intended to grow businesses in Ontario. Our tax package results in this one sales tax at one rate, on one common set of goods and services, payable to one level of government, with one set of regulations and one set of paperwork, administered by one set of civil servants.

This is good not only for government, but it's good for businesses, it's good for taxpayers and it's good for consumers. Savings in administration costs for businesses alone will be about \$500 million, and businesses will save \$4.6 billion a year in input tax credits, replacing an outdated, inefficient tax on a tax on a tax.

We have a report from the economist Jack Mintz. He estimates that these tax changes, along with other recent tax measures, will lead to \$47 billion in new capital investment and will create about 600,000 new jobs within 10 years. Also, an independent report from TD Bank points out that the true, lasting benefits of harmonization will be indirect, in the form of higher employment, personal incomes and an overall increase in the standard of living that comes from greater investment and productivity.

The other thing the ministry does is tobacco enforcement. In addition to all the work that the ministry does in administering taxes and benefit programs, our government, through the Ministry of Revenue, is working with all partners to strengthen the enforcement of tobacco laws. The McGuinty government takes this issue very seriously, as it affects the health and safety of Ontario families. The work we do at the Ministry of Revenue complements our government's smoke-free Ontario strategy.

In five of the last seven budgets, our government has strengthened enforcement against the illegal manufacture and sale of tobacco products. In fact, convictions under the Tobacco Tax Act have increased by 44% in fiscal 2009-10 from the previous fiscal as a result of these steps that were taken by our government. Over the past two years, about 77 million illegal cigarettes, 346,000 untaxed cigars and 33 million grams of fine-cut tobacco have been seized by ministry investigators and inspectors.

I'm looking forward to working closely with all of our partners to ensure the health and safety of Ontarians through the enforcement against illegal tobacco.

In conclusion, as you can see, the Ministry of Revenue is a very busy place. I'm really looking forward to

working with my team at the Ministry of Revenue to ensure that we grow Ontario's economy, that we create jobs for all Ontarians and help Ontario be the best province in the best country in the world.

I would like to also thank the team that is with me, especially my newly minted deputy, who is Steve Orsini, and as well Bob Laramy is with us.

Mr. Dave Levac: Thank you for that review. Thank you, Mr. Chairman. I'll defer to my colleague, Jean-Marc Lalonde.

The Chair (Mr. Garfield Dunlop): Jean-Marc?

Mr. Jean-Marc Lalonde: First of all, I want to congratulate you for being appointed as Minister of Revenue. You've got big shoes to fill and I'm sure you'll be able to do it as a former small business operator and owner.

People have been misinformed ever since we've been talking about the HST. Myself, I had 25 info sessions in eastern Ontario—25 of them. Only one person left mad, because he was misinformed and didn't stay until the end. He was the president of a minor hockey association.

But let me tell you, madame la Ministre, what we've been hearing on the radio, especially when I say misinformed, to a point that the people didn't know, really, and that our phone kept ringing, even though I organized many—as I said, 25—info sessions.

I walked into a restaurant—I want you to answer this one. Jerry got me—he goes for breakfast every morning with his wife—and he was really mad. He was listening to the radio and he said, “Now, you bunch of guys, I'm going to pay 13% more now when I come to the restaurant.” I said, “Jerry, you're wrong.” After, he went to the counter, he sat down and I sat with him, and I said, “Have you got your bill?” He showed me the bill, and I said, “There's 5%, there's 8%; five and eight, does that make 13%?” “Yes, but you're going to add 13% on top of that.” That's the way they were informed.

Also, during a campaign in March, I couldn't believe when I got on the radio—I immediately contacted the Ministry of Revenue, which is the most important ministry that I could see in the Ontario government because we depend on you to get the revenue to be able to tie our budget.

But anyway, when I say they were misinformed, during the campaign, on the radio, again, they were saying, “You will be paying 13% more on every item that you'll be purchasing.” We had to go on the street and tell the people that was wrong. I couldn't believe it. So I'd like you to inform the committee: Will there be a 13% increase on everything that you purchase, except for children's shoes and some of those things?

Also, the taxi effect. I was in a taxicab from here to the airport when the taxi driver told me, “Now I'll have to charge 13% on every call that I do?” I said, “You will benefit from it.” He said, “How?” “Well,” I said, “you purchase gas every day. You'll be paying 8%; you're going to get that 8% back. But when you buy a new car, you are paying 8% at the present time, and you're going to get that back.” Same thing as a truck driver. I even

went to a company to pick up the invoice. I thought he had paid \$90,000 for his truck. He paid \$225,000. And this is why, from April to June, truck and tractor dealerships were saying, “Mr. Lalonde, you have to have this retroactive because we just can't sell any trucks or backhoes at the present time.” People were waiting to get that—for \$225,000, it's \$18,000 now that they're getting back.

0920

I would like you to clarify those points, really. Will there be a 13% increase? Truck drivers or truck excavation companies: Will they be benefiting from this HST? Why do we have an HST? Do we want to be more competitive? Do we want to be able to compete with the other countries that have the HST already there? That should be creating jobs, as you mentioned a little while ago.

Those are my questions, Madame Aggelonitis.

The Chair (Mr. Garfield Dunlop): Minister, you've only got about two minutes to try to answer those at this point.

Hon. Sophia Aggelonitis: Two minutes?

The Chair (Mr. Garfield Dunlop): Yes. That's how quick the 20 minutes has gone.

Hon. Sophia Aggelonitis: Thank you very much, Mr. Lalonde, for your question. You're right: In fact, small business is one of my favourite subjects. As a small business owner before coming into government, I knew that this tax package was going to make sense because as a small business owner, I was paying GST and then I was getting it back. As a small business owner, I was paying PST and I never was getting it back. If I were still in business, I would be getting that HST back, and what that would mean for a small business owner like myself is that I would be able to invest in my company, selling the best product that I can, and I would probably hire more people to help me sell my product.

When it comes to small businesses in the province of Ontario, we know that 99% of all businesses in Ontario are small to medium-sized enterprises. We also know that they employ 2.9 million people in Ontario. We also know that small businesses account for \$250 billion in economic activity here in the province. The HST and the full tax package are all about making those small businesses stronger.

I know I only have two minutes, but for your list of things that are taxable and things that are not, we have sent out this wonderful package. It's called, “What's Taxable under the HST and What's Not?” We've sent it to as many Ontarians as we possibly could. We also have it on our website. We've also, in fact, put it out as an app, so you can put it on your cellphone and get all the information that you can.

At the end of the day, the whole tax package is about building a stronger Ontario and making sure that our small businesses thrive. We know that we're not going back to the old world. In the new world, we need to be tax-competitive. That's how we grow, that's how we make businesses successful and that's how we make

people successful, because everybody wants to have a job.

The Chair (Mr. Garfield Dunlop): I think that's it. You can continue on in the next round, okay? So we'll cut you off there and then we'll go to the official opposition. But you're welcome to go back to that question later on.

To Ms. MacLeod.

Ms. Lisa MacLeod: Welcome to committee, Minister. It's really nice to see you today. I want to congratulate you on your new role. I felt we worked quite well in your previous role and I want to wish you success in the next year. That doesn't mean we're going to stop asking the tough questions of the government, and I have a few of those for you today.

I realize in the last round, you spoke a lot—and I feel badly that they essentially gave you Minister Wilkinson's speaking points, because a lot has changed since July 1. Unfortunately, when you were talking, for example, to your colleagues, the examples that they brought up were all pre-July 1. We now know that the impact of the HST has been, in many quarters, very negative, to Ontario families, to Ontario seniors, and we hear from small businesses daily. So I have a few questions for you with respect to that.

Since you're familiar with the Hansard with Minister Wilkinson, I'd like to draw your attention to a comment that he made at the last sitting. He said, "We are now able to process, with an amazing degree of accuracy, 92% of Ontario's revenue"—and this is where I want to draw some emphasis—"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."

With that in mind, can you tell me, to date, how much in revenues the government of Ontario, under Dalton McGuinty, has brought in from the HST? Because you have an amazing degree of accuracy of 92%.

Hon. Sophia Aggelonitis: Thank you very much, Ms. MacLeod, for that question. It's great to see you here because you're right: We have worked in the past together. I think you're one of the great MPPs, so it's nice to be—

Ms. Lisa MacLeod: Thank you. I'll put that in my brochure for re-election.

Laughter.

Hon. Sophia Aggelonitis: I'm sorry; the truth is the truth. I like Lisa.

Ms. Lisa MacLeod: I don't miss a beat.

Hon. Sophia Aggelonitis: But getting to your question: As you can see, I do have my deputy here and people from the ministry who could answer more technical questions, and I will refer that to them.

What I do want to say is that recently—and if I could table this, Chair, it's a letter that we've received. It's an open letter, in fact, by the Economic Club of Canada. I think that will answer a lot of questions today. This open letter from the Economic Club of Canada—

Ms. Lisa MacLeod: Could you just table it and we'll get back? I do have some serious questions in the next few minutes. If we have any time at the end, I'd be happy for you to read it into the record. I'd be happy if you could table it, but I do have some serious questions. I understand the Economic Club—you can paraphrase it very quickly, if they're in support of your position.

I do have another piece of information here that I'm sure you've seen, Minister: the Canadian Centre for Policy Studies. I'm just going to do some very quick excerpts and then I'm going to ask you a quick question.

Just skimming through some of their results, one is "the tax rise from the tax regime change is much higher than that suggested by the government of Ontario's technical paper, Ontario's Tax Plan for Jobs and Growth."

Secondly, "for both provinces"—they're talking about BC and Ontario—"the pure HST tax increase is regressive: it impacts low-income households far greater" than it does higher-income households.

Finally, "the change towards an HST tax on consumer services is highly regressive," but in some places it might be "modestly progressive."

I bring that up in the context of the fact that you also brought up Jack Mintz. If you read the Hansard from the previous sessions, we had quite a discussion on that modelling: Where are the jobs going to be? Are they going to be high-paying? What sectors are they going to be in? We didn't receive an adequate response.

Your predecessor told me on June 1 in a meeting of this very committee that the HST will create 600,000 jobs a year for 10 years. In fact, he told me, "The good news is that, according to what we've read ... in the paper, most of them have already been created." I need to know: Are you going to adopt that same statement, based on the information I've just provided you?

Hon. Sophia Aggelonitis: Again, thank you for the question, Ms. MacLeod. I know that you don't want me to read the letter from the Economic Club of Canada, and I can appreciate that—

Ms. Lisa MacLeod: Actually, I don't mind if you put in excerpts. I just have a lot of questions and I'd rather your answer than the Economic Club of Canada's. I see their signatories, but it would take a great deal of time.

Hon. Sophia Aggelonitis: In fact, those signatories, there are 33 of them, people like David Dodge, the former governor of the Bank of Canada, and Dr. Anne Golden, the president and CEO of the Conference Board of Canada, as well as Bill Robson, the president and chief executive officer of the C.D. Howe Institute.

Ms. Lisa MacLeod: But the question I have is very specific: Will you adopt the previous minister's statement that 600,000 jobs will be created?

Hon. Sophia Aggelonitis: I think the important thing to note here is there are three specific numbers that are really important in this conversation, and when we look—

Ms. Lisa MacLeod: But there's only one, actually, in the conversation you and I are having, and it is this: Will

you adopt the 600,000 jobs that your predecessor committed to? Will you adopt that statement?

Hon. Sophia Aggelonitis: I really appreciate that question. I see three specific numbers. The first one is 600,000 jobs created for the people of Ontario; \$47 billion in new investment in capital, which is so important for our province. The other number that I give you is the up to 8.8% in increase of annual incomes. That's how much we're looking at increasing annual income.

Ms. Lisa MacLeod: Okay, but can you explain why Ontario lost 36,600 full-time jobs since the implementation of the HST?

Hon. Sophia Aggelonitis: What we know is that by building a stronger Ontario, we need to change our tax package. In fact, that's exactly what we've done. As of July 1, we have seen an incredible change in our province. I'm proud to say that this open letter, in fact, from the Economic Club of Canada—by the way, I have to tell you that the Economic Club of Canada is a non-partisan organization. Their views are specific to what they believe, and they say that the HST will enhance competitiveness, encourage new investment and create jobs. It represents sound public policy—

Ms. Lisa MacLeod: Another non-partisan group is Royal LePage Real Estate Services. Their survey in July found that 86% of all respondents believe that the HST is having an impact on their business. According to StatsCan, 7,700 of the full-time jobs lost in Ontario were in the construction sector as a result of the HST.

I guess the question is, how many jobs will be lost because of the HST? You've not given me a clear indication of how many jobs have been created. I guess, then, it brings another series of questions, which I'll re-ask, but I want you to answer that: How many jobs will be lost because of the HST?

0930

The other thing is, you promised that the prices would go down across the board, and I would like you to give me an example of 10 items that have seen a decrease as a result of the HST being implemented in the last three months.

Hon. Sophia Aggelonitis: Again, excellent questions. Ms. MacLeod, if we talk about the transition to lower prices, we are basing that on not only all the experts and the evidence that we have, but also examples of the Atlantic provinces. What we know is that 83% of what you spend sees no change and in fact this little book that we've sent out to many, many Ontarians, on what changes and what doesn't change under the HST, is a great reference list for all people—

Ms. Lisa MacLeod: But nothing's gone down. I guess whether we're talking about the full-time jobs that you're using from this theoretical report or if it is the prices that are going to go down, these responses simply aren't credible because we already know—and I'm going to read just a couple of little examples. I've probably received 3,000 pieces of correspondence in the last while.

We have Larry Horowitz from Bradford saying, "I just prepaid for the closing and opening of my small family

swimming pool and the HST amounted to over \$77. After discussion with neighbours, we decide to help each other open and close our own pools in future.

"The taxman will receive no money from us and the local pool service ... will lose business."

I have another from Toronto: "One example is my Rogers bill that now has HST. It now reflects an additional \$12.13 per month. For some, that doesn't amount to much; for me, it will represent a charge of \$145 extra per year."

Another one here from Ottawa: "My corporate Good-life rate has now increased from \$350.00 for the year to \$395.50."

You know, it's wonderful to speak to the pre-July 1 talking points, and I'll give you a lot of credit; I mean, that's sticking to the message, which is fundamentally probably the most important thing any team member of a political party can do. But the reality is, nobody's buying the message. The answers aren't credible. To come in here, you're going to have to have a little bit more compassion to sit here and say exactly what the Canadian Centre for Policy Studies has indicated, which is that people are paying more. I travelled the province this past summer and they feel that they are paying more.

Again, why would you say that the HST will create jobs when in fact the HST has lost jobs since its implementation? Because people are forced to pay more, they are going to the underground economy and people simply cannot continue to pay the taxes that your government under Dalton McGuinty has continually brought in and raised.

Hon. Sophia Aggelonitis: I would have to disagree with the honourable member. When you talk about credible people, okay, I can understand that maybe your definition of credible people and mine might be different—

Ms. Lisa MacLeod: So are you suggesting people who write letters to the editor and people who contact our offices aren't credible? I think that's a really dicey line we want to go down. Our constituents, after all, are writing to us on their concerns. So if you're taking the big banks over the family budget—that's what I'm hearing you say—I think that we better have a real frank discussion on who's actually sending us to this place and how we actually should be representing them.

Again, your own Premier, in May 1999, said, "I think that for families at the outset there will be an increase in taxation." I think over a period of time what we have seen here in this Legislature is Dalton McGuinty change his opinion on who's actually credible and who is not in this province.

I think that's a real serious issue for your government. It's a bit of a gift to us, but the reality is, if you want a credible response, you need to speak to the people who are affected by this. And it is the family budget, it is the seniors on a fixed income, and it is the small business owners who I see each and every day. Whether they're running a franchise for Tim Hortons or their own small business in a restaurant, they are seeing it pinched.

So again, I want to know why, since we've lost 36,000 jobs, you're continuing to stick to the line that this is a job creator; secondly, if you say the HST will create jobs, I don't want to go back to the "these jobs haven't been invented yet" of the previous minister. I want to know where they're at, when are they coming in, and can you commit to this committee today that you will create 60,000 jobs by July 2, 2011? Can you do that for us?

Hon. Sophia Aggelonitis: Again, thank you to the member for her questions. Let me just say that the Ministry of Revenue and the previous minister have done a fantastic job in speaking to Ontarians and talking to them about what they need. What they need is—we're talking about \$11.8 billion in personal and temporary income tax cuts. We're talking about sales tax credits. We're talking about property tax credits.

But there is also information and people who have been very supportive of this whole change. This gentleman, whom I hold in very high regard—in fact, he's the finance minister for the country of Canada, Mr. Flaherty. He says exactly this: "I'm quite encouraged by the fact that the government of Ontario decided to harmonize the PST with the GST. This"—

Ms. Lisa MacLeod: Minister, with all due respect, harmonization and looking at this as a blatant tax grab where you could have done what every other province has done, which is either encourage further exemptions like they've done in British Columbia—which, I might add, is seeing a big tax revolt; I hope for your sake it doesn't hit here. The second thing is that many of those provinces actually reduced the rate to make the new tax revenue-neutral. You have not done that, and you haven't shown to Ontarians that it's going to be revenue-neutral. In fact, your previous budgets have this tax being a \$3.5-billion boon for the government, a cash cow for the government, and that's why Ontarians are angry.

Again, I get back to these credible people. They laugh at the fact that someone from Toronto is going to go into their community and say, "We're going to give you more jobs because we're taking more taxes." I've been to those meetings with many of your colleagues, and there is not significant buy-in.

I have to go back to the significant question: Where are the lower prices? You can't commit to that. You can't commit to the new jobs, 60,000 by July 1, and you can't tell me why 36,000 full-time jobs were lost in this province.

My colleagues opposite don't like the answers, and they, quite frankly, don't like the answers because they want to share something better with their constituents, who are angry with this tax hike.

I ask you again: Put the speaking notes away and look at this for what it really is, for the people of this province who sent us here to debate on these issues. Look at it for what it really is: It's a tax hike, whether it's on their Curves in Glengarry–Prescott–Russell, whether it's on the seniors in Brantford, whether it's on the realtors who are living in Mississauga, whether it's on the tourism industry in Niagara. Look those people in the face and

tell them that you can guarantee there are going to be jobs and you can guarantee there are lower prices. I know you simply can't, and I feel very badly for you that they've put you in this position and that for the next year you're going to be the lightning rod for people who feel that they've been taxed too, too much. The reality is, when you look at Mr. Wilkinson, who spent a year in your position, when asked point-blank, "Where are those jobs coming from?" he said, "They haven't been invented yet."

So I ask you, Minister, can you commit to 60,000 new jobs, based on Jack Mintz's predictions, which you prefaced in your opening remarks? Can you commit that there will be 60,000 new jobs as a result of the HST on July 1, 2011?

Mr. Dave Levac: Will she be able to answer, Mr. Chair, without being interrupted?

The Chair (Mr. Garfield Dunlop): We'll just carry on the way—we don't need your involvement in it, Mr. Levac, at this point. You'll have your time to do the same.

Mr. Dave Levac: On a point of order, Mr. Chair: The minister has been trying to answer and has not been able to do so.

The Chair (Mr. Garfield Dunlop): Yes. She's also been reading speaking notes. Mr. Levac, this is the way we have operated this committee, that the official opposition and the third party have the right to interfere in the answer. They always continue to do that, all right?

Mr. Dave Levac: Oh, I see.

The Chair (Mr. Garfield Dunlop): We don't interfere with yours. Okay?

Ms. Lisa MacLeod: We let everybody read their speaking notes from the Premier.

The Chair (Mr. Garfield Dunlop): Please go ahead.

Ms. Lisa MacLeod: I've asked the question. I'd like a response.

Hon. Sophia Aggelonitis: I appreciate the question from the member. I do want to really make sure that I put on the record a quote that I think is vital and very important to this discussion, and that is by the Minister of Finance for the country of Canada, Minister Flaherty, who said, "I'm quite encouraged by the fact that the government of Ontario decided to harmonize the PST with the GST. This is jobs, this is investment, this is good economic policy."

He continues, to say that modernizing these retail sales taxes "by implementing a value-added tax structure harmonized with the GST is the single most important step that provinces with RSTs could take to stimulate new business investment, create jobs and improve Canada's overall tax competitiveness." The government—

0940

Ms. Lisa MacLeod: Well, Jerry Maguire said it best. He said, "Where's the money?" The question here is, "Where are the jobs?" You can read as many letters from as many different groups as you like and I can sit here and speak up for the little guy as I want to. The reality is there are fundamental questions. You can continue to

obfuscate, you can continue to dance around the question and the answer, but the reality is that I asked you some pretty simple questions. Are you going to commit, as minister—I don't care what Mr. Flaherty says and I don't care what the Economic Club of Canada says at this particular moment; I care what the Minister of Revenue says. Will you, right here, commit to me that you will have 60,000 new jobs in this province created as a result of the HST as per Jack Mintz's report, and then make sure there are 60,000 new jobs for the next 10 years? Because that's what the breakdown is. That's a pretty simple question.

Hon. Sophia Aggelonitis: Yes, and in fact, I thank the member for that question. Let me just say the important answer to that question is that the HST is part of a full tax reform package; it's a whole package. And the numbers that you state, you're right: 600,000 new jobs in 10 years, \$47 billion in capital investments in 10 years, up to 8.8% higher annual incomes for Ontarians, \$11.8 billion for Ontarians in permanent and temporary sales tax relief, \$4.6 billion for business, \$4.3 billion to Ontarians for transitional benefits. Some 80% of what businesses save will be passed on to consumers, and 83% of—

Ms. Lisa MacLeod: So I take it that, no, you can't commit to 60,000 jobs by July 1, 2011? Okay.

This is the challenge when you're speaking for the people that you represent: You get big, global numbers and then nobody can tell you—they are told there's going to be 600,000 jobs created, so my constituent or the Nepean Chamber of Commerce or the Rideau Chamber of Commerce or the Barrhaven BIA are going to come to me and they are going to say, "I don't understand that. Where are the jobs going to be created, because I'm going to have to let people go?" Then I come here and I ask the previous Minister of Revenue and he says the jobs haven't been invented yet, so in my mind I'm looking at these scientists in a back room with lots of potions concocting these new jobs to invent. So I come back after a few months, when we've seen that Ontario has lost 36,000 jobs after the implementation of the HST, and I ask a very simple question: Based on the economic modelling that we believe you brought forward through Jack Mintz—

The Chair (Mr. Garfield Dunlop): You've got 20 seconds.

Ms. Lisa MacLeod: —where he promises 600,000 new jobs, which means 60,000 jobs a year over the next 10 years, I ask you, can you commit to me that they're going to be created? The government of Ontario, under Dalton McGuinty, cannot make that commitment. The lack of confidence that you have in giving that number gives me a lack of confidence in actually going back to my constituents and saying that this is a good plan for Ontario, because people are going to continue to lose jobs and they are going to continue to pay higher taxes—

The Chair (Mr. Garfield Dunlop): And your time is up with that. We'll now go to the third party. Mr. Tabuns.

Mr. Peter Tabuns: Thank you, Mr. Chair. Madam Minister, congratulations again on your appointment.

A lot of the sales pitch on this tax to the public is that there will be a reduction in prices, that businesses will pass along the savings, and although there may be an increase in tax, because of competitiveness and because of a reduction in operating costs for business, there will be lower costs for consumers. I think I'm stating that fairly accurately.

The first question I have for you is, will your ministry be monitoring prices and looking to see whether or not savings are actually being passed on to the public?

Hon. Sophia Aggelonitis: Mr. Tabuns, that's an excellent question—

Mr. Peter Tabuns: I liked it.

Hon. Sophia Aggelonitis: —and, yes, we will be.

Mr. Peter Tabuns: You will be. And when will you be reporting?

Hon. Sophia Aggelonitis: I can tell you that we will be monitoring them very closely, and I could get you a date. I can't give you a date at this moment, but I will definitely get you a date.

Mr. Peter Tabuns: And is there a unit that's been set up within revenue, charged—sorry; it doesn't even have to have been set up. Is there a unit within your ministry that has been given that task?

Hon. Sophia Aggelonitis: In fact, yes, there are people at our ministry who will be looking at this directly.

Mr. Peter Tabuns: Okay.

Hon. Sophia Aggelonitis: And it's very important for the people of Ontario that we see those savings. But you know, Mr. Tabuns, like I said, as a small business owner I was paying the GST and getting it back, never getting the PST back. If I got more money back, it would give me an opportunity to hire someone to help me sell my product.

Mr. Peter Tabuns: Well, let's look at one sector. In electricity there will be an 8% increase in people's bills. In Ontario, predominantly, the electricity sector is publicly owned. So the generation is publicly owned and they weren't paying the RST in the past. They weren't paying those extra costs. The transmission companies, Hydro One, weren't having to collect that; the distribution companies. So, as far as I can see, there are almost no costs that they were previously absorbing, and thus they have virtually no savings to pass on to the public. Do you have a calculation that's different?

Hon. Sophia Aggelonitis: In order for me to answer the technical parts of that question, I will pass it over to my deputy, but what I would like to say is that when it comes to electricity costs, there is the Ontario energy and property tax credit, which will help offset some of the electricity costs. We know that 83% of what we are spending money on will not see any changes, but we do know that 17% will see a change. So I will pass it on to my deputy.

Mr. Steve Orsini: Thank you. If I could maybe just elaborate a bit more on the minister's response, a number of studies have looked at pass-through of savings from business to consumers, and the Ministry of Finance published that earlier this year, in June, in a technical

paper looking at all the various assumptions. The Bank of Canada assumes a 100% pass-through. If you look at the research done by the U of T, if you look at the research of the TD Bank, the evidence is very clear from these independent third party economic researchers that there's a pass-through. TD estimates 80% in the first year.

It's a very complicated model, because if you understand RST now, the primary production, there's tax on their inputs. It goes through the secondary, retail, and it's throughout the chain. Unbundling that is quite complicated all the way through the chain. For example, it's imposed on construction. When you build a building, there's RST on the inputs; 2% to 3% of the total construction cost applies—is embedded in the construction of a building. So unbundling that is a very detailed, methodical way of tracking that.

I know that looking at the impact on prices is something that the Ministry of Finance has the lead responsibility for, but it's something that all economic research shows—evidence in the Atlantic provinces as well—that these savings work their way through the economy.

Mr. Peter Tabuns: I'm going to go back. First, it would be useful for me to have a copy of that report done by the Ministry of Finance. Is it publicly available?

Mr. Steve Orsini: It is, and we can make copies for committee members to have later on—

Mr. Peter Tabuns: If we could have a copy, that would be great.

For me, though, with electricity, the cost is going up 8%, but unless you have figures to the contrary, there isn't an 8% savings to be had on the total cost of electricity from their previous expenditures. So I don't know if there's a reduction in expenditures between the producers, transmitters and distributors that would give you a 1% reduction or a 1.5% reduction, but I don't see an 8% reduction. I would see an increase in the cost of electricity that will not be reduced by a pass-through of savings, an increase in the cost that could be 8%, could be 7%, but will be very substantial. Do you have figures to the contrary?

Mr. Steve Orsini: The Ministry of Finance has released some case examples that show how it affects individual businesses, but we need to keep in mind that on 83% of consumer purchases there's no change in their—

Mr. Peter Tabuns: Correct.

Mr. Steve Orsini: But that part of the economy is also getting now input tax credits. So the savings flow through all the different sectors, and how you roll it up is a very complicated methodological process. It's hard to pinpoint individually where those savings will occur. There are some case examples that the Ministry of Finance published in the fall, but it will work its way through the economy in a lot of different goods and services where the tax status may not change, but those sectors are now facing input tax credits that will be passed through.

0950

Mr. Peter Tabuns: I understand that argument, but I want to be very clear: On electricity, which is going to be

a big chunk of people's budgets, the savings are not going to be equivalent to the increased cost from the tax. Is that correct or incorrect?

Mr. Steve Orsini: You look at the past overall, and what the Ministry of Finance report also adds is to look at the additional tax cuts, so \$11.8 billion in permanent and temporary tax relief for people, corporate income tax cuts that also will provide savings to business, as well as elimination of the capital tax. A lot of that gets rolled up in terms of what it means to households, and those are published by income level.

Mr. Peter Tabuns: In the past, Toronto Hydro, Hamilton's hydro utility and other hydro utilities weren't paying corporate income tax, so there are no savings there. Hydro One wasn't paying corporate income tax, to my knowledge; I don't see a savings there. OPG is the same. I don't see a savings in the electricity sector that is going to offset that 8% increase. You've talked to me very generally about the structure. Do you have figures that show that the 8% increase in electricity cost will be offset by a reduction at input cost for electricity producers and distributors?

Mr. Steve Orsini: The area of the pricing of electricity may be more appropriately referred to the Ministry of Finance or the Ministry of Energy. I should point out, though, that the electricity sector does pay payments in lieu of corporate income tax and capital tax, so they are affected by those changes as well.

If you look at the total tax package that provides tax relief to business and tax relief to people, and roll up what that means to individual households, it's clearly laid out in this paper that was produced back in June that says that for low income, they're better off; for middle income, they're more or less neutral; and for higher income, they might be paying a bit more. This is very consistent with the TD Bank and very consistent with the research done by the Canadian Centre for Policy Alternatives. They actually came to the same conclusion that overall, when you look at the total tax package, it's progressive and provides tax relief for low-income families.

Mr. Peter Tabuns: I'm sorry, Minister; I'm just going to go back. Are you telling me there's going to be a rollback in payments in lieu?

Mr. Steve Orsini: Whatever affects corporate income taxes, it mirrors in payments in lieu.

Mr. Peter Tabuns: The total increase in cost for electricity overall is going to be 8%. What is going to be the reduction in cost in the electricity sector to offset that 8%? How much of that 8% is going to be offset by reduced tax costs?

Mr. Steve Orsini: One of the things that the study tries to show is that when you roll up all the changes, as opposed to looking at individual ones, because it really depends on a number of things—people's purchasing and consumption patterns; it varies by household. What the study does is look at all consumer spending, all the changes, all the tax relief and provides a comprehensive look: What does it mean to households by level of income? It includes all those elements, it reflects the fact

that 83% of spending doesn't change, and it also includes the 17% where the tax status does change, and that includes electricity, home heating, gasoline and those other items. But it's all rolled in to show what it means in total at the end of the day to households by level of income. It's very consistent with what other studies have shown as well.

Mr. Peter Tabuns: I appreciate the way you go back to that analysis, but in the end, when you don't give me a concrete response to my question about offsetting reductions and tax costs as opposed to increases from the HST, that says to me that you don't have an answer. I take vagueness and circularity as an indication of a lack of information. No offence to you; I understand that you have to present the picture in a particular way. But I come away from this saying that you don't have an answer for me on the impact on electricity costs. I'm going to continue to assume that electricity costs will go up by 8% and there will be little or no offset from reduction in taxes paid out of the electricity sector.

I'll go on to the gas sector. I'm a customer of Enbridge. I pay my gas bills, and roughly half of my cost is for gas and the rest is for distribution—delivery to my home. Now, the gas is produced in Alberta, not here, so an Alberta producer is not going to see a reduction in costs from the HST being introduced in Ontario. Half of that cost is going to continue to be charged at the price it was charged in the past. There will be no tax relief there.

The bulk of the transmission system is in-ground. The largest capital cost has already been made. So half is the raw material; it isn't going to be affected by the HST. The other half is largely going to be the in-place capital on which there will be maintenance, but there is not going to be a significant reduction in cost because we have something already in place. There will be an 8% increase in the charge. Is there an offsetting reduction in operating costs for gas utilities that will, in fact, show up as a reduced cost for me on my gas bill? Can you answer that question?

Hon. Sophia Aggelonitis: Mr. Tabuns, if I could just begin before the deputy gives you a more technical answer, we have always been clear that 83% of what we spend is going to see no change and 17% of what we spend is going to see a change. What we know from experience, by looking at the Atlantic provinces and other places—140 other countries—that have implemented a tax like this, is that we've seen costs reduced. We know that we can't reduce all the taxes, but what we can do is commit to making sure that the average household has as many tax cuts and tax credits as we possibly can give them. At the end of the day, we know that the HST and the whole tax package is about building a stronger Ontario. We know there are going to be some increased costs, and some of those increased costs are ones you're speaking about.

Mr. Steve Orsini: There are so many goods and services, and I hear your questions trying to find a thousand different price changes within the entire economy. What the government did, and what the Ministry of

Finance has done, is try to present that as a complete picture and show what it means to individual households when you factor in the change to the HST, when you factor in the low-income tax credits, personal income tax cuts that apply to 93% of Ontario income taxpayers and the Ontario energy and property tax credits.

When you roll it all in, we're presenting that in quite considerable detail, because there are thousands of different commodities and prices. This is presented as a complete picture to help educate what it means to individuals in certain income levels.

The Chair (Mr. Garfield Dunlop): You have five minutes, Mr. Tabuns.

Mr. Peter Tabuns: Five minutes? Time passes when you're having a good time, Mr. Chair.

You're right: The reality is that 83% of what we purchase continues to have the same 13% tax imposed on it. So 17% of the goods and services we purchase will now have tax on them. Your government is claiming that because of offsets there will be a significant benefit to consumers; there will be an amelioration of price increases. But if in that 17% that wasn't previously taxed we don't see any substantial reduction, then there will have to be more than an 8% reduction in costs in that 83% to actually make up for that increase in our costs.

So far I haven't gotten any numbers from you showing there will be a reduction in electricity costs that will offset the 8%; no statement about natural gas prices that will offset the 8%. When I look at oil, when I look at gasoline, when I look at your own figures from the Ministry of Energy and Infrastructure, 45% of the cost is from crude oil, and Ontario and federal taxes are about another 30%. So let's say that 74% of the cost of gasoline is not going to have an offsetting reduction in taxes; there will be an 8% increase on top.

1000

I don't see where we're going to get a reduction in the cost of gasoline with reduction in input cost for business. We're talking about very big price chunks where we'll see an 8% increase and no offset. I don't see where, in the rest of the 83% of goods and services that I buy, I'm going to see a greater than 8% reduction to make up for these higher costs. How do you analyze that?

Hon. Sophia Aggelonitis: If I could answer that, I think, Mr. Tabuns, you have been very eloquent in your comments. The fact is that we know that there's going to be a transition. We are seeing the transition as of July 1; that's why the federal government has helped Ontario with a transition benefit cheque. We know that by helping Ontarians with this—every single penny from that transition cheque has gone into Ontarians' pockets.

The tax cuts, the personal income tax cuts, the sales tax credits and the property tax credits, the whole package is meant to help the Ontario homeowner. We know it's going to be a transition, and we know that 17% of the goods that we purchase will see an increase and not a decrease. What we do know is that 83% will see no change.

But again, at the end of the day, the whole package is all about making sure that Ontario is more competitive,

that we have more jobs, and not only more jobs, but higher-paying jobs for Ontarians. That's what this is all about. We know that going through a transition is going to be a process, and we're very committed to making that process as easy for Ontarians as possible.

Mr. Peter Tabuns: How much time do I have left?

The Chair (Mr. Garfield Dunlop): You've got a minute and a half.

Mr. Peter Tabuns: A minute and a half?

Mr. Bob Delaney: Don't spend it all in one place.

Mr. Peter Tabuns: I appreciate the argument that you're making, but in fact, from everything you've given me so far this morning—or not given me—you're setting off inflationary pressures in the Ontario economy that I don't think your program is going to mitigate. I think that the importing of large volumes of products and goods from outside the province, ones that will not have their cost reduced by the input tax credits, means that there will be inflationary pressures that you will not be able to mitigate with your program. That's of consequence to our long-term competitiveness.

I think that's a problem, and I think that you need to come back to this committee and tell us precisely, in that 17% of newly charged areas, what, in fact, the offsets are going to be, because if they are not substantial, then the other 83% is going to have to give us a lot more than an 8% savings to mitigate the inflationary pressures. That, I think, is the substantial problem with what you've presented to us. With that, I wrap up.

The Chair (Mr. Garfield Dunlop): We'll now go to the government members for 20 minutes.

Mr. Bob Delaney: Chair, just before I start, are we going to 10:15 or to 10:30?

The Chair (Mr. Garfield Dunlop): To 10:20.

Mr. Bob Delaney: Okay, thank you very much.

The Chair (Mr. Garfield Dunlop): That'll finish your complete 20 minutes.

Mr. Bob Delaney: So I'll finish that full rotation. Okay.

Welcome, Minister. I, too, wish you all the very best in your new portfolio, particularly because you're now my minister. That makes me, at this particular session, I suppose, your quarterback.

Minister, as you probably well know, you and I, whenever we try to talk, keep getting blipped out on the cell phone, so I actually have one of my very first chances since you were appointed this summer to bring you up to date on some of the things that our ministry has been doing. With your indulgence and that of my colleagues, I'd like to do a bit of a preamble to what is going to lead to something that you can speak of from first-hand experience, which is small business.

I'm going to start by referencing this letter from the Economic Club of Canada; I'm just going to quote very briefly from it. It says, "Currently, the RST"—referring to the old provincial sales tax, which no longer exists—"is charged on a broad range of inputs purchased by businesses to manufacture products and provide services. This tax"—referring to the old PST—"becomes em-

bedded in the cost of goods at each stage of the production, distribution and retail processes. The result is a compounding of the tax that is ultimately paid by consumers through higher prices."

On your behalf and that of our former minister, John Wilkinson, Yasir Naqvi and I, your two PAs—Yasir has since been traded—have been going about Ontario. Among the things that we've been talking to Ontarians about has been this compounding effect. As people have asked about it and asked us to explain it, we have, and I've just used very simple explanations to show the effect of compounding; that in fact, you are not paying actually an 8% sales tax, but depending on the rate at which things are taxed and how many steps there are in the value chain from the raw materials or the parts until the time it passes through manufacturing, wholesaling, distribution, transportation and retailing and ends up in the purchaser's hands, you may be paying anywhere from 15% to, in some cases, well over 30% of your final purchase price being tax. Now all of that is gone and is replaced with just one tax.

All of us who, in their businesses in the past—certainly I know what the case is for you, and I remember in my consulting business, when the GST first came in, thinking to myself, "What is this going to do to me?" I realized that by the time I was able to deduct my business inputs from the GST that I charged my clients, I thought, "Well, this is quite manageable." It was also very simple.

For most people who may be doing what I was doing at the time, which was running a home-based business, or maybe doing what many of my constituents are, running a hairdressing salon or a spa or a place that does nails, things that have not heretofore been charging PST, as I've gone in and out of their shops—and I've visited every single retailer; everybody who does everything in the riding has had a personal visit from me—they've grasped it. They understand it. The key obstacle was to understand that, for all practical purposes, it's just one tax—it is just one tax. It's the GST, and there are some exemptions from the 8% portion of the combined GST, but everything else is one tax, one set of rules, one set of forms and one set of bureaucrats, and it's a simple set of rules.

My colleague from Toronto—Danforth, if I can follow on a point that he raised, discussed the notion of flowing through the savings. As I was coming into work yesterday I was listening to the radio, and several times there was an ad from a tile and flooring company. They talked about their product and they said, "And we pay the HST." I thought, "Here's the first person"—and there are many that are in the newspapers—"who's just admitted that they're flowing through the savings." No one is going to advertise and say, "We have reduced our prices because of the HST." I mean, this is marketing, and that's the way the game is played, but they'll find another way of saying much the same thing. But the end result is that they have now begun to flow through the savings, and those savings stem from lower business taxes and lower business input costs.

What it has meant for businesses, and particularly the small businesses that are now driving the economic recovery, is that by the time they look at volume that may not be significantly changed from last year unless they come from an area like mine where they keep building houses, so the customers continue to walk in the door—for doing the same volume of business, you’re now earning more money, and if you’re earning more money, you can deal with your higher earnings in a number of ways. One way is, you can find some euphemism that basically lowers your price, and another way is that you can say, “Gosh, you know, we’re so overworked here. We could really use somebody in part-time or full-time,” and you hire a person. So one of the things that we’re beginning to see is Ontario’s cumulative package of tax reforms stimulating the economy, bringing people back to work, lowering prices, making business more competitive.

1010

To that end, I have often related a number of conversations I had, in this particular case with business people from the oriental communities. I had much the same conversation a number of times. After discussing with me things to do with the HST, people said to me, “A lot of us have asked you questions that were related to implementation. Understand who we are and where we’re coming from. We’re oriental businesspeople. We fly back and forth to China, to everywhere in South Asia and to Europe all the time. We understand the concept of a value-added sales tax. We know what it’s like to deal with it; we know what it’s like to pay it.” What several of them said to me in various ways, I can kind of encapsulate this way: “You should grasp this concept: We’re kind of depending on the fact that people who don’t do a lot of travelling will try to be greedy and not pass through the savings. Because when they do that, we intend to make their customers our customers, because we can compete more effectively on price and we’ll make their clients and their users our clients and our users and we’re not going to give them back.” I thought that was a very interesting comment, because I’ve heard versions of that several times.

I do my pre-Christmas and post-New Year’s “winter walkabout,” as my staff calls it, where, as I told you earlier, I literally visit every retail business every year. In this past year I’ve talked to people, overwhelmingly small businesses, who wanted to either vent, talk or ask about the tax reforms. A lot of them said, “We’ve been talking to our accountant, and one way that we can seamlessly integrate this is we can absorb the cost. In other words, what we’re going to quote our clients”—and these would overwhelmingly be service-related businesses—“is an all-in price. What you see is what you pay.” Some were considering it, some did implement it, some still had to think about it and talk to their clients, but that seems to be one of the other ways that we’re going.

If one looks into the future—in other words, “Where has a value-added tax been implemented and where have they ironed out all of the glitches in it?”—you can look to

Europe, for example. In Europe, the value-added tax is higher than it is here. In Britain they’ve just raised it to 20%, but when you buy something in the store and it says £49, that’s what you’re paying: £49. It’s when you read the small print at the bottom of the bill and it says that, “Your purchase price today consists of a VAT of” whatever—in this case, if it’s 20%, that would obviously be £8. The same thing in Europe, where, if you go into a store and you’re going to buy something and the price says 95€ you can look down and it will say, in whatever language it’s printed in, “Your purchase price contains VAT of” however many euros.

Some of the things that people have talked about reflect the fact that not everything is going to fall or increase in price at the same rate. We do know that in the implementation of a value-added tax in 140-plus jurisdictions, costs fall. We can see in recent history, if we look at the consumer price index in Quebec and Atlantic Canada, in the years leading up to and following the implementation of a value-added tax—the HST—in Quebec and Atlantic Canada, that while the rest of Canada continued to rise at one slope, the rate—the slope of the line—at which the consumer price index rose in those provinces that implemented an HST was visibly, measurably lower. Indeed, the TD Bank’s projections of 80% of the savings being in the hands of the consumer within the first year have got to be fairly close to bang-on, because recent historical experience in Canada in Canadian funds using Canadian consumers buying Canadian products bears that out. There’s no reason to believe that Ontario, which is a much more viciously competitive market, will be any different. To suggest, for example, that retailers will simply hoard the cash and not pass it through suggests that the laws of market economics apply everywhere else in the world except Ontario, which is nonsense.

As my friends who run particularly ethnic businesses say, and I’m going to use again an Asian business, “If you want to sell to an Asian market and you’re out to lunch on your price, you’re done like dinner.” Canadian consumers are no less savvy. They know where the best deals are, and they will gravitate to the best deals. So the business practices of merchants are going to follow the laws of market economics.

Talking about some of the things that have risen or fallen at different rates, we’re talking about the impact of a change in taxation policy, but in looking at things that have changed at different rates since the inception of the provincial sales tax, which was first implemented in 1961—to give you an idea, what was the world like in 1961? I was alive. I’m not sure whether the minister was alive, and a gentleman would never ask. The Chair was alive; we know that. There was a brand new Premier in Ontario, a young guy named John Robarts. There was an even younger guy who was a Brampton lawyer who was in his very first term in government, and his name was Bill Davis.

When that sales tax was implemented, it was implemented at 3%. It was successively raised over time as

people realized this was one way to pay for the things we wanted as a society, and it was a way, at the time, to fairly distribute the burden of paying for it.

How am I doing on time, Chair?

The Chair (Mr. Garfield Dunlop): You have got about seven minutes left.

Mr. Bob Delaney: Oh, good. Thank you very much.

In 1961, housing was very cheap. Education was very cheap. Energy was almost negligible, but other things that were expensive at the time consisted of manufacturing goods. To make a long-distance call was very expensive in the early 1960s. Clothing was expensive. But since then, what we've seen are many things, when evaluated in constant dollars—in other words, adjusted for inflation—many things that we use today have just dropped through the floor in price. But other things—and I'm going to use housing, education and energy. Although there are other things that have gone up in price, those things have risen faster. But overall, the full basket of goods and services that people buy and people consume and use from day to day has allowed the average person to live the kind of life that, in 1961, we couldn't even conceive of. We were, as a nation, a less affluent nation then than we are now.

This is continuing in our evolution of thinking about how, as a society, we continue to afford the things that we want and need. It also says to us, as a society where many of our citizens are becoming older—in 1961, when the provincial sales tax was first implemented, for every senior in Ontario there were, I believe, 12 people in the workforce. Today, it's eight. By the time we, the self-indulgent baby boomers, who of course are entirely undemanding, are ourselves seniors, there will only be four.

So our challenge as a province—and I say this without regard to who runs the province for the balance of the 21st century—is, what changes do we need to make now to ensure that we can continue to be as fair, as compassionate, as understanding and as able to meet the needs of our citizens, young and old, newcomers and well established, in the future as we have been in the past?

It was this kind of thinking that impelled your predecessor and our Minister of Finance, our government and governments across Canada and governments around the world to look very carefully at how we tax everything and say, "Are we doing the best job we can with the resources we have?" That's not to say that at the time, in 1961, this was the wrong thing to do. Indeed, taxing consumption was the right thing to do. But, at the time, in 1961, the words "service" and "sector" were not connected because, for all practical purposes, it didn't exist. Even 10 years on, there was a service sector, and 20 years on, that service sector was driving the economy.

Twenty years on, we had a system that worked pretty well, and while we arguably should have changed it in the 1970s or in the 1980s, for whatever reason at the time, we simply chose not to. Now is better than never. A generation ago would have been better than now. But the

change is made, and some things, as the members have observed accurately, will go up and other things will fall. Many of those things, such as manufactured goods, clothing—let me give you a couple of examples that I know from my own Peel region.

The region of Peel has estimated that in their purchases of vehicles alone, each year the implementation of the HST will save the Peel taxpayer \$36 million in buying police cars and vehicles and doing repairs and whatnot. This means, for us as taxpayers, that's \$36 million that's simply not going to get added onto our tax rolls. That, for us, particularly in a year when the region of Peel, although we did very well during the recession—we were hit by it. People lost their jobs, and there are some empty stores that I visited in December and January, so I'm not sure where they've gone. In coming out of the recession, this is easing the pressure on the city of Mississauga, the city of Brampton and the region of Peel, which simply don't have to increase the cost of living in our communities because of some of the savings that are going to be passed along.

Particularly for low-income families, who make up the heart and soul of every community, the question facing our government and the question facing them is, "What can you do now that's going to make my prospects brighter as we move out of the recession and into the recovery?" In adopting the package of measures that we have, what people are telling me is, we've walked through it—how am I doing, Chair? Am I almost done?

The Chair (Mr. Garfield Dunlop): You've almost used that 20 minutes up.

Mr. Bob Delaney: Okay. Well, as we—

The Chair (Mr. Garfield Dunlop): You're not going to give her a very long answer; I can tell you that.

Mr. Bob Delaney: Chair, I tell you what. I'll defer this question until we come back this afternoon. We'll go back at it. I'm sure Mr. Bailey will have a few comments at that time.

Minister, with your indulgence, I'll finish my preamble to the question when we resume this afternoon. Thank you, Chair.

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

That wraps up our time here this morning. We'll recess until this afternoon.

This afternoon, we'll begin with the official opposition with 20 minutes, and then the third party and the government. We'll finish off with 10 minutes each for the wrap-up this afternoon.

Thank you very much, Minister and staff. We'll recess until right after petitions this afternoon.

The committee recessed from 1022 to 1547.

The Chair (Mr. Garfield Dunlop): We'll call the meeting back to order. We're resuming consideration of the estimates of the Ministry of Revenue, vote 3201. There is now a total of one hour and 30 minutes remaining. When the committee adjourned the last meeting, the government party had finished its 20-minute turn. We now start this round of questioning with the official

opposition for 20 minutes, followed in turn by the third party and the government for their next rounds. After this, we anticipate we'll have a final round of 10 minutes per party.

Now I recognize the official opposition. Ms. MacLeod, you have 20 minutes to begin your rotation.

Ms. Lisa MacLeod: Thank you very much, Mr. Chair. Welcome back. I wasn't expecting that we were going to go so early, so that's great.

Earlier this morning, Minister, you refused to stand behind the 600,000 job guarantee by not stating that you expected to meet the 60,000 job target on July 1, 2011. If that's no longer the case, what is your party's new policy on those 600,000 so-called HST jobs?

Hon. Sophia Aggelonitis: Thank you for the question. The estimate of almost 600,000 net new jobs being created was from a study from a highly respected economist, Jack Mintz, who used the best available data to come up with that projection. I may say that his detailed conclusions are backed up by the views of eminent economists, business leaders, poverty advocates and others.

My honourable friend would like me to provide a list of what specific jobs will be created on any given day, but if you asked me that question 10 years ago, if we had talked about BlackBerry, you would think that I was talking about a fruit. We don't talk about BlackBerrys now as just fruits.

Ms. Lisa MacLeod: Let's not go down that road. The reality is somebody was promising 600,000 jobs based on a report. The report hasn't materialized. You're not ready to commit to the 60,000 new jobs by July 1, 2011, let alone the whole 600,000 by the end of 10 years, so there's a real credibility problem. I'm wondering what's changed. I'd like to know if you could table a report that has made you and the government back down from guaranteeing that there will be 600,000 new jobs that the previous Minister of Revenue suggested as a result of the HST.

Again, let's keep in mind that, in the last few months, you have lost 36,000 jobs on your watch. So if I can't see that report, then I'm going to have to really question the credibility of the government's plan here. Again, it goes back—and I apologize, you weren't here earlier, but the official opposition had requested several times what economic model the government used previous to Jack Mintz. Mintz came out after you decided to do it. What made you decide it, and why are you using Mintz's numbers and now backing away from Mintz's numbers and unable to meet that commitment?

Hon. Sophia Aggelonitis: To the honourable member again, we will not only create 600,000 new jobs, we will also have new investment in the province of over \$47 billion. We also will see an increased average income by 8.8%—

Ms. Lisa MacLeod: How do you know that? Because Jack Mintz said?

Hon. Sophia Aggelonitis: Not only Jack Mintz, but many economists and third parties who have given us some very good information. In fact, I would like to—

Ms. Lisa MacLeod: Sure, but earlier today, I asked you, for example, for a list of 10 items that had lower prices as a result of the HST, which was another commitment that you made. You couldn't give me that. I also asked earlier, if you remember one of my first questions, how much money the government has taken in since the HST came into effect. Your colleague who served previously as Minister of Revenue said, "With 92% accuracy, we're going to be able to tell how much money the government takes in." You couldn't give me that information.

I appreciate that what we're trying to do here is talk about experts and analysts, but that doesn't really mean much to Joe and Jane down on Main Street. They really want to know, where are these jobs that you're promising? What are those jobs? Are they well paying? What region? Are they going to be in their region?

You can't make that commitment, and I think it's really disingenuous, actually, for the government of the day to continue to pretend that there are numbers; they just draw them out of a hat. You probably will remember the one that George Smitherman was famous for: 50,000 green energy jobs that were going to come. I don't think they've materialized either.

So by my count, on those two projects, that's 650,000 jobs this Liberal government has promised. Yet in that same period of time since those two bills were passed, you've lost 36,000 jobs. There is a real credibility problem. I'm happy that you guys paid for Jack Mintz to do this study and you like to tout it, but the reality is, if you can't give us the number and you can't provide us with the report and you can't provide us with the amount of money you've brought in and you can't provide us with a list of at least 10 items that have gone down, I really regret to say that, at this point in time, your implementation has been a failure.

I'm wondering, have you seen a report or read a report that you can provide here today that has shown, in the last two and a half months, any lowering prices or any job creation as a result of this?

Hon. Sophia Aggelonitis: I do have a report that I hope we can table, Chair. It's the report from the Ministry of Finance called Ontario's Tax Plan for Jobs and Growth. It's a technical paper. I think you'll find a lot of good information in there.

But to the honourable member, I just want to say that this government has faith in Ontario people, we have faith in our families, we have faith in our business leaders, and we have a plan. Unfortunately, we haven't heard your plan because just days before—

Ms. Lisa MacLeod: Minister—

Hon. Sophia Aggelonitis: —when you wanted to—

Ms. Lisa MacLeod: Mr. Chair, if I might interject here, this is about an accountability session for the Ministry of Revenue. If the government is going to give you months-old speaking notes after you came in, I can't do anything for you. The reality is, your government brought in a \$3-billion tax grab, and people across the province are paying for it. They're people on fixed incomes who are seniors. They are people in middle-class

families who are trying to put their kids through various activities in school.

You can't come here, no one in this room can come to me, and tell me where the jobs have been created that you promised. No one expects all 600,000 to occur overnight, but if you're going to make a commitment that there are 600,000 new jobs coming into this province as a result of one of your policies, you'd better have an implementation plan in place and you'd better be able to tell me where they are going to be located, if they're going to be well paying and what sector.

I'm not going to buy "They haven't been invented yet"; I think that's the biggest insult anybody here has heard. We know for a fact that prices have gone up in this province and we know for a fact that we've lost jobs. Somebody has got to be held accountable for that. That's not a government for a year or five years down the road; it's got to be the government that's sitting here in this chamber and in this committee today.

I've been to your ridings and I know there's hardship there. We know from the paper here that has been provided by the Canadian Centre for Policy Studies that the tax rise from the tax regime change is much higher than suggested by your government.

I'm going to go back to a very simple question. Where are the jobs? What are the jobs? How much are these jobs going to pay? Can this government promise that on July 1, 2011, the first 60,000 jobs promised for the HST will be in place here in Ontario? Can you make that commitment today?

Hon. Sophia Aggelonitis: Again, I thank the member for that question. I'm going to ask my deputy to talk a little bit more about the technical aspects of her question, but I have only one answer for you, and that is that this government has a plan. I just was wondering, do you have a plan?

Ms. Lisa MacLeod: I'm asking a question on your plan. There's no need for me to talk to the deputy minister if I'm going to be questioned about the government's specifics. The reality is, there's only one government of Ontario. You happen to be sitting in it. Quite frankly, it's insulting for you to deflect your responsibility.

The Chair (Mr. Garfield Dunlop): I'd like to see the deputy have the chance to respond to that, Ms. MacLeod. Deputy?

Mr. Steve Orsini: I'm just going to refer to a couple of documents. I think they might help in the discussion. The minister had referred to this document earlier. It was also in the federal budget of 2008.

The federal 2009 budget is very clear that the single most important step that a province with an RST, such as Ontario, could take is to harmonize with the GST to stimulate new business investment, create jobs and improve Canada's overall tax competitiveness, to the point that the federal government gave Ontario \$4.3 billion, because it's not only in the province's interests, it's in the national interest as well.

We also had the experience in the Atlantic provinces—

Ms. Lisa MacLeod: Well, let's talk about the Atlantic provinces there. I have a little bit of experience, having grown up there and actually seeing what happened to the underground economy there. We could talk about the underground economy. This is a natural segue as to what happened in Atlantic Canada and how the home renovation sector and the construction sector went underground. You listen to the ALTIS Group or you listen to home-builders in that province, in which I have a few members of my family, and you talk about what happened there and what's happening here. You can hear it in some of these studies that have been done, where one third of that sector went out of business, one third stayed in business and one third went underground.

Earlier today, the minister herself, Deputy Minister, made reference to how they looked at the Atlantic provinces in crafting the HST. Again, I think it's disingenuous not to tell the whole story. They make accusations quite a bit of the time, but there they also significantly reduced the HST. I don't know if you're aware of that, but they significantly reduced the tax burden by four points.

Mr. Lou Rinaldi: Nova Scotia went up.

The Chair (Mr. Garfield Dunlop): I'll let you have a chance in a minute, Mr. Rinaldi.

Ms. Lisa MacLeod: Nova Scotia went down. Louie, if you followed the program, you would realize they dropped it by four points; they dropped it in New Brunswick by four points and they dropped it—I'm sorry, that was three points each there and four points in Newfoundland. Nova Scotia, after Darrell Dexter took power last year—this might be what you're talking about—decided to increase it, but the initial time, they actually made it revenue-neutral. You guys haven't done that, and you're playing around with people, telling them that you did. Quite frankly, you haven't done that. That's one difference.

The second is, you're not being completely clear about the underground economy and the impact that that has had in that community.

The third thing that you're not being particularly honest about when it comes to that region is the significant investments in offshore and the oil and gas sector that started to come into play during that particular period of time.

We want to talk and throw examples out. I hope everyone here knows exactly what they're talking about, which doesn't exactly seem to be the case.

1600

I'll just go back to the minister. You made reference that you looked at the Atlantic provinces when crafting the HST. Did you look at that, or are these just sort of talking points that have been handed to you? Because, again, there are some significant challenges there, and the reality is, you must be aware that our two economies are quite different.

Hon. Sophia Aggelonitis: Again, I thank the honourable member for the question talking about the underground economy as well as the Atlantic provinces.

I will ask the deputy to speak to some of the technical issues, but when it comes to combatting the underground economy, it is a priority for our government. In fact, the Ministry of Revenue is committed to supporting a competitive business environment through a level playing field in tax administration and by ensuring that all Ontario taxpayers are compliant with their tax obligations. There are many risks for consumers who do pay under the table for a job. If you pay under the table, you (1) have no warranty; (2) have no recourse for poor service or workmanship; (3) have the added risk of liability if there is danger or damage or injury that takes place through your property.

The ministry is working very hard at this. We're committed to it. We're working with our partners in other jurisdictions, including the Canada Revenue Agency, to address this serious issue—

Ms. Lisa MacLeod: But how you stop it, I guess, is the question. The previous minister said that you had a massive education program through your department. I don't know if you still do, and you can probably enlighten us on whether or not that happens. But how do you go to, for example, somebody who wants to get their lawn care done and they go to their next-door neighbour and they say, "I used to go to this company, but I can't afford to pay the HST"? Or there's the earlier example that we used today from Larry Horowitz of Bradford, who was talking about the family swimming pools and that the neighbours are all going to help each other. The government's not going to get that revenue. Those services are going to go underground and probably put people out of business. The reality is, that's out there. That's happening.

Mark Sutcliffe on CFRA News in the city of Ottawa, where I live, had a segment, which I agree with, trying to educate people. But the reality is, if they don't have the money, Minister, they're going to go underground. So the only way to shed some light on that underground economy is through lower taxes so people feel it's feasible to actually use those services from a real employer. And I get it; I understand that if you hire a contractor in the underground, you're not getting the consumer protections, and you all know that from your previous portfolio. But the reality is, it's happening, and it's happening because of high taxes. We warned your previous minister that this was going to happen through the various stages of the previous bill.

So we've got an underground economy. You knew it was happening in Nova Scotia, or at least your department should have known it was happening in Nova Scotia, and we're still doing it. There are no incentives, for example, in the home renovation sector to bring that underground economy back into the sunlight. It's happened. Again, we look at those 36,000 jobs that were lost. When you couple that we've already lost those jobs, we've got an underground economy, and you seem to be backing away from that commitment to 60,000 new jobs by July 1, 2011, which would mean that we're probably never going to meet that target of 600,000 new jobs in 10 years, there are serious concerns—

The Chair (Mr. Garfield Dunlop): You have five minutes, Ms. MacLeod.

Ms. Lisa MacLeod: Thanks. I'll let the minister respond.

Hon. Sophia Aggelonitis: Again, thanks to the honourable member for that question, because she brings to light a very serious issue, and that is the underground economy, which is a priority for the government, like I mentioned. We do have education programs. We are committed to a very competitive business environment.

She did mention that we do not have consumer protection when it comes to people who will use a service that is in the underground economy. There's no way we can help in any way, because it's really important that they do have a warranty; it's very important that they have a signed contract. That's why we're putting resources into the underground economy. It is a priority. We will continue to work with different jurisdictions. The important thing is that the underground economy hurts all Ontario taxpayers and we want to make sure that we do everything that we possibly can to protect Ontario taxpayers.

Ms. Lisa MacLeod: Thanks very much, Minister. I have another question; it's a different track. Right now we see a ruling yesterday in British Columbia that there will be a binding referendum in British Columbia on the HST. If taxpayers in that province are successful, that will be overturned. I heard the Premier's messaging on this.

Would you be prepared to table the government of Ontario's documents on that scenario?

Hon. Sophia Aggelonitis: I think that the referendum is really an issue—I would not speculate or talk about BC, but I will say that the HST and the whole tax package is about making Ontario more competitive. If British Columbia is not in that mix, it's just another competitive advantage that Ontario would already have.

Ms. Lisa MacLeod: So you're not prepared, then, to table your documents, your talking points, your transition points—all those items that would have come up as a result of this, all the background documents on what the province of Ontario has viewed as a political issue in British Columbia and a practical issue here in Ontario?

Hon. Sophia Aggelonitis: What I can say is that when you look at this tax reform package, it's about better jobs and being more competitive. It's about having faith in Ontario, building our stronger economy. That's what we're committed to. We know that October 2011 is when the good people of Ontario will look at our record.

Ms. Lisa MacLeod: Okay.

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

Ms. Lisa MacLeod: I guess the point is that previously in the spring session I asked that we delay implementation of the HST until it was put to a vote by Ontario residents through the next election as part of a referendum package. That obviously didn't make it to a vote; there were a lot of issues dealing with that.

I guess what I'm asking is, could you provide to this committee, and table, any documentation the Ontario government has that deals with that scenario? Could you provide that to our committee?

Hon. Sophia Aggelonitis: What I will say to the honourable member is that I'm not going to speculate. I'm going to say that we have a plan right now. It's the right thing to do. We have a great tax reform package. It's for the people of Ontario, and we're committed to that.

Ms. Lisa MacLeod: So you're not going to speculate publicly. Is there a paper, yes or no? Is there a document that the government of Ontario has prepared based on its response to what happened in British Columbia and the scenarios put in place there?

Hon. Sophia Aggelonitis: What I can tell the member is that the tax reform package we have introduced, which started in January of this year with tax cuts to 93% of Ontarians, and on July 1, we saw the introduction of the HST—we are committed to making sure that Ontario is strong—

Ms. Lisa MacLeod: So that's a no: You don't have a document, or you do have a document and you're not prepared to share it. It's a reasonable question.

Hon. Sophia Aggelonitis: Again, to my deputy.

The Chair (Mr. Garfield Dunlop): Just a quick response.

Ms. Lisa MacLeod: Sorry, I had asked the minister. It's about ministerial accountability. I wouldn't mind if the minister provided me that answer.

The Chair (Mr. Garfield Dunlop): You've only got another 30 seconds, so one of you has to answer something.

Ms. Lisa MacLeod: Just yes or no.

Hon. Sophia Aggelonitis: My answer to you is that we are committed to building a stronger Ontario.

Ms. Lisa MacLeod: Yes or no? So no or yes?

The Chair (Mr. Garfield Dunlop): Deputy, you have about 30 seconds.

Ms. Lisa MacLeod: That's fine. Thanks. Ministerial accountability—

The Chair (Mr. Garfield Dunlop): Are you happy with that?

Ms. Lisa MacLeod: Yes.

The Chair (Mr. Garfield Dunlop): Okay.

Ms. Lisa MacLeod: I'm not happy with it, but—

The Chair (Mr. Garfield Dunlop): In that case, we'll now go to the third party. You have 20 minutes, Mr. Tabuns.

Mr. Peter Tabuns: Thank you, Mr. Chair. Minister, I just want to follow up on this question of the underground economy. Have you done an analysis—has your ministry done an analysis—of the potential growth in the underground economy arising from imposition of the HST?

Hon. Sophia Aggelonitis: Like I previously said, the underground economy is a serious issue. It's something we take very seriously. For some more technical background, I will ask my deputy to answer that question.

Mr. Peter Tabuns: Fair enough.

Mr. Steve Orsini: One of the things, as part of our negotiations with the federal government—they are taking responsibility for collecting the HST. The CRA, like the Ministry of Revenue, views the underground economy as a serious issue. In part 9 of the comprehensive integrated tax collection agreement, we built in provisions to collaborate and work with the federal government to ensure that a full-court press is put on to ensure that we address the underground economy. That is built into our framework agreement. It is work that is being done now between both the CRA and the Ministry of Revenue.

As the minister points out, there are a lot of reasons why consumers may not want to engage in the underground economy: the fact that they lose potential warranties, the quality of work, and if someone should be injured on the job it exposes them to higher risks. But we have built into our framework greater tools to address this issue.

Mr. Peter Tabuns: I appreciate that. Do you have an estimate of the size of the underground economy prior to the HST's introduction, and do you have a projection on the size of that underground economy post-introduction?

1610

Mr. Steve Orsini: The underground economy, as such, is underground, and the ability to calculate something that is underground is always a challenge. I think we've been stepping up our efforts, working with the CRA, to address that issue.

Mr. Peter Tabuns: I assume, then, that you haven't done a calculation. I note that there is part of the underground economy that you aren't going to touch on, and that's illegal drug sales. The police are able to make estimates fairly regularly on the size of that. But can you tell me the value of the increased resources you're putting into dealing with the underground economy? Do you have that in that agreement? How many staff have you assigned and what's going to be the cost of policing?

Mr. Steve Orsini: We don't have that offhand. It's something we could follow up on.

Mr. Peter Tabuns: Could you provide us with that?

Hon. Sophia Aggelonitis: Follow up on that?

Mr. Peter Tabuns: Yes, provide the committee with a report on the increase in resources, staff and cost of labour to increase policing of the underground economy.

Mr. Steve Orsini: We may have to also reflect what the CRA is doing.

Mr. Peter Tabuns: That would be fine.

Mr. Steve Orsini: Remember, they're now collecting Ontario's corporate income tax, and there are funds put aside for corporate income tax and for the HST.

Mr. Peter Tabuns: I'm primarily interested in knowing what it's going to cost you to go after the underground economy, what you've allocated to actually take on that task and have the impact you hope to have.

Hon. Sophia Aggelonitis: Yes.

Mr. Peter Tabuns: That's accepted? Okay.

Exemptions: Under your agreement with the federal government, the province is allowed to make HST

exemptions, and that shows up in the budget as well, provided the total value of the exemptions is under 5% of the GST base. According to page 156 of the budget, the government's exemption total is about \$600 million. How much room is left under the 5% cap for further exemptions?

Hon. Sophia Aggelonitis: Thank you for that question, Mr. Tabuns. I will refer it to my deputy for a more technical comment, but what I would like to say is that the one thing we saw with implementation of the whole tax package was a federal government that, with the provincial government, came to the table, left partisanship off the table and provided \$4.3 billion for Ontario's transitional benefits. I think it's a great example of what happens when governments work together. It just shows how this package really makes a lot of sense. Deputy?

Mr. Steve Orsini: The province of Ontario, as part of negotiating the comprehensive integrated tax collection agreement with the federal government, had built in the 5%. That's of the GST base. So the way the formula works, it's part of 5% of the GST base, which is where the federal government has to determine whether or not we fit within that envelope. That's one that the province and the federal government continue to have conversations about, how much is available or not.

In the Minister of Finance's 2010 budget, on page 157, we lay out the total amount of all the tax rebates: point-of-sale exemptions, the new housing rebate and also the public sector bodies rebate, so \$615 million for point-of-sale, \$1.1 billion for new housing and \$2.4 billion for public service bodies rebates, for a total of \$4.1 billion in rebates, credits or point-of-sale exemptions provided through the tax plan.

Mr. Peter Tabuns: So, is there room left under their 5% cap for further exemptions?

Mr. Steve Orsini: That's an area of the Ministry of Finance's responsibility in terms of discussions with the Department of Finance, but I need to underscore that it's tied to the federal base, not the provincial portion of the HST. It's one that the federal government and the province would have to come to agreement on, and something we're not in a position to provide at this point.

Mr. Peter Tabuns: Just out of curiosity, do you know what the number is, how many billions of dollars that 5% base works out to?

Mr. Steve Orsini: That would be an area for the Ministry of Finance in terms of determining that amount, but it's one that the federal government is part of the agreement. It's actually part of the federal base and it's one that the federal government would have to agree to before the province would be in a position to say that's the amount. So it's one that requires federal agreement.

Mr. Peter Tabuns: Okay. So what you're saying to me, and I'm repeating it so I understand clearly, is there is not an existing number out there. That number is determined by negotiations between the federal and provincial governments. In fact, there's a fair amount of fluidity. The federal and provincial governments could

define a very high exemption amount or a very tight exemption amount. Is that correct?

Mr. Steve Orsini: The way to describe it is, even when the province goes to the federal government for a point-of-sale exemption, it requires joint agreement as to the amount of the cost of that point-of-sale exemption. It requires federal agreement as to how much room, if there's any left, in terms of that point-of-sale exemption falling within—so it is a process where both levels of government would have to agree.

Mr. Peter Tabuns: So there isn't a fixed number at this point?

Mr. Steve Orsini: There's a formula that provides a framework at arriving at that agreement.

Mr. Peter Tabuns: Okay. On another matter, then, pension plans: Erin Weir spoke—Erin Weir is an economist for the United Steelworkers—about sales tax harmonization last December. He noted that Bill 218, or the HST, would affect pension and benefit plans in Ontario: "Most of the administrative, actuarial and other services used by pension plans are not currently subject to provincial sales tax. However, they are subject to the federal goods and services tax.

"Pension plans" operated "within a business receive input tax credits for the GST that they pay on those services. But multi-employer pension plans and benefit trusts separate from the specific business must pay the 5% GST. Bill 218 will increase that cost to 13%, which is ... a deduction from the pool of funds that are available to provide pension and other benefits to Ontario workers."

In implementing this bill, you are reducing the amount of money that will be available to people for their pensions. Do you have a plan to in some way compensate people for loss of pension income or in other ways to exempt these plans so that people can maximize the amount they'll have in their old age?

Hon. Sophia Aggelonitis: Thank you, Mr. Tabuns, for that question. Pensions is a very important issue for all of us.

Mr. Peter Tabuns: Absolutely.

Hon. Sophia Aggelonitis: I will, of course, ask my deputy to speak more in detail. But what I would like to put on the record is that financial services currently are GST-exempt to the investor and they continue to be exempt under HST. As far as pension plans go, we know that pension plans are eligible for the proposed 33% HST pension plan rebate on the amount of HST related to their pension plan costs. In the 2010 budget, proposed reforms for lock-in accounts to give seniors and other Ontarians more flexibility in accessing the funds in their accounts were done. But for more detail, I'll ask the deputy to continue.

Mr. Steve Orsini: Just to elaborate a bit further on the minister's point, prior to the HST there was a GST; HST follows the same rules that those services are tax-exempt. There's a federal 30% rebate on the cost that the pension plans incur on their HST that they pay on their services that the province will be paralleling and providing a 33% rebate for the provincial portion of the HST.

Mr. Peter Tabuns: So that in fact, pensioners will be made whole. There will be no reduction; there will be no diversion of their pension funds to the HST. Is that correct?

Mr. Steve Orsini: If you look at the total tax package, there is \$11.8 billion in personal tax relief that is flowing to individuals. As we talked about earlier, there are input tax credits whose benefits will flow through to the investors of companies, if there happen to be pension plans investing in companies.

One of the things that Jack Mintz found is that improved returns to individuals increase income to workers as a result of the tax plan, so overall there will be more jobs and greater incomes for Ontarians.

1620

Mr. Peter Tabuns: Going back, then: So pensioners will be made whole. The increase in charges to them because of the HST will be covered by the provincial government through other mechanisms so that in fact there won't be a reduction in the amount of money going into their pension plans. Is that correct?

Mr. Steve Orsini: Overall, it's providing a more robust economic outlook for savers. It's going to create more jobs that allow people to earn higher incomes. Overall, the tax package means that there are more jobs and economic growth.

How it affects individual circumstance is going to depend on the facts of the particular case.

Mr. Peter Tabuns: Mr. Orsini, I've just asked you whether or not people who are now paying a tax on their pensions that they didn't pay in the past are going to be made whole by the government. You didn't address that question. You talked about the impact of the HST on job creation. The only thing I can assume from your answer is that they will have less money to go into their pensions in future because they'll be paying HST that they didn't in the past. I don't need to pursue that any further. Your not stating that in fact my position was incorrect gives me great comfort—in fact, they're going to get dinged.

I have a question back for the minister. Minister, you said financial services were exempt from the HST?

Hon. Sophia Aggelonitis: I said that financial services, including the acquisition of mutual funds, are exempt from the GST.

Mr. Peter Tabuns: Okay. Then in the table "Modernizing Ontario's Tax System for Jobs and Growth," table 2, "Total Business Tax Relief by Sector" shows a \$900-million charge to the financial services sector, except for insurance. I'm afraid I don't have the larger book with me. It's page 15, "Modernizing Ontario's Tax System for Jobs and Growth." As I read it, that's the imposition of HST on financial services, except insurance, that didn't exist there in the past. Can you—

Hon. Sophia Aggelonitis: I would like to make sure that we get this right.

Mr. Peter Tabuns: Yes.

Hon. Sophia Aggelonitis: I'm going to ask the deputy to clarify that.

Mr. Steve Orsini: I'm holding up the tax plan for jobs and growth. This was released in the fall of last year. It does provide, by sector, the breakdown of the different elements of the tax plan. Under the HST, you can see there's—if it's a positive number, it means there are significant input tax credits.

For financial services, just like the GST base, they're tax-exempt, which means they don't charge the tax to consumers but they don't get input tax credits on the HST on the services they're purchasing.

As part of the government's tax plan, we're cutting corporate income taxes. The general rate is being reduced from 14% down to 10%. That has a significant benefit to financial services.

When you look at the elimination of the capital tax, which took effect in July of this year, again, that's another significant benefit to financial services.

Overall, and this comes back to the question you had earlier, there's a net benefit to financial services of \$155 million.

The issue is, there are a number of changing parts. Looking at one aspect doesn't tell the full story. What this does is provide a full picture of all the moving parts and what it means on the bottom line for each sector.

Mr. Peter Tabuns: It sounds like we're looking at the same table. It looks like a \$900-million charge in HST to the financial services sector. Is that what your table shows?

Mr. Steve Orsini: This represents the additional sales tax that banks, for example, are paying on their inputs—correct.

Mr. Peter Tabuns: Okay.

The Chair (Mr. Garfield Dunlop): About four minutes left, Mr. Tabuns.

Mr. Peter Tabuns: Four minutes. Okay. I'm just going to go back briefly, then, to the whole question of job creation from the HST. The, I guess we can say, 600,000 jobs, or 561,000 jobs—591,000 net new jobs, according to Mr. Mintz: Is that 591,000 person-years of employment or 59,000 jobs a year every year for 10 years?

Hon. Sophia Aggelonitis: That would be an estimate of almost 600,000 net new jobs being created over 10 years.

Mr. Peter Tabuns: There are a lot of different ways one can have fun with numbers, as I'm sure you're aware. Often, I've heard very large job creation numbers like that refer to person-years, so 591,000 people who get one year's worth of work. That could be 591,000 jobs, or you could talk about 60,000 long-term jobs. Is this 591,000 person-years of employment?

Hon. Sophia Aggelonitis: It's a full-time equivalent.

Mr. Peter Tabuns: Full-time permanent equivalent?

Hon. Sophia Aggelonitis: Equivalent.

Mr. Peter Tabuns: Okay. That's quite an extraordinary thing to claim, given that we've lost hundreds of thousands of jobs in Ontario in the last few years. Why do you accept that Mr. Mintz's analysis is correct? Some-

times in business, if something's too good to be true, it's not true.

Hon. Sophia Aggelonitis: Thank you, Mr. Tabuns. I stand behind Jack Mintz's report because it's based on evidence and research. We are fully committed to proceeding with our tax reform package because I do believe it will produce an estimate of almost 600,000 new jobs, almost \$47 billion in new capital and an increase of up to 8.8% in personal incomes. But even more so, as the Minister of Revenue, I am accountable. That's why I have to rely on the best evidence available. I believe that Mr. Mintz's report, as well as the reports that we have seen from other experts, are the best evidence.

The Chair (Mr. Garfield Dunlop): You've just got one minute here to finish.

Mr. Peter Tabuns: No, I'll pass on the minute.

The Chair (Mr. Garfield Dunlop): Okay. You've completed here?

Mr. Peter Tabuns: Yes.

The Chair (Mr. Garfield Dunlop): Thank you, Minister. Now to the government members for 20 minutes. Mr. Delaney.

Mr. Bob Delaney: Thank you very much, Chair. I thought the member for Toronto–Danforth was actually on a bit of a roll, so Minister, I'm going to pick up roughly where he left off and I'm going to talk a little bit about some of the impacts of the government's comprehensive series of budget changes, especially on seniors. In my preamble to the question I'll probably talk a little bit about the underground economy, and I'd like to conclude by asking you about the Economic Club of Canada's conclusions.

Like all members on all sides, our phones rang during the summer, and there were people who we knew and people we had never spoken with. I'm sure my experiences are probably fairly typical. People would call, and I called every one of them back—every single one of them. In many cases, they either said, "Look, I voted for you," or "I didn't vote for you," and I thought to myself, "That's interesting, but I represent you whether you did or didn't vote for me. How can I help you?" They said, "Well, I like the things that you say in your newsletters and I've heard you speak and whatnot, and you seem like a very intelligent person, so I want to"—I thank all of those people for their generosity. They said, "I've heard a lot about these proposals, and I'd just like to ask you some questions." I said, "Well, there are a lot of people who realize that the province has made some fundamental changes here. Ask away."

So they would ask about the impact to them, and I'm going to use seniors in this particular case; the member for Toronto–Danforth touched upon seniors. People said, "Well, the first thing I want to know is, I'm retired, I'm fairly comfortably off, but I'm on a fixed income. Is this going to cost me more money?" How do I, as their MPP, explain to them that some things have gone down and some things have gone up and what, when everything is done, will be the net result?

I said to them at the time, "Well, remember that there are no big winners and there are no big losers," and to

this extent I quoted the Canadian Centre for Policy Alternatives study. I said, "No one will be better or worse off, regardless of which side of that you're on, by more than a couple of hundred bucks, and the odds that you're going to be better off are about 93%." If you're not, then you probably have an income in excess of about—and the best estimate is about \$160,000. That excludes me, and I don't know about you. In 100% of the cases they said, "Well, that leaves us out, too," and I said "Okay, fine."

1630

So they would say, "Some things that we had not paid a PST on will be subject to the harmonized sales tax. Explain." I said, "That's very true. Some things that were not taxed prior to June 30 will now be subject to the harmonized sales tax, so what is that going to mean to you?" And I would walk them through some of the things we talked about earlier, in which we would illustrate how business costs come down and how market forces in every case have transferred the benefits to the purchaser.

They said, "In the short term, explain the transition credits." I said, "The transition credits"—and let's assume that in this case I'm talking about a senior couple—that's \$1,000, and that's going to last one year, while about 80% of the benefits flow through to you in that one year." So what is the \$1,000? The \$1,000 is all of the additional HST on \$12,500 worth of purchases. I would ask them, "When you add up your electricity bill and the amount that you spend on your hairdresser and your gas bill and the HST on your accounting fees and all that, do you think you're paying, in total, \$12,500 for these things?" Virtually everybody said, "No, no; it's not close to that." I said, "Okay. That lasts one year. But let's see what continues on an ongoing basis."

To continue with the anecdote here where I would be talking to a husband or a wife or often the two of them together, I'd say, "As seniors, your senior homeowner's property tax credit has doubled permanently. So what does that doubling represent? That represents to you all of the additional tax on \$3,125 of things that were not before taxed, and not just this year but every year." Most people said, "Oh, I didn't know that," and I said, "Yes." So in addition to the \$12,500, now you've got the first \$15,625 worth of things that you buy that were not previously subject to tax, to have all of the tax paid.

But, as they often say on television, we're not through yet. Each person each year is eligible to claim a sales tax credit, a permanent sales tax credit, and that's \$260 per year. So that represents, for, again, this senior couple, \$3,250 per person, or \$6,500 for the two of them.

Let's add it all together. You're going to get, in tax credits back in your hands at tax time, the tax equivalent to everything on \$22,125 of purchases that were not previously subject to tax, and that represents only the one sixth of things that would have changed and gone up after the implementation of the HST. Most people said, "I don't spend anything close to that. Do I still get the money?" I said, "Yes. You're better off, and that doesn't take into account the fact that your taxes have now gone

down permanently—and not as of July 1; as of January 1. So not only are you taxed at a lower rate, but your tax credits have gone up.”

People started to say, “How can you encapsulate all of this together?” What I landed on is, I said, “Look at it this way: By the time you’ve bought all of the things that you normally buy and by the time that you have paid all of the bills that you normally pay and you’ve filed your taxes”—and this is an important part; file your taxes—“and claimed your refunds and claimed your tax credits, by that time, for 93% of Ontarians there’s going to be more money in your pocket.” So when you walk them through and you explain to people, “This is the whole story. Yes, some things have gone up, and we will not deny that. And energy costs have gone up”—energy costs are going up everywhere in the world and we’re not an exception to it, but we’ve made sure that, to use the expression that the member for Toronto–Danforth used, as a senior, you are not only left whole; you’re left a little bit ahead. So when all is said and done, you’ve made this transition and you’ve come out a little bit ahead.

As I often said to people, “You’ve started by saying that you respected me as your MPP. Why would I, as your MPP, stand up and vote”—and let’s make no mistake: I stood up and I voted for this, and I voted for it proudly—“for something that harms our community?” I just wouldn’t do it, and I didn’t do it. I stood up and voted on a package of tax reforms that picked us up out of the 20th century and dropped us into the 21st century and left us better off.

We would talk about this with seniors. Sometimes, when I would be at a public function, people who had heard of the study that we just referenced by Jack Mintz—to put it into its perspective, it comes from the University of Calgary School of Public Policy, and he’s the dean of that school. To explain Jack Mintz, Jack Mintz is not normally one who is friendly to left-leaning or centrist governments. Jack Mintz did a report that was fact-based, it was dispassionate, and while I’ve heard people criticize the report or ask how it will be implemented, I have never heard anyone question in any way the methodology of the survey. Everyone has accepted that the methodology of the survey is rock-solid. Everyone agrees that the survey has integrity.

In fact, as a member of our government, we have confidence in our entrepreneurs—in our small businesses, in our sector leaders, firms such as RIM, firms such as our pharmaceuticals sector—to create these jobs and to hire Ontarians. I know from my summer of going back and forth to our businesses, which, like most members, I have an opportunity to do in the summer and in the month of January, to say hello to some of our businesses—I’ll say, “How are you doing?”, and people had a challenging year last year. Some people said, “We had to do some layoffs.” Others said, “We managed without layoffs.” But the overwhelming majority were not only optimistic in this year, but planning to hire.

Reasonable people accept that when we’ve made the projection for the growth of the economy—people under-

stand that the government, the bureaucracy, isn’t doing the hiring; what we’re creating is the climate whereby the men and women, the companies, the entrepreneurs and the risk-takers who actually create the jobs can do the hiring. They have, in every case, stepped up to the plate and said, “We intend to do our part.”

I called on one company. They created 12 jobs. It’s located right near the Streetsville GO station. They make a brilliant product that takes movies, electronic files—which today represent the cutting edge in films—and their challenge is to produce a product that transmits as seamlessly on a micro device, a hand-held device, as it does on a big-screen TV. They got a grant from the province. They leveraged it with venture capital money. They put in a lot of their own money. They created those jobs. As I said to them, “In a good sense, I expect that a few years from now, someone will have picked up your technology, and it will either be the de facto standard or someone will have made you a very nice offer and made you independently wealthy. You may be working for someone else.”

The other sector that I spent a lot of time visiting was the building trades, which is probably the single biggest beneficiary of the breathtaking cuts to taxes and to business expenses. As I went back and forth, I was just doing my mental list of, “On what things that you use in the building trades, in construction, in home renovation, in things like that, do your costs fall?” For example, you can now deduct all of the tax—and that’s significant, because that’s 13% of everything that you’re spending—on vehicles and on the fuel that you put in them, on the tools that you use, on the power that you consume while you use your tools, on the tires that you wear out as you drive the vehicle, on the repairs, on the routine maintenance as you use your tools and your vehicles, and on the training courses that you take. You can deduct all of your GST and HST on the consumables. Of course, you have your WSIB eligibility as well. You can also deduct all of the tax that you pay on business equipment, on office rent, software, fixtures, marketing expenses, shipping.

1640

As I spoke to people, I was speaking to a number of them who said—I actually asked my accountant—the conclusion that a lot of them were coming to is that, basically, no reputable business, no reputable contractor who asks an independent accountant to just do a projection and look at their business, can conclude that it’s more profitable to break the law, to go underground, to endanger your workers and to expose them to the liability of not being able to claim WSIB and of a status that’s completely undefined vis-à-vis their benefits and their pensions. From the vantage point of the workers, they said, “Who would ever want to work for a contractor like that? I mean, I can go and work for a reputable guy who can earn more money by staying above board and complying with the law and being more profitable.” As one guy said, “I also get to sleep better at night.”

How am I doing, Chair? What have I got left here?

The Chair (Mr. Garfield Dunlop): You’re down to about five minutes, six minutes left.

Interjections.

The Chair (Mr. Garfield Dunlop): Six minutes.

Mr. Bob Delaney: Six minutes? All right, Thanks, Chair.

We've talked about the Mintz study, but there are many others as well. My own Mississauga Board of Trade has come out and said, "Look, we're not normally a fan, Mr. Delaney, of your party, but on this one, you hit the right chord. This is the right thing to do"—also the Ontario Chamber of Commerce and, of course, the Economic Club of Canada, which I'm going to ask you about in a moment. We've discussed the University of Calgary school of public policy.

Another one that's a really interesting read—and this is one that you've got to devote a little bit of time for because this is a hefty download—the Rotman School of Management did a terrific comprehensive report on this, placed it in a global context and came out with the conclusion that Ontario is absolutely, positively, without any doubt on the right track. Of course we've also talked about the Canadian Centre for Policy Alternatives.

As I've often asked people who have called me, I've said, "When people have made comments criticizing the government's comprehensive set of tax measures, what factual evidence do they draw upon?" Other than talk radio and some of the usual cant of sources, there is none.

Minister, here's what I would like to ask you to do in the time remaining. You've referred a few times to the Economic Club of Canada letter. Could you tell me some of the significance of this particular group of individuals writing what they did at the time that they did this summer?

Hon. Sophia Aggelonitis: Well, thank you, Mr. Delaney, for your question.

The Chair (Mr. Garfield Dunlop): You have four minutes, Minister.

Hon. Sophia Aggelonitis: Thank you for giving me the opportunity to read into the record the open letter that was sent to Ontarians and British Columbians. It was from the Economic Club of Canada. It's dated June 15, 2010, and I just want to note that the Economic Club of Canada is a non-partisan organization, and the views expressed in this letter are of the signatories.

What they write is: "Effective July 1, 2010, in Ontario and British Columbia retail sales tax (RST) will be replaced with a value-added tax (VAT) and combined with the federal goods and services tax"—

The Chair (Mr. Garfield Dunlop): Minister, could you sit back a little bit from the microphone, if that's okay? There's just a bit of a problem with the sound system here. Thank you. That's fine.

Hon. Sophia Aggelonitis: "We strongly support the implementation of the HST as we believe it will promote investment, jobs, and higher wages. With more than 140 countries and four other provinces having adopted a VAT, the HST will elevate provincial competitiveness. Currently, the RST is charged on a broad range of inputs purchased by businesses to manufacture products and provide services. This tax becomes embedded in the cost

of goods at each stage of the production, distribution and retail processes. The result is a compounding of the tax that is ultimately paid by consumers through higher prices.

"The RST places British Columbia and Ontario at a competitive disadvantage compared to many jurisdictions when it comes to attracting investment and creating jobs.

"The HST, by contrast, will remove this cascading tax by refunding the sales tax paid on most businesses inputs, including materials, supplies and equipment. Without this compounding tax, Canadian goods and services will be more competitive in domestic and export markets. As was the case with the GST and in the provinces shifting to a value-added sales tax, businesses will pass these savings on to consumers.

"Businesses, large and small, will face lower administrative costs from complying with one sales tax system instead of two. Lower business costs, especially on capital equipment, will encourage investment and economic activity. Lower business costs will ultimately allow price reductions on many consumer purchases, including big ticket items, such as automobiles and computers."

They conclude by saying, "The HST will enhance competitiveness, encourage new investment, and create jobs. It represents sound public policy."

This open letter to Ontarians and British Columbians was signed by 33 experts. Some of those experts include the chancellor at McMaster University, Mr. Lynton (Red) Wilson. It also includes people like Len Crispino, president and chief executive officer of the Ontario Chamber of Commerce; David Dodge, the former governor of the Bank of Canada; Don Drummond, economics adviser, TD Bank Financial Group; Dr. Anne Golden, president and CEO of the Conference Board of Canada; Dr. Warren Jestin, senior vice-president and chief economist of Scotiabank; Mr. William Robson, president and chief executive officer of the C. D. Howe Institute; Craig Alexander, senior vice-president and chief economist of TD Bank Financial Group; Professor Werner Antweiler, Ph.D., Sauder School of Business, University of British Columbia; and Victoria Barham from the University of Ottawa.

We also heard from Derek Burleton from the TD Bank Financial Group; Mel Cappe, president, Institute for Research on Public Policy; John Chant, a professor in the department of economics, Simon Fraser University; Dr. Sherry Cooper, executive vice-president and global economic strategist with BMO Financial Group and chief economist of BMO Capital Markets; Dr. Brian Lee Crowley, managing director of Macdonald-Laurier Institute; Glen Hodgson, senior vice-president and chief economist of the Conference Board of Canada; the Honorable John Manley, president and chief executive officer of the Canadian Council of Chief Executives; Roger Martin, dean, Rotman School of Management, University of Toronto; James Milway from the University of Toronto; Steeve Mongrain, associate professor from the department of economics at Simon Fraser

University; Al O'Brien from the University of Alberta; Dale Orr, president of Economic Insight; Dr. Nicolas Schmitt, chair, department of economics, Simon Fraser University; and Earl Sweet, managing director and senior economist, BMO Capital Markets.

Mr. Delaney, I appreciate you giving me the opportunity to read out this very important document.

We have many examples. In fact, the one example I hope to share with the group today is about a business in the opposition leader's riding. Mr. John Voortman, the owner of—

The Chair (Mr. Garfield Dunlop): Minister, I let you go over a little bit with the names, so you could sum up in those last 10 minutes, if you will.

Hon. Sophia Aggelonitis: Thank you.

The Chair (Mr. Garfield Dunlop): We'll come back now—there are 30 minutes left, and this is the last rotation of 10 minutes.

Ms. MacLeod.

Ms. Lisa MacLeod: Thanks very much, Chair. I'll be very quick. I've got two colleagues here who'd like to get a word in edgewise.

1650

It was great of you to read all those names into the record, Minister.

Just quickly, if you wouldn't mind telling me: Do you know the terms of the memorandum of understanding and agreement between the federal government and the provincial government, the CITCA agreement?

Hon. Sophia Aggelonitis: I'm sorry, excuse me?

Ms. Lisa MacLeod: The CITCA agreement. Do you know anything about the CITCA agreement?

Hon. Sophia Aggelonitis: I am aware of the agreement. If you'd like to speak to the deputy about that agreement—

Ms. Lisa MacLeod: Oh, no. I have some questions for you. Are you aware of the agreement and the terms of it?

Hon. Sophia Aggelonitis: I appreciate the question from the honourable member. What I want to make sure is that all the technical and any questions specifically—

Ms. Lisa MacLeod: Well, it's just a four-page agreement.

Hon. Sophia Aggelonitis: I would really—

Ms. Lisa MacLeod: For example, I read it. It was four pages. I'm just wondering if you have any of the highlights that you're prepared to share with us.

Hon. Sophia Aggelonitis: I would really like to ask the deputy minister.

Ms. Lisa MacLeod: Are you aware that you cannot opt out of the HST without a penalty, for five years?

Hon. Sophia Aggelonitis: We have a full, comprehensive tax package for jobs in Ontario.

Ms. Lisa MacLeod: Are you aware that you're not able to reduce the rate in the first two years of the agreement with the federal government and the provincial government without penalty?

Hon. Sophia Aggelonitis: Are you interested in the two-tax system? Is that what you're trying to tell me?

Ms. Lisa MacLeod: No, I'm just trying to tell you that there's an agreement that your government signed with another government, and I'm asking you the details, as the minister, if you know what that agreement is and what the terms of the agreement are. It's a four-page agreement. It was posted on your website.

I guess what I'm getting at is, there are terms to the agreement between the two governments. I've read it several times. Perhaps today, when you leave here, they'll provide you with a copy of it.

What I'm getting at is, in the first five years of the agreement, there's a \$4.3-billion penalty that any future government ought to pay to get out of the existing agreement. It's quite serious and it's really going to shape the future governments of this province, whether or not they're going to be able to afford something like that. That's why I brought that up.

In terms of further exemptions and further rate reductions, there are stipulations in place there. It's unfortunate we couldn't have that discussion together.

What I'll do now is I'm going to pass the microphone over to my colleague, who has some specific questions he'd like to ask you on the HST.

The Chair (Mr. Garfield Dunlop): Mr. O'Toole?

Mr. John O'Toole: Minister, it's a pleasure. Respectfully, the list of names you read out—yes, I've read many of their comments. I suspect that, in a general sense, the recognition that Ontario was not tax-competitive because of your last seven years of office, of red tape and regulations—they're looking for any relief they can get. I believe Roger Martin was probably right. He's head of the competitiveness task force group. David Dodge has said things as contradictory—as you might imagine—as saying that Ontario actually has a structural deficit. I'm quoting from a report—the former governor of the Bank of Canada. It says that Ontario's spending increases don't match the revenue stream and the predictable revenue stream.

I think that's unfortunately part of moving into collecting as much tax, as much revenue, as you could, to increase spending by about 72%. It's an indication that business wasn't friendly to Ontario, and there may be some light in this for the business side.

What I'm very concerned about, and what we're all hearing—you are as well, Minister, I'm sure; you're just not listening—is the seniors. Those persons on fixed income are euchred. They are against the wall. They turn that thermostat up and—they're home all day. They can't tune in to this time-of-use pricing. They're home all the time. Part of your strategy is aging at home. We actually call it "aging alone" because there's no place for them to go.

It is a failed policy with respect to that segment of the consuming economy: seniors. They have very little discretionary income. The member on the other side there, Mr. Delaney, suggested that it's implying that the seniors are in their homes. They get the property tax credit thing. All of this stuff is income-tested. If anybody has saved

and RRSP'd, there are clawback provisions in this bill on income, in this particular change.

I also recognize—here's the really important thing. Other provinces weren't so aggressive as to grab every nickel they could on the implementation of this. This is a more philosophical change in revenue, and I think we should be aware. The government realizes that they're losing jobs. You're down 300,000 or 400,000 jobs, regardless of the green energy. All these bills—all I hear in my riding is, "jobs and the economy." That's what I hear. I know the member from Northumberland hears the same thing, and the member from Peterborough, the same thing: jobs.

But here's what happens: When you don't have revenue from the payroll taxes, those people, even if they're on welfare or programs of assistance or extended EI benefits, whatever, they spend all their income. Here's the important shift in policy: Every service they acquire, whether it's going to a physiotherapist or going to a seniors' recreation facility, is taxed. Every single move, whether it's transit, gas, heating or a ventilator in their home, is taxed. So now you've switched from payroll revenue to consumption revenue, and that's a phenomenal change. It's a profound shift in taxing every single consumption.

The people who are least affected are the higher-income people, as Mr. Delaney and the Liberal friends he has mentioned—they have incomes where they have discretionary choices to make.

The Chair (Mr. Garfield Dunlop): There are four minutes left.

Mr. John O'Toole: They can defer expenditures, whereas the persons whom I'm addressing, my constituents, people of modest means, people on fixed income, the hard-working families who are surviving that we're hearing about, who are having to raise money in the schools, about \$500—and the admission by the Premier. The admission that they're going to give them, when you register the kids for hockey—in fact, I like his little mea culpa.

You have to spend \$500. So let's do the math: \$500 before you qualify to get \$50. The \$500—you have to spend \$500 or more—will have tax on it, so it will actually be \$500 times the 13%. Here's the deal: You're actually going to issue a cheque and have some bureaucrat or some system look at it. It'll probably cost you about \$13 to issue the cheque, and they'll probably get back, after the total—having to spend \$500 and pay the tax on it—they'd be lucky to get back \$10. And this through the income tax system, because that would be recorded as income, of course. This is another hand in the other pocket of all the consumers in Ontario. You've not only nailed them on the health tax; now you've got them on this tax.

To make the full circle here complete, as David Dodge said, you have a structural deficit, so you're changing the fundamental policy on revenue to taxing everything that moves so that you can increase revenue; so you can

continue the spending spree, that absolute reckless spending on consultants and the eHealth system.

Look, it's time the people of Ontario should wake up. Is that camera on? Because I want to make sure. The people of Ontario should wake up, because I'll tell you, this is an indication that your government has run out of ideas and they need more of our money, the people of Ontario's money, to provide less service. They're doing it on electricity, they're doing it today in the debate on water, on Bill 72. They're going to start taxing your water. That's—

Mr. Robert Bailey: No.

Mr. John O'Toole: No, that's the way it works.

Anyway, I've got to reserve a bit of time for the member from Sarnia, because he has a few seconds—

The Chair (Mr. Garfield Dunlop): You've only got a minute to do this, by the way.

Mr. Robert Bailey: Thank you, Minister, for being here today. I've enjoyed it very much, all the give and take from all the different members. More giving than taking, but anyway.

Ms. Lisa MacLeod: More taking than giving.

Mr. Robert Bailey: Yes, well, that's from the member—from Mr. Delaney.

I've got hundreds of emails here that were sent to my office, so I just wanted to read one, and this was actually copied to me. It went to the member for Lambton-Kent-Middlesex, one of your colleagues on the government side. Anyway, I won't read it all, but they were complaining, obviously, about the HST. That's what all my emails were. Near the end, I just thought this was kind of interesting, where this lady was talking about her difficulty living with the tax. She says—and this was addressed to myself and Mrs. Van Bommel.

She said, "Please do send me the make and model of calculator the Minister" of Revenue and Finance use, "because I want to be able to balance my books the way the government does so I can realize all this 'savings' that the HST is going to create.

"If I sound frustrated, you can rest assured that I am. I am tired of this government's blatant disregard for the average citizen, and the report of the tax collectors receiving a 'bonus' for moving from one level of government to another is just the frosting on the cake, so to speak.

"The Liberals might want to dust off their resumé's because, come election time, I think you all may be looking for employment.

"A frustrated taxpayer,

"Sonia MacDonald,

"R.R. #6, Alvinston, Ontario."

Thank you, Mr. Chair.

1700

The Chair (Mr. Garfield Dunlop): Thank you, Mr. Bailey. That concludes the official opposition's time. We'll now go to the third party's time. You have 10 minutes, Mr. Tabuns.

Mr. Peter Tabuns: Thank you, Chair.

Minister, in the results-based plan briefing book for 2010-11, pages 58 and 59 look at the costs of compliance. I note that the cost of compliance—you're projecting actuals—for 2008-09 is \$33 million in services to deal with compliance. That doubles in the interim actuals to 2009-10 and takes another big leap forward in the estimates of 2010-11. Why is it going to be costing you so much more to do compliance?

Hon. Sophia Aggelonitis: There is going to be a period where we're going to have to—

Mr. Peter Tabuns: I'm sorry, Minister, I—

Hon. Sophia Aggelonitis: Thank you, Mr. Tabuns. There will be a wind-down period, but to be completely exact, I want my deputy to comment on that.

Mr. Peter Tabuns: A wind-down period? It looks like it's winding up.

Hon. Sophia Aggelonitis: No, it's a wind-down.

Mr. Steve Orsini: What I'm going to suggest is that we can respond back to you in writing explaining the changes there, if you are comfortable with that approach.

Mr. Peter Tabuns: Then you'll explain to me why the actuals on salaries and wages are rising substantially and services are rising substantially? That's correct? Page 59 of 71—why the increase in salaries and wages and service costs for compliance?

Mr. Steve Orsini: Part of that is dealing with—over the last seven years, five budget bills had measures on contraband tobacco. We'll come back to you, if you're comfortable with that.

Mr. Peter Tabuns: Okay.

Mr. Steve Orsini: I think this is building up the supports for the measures that have been introduced in various budget bills to strengthen enforcement and compliance around contraband tobacco. I just wanted to come back with a more detailed response related to that.

Mr. Peter Tabuns: If you can give me a written response, I would be appreciative, and I can accept that.

If you'll give me a moment—page 49 of 71: Bad Debt Expense. You show actuals of \$104 million in 2008-09 for bad debt, and then the interim actuals, 2009-10, went up to almost half a billion dollars. What happened there?

Hon. Sophia Aggelonitis: Mr. Tabuns, that is the wind-down that I was talking about, the wind-down of the RST program resulting in an accounting requirement to incur a certain amount of expenses over two years.

What we know is that we will need to make sure that—there is still a lot of RST compliance that we have to make sure we go back to, and that's why that number is—but to have a much more thorough understanding, I'll give it over to my deputy.

Mr. Steve Orsini: The minister is absolutely correct. This is an accounting provision that crystallizes what the annual bad debt of RST would have been in the next four years. If you remember, for the RST there's a four-year time frame to reassess; there's a four-year time frame to give rebates back to people who have submitted a claim, and this, for accounting purposes, crystallizes what they would have been, and they're brought forward because of the decision to wind down the RST. Because of the

decisions made for accounting purposes, you can't crystallize those bad debts all in those years.

Mr. Peter Tabuns: Why is there still a number, then, for 2010-11, of \$136 million?

Mr. Steve Orsini: The decision to wind down the RST crystallized that. There's also the annual flow that would have occurred in 2010-11, in any event. So remember, this is looking at the full array over the four years. We really, essentially for accounting purposes, have brought those bad debts forward to record them now.

Mr. Peter Tabuns: Okay. So it isn't as though there was a sudden change in the performance of the economy. You're simply recognizing a debt—sorry, a loss—that you expect in the next four years. Am I understanding that correctly?

Mr. Steve Orsini: That's right. If you looked at every year, it would have been over \$100 million. It has kind of flatlined. This is bringing those forward.

Mr. Peter Tabuns: Okay. Mr. Chair, I don't have any further questions.

The Chair (Mr. Garfield Dunlop): You're finished?

Mr. Peter Tabuns: I'm finished, yes.

The Chair (Mr. Garfield Dunlop): Okay, that's fine. Thank you very much, Mr. Tabuns. That concludes the time for the third party.

We'll now go to the government members for the final 10 minutes.

Mr. Kim Craitor: I only need two minutes.

Minister, I just have one short question which is important to me. The other part of your portfolio, which is one that I have real—as I said, it's special to me, and that's the seniors part of your portfolio. I know I mentioned it to you today, and we talked for a few minutes. I've always felt—and I'm speaking for myself—that governments should have had a ministry set up strictly for seniors. I've always felt that and I've always said that. I've said that for years—all governments. I thought that should have its own ministry, that seniors deserve to have a ministry dedicated strictly to them. We've had a discussion as to why I feel that passionate. Certainly in my area I'm pretty blessed with some great seniors' centres, whether it's the Coronation centre in Niagara Falls, the Douglas Heights centre in Fort Erie, or two great centres in Ridgeway and in Niagara-on-the-Lake.

I just wanted you to maybe share some of the things that you've been doing, and if there are some things—I don't know if there are—on the horizon that we can do to help our seniors, particularly the ones that we all hear—not just me; I'm sure we all hear about the ones who come in that are on these fixed incomes. Things go up and they find themselves in pretty difficult situations. If you could touch on that, I think they would be interested. I would be interested as well. And if you can convince the Premier to set up another ministry just for seniors, you'll have my support.

Hon. Sophia Aggelonitis: Thank you very much, Mr. Craitor. We have had numerous conversations about the seniors portfolio, and I appreciate you bringing it up. I

think there's a lot of merit in your comments, and I look forward to your support moving forward.

But in my role here today as the Minister of Revenue, what I would like to share are some comments in regard to how the HST and the overall tax package will affect our seniors. One interesting fact that I've read is that the number of seniors that are aged 65 and over in Ontario is projected to more than double over the next 25 years. We're going from less than two million, or about 15% of Ontario's population, to more than four million, or almost 25%, by 2036.

Much closer than that, though, is in seven years from now, in 2017, seniors will account for a larger share of the population than children aged zero to 14. That's going to be the first time in our history. We're seeing dramatic demographic changes, and it's very important that we not only put the resources into our seniors but also help them with our full tax reform package.

Some of the ways that seniors will benefit from the tax reform package: We know that seniors are among the 93% of Ontario taxpayers who received a permanent income tax cut as of January 1 of this year. We also know that seniors are eligible to benefit from the transition payments that our government has put in place to assist families during the transition to the HST. We also know that the Ontario senior homeowners' property tax credit, which is another annual benefit to our seniors, will help offset property tax for seniors with low and moderate incomes who own their own home.

We do want seniors to be able to live in their own home for as long as they feel possible. I know that my parents are looking at staying in their home for as long as possible. Also, the property tax credit is separate from and additional to the Ontario property tax credit. Senior homeowners may be eligible for both, in fact. This year and the following years, we are doubling the maximum grant. If you put it into context, over the next five years the Ontario senior homeowners' property tax grant will provide a billion dollars in property tax relief to more than 600,000 seniors in the province of Ontario.

1710

We know that seniors remain active and want to stay in their homes, and we want to make sure that we offer the resources they need to live very healthy lives.

Thank you for that question.

The Chair (Mr. Garfield Dunlop): Is there another question, Mr. Delaney?

Mr. Bob Delaney: Chair, how are we on time here?

The Chair (Mr. Garfield Dunlop): You've got about five minutes left.

Mr. Bob Delaney: Five minutes? Okay, thank you.

Hon. Sophia Aggelonitis: I'd like to wrap up, if I can—

The Chair (Mr. Garfield Dunlop): Would you like to wrap up? Okay.

Hon. Sophia Aggelonitis: I have a—

The Chair (Mr. Garfield Dunlop): Yes. I was going to ask you—

Mr. Bob Delaney: My question is, Minister, would you like to wrap up?

Laughter.

The Chair (Mr. Garfield Dunlop): Boy, talk about jockeying, eh? Go ahead, Minister.

Interjection: Cut to the heart of it.

Hon. Sophia Aggelonitis: Thank you very much, Mr. Delaney.

Interjection: A tough question.

Hon. Sophia Aggelonitis: I'd like to thank all of you very much for your time and for the thorough look you've taken at the Ministry of Revenue this year.

I am a firm believer in the value of this process, and I am pleased to continue the conversation that was started by my predecessor, John Wilkinson. I know he mentioned in his opening remarks in May that staff at the Ministry of Revenue have been working very hard over the last few years to successfully deliver on all our commitments.

I feel strongly that the ministry is providing fair and efficient administration of Ontario's tax and benefits programs. The money we collect provides the fiscal foundation upon which many of the government's programs rely, and we recognize the gravity of that responsibility.

I am proud of the contribution we make to Open Ontario, our government's five-year plan to create jobs and growth. I am equally proud to be working on implementation of the harmonized sales tax. It is a vital part of our tax reform package, because it makes our economy more competitive and will help create hundreds of thousands of new jobs in the years ahead.

There has been a great deal of misinformation about our tax reform package, and I am glad to have had the opportunity to set the record straight. For example, Ontarians with lower incomes are seeing significant benefits from our reforms. Ontario now has the lowest income tax rate on income up to \$37,000 of any province. Our sales tax credits, our transition payments, our child activity credit and other benefits work to ensure that lower-income Ontarians are treated fairly in the province of Ontario.

Most Ontarians, including middle-income earners, will see little overall change in their spending power. The fact is, our plan is about helping families.

Businesses will also benefit from a much more efficient tax system. In fact, I advocated for a harmonized sales tax long before I entered government, because as a former small business owner myself, I understood from personal experience what a significant benefit it would be. I am very pleased that our government has understood this and acted in the best interests of the province, and I am delighted to have the opportunity and the responsibility to implement that change.

I have to say that I am a little puzzled at people who argue against this tax reform, especially when they claim to be speaking for lower-income families or for businesses, two of the groups that benefit most because of

these reforms. Fortunately, though, most people have come to understand that these critics are misinformed.

Organizations completely independent of government are telling us to hold the line on this course because it is good for all Ontarians. When the Ontario Chamber of Commerce lines up with the Canadian Centre for Policy Alternatives, you know you must be doing something right. When the TD Bank and the Daily Bread Food Bank agree, it's solid evidence that it's good policy.

In summary, the work of the Ministry of Revenue is important to Ontario's future success. Our work directly supports overall government priorities, including strengthening the economy and Open for Business.

Our plan is to continue that work, to always strive for improvement and to ensure that we are working in an open and cost-effective way for the benefit of the people of this province.

I would like to thank very much the members of the Standing Committee on Estimates for this opportunity to appear before you this year. I would also like to thank all the staff who are here and who have worked very, very hard, for all the hard work they're committed to for the people of Ontario.

The Chair (Mr. Garfield Dunlop): You have about 30 seconds left. Is that it, Minister?

Hon. Sophia Aggelonitis: Thank you.

The Chair (Mr. Garfield Dunlop): Thank you very much to all the members of the committee.

Ladies and gentlemen, that concludes the standing committee's review of the estimates. We will now deal with the vote.

Shall vote 3201 carry? Carried.

Ms. Lisa MacLeod: Chair, am I allowed to vote as a subbed-in member?

The Chair (Mr. Garfield Dunlop): Yes, you can.

Shall the 2010-11 estimates of the Ministry of Revenue carry? Carried.

Shall I report the 2010-11 estimates of the Ministry of Revenue to the House?

Ms. Lisa MacLeod: Recorded vote.

Ayes

Craitor, Delaney, Levac, Mangat, Rinaldi.

Nays

Bailey, MacLeod, Tabuns.

The Chair (Mr. Garfield Dunlop): It carries.

I'd like to thank the minister for being here this day. I'd like to thank all the staff of the Ministry of Revenue for being here today as well. That concludes the Ministry of Revenue's portion of estimates. We will adjourn now and report back after routine proceedings tomorrow afternoon for the Ministry of Finance.

The committee adjourned at 1717.

CONTENTS

Tuesday 14 September 2010

Ministry of Revenue	E-127
Hon. Sophia Aggelonitis	
Mr. Steve Orsini	

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