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**Official Report  
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(Hansard)**

**Tuesday 28 September 2010**

**Journal  
des débats  
(Hansard)**

**Mardi 28 septembre 2010**

**Standing Committee on  
Estimates**

Ministry of Finance

**Comité permanent des  
budgets des dépenses**

Ministère des Finances

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

Tuesday 28 September 2010

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*The committee met at 0902 in room 151.*

## MINISTRY OF FINANCE

**The Chair (Mr. Garfield Dunlop):** Good morning, everyone, and welcome to the Standing Committee on Estimates. Good morning, Minister Duncan and staff of the ministry.

**Hon. Dwight Duncan:** Garfield, how are you?

**The Chair (Mr. Garfield Dunlop):** Great.

We are now resuming consideration of the estimates of the Ministry of Finance, vote 1201. There's a total of three hours and 59 minutes remaining. When the committee adjourned at the last meeting, we had seen the completion of two rounds of questioning by all three parties. We will now start a new round, with 20 minutes allocated to each party in this round.

I recognize the official opposition. Mr. Miller, you have up to 20 minutes in this round.

**Mr. Norm Miller:** Thank you, Mr. Chair; just three hours and 58 minutes to go.

I'd like to begin by asking the minister about the province's debt. From the public accounts of 2009-10, we see that the debt of the province increased by \$35.2 billion in the past year. I would simply ask the minister, is he not concerned about adding this new debt, about mortgaging our kids' future with this \$35.2 billion of additional debt in the past year?

**Hon. Dwight Duncan:** Absolutely, but as governments around the Western world have had to do in response to the downturn, we have invested significant amounts of money in stimulus, and when one looks at our debt-to-GDP, deficit-to-revenue ratios, deficit-to-GDP ratios, relative to many jurisdictions in the world, we are still in reasonably good shape. So to your specific question, of course we are, and that's why we have laid out a plan to get back to balance. We did balance the budget three years in a row in advance. We've paid down some \$4 billion of stranded debt at Ontario Hydro. Even though the debt retirement charge was put on in 1999, the stranded debt actually continued to increase between 1999 and 2004. So to your specific question, yes, we are concerned about that. That's why we've laid out the plan, and we appear to be on target, unlike a number of jurisdictions, to meet the G20 goal of getting back to balance, even though we've laid out a longer period of time out of what I would call prudent assumptions going into our budgets.

The short answer is, we are concerned about it. We've laid out a plan to get back to balance, and we're in a position not unlike many governments around the world.

**Mr. Norm Miller:** With that new debt of \$32.5 billion, where is the money borrowed from? What countries? How much in Canada and how much in—

**Hon. Dwight Duncan:** Most of it comes from Canada. This year, it'll be higher from outside of the country. I can provide you later with the amounts.

The interesting thing that's going on in the world now is the so-called Canada brand, and Ontario is considered part of that. Our debt is seen as very attractive, which is one of the reasons why I believe our credit rating has largely stayed intact. I think that the strength of the Ontario and Canadian economies, relative to the world economy, has been proven over and over again. So our very ambitious borrowing program this year has met with a great deal of success. We do borrow internationally. The percentage has gone up this year as a result of the borrowing we have to do, but generally speaking, most of our money is borrowed in Canada from Canadian sources. I'll undertake to get back to you with accurate numbers with respect to those percentages.

**Mr. Norm Miller:** In terms of a rough percentage, is it 50-50?

**Hon. Dwight Duncan:** No, it's a much higher Canadian percentage. This year is different, and we're still in process on this year, so I'm going to undertake to get back to you. I don't want to give you wrong information.

**Mr. Norm Miller:** Okay. What countries do we borrow this money from?

**Hon. Dwight Duncan:** We borrow from different countries: the United States, the United Kingdom, China. We have special issues that are sold around the world.

**Mr. Norm Miller:** Do we borrow money from Europe at all?

**Hon. Dwight Duncan:** The United Kingdom, definitely. Again, I'm going to have to get back to you on those percentages, but through most of the last several years, it's been predominantly borrowed here in Canada.

The other thing that's happened, too, is that the Ontario Financing Authority has done, I think, a terrific job in renegotiating and lengthening our debt at very low interest rates. So even though the amount of debt has gone up, we've seen a relative decline in the interest cost to the government. That is a great success, but it also is a harbinger of potential problems, should interest rates go

up. I think most people would share that concern. I think a 100-basis-point increase costs the provincial treasury about half a billion dollars. So it's a real issue for us, and one that we watch carefully, and the Ontario Financing Authority has done just a terrific job of lengthening the amount of borrowing as well as locking in at lower interest rates for a longer period.

**Mr. Norm Miller:** So \$35.2 billion in new debt this year. And you did raise the interest rate concern, in layman's language; you said 100 basis points. So a 1% increase in the rate you borrow adds \$500 million to—

**Hon. Dwight Duncan:** Approximately, yes, because of the differing ages of our debt and what's expiring and so on. That is an approximation.

**Mr. Norm Miller:** And your plan from last year's budget through to when you balance in 2017-18, according to the plan, shows interest rates virtually doubling—sorry, not interest rates, the total charge, going from roughly \$8 billion to \$16 billion, as I recall.

0910

**Hon. Dwight Duncan:** Those numbers are contained in the budget documents, yes.

**Mr. Norm Miller:** Recently, we're seeing that Ontario is facing double the inflation rate of other provinces in the last couple of months. I believe it was 2.9% in July and 2.9% in August. That's about double what the other provinces have seen.

Higher inflation rates tend to put pressure on interest rates, resulting in higher interest rates. Are you concerned with those inflation numbers and the effect they may have on interest rates?

**Hon. Dwight Duncan:** We anticipate, as do most private sector economists, that those numbers will even out throughout the year. In British Columbia and Ontario, with implementation of the HST, as predicted, we did see the increase in prices. In fact, the prices didn't increase as much as some analysts had projected.

There are other factors, I think, that are going to have a much greater impact on interest rates. Those are decisions taken by, as you know, the Bank of Canada, the Federal Reserve Board in the United States and central banks around the world for a whole variety of factors. Inflation is one of those factors. I haven't seen the governor of the Bank of Canada's most recent commentary about the inflation numbers, but the bank does not seem to be particularly seized of those numbers at this point in time.

A greater challenge for us is the price of oil and its impact on the Canadian dollar and on inflation, what happens in the US—so we'll continue to monitor them.

We have built into the budget projections modest interest rate growth to accommodate those potential changes. Again, we update these numbers periodically. At the time of the fall statement, we'll update our assumptions again. That statement will likely be sometime in mid- to late November this year.

It's difficult to say, but I think the bottom line, given the state of the US economy and what's happening in the world with consumer demand, is that at this point it does

not appear to be a factor that's heavily influencing the decision-makers in central banks.

**Mr. Norm Miller:** Getting back to the debt and the trend we've seen in the last two years—you talked about a couple of comparisons—the trend is going the wrong way. Net debt to revenue went from 151% in 2007-08 to 202% in 2009-10. Net debt per capita—that's the debt per person—went up \$2,600, from \$12,240 to \$14,813. The net debt to GDP, which I think you cited, is trending the wrong way as well, from 26% to 34%. At the same time, we're relying more on federal transfers, from 16% in 2007-08 to 19.4% in 2009-10. Those trends all seem to be going the wrong way. Are you concerned about that?

**Hon. Dwight Duncan:** We were concerned about employment and jobs at the time of the downturn and have invested heavily in stimulus.

I would like to share with you numbers that are taken out of the budget documents and forecasts. When you look, for instance, at the accumulated deficit as a percentage of GDP, over the course of the next several years, till we come into balance, the deficit as a percentage of GDP will never reach the rates it did in the latter part of the 1990s. For instance, in 1999-2000, the accumulated deficit as a percentage of GDP was 32.9%. We expect that that will peak at about 28.9% in 2014-15 and actually begin to decline at that point.

Those are the numbers that the credit rating agencies look at. Those are the numbers that investors look at. So when one looks at our deficit versus GDP, our numbers, even after what we've had to do in the last two years, are still very strong. I'll be happy to provide you with those.

Even when one looks at interest as a percentage of revenues, for instance, in 1999-2000 interest as a percentage of revenue was 15.6%. This year, it's about 9.1%. We expect it to peak at 11.9%—well below the percentages that were experienced, particularly in the late 1990s.

You have to look at these ratios and be very careful. That's one of the reasons why our credit rating has remained largely stable, and I think that's one of the reasons why bondholders around the world talk about the Canada brand and see Ontario, relatively speaking, as a good place to invest. I think that bodes well as we move back to balance. We've laid out a clear plan. In the first year of that plan, we've overachieved our objective. There's more to do obviously, but I think those numbers are what the analysts look at.

Another innovation we brought forward in 2004 was the Fiscal Transparency and Accountability Act. What happens is, the Auditor General now has to sign off on our budget projections for future years and going up into an election. We're actually hoping that your caucus will submit that same test on your platform document to the auditor, so that people can have the confidence this time that the numbers provided are accurate.

I think you need to look at those numbers. You need to look at the size of the debt and deficit relative to the gross domestic product, relative to a range of factors and bear that in mind as you do your analysis.

**Mr. Norm Miller:** Once again on the bad debts, some of the numbers from the public accounts report seem a little bit shocking. I see a total of \$3.5 billion in bad debt expense from the public accounts, the biggest number being in finance at \$3.016 billion bad debt expense. You go through all the various ministries and there's all kind of bad debt expense. Can you explain what that bad debt expense is and if there's any hope of recovering this \$3.5 billion in bad debt expense?

**Hon. Dwight Duncan:** First of all, we write them off. Some of those debts go back 10 years. In the last two years, the numbers have been relatively consistent. We still pursue those bad debts. Oftentimes there's nothing to collect from. But to your specific question: Yes, we do. We still pursue them where there is something to pursue, but because of the accounting rules, we write those off based on the rules at the time that the auditor and the controller general of Ontario feel is the appropriate time to write them off. Again, many of those debts go back more than seven or eight years.

**Mr. Norm Miller:** I mean \$3.5 billion is a big number, \$3 billion of it being in finance. Can you give some more detail as to what these might be?

**Hon. Dwight Duncan:** That would be uncollectible taxes, things of that nature.

Greg, maybe you can to give more detail to that.

**Mr. Greg Orencsak:** That would be accurate. For example, bad debt would be uncollectible taxes, outstanding loans. Student loans would be an example of that.

**Mr. Norm Miller:** Sorry. Did you say student loans?

**Mr. Greg Orencsak:** That's right.

**Mr. Norm Miller:** How big a factor are student loans? I guess that would be in the Ministry of Training, Colleges and Universities, or is that in the finance number? Because there's \$37 million showing in bad debts in training, colleges and universities, and \$1.9 million in another separate category?

**Mr. Greg Orencsak:** Student loans would be carried under the Ministry of Training, Colleges and Universities. It wouldn't be in the finance numbers.

**Mr. Norm Miller:** So there are three different figures there for training, colleges and universities, but that's not the big \$3-billion one. That's in finance.

**Mr. Greg Orencsak:** Like the minister said, finance numbers would include things like uncollectible taxes, those sorts of payments.

**Mr. Norm Miller:** Uncollectible taxes, is that because the company went out of business?

**Mr. Greg Orencsak:** That would be one example of it. Bankruptcies, those sorts of—businesses winding up, financial windups.

**Mr. Norm Miller:** This \$3-billion number, is that higher than in past years? Is it similar?

**Mr. Greg Orencsak:** We can get that for you, Mr. Miller. I don't have that handy with me at the moment, so we can undertake to follow up on that.

**Mr. Norm Miller:** Okay. Without having seen the numbers that much before, it seems like an extremely high number.

**0920**

You talked earlier about inflation, when I was asking about the fact that inflation in July and August in Ontario was double most other provinces, at 2.9%. I assume that's the result of the HST, seeing as it's timed since the implementation of the HST on July 1. Did you do any studies or commission any reports on the HST and adverse effects such as this, prior to the implementation of the HST?

**Hon. Dwight Duncan:** A range of economists and others did studies. Most of them concluded that it was a very solid and proper policy for Ontario's future. I can refer you to folks as divergent as the Ontario Chamber of Commerce and the 25 in 5 anti-poverty coalition. A number of them took into account what bank economists call the short-term inflation factor in the first months after implementation, which again—the analysts I recall seeing all indicated that over the course of the year that number would smooth out and Ontario's overall annualized inflation rate would, in fact, be very comparable to Canada's.

So yes, there were a number of studies. I'd be happy to provide you with a list of them. Many of them are already publicly known. In fact, one of the expert witnesses you called to hearings similar to this, Professor Jack Mintz, came out very strongly in favour of the harmonized tax policy. He said that it would create tens of thousands of jobs, with lower prices for consumers. Again, he was one of your caucus' expert witnesses at these hearings in past years. I'd be happy to provide you with those studies.

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

**Mr. Norm Miller:** Yes, and we've seen the Mintz report. That report was done after you made the decision to implement the HST. When the past revenue minister was here at estimates, he said that you were in charge of commissioning reports on the impact of the HST. So my—

**Hon. Dwight Duncan:** Again, I would just stress that we didn't have to commission a whole lot of reports because a whole lot of people did them on their own. I want to stress—and I recall probably about 20 of them, the vast majority of which concluded that the policy would not only help create jobs, but would actually lower taxes for people.

**Mr. Norm Miller:** So did you commission any reports on the effect of the HST? I would think that when you're looking at a policy like this, you'd be wondering about the negative as well as positive impacts.

**Hon. Dwight Duncan:** We had a lot of valuable input from a range of sources, including the Ontario Chamber of Commerce and most leading economists. We made most of those public. I do have to check if we had to pay for any of those. I'll ask my officials to get back to me on that.

**Mr. Steve Orsini:** Just Jack Mintz's.

**Hon. Dwight Duncan:** We did pay for Mr. Mintz's, as I understand it.

**Mr. Norm Miller:** So you paid for it after you made the decision or before—

**Hon. Dwight Duncan:** He long supported it. In fact, he told your caucus and your government that they ought to harmonize the sales tax. He's still curious to know if you're going to undo it, because he would see that as being a very bad decision for Ontario's future economic growth.

**Mr. Norm Miller:** Did any of the reports show that we would lose 36,000 jobs in the first two months of implementation?

**The Chair (Mr. Garfield Dunlop):** I think our time is up in this round. We'll get back to this with the official opposition a little later on.

Mr. Tabuns, you now have 20 minutes.

**Mr. Peter Tabuns:** Good morning, Dwight.

**Hon. Dwight Duncan:** Hi, Peter.

**Mr. Peter Tabuns:** I'm going to go on a somewhat different tack this morning. In 2009, Laurel Broten brought forward a resolution that was adopted in the Legislature on corporate reporting, economic and environmental. On June 15 of this year, Hennick Centre for Business and Law and Jantzi-Sustainalytics released a report to you entitled Corporate Social Reporting Initiative, produced with funding from the Association of Chartered Certified Accountants. That report, which looks at corporate disclosure, asked that the OSC clarify existing corporate disclosure obligations to indicate the need to consider the materiality of social issues.

At the time, you were quoted as saying, "The recommendations and discussion set out in this report provide valuable and timely insights on public company social issue disclosure obligations. I appreciate the efforts of those who contributed to this report and look forward to reviewing the recommendations in greater detail."

At this point, there hasn't been a comment back from you or the OSC on the report. Can you tell us today what your response is to that report?

**Hon. Dwight Duncan:** I'll start on Ms. Broten's resolution. That was forwarded to the OSC. I know the OSC is considering its recommendations and believes that they can implement some of it. With respect to the recommendations you cited, I'm going to have to get back to you on that, Peter. I have not been updated on it, but I'll undertake to get you that information.

**Mr. Peter Tabuns:** Is there anyone from the ministry who can speak to that?

**Hon. Dwight Duncan:** I don't think so. Again, I'm going to have to undertake to get back to you. I do know that they are seized of it. As I indicated to you as well, I routinely sign off on recommendations from the OSC. Some of them—I shouldn't say some of them. The vast majority of them are regulatory in nature and some of them are quite obscure. Some of them are pretty significant as well. So what I'll undertake to do is what I

think I did the other day, is get you a list of those changes that have happened since the last set of estimates.

**Mr. Peter Tabuns:** Okay. Can you get back to us and tell us when we will get a response from the OSC and your ministry on this report?

**Hon. Dwight Duncan:** Yes, absolutely.

**Mr. Peter Tabuns:** Can I ask how significantly you, as a minister, see this issue?

**Hon. Dwight Duncan:** Proper reporting?

**Mr. Peter Tabuns:** On social and environmental issues.

**Hon. Dwight Duncan:** I think it's very significant. I think there's general agreement on that issue across jurisdictions. Jurisdictions wrestle with how to do that. As I understand it, there's great debate about how you translate that into measurable and quantifiable outcomes or methods of analysis, and therein lies the challenge. But, yes, as you know, there are a number of initiatives going on around the world with respect to that.

Part of the challenge we have in Canada is that we have effectively 13 securities regulators without a common securities regulator. Quebec, for instance, has a pretty robust regulatory climate around derivatives that I think is the model for Canada. But the problem we have is that with all these jurisdictions' different rules, the so-called passport system makes any of this difficult to enforce. That's one of the reasons we are very supportive of the common securities regulator. We think that this gives us an opportunity—will lend an opportunity—to more clearly define the regulatory climate here in Canada and make it more competitive with the United States, Australia and certainly western Europe.

Candidly, Peter, that is where our focus has been in the last year, although I will undertake to get back to you with the number of enhancements the OSC has done in terms of reporting and also to get you a more complete response with respect to the specific issue you raised.

**Mr. Peter Tabuns:** Can I just ask you—because I don't know fully the statutory relationship between yourself and the OSC—what power you have to direct them and what level of independence they have when they deal with your requests.

**Hon. Dwight Duncan:** They are very independent. We set the statutory framework but we have to rely on them for advice. I meet quarterly with the chair of the OSC. He is an independent regulator. He functions independently of the government. In fact, in recent years, even on the enforcement side, I generally find out when enforcement initiative are taken the same time you do, when you pick up the paper in the morning and read it. Again, the enforcement side rests with the Attorney General, but like law enforcement, securities enforcement is a legal issue and there's a real firewall put up around that.

We meet on a quarterly basis. We talk about regulatory issues, legal issues, but the securities commission—it's not very often that a finance minister would reject a recommendation of the securities commission. We also make a real effort to appoint people to the securities com-

mission who have a very—it's one of those regulatory bodies that requires real expertise. The people who sit on it need to be well regarded in capital markets and also need to be cognizant of those who have interests, and so they act very independently, particularly on the side of enforcement. The finance minister has no window into what's going on in the enforcement side.

**0930**

Again, I'm not aware of a scenario where a finance minister of any political stripe—or a minister responsible, I should say, for the securities commission has ever overruled. I can tell you that the chair will, if the commission is wrestling with a difficult issue, as a courtesy, seek the government's view. Oftentimes, we have to rely on their advice, just given the highly technical nature of what they deal with.

**Mr. Peter Tabuns:** Useful to know. So you establish and you oversee the legal framework within which they operate?

**Hon. Dwight Duncan:** Yes.

**Mr. Peter Tabuns:** Is your government considering shaping that legal framework to require environmental and social reporting on the part of companies that take part in capital markets in this province?

**Hon. Dwight Duncan:** We've asked them for their views on that and their recommendations. I can tell you, with respect to Ms. Broten's legislation—that one, in particular, they were most keen on.

I do have to get back to you on what aspects they have implemented. I routinely sign off on a lot of changes, so I want to make sure that I give you accurate information. I know in my conversations with the chair of the OSC on that particular issue that they were quite interested and saw it as quite a useful piece of work. I think that's one of the reasons I would encourage all members of the Legislature to take an interest in this. It is, as I say, one of those highly complex fields where governments have to rely on people that they appoint to boards for good advice, as well as the advice of citizens, and change does happen.

I do believe very strongly that at the very highest level, the creation of a common securities regulator in Canada will not only enhance the proper enforcement within securities markets; it'll be more transparent, it will be more efficient, it will allow Ontario and Canada to compete better on the world stage, and it will, I think, as we create the common securities regulator, afford us the opportunity to give greater definition to the types of leading-edge issues that you've brought forward today.

**Mr. Peter Tabuns:** Thank you for that, Minister.

How much time do I have left?

**The Chair (Mr. Garfield Dunlop):** You have 10 minutes left.

**Mr. Peter Tabuns:** Oh, good.

Poverty reduction: You put out a sector highlights report with the 2010 Ontario budget. Can you go through for us the elements of your response to poverty in this province—the social assistance issues, the special diet allowance? Can you tell us what you see as the costs now

and what you see as the targets for the costs for the changes that you are thinking of bringing forward, or have said that you will be bringing forward?

**Hon. Dwight Duncan:** In terms of the broader agenda on poverty, you know that the Premier created a cabinet committee that brought forward a series of recommendations and that also created indices against which we can measure progress, which I think was seen by many in the world as being leading edge. Again, as you know—you probably know better than a lot of people—many of the indices of poverty are debated, and so we brought forward these indices and measures so that we can measure, in an agreed-to fashion, progress or lack of progress associated with initiatives taken by government. I believe that that enhances accountability and transparency.

I do think that we have an obligation to look at all programs. I think that if we have a big program that's not working, we have an absolute obligation to look at it, because if it's not working, that means that money is being spent in areas that aren't having a measurable, positive impact. So I think the next question is, okay, is there something we can do better?

There's been a great deal of debate around the special diet, because of the rising costs associated with it, because of the genuine needs of people who, for a variety of reasons, cannot afford the diet they need to maintain health while they're on social assistance. So we look very carefully at all that, and we continue to look at that. It has grown dramatically, and we're not seeing necessarily all the outcomes we want to. I need to stress that the government has not decided to either discontinue that program or even change it at this point, but I think when you see a program—I think it's grown four times in a very short period—you have an absolute obligation to assure yourself that it is being appropriately used and that it is having measurable results.

We have taken a number of initiatives at a very high level on the tax side as well as on the policy side. We have raised the minimum wage—I think we're at \$10.25 now. Every year, every budget, we have raised welfare rates. They have not gone up as high as some people would like, they have not solved all the problems, but we have made that a consistent policy. We've brought forward a number of innovations on the tax side, including the Ontario child benefit, which is a huge benefit to families, as well as a range of other initiatives for people of modest incomes, not just for people on social assistance but for people with modest incomes. The Premier will be announcing one in about half an hour. We announced it, actually, in the budget, but the Premier will be saying what the specifics of that are.

We believe programs such as full-day learning are extremely helpful to families of modest incomes, in terms of providing full-day learning for their children as well as pre- and after-school daycare. When the federal government abandoned daycare here in Ontario, the province moved in to fill that gap.

We continue to make modest progress on some of these. I think it also needs to be said that what's gone on

in the economy in the last two years will set us back, I think by virtually every identifiable and measurable index of poverty, and we're seeing that, again, around the world.

I guess the final point I would make: We have a number of special programs targeted at aboriginal peoples and First Nations. Even though that is principally a federal jurisdiction, we have attempted, to the best of our ability, to work with our aboriginal communities and to be of assistance there.

In the budget, on page 44, there are the detailed results of our poverty reduction agenda, and I'll just give you the key achievements.

We've expanded the children in need of treatment program, which provides urgent dental and general anaesthesia services, to include children in low-income families from birth to age 17.

We've created Ontario's after-school initiative, which supports after-school activities in high-needs communities.

In terms of social assistance, families and individuals face significant barriers to leaving social assistance for employment, and we have worked to reduce those barriers—sometimes economists refer to that as the welfare wall—by helping people become more financially independent; for instance, allowing full-time post-secondary students who have employment earnings to keep all of their social assistance benefits.

We've changed the rules governing the receipt of earnings so that people can keep a larger portion of their social assistance benefits; extended health benefits to people making the transition from social assistance to employment; and increased the amount of social assistance benefits that parents can keep if they have employment earnings and incur unlicensed child care costs.

We also signed an affordable housing agreement with the federal government in June 2009 to deliver new affordable housing and renovate social housing. As part of the federal-provincial stimulus package, over 3,000 social housing projects have been committed.

And finally, we've provided ongoing funding for municipal rent banks to assist tenants who are at risk of eviction or homelessness.

**0940**

Again, we've taken what I would call a very broad view; we've taken a number of steps. All of those steps, by the way, involve spending. Even though it's a rule change, the rule change implies an increased amount of money going towards those people in those circumstances.

**Mr. Peter Tabuns:** I will have questions about those, but I'm going to go back to the statement in your Sector Highlights document. The special diet allowance, the SDA, "is not sustainable and is not achieving the intended results. With the help of its partners, the government plans to create a new nutritional supplement program that would be administered by the Ministry of Health and Long-Term Care on behalf of the Ministry of Community and Social Services." Did I misunderstand

you? At this point, are you not going forward with that change?

**Hon. Dwight Duncan:** No, what I said is we haven't made a determination. We are looking at the program to see if we can do it better. If, at the end of the day, we conclude that we can't, then in order to reach the people who need the service we're going to have to continue on. But the minister responsible, who I'll refer the principal question to, is looking at that. We have simply identified a program where we've seen an enormous increase in cost without a corresponding result.

As you review a program, you have to look at it in what I would call a broad fashion. Even if it's not working as well as you want, or it's growing faster than you think it ought to be, then the next question becomes, if not that, then what? Maybe that is the best alternative.

That is always one of the options that are available. I don't think any of us should shy away from looking at any program. No matter how much we think its value is, I think we need to constantly review and evaluate.

**Mr. Peter Tabuns:** So even though this report said it wasn't sustainable—in fact, the analysis has not been finalized. I'm also finding it interesting—"is not achieving the intended results." Were there in fact medical or epidemiological analyses undertaken to see whether or not—

**Hon. Dwight Duncan:** That's part of what we're looking at. What's not sustainable is the rate of growth. You cannot—and this comes back to a much higher level—have government programs growing at four and five times the rate of growth in government revenues. It is not sustainable, unless you take money from somewhere else if this becomes a priority. I think you have an absolute obligation to look at that.

I think most reasonable people do. Governments of all political stripes have had to look at programs and services. When your revenues are growing at under 3% per year, and a range of programs are growing at the rate that that is, the use of the word "unsustainable" is related to how much money we're taking in. If we're not taking in enough or seeing enough growth in revenue on that, whether you're talking—this is what the debate around health care is going to be. The rate of growth in health care across the country: Every finance minister, every health minister of every political stripe in this country—because there are Conservative, NDP and Liberal governments across this country—are all acknowledging that the rate of growth in health care costs is far exceeding the rate of growth in government revenues.

Just in the time since I've been elected—that's 15 years—our dollar spending on health care has gone from about \$17 billion a year to about \$47 billion a year. Some years, our revenue growth keeps pace with that, but in many years it doesn't.

That is part of a much greater debate around sustainability. When the finance officials at the Ministry of Finance look at budgets, they look at things like that.

**The Chair (Mr. Garfield Dunlop):** Thank you very much, Minister. That concludes the 20 minutes for the third party.

With the permission of the committee, because we would have about 20 minutes coming back here tomorrow, I've asked the government members if they would give up a rotation and take their 20 minutes off the total time so that the minister could finish up this afternoon. Do we have agreement from everybody on that? Okay.

With that, then, we'll take away your 20 minutes and we'll now go to the official opposition for 20 minutes, and then the third party for another 20 minutes. That will conclude this morning. Thank you. Mr. Miller?

**Mr. Norm Miller:** Yes, Mr. Chair—

**Hon. Dwight Duncan:** Can I get a coffee? You ask; I'll be listening.

**Mr. Norm Miller:** We'll wait for the minister to get a coffee, as we grill him for another four hours.

Mr. Bailey has a question that he would like to ask that I think comes from his riding's border issue, I guess I would call it.

**Hon. Dwight Duncan:** If he came to the gym in our building more often and was on the elliptical trainer at the same time I was, he could ask me right there.

**Mr. Robert Bailey:** We could talk there. Have a sip of your coffee.

Anyway, Minister, thanks for coming today. Welcome, again. It's always a pleasure to have you here.

This issue affects more than just my riding. I'm specifically asking for my riding, but I know it affects business in your riding in Windsor, in Fort Erie and Cornwall and a number of other duty-free locations across the province that provide a lot of jobs in those local communities.

Actually, I have a little plug. The duty-free organizations are going to be here at Queen's Park tomorrow. They're hosting a reception and they hope to meet as many of the members as they can, and perhaps yourself, Minister.

Their issue, as I'm given to understand it—it's called the Ontario land border duty-free shops organization. They tell me that the arrangement is relatively unchanged for over 25 years, their arrangement with the Liquor Control Board of Ontario and taxation issues.

They gave an example to me. They said they found the Liquor Control Board of Ontario—which I know is a crown corporation, arm's-length and all that stuff. But anyway, I know at the end of the day, if you were to give them some advice, they'd probably listen—the LCBO, I mean. They tell me that in British Columbia, for example, the British Columbia government reduced the markup on liquor to 20% to allow them to remain competitive with their US counterparts. I think they pay somewhere north of 50% here in Ontario, their landed costs.

They're asking for some relief, and I'd just like to make that plea to you. I think you've probably heard from them before, maybe over time, and if you could outline for us why you couldn't do it. Or are you looking at it? I know a number of other members are affected,

like yourself, and Ms. Pupatello would also have those issues.

**Hon. Dwight Duncan:** Yes, I've met with them on a number of occasions and I've written to them and responded to them. I'll undertake to get you a copy of that response.

It is not an easy issue to resolve, given the complexity of how we tax alcohol. Their business volumes have decreased as the border has slowed down, but they still have a licence to sell alcohol and tobacco products and other things which are, generally speaking, fairly lucrative. There are a range of issues, not only from their specific perspective, about how we tax distilled spirits versus beer versus wine, which are very contentious issues within the industry.

There are a range of factors. I'll undertake to get back to you. I have met with them. I speak with them on an ongoing basis. I acknowledge the problems that they are having. They're having problems not unlike our resort casinos, not unlike places like Sarnia, where we hope our American friends will come and spend their money.

Just the sheer decline in volumes of people using the border and therefore using the duty-frees, whether it's Americans going home or Canadians going over to the US, is a difficult issue. We're a little bit concerned that we would effectively be charging less tax to Americans than we do to Canadians, because they're the ones who use these. I think that's a legitimate issue. I think they get that part and I think that the healthy dialogue that we've had is important, but it will not be an issue, in my view, that's easily resolved. BC's taxation structure on distilled spirits, beer and wine is much different than Ontario's.

As I say, I have had the opportunity—I think I met with the folks from Sarnia as well. I think they came to one meeting in my constituency office. I stand to be corrected on that, because I've heard from a lot of them. I will continue to meet with them and continue to work with them. I know they're dealing with difficult issues, as are border communities across the province. I've heard from the folks in Sault Ste. Marie as well.

**Mr. Robert Bailey:** I said that I'd raise it with you today because it's an issue, obviously, as you well understand, and with Mr. Brownell's riding and Mr. Mauro's, as well. So it's an issue.

**0950**

I've got another question, and that's to do with the announcement of coal-fired-generation closures in Ontario. In my particular riding, we have the Lambton generating station. When that announcement was made—I know that was a different ministry, but I know you'll be aware of this—the evaluation of the assessment was reduced immediately, maybe 50%; I forget the numbers. St. Clair township in particular is going to be significantly affected by this, because they had a special arrangement there. As I understand it, the tax assessment went directly to the municipality—the school assessment. It was something that was probably put in place back in the 1960s. Anyway, it's a significant amount of money. It's going to mean maybe \$2 million a year to their bottom line.

Apparently, two new gas-fired generations have been built there, but they're being taxed differently. They're asking for some relief. Maybe we could look at doing something similar. Is that something you've looked at? I'm sure you're aware of it.

**Hon. Dwight Duncan:** I'm certainly aware of it. I was energy minister when we did the two gas plants. I'm not sure if they're open yet.

**Mr. Robert Bailey:** Yes.

**Hon. Dwight Duncan:** They're up and running. I think they actually employ more people than the Lambton generating station.

**Mr. Robert Bailey:** No, there are a lot less.

**Hon. Dwight Duncan:** A lot less? Okay.

I'm going to have to undertake to get back to you on that. Again, there are special property tax relationships involved when you deal with OPG. The two gas-fired plants, as I recall, are privately owned under contract, as opposed to OPG. The bottom line is, we think that those two new plants are important for a cleaner environment in the southwest Ontario airshed.

With respect to the impact on St. Clair township, I'll have to undertake to get back to you on that. I haven't been energy minister for a few years and I haven't looked at that issue, but the one thing I do know as finance minister is that when you've gone from OPG being the taxpayer to these two private entities—I'll have to get back to you on that.

**Mr. Robert Bailey:** Thank you, Minister.

**Mr. Norm Miller:** I'll go back to asking questions to do with reports and modelling you may have done prior to implementation of the HST. The revenue minister was here previous to you being at estimates. He said that his ministry is not responsible for modelling; that goes to the Minister of Finance—and he knew that you were coming up next here at committee. So did you have any reports that you commissioned that indicated what the HST effect would be on the consumer price index?

**Hon. Dwight Duncan:** We had a lot of advice on that issue. Much of it is in the public domain. I'll give you one. For instance, if you look at annex 2 of the 2009 federal budget, dated January 27, 2009, here's what the Stephen Harper government had to say about provincial sales tax modernization:

"Provincial retail sales taxes (RSTs) are outdated and inefficient. They impose a significant tax burden on new business investment and increase the day-to-day operating costs of Canadian businesses. Unlike the goods and services tax (GST), under which businesses receive a credit for the sales tax they pay on their inputs, these costs are subsequently embedded in the prices consumers pay for goods and services. Ultimately, this makes our businesses less competitive, reduces employment and lowers the standard of living for Canadians. Modernizing these harmful 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."

That's why, two months later, the federal government endorsed and supported our move to harmonize the sales tax and provided some \$4 billion in transition benefits. I think that, among other reports, is out there and in the public.

Here are some relevant quotes on the impact of the HST on Ontario's inflation. This is the TD Bank, dated August 20, 2010:

"The effect of the HST in Ontario and BC will continue to boost an otherwise moderating headline inflation. Over the course of the next year the rise directly related to the increase in the effective tax rate on consumption will be partially offset by businesses passing through cost savings associated with an input tax credit now available to them on to the final ticket price of many goods and services offered to consumers. The overall expected lift to headline inflation will likely be a much lower 0.4 percentage points."

Most of them—

**Mr. Norm Miller:** So you're—

**Hon. Dwight Duncan:** Just let me finish, because you did ask the question.

In the short to medium term there will be a very, very modest impact but we expect, as do a variety of private sector economists—I will provide you with further quotes from the Royal Bank, BMO Capital Markets, quotes within the Canadian Press and the Bank of Canada. The Bank of Canada is saying, for instance, that it will be 0.3 percentage points, all else being equal, so it has a very modest impact in the initial implementation.

In fact, to the argument that people said that now is not the right time to do it, even those who think it's the right thing to do but it's not the right time to do it, doing it in a period of very modest inflation is actually the right time to do it. I think what we'll see and I think what most of these economists—I will undertake to provide you with all of these quotes—are saying is that over the short to medium term, inflation will basically even out.

**Mr. Norm Miller:** In the comments that you quoted there, you talked about the benefit for business being the fact that they could claim input tax credits so that they would, in effect, pay the tax but get it back, yet Ontario is unique in the way it's implementing the HST in that it's denying input tax credits of over \$1 billion a year—I believe it's \$1.3 billion this year—on certain categories of business costs for eight years.

You're taking away the one benefit that business would get, and that's unique to Ontario, so I would ask you, what was the logic behind—obviously business won't be able to get that tax back so they're not going to be able to pass the savings on to consumers. That's going to result in higher costs for consumers. What was the logic that's unique to Ontario, whether you think the HST is a good thing or not, to denying these input tax credits? It's the one thing that would benefit—

**Hon. Dwight Duncan:** The deficit. You were just talking about the deficit. You're right. It's \$1 billion. We're slowing down the implementation of that. It's a

small percentage of the overall input tax credits that are available.

I'll also remind you that we're cutting corporate sales tax. The general rate is going from 14% to 10% over the next three years. The manufacturers' rate is going from 12% to 10%. The small business rate has gone from 5.5% to 4.5%. We did that because many businesses don't have large input tax credits and we did that in order that Ontario's corporate tax structures could be competitive as well.

The advice we had from many economists was that while a 1% or 2% differential between British Columbia, Alberta, Ontario and Saskatchewan—and New Brunswick I think, at least up until last night, was moving to an 8% corporate rate—meant that from a competitive perspective we had to be there. That, I think, is about a \$6-billion corporate tax cut on top of the input tax credits.

Our colleagues in the New Democratic Party have opposed any corporate tax cuts, saying that they are far too generous. We don't agree with that position either.

This was part of finding the balance. I would have to look into the implementation of the HST in other jurisdictions before I could concur with your analysis that this has not happened before.

It was part of a balanced plan that will see the vast majority of input tax credits applied and also see very large corporate tax cuts that are designed to allow Ontario to compete not only with our sister provinces but certainly with the jurisdictions in the United States that we compete with.

I should point out that the combined Canadian corporate tax rate when this policy is fully implemented here in Ontario will be 25%. When you look at Michigan, Ohio, New York, California, any of those jurisdictions, it's 38%. It gives us an enormous competitive advantage. But we had to implement that, recognizing our responsibility to provide the highest-quality education system in the world, and we're making investments in things like full-day learning—we think that is an important investment; we don't think it's a frill. We don't think education is a frill; we think a high-quality education system is in fact a key component to a successful and strong economic future.

**1000**

We are continuing to make investments in health care. In my community, I saw a headline the other day that I never imagined I would see. It said that doctors are now looking for patients, as a result of our family health teams and a variety of other things.

So it is about finding that balance. Yes, we are implementing the input tax credit slowly, but we're doing it at the same time as we're cutting corporate taxes. I also remind you that we're cutting personal taxes by some \$10 billion to assist all Ontarians as we transition to this more efficient, more effective tax system that, according to all the experts, will create jobs, will create a more efficient and stronger economy and, yes, will ultimately

reduce prices for consumers. That has been the experience in other provinces that have harmonized.

**Mr. Norm Miller:** So did you expect—in the first two months, we've seen 38,000 private sector jobs lost in Ontario. Is that something you expected prior to implementation?

**Hon. Dwight Duncan:** We have been in the worst economic downturn in the Western world in some 70 years. What we—

**Mr. Norm Miller:** But we're not in recession now.

**Hon. Dwight Duncan:** If you're unemployed, it's a recession, believe me, and if you're in a business that hasn't got back on its feet, it's still—the economy is still very shaky. I don't think anyone can argue that.

I would point out, as Mr. Flaherty did yesterday, that we have recovered—here in Ontario, I think the last numbers—some 85% of the jobs that were lost as a result of the downturn. Most economists who have commented on the most recent job numbers did not attribute it—in fact, I didn't see an economist who attributed it to the HST. In fact, all of the projections—I think Mr. Mintz, again, projected some 600,000 net new jobs over the next 10 years as a result of the more efficient tax system. So we will continue to watch those numbers. They are coming back. I think Mr. Flaherty yesterday made the same point I'm making. It is, again, about striking that balance, making the investments we need to make to help our workers adjust.

But if you're an unemployed Ontarian or you don't have a job or you're not getting overtime or not having the same income, believe me, the recession is not over, even though—I saw Warren Buffett speaking about this yesterday, saying that the traditional economist's measure of a recession, which is two quarters of negative economic growth, just doesn't make common sense. He's absolutely right. I can tell you that among my friends and constituents, even though they may be working, for those who saw their life savings evaporate quickly last year—it has now come back in most cases—there is a lot less confidence overall. So I'm kind of with Warren Buffett on that, and with others like him who have acknowledged the enormous challenges in the Western economy.

I think the policies we've established are the right ones to lead Ontario back to real solid, prolonged growth, with higher employment and better incomes for Ontarians.

**The Chair (Mr. Garfield Dunlop):** You've got about a minute left here.

**Mr. Norm Miller:** Your justification for denying input tax credits, which would be a benefit to consumers and business, for the next eight years is the deficit situation, so my question is, why have you not restrained your spending in the last seven years, where you have gone from a budget of roughly \$70 billion, \$68 billion, to spending of \$127 billion this year? A huge increase. Why have you not restrained your spending in light—you're talking about balance. That's a huge increase in spending. Why have you not been more responsible with your spending?

Also, why is it that in your first budget in government, when you're now talking about reduced corporate taxes,

the first thing you did was increase the tax rate on corporations by 27%, stopping the planned reduction to 11% and increasing the rate to 14%? The first thing you did was increase taxes on small business and corporations—

**Hon. Dwight Duncan:** Your government—

**The Chair (Mr. Garfield Dunlop):** You just have a few seconds.

**Hon. Dwight Duncan:** Your government left a hidden \$5-billion deficit, so we had to—

**Mr. Norm Miller:** Give me a break.

**Hon. Dwight Duncan:** No, I won't give you a break, because those are the facts; that's the reality.

*Interjection.*

**Hon. Dwight Duncan:** You guys, you had no plan—

**Mr. Norm Miller:** You've been very creative and you know it.

**Hon. Dwight Duncan:** —no idea where you were going—

**The Chair (Mr. Garfield Dunlop):** Okay, guys, we're done that round. We'll conclude this morning with 20 minutes from the third party.

**Mr. Peter Tabuns:** Minister, going back to the special allowance, your sector highlights statement said the special diet allowance is not achieving the intended results. Was that based on medical studies of recipients of the special diet allowance?

**Hon. Dwight Duncan:** I'm going to have to refer that to the Minister of Community and Social Services, who has responsibility for the file.

Again, we routinely review all programs, particularly programs that have very large rates of growth in spending. But in terms of that issue, I'll have to refer that to the minister responsible for the program.

**Mr. Peter Tabuns:** And you'd also refer a question to the minister that if they're changing it, they will have medical and epidemiological studies to justify their decision as well?

**Hon. Dwight Duncan:** I'll refer that to the minister responsible for the program.

**Mr. Peter Tabuns:** Okay.

Going on to the other parts of your report here—employment standards officers. You report an additional \$6 million over two years to increase the number of employment standards officers. Is this going to provide a permanent increase in the number of employment standards officers or a two-year increase?

**Hon. Dwight Duncan:** Yes, that's permanent. My recollection, too, is that back in 2004-05 we also increased the number of employment standards officers. My associate deputy minister points me to page 40 of the budget documents: "Opportunities for low-income working adults: Fairness and safety in the workplace are the right of all Ontarians. The government has introduced a number of initiatives aimed at improving the working conditions of low-income working adults. In the 2009 budget, the government invested an additional \$4.5 million annually to increase the number of employment standards officers in the province. In this budget"—this is

the 2010 budget—"the government is investing an additional \$6 million over two years. This initiative will help reduce the backlog of employment standards claims and improve the protection of Ontario's employees, thereby reducing hardships for workers and their families."

So in answer to your specific question, in the 2009 budget we provided a permanent and annual increase of \$4.5 million to increase the number of employment standards officers, and we have provided two-year funding to help reduce the backlog.

With respect to how that \$6 million will be used over two years, I'll have to refer that to the Minister of Labour, but the intention was to create permanent officers and then, now that that's in place, to reduce the backlog that existed.

**Mr. Peter Tabuns:** Did you do an analysis of the volume of income, the total dollar value of income, that that would provide benefit to those who are currently being deprived of their rights? People come to me who have not been paid by employers. You have this in your poverty reduction strategy. What's the dollar value in terms of recouped wages?

**Hon. Dwight Duncan:** Again, I have not seen that, Peter. I'm not aware of that but it may well exist at the Ministry of Labour. I think, at an intuitive level, that would help inform our decisions.

Again, part of the challenge is, many workers, unfortunately, particularly those of more modest means, those who are experiencing challenges, don't always come forward, as you know.

**Mr. Peter Tabuns:** Yes.

**Hon. Dwight Duncan:** So I would assume it's difficult to get a handle on that number. But I'm again going to have to pass that portion on to the Minister of Labour. I've not personally witnessed that. I do know that one of the reasons we made these decisions, one of the reasons that the Ministry of Labour recommended that as an appropriate program to fund, is a result of people who go unpaid.

**Mr. Peter Tabuns:** Okay.

Going on through this document: "Recent achievements.... passage of the Poverty Reduction Act, 2009"—can you tell me what the implementation of that bill costs and what the expected payback is in increased income for people who are poor?

**Hon. Dwight Duncan:** I will have to get back to you with that answer. When we were talking about some of the anti-poverty initiatives that we spoke of earlier, some of the costs are difficult to measure. When you allow more people to qualify for, say, benefits for a longer period, that has a fiscal impact.

**1010**

**Mr. Peter Tabuns:** Exactly.

**Hon. Dwight Duncan:** We do make those calculations. We do look at the estimated cost associated with those rule changes.

With respect to the specific legislation you referenced, I'm going to have to get back to you. I do know that we look at those issues. Again, we have to be cognizant of

the costs associated with any of those changes, but in terms of the specific question you raised, I will get back to you with greater detail.

**Mr. Peter Tabuns:** I understand that when you make a decision there's a cost related to it, and my expectation is that you will have modelled the cost in advance and that now we will be able to see the cost that you assumed would be generated by the action that was taken.

**Hon. Dwight Duncan:** What my officials will tell you is that that modelling is very difficult.

**Mr. Peter Tabuns:** I don't doubt that for a moment.

**Hon. Dwight Duncan:** And frankly, candidly, that makes decision-making more difficult. In the time I've been in government, I can cite examples where the costs that were projected to materialize from a change in policy turned out to be lower than projected, and I can cite instances where the costs associated have been higher.

But to your point, yes, we do those calculations, we do that kind of modelling, and I will have to get back to you.

**Mr. Peter Tabuns:** Just on the Poverty Reduction Act, one of the things in that act was a requirement for annual reporting on key indicators linked to determinants of poverty such as income, school success, health status and housing. Do you know when we can expect that report?

**Hon. Dwight Duncan:** I apologize; I don't. I'll have to ask the minister responsible.

**Mr. Peter Tabuns:** The act specifies consultation before developing future strategies, including consultation with those living in poverty. Is there a consultation with people in poverty on the special diet going on now?

**Hon. Dwight Duncan:** Again, I'll have to refer that to the Minister of Community and Social Services. I know that she routinely meets with organizations interested in the poverty agenda. I know that she has heard from a number of them on this particular issue. So I assume that is going on, but I'll have to again refer that question to her.

To your point about whether I have met, no, I have not, but that would be the minister's responsibility.

**Mr. Peter Tabuns:** Fair enough.

The acceleration of the Ontario child benefit phase-in period by two years: Can you tell us what that cost the treasury?

**Hon. Dwight Duncan:** It was a little bit over \$1 billion moved forward, as I recall. I'll get you the specific number. That has the effect of putting pressure on the current year as we move forward. The rationale for that was, again, it is a form of tax cut for people of very modest means, and it puts cash in their pockets to assist with the upbringing associated with their children. They, of course, can use that money as they see fit.

We decided to proceed with implementing that more quickly after a couple of years of relatively good growth in the economy. In spite of the huge downturn and hit to tax revenues that we've taken, we decided to maintain that. In addition, as part of the tax reform package that we brought forward that created the HST, we also cut the tax rate on the first \$37,000 of income, which had a couple of effects. Number one, it gave Ontario the lowest

tax rate in that bracket, which means our people of more modest incomes in Canada pay the lowest personal income taxes. It also had the effect of taking—I forget—some 50,000 people off the tax rolls completely. Again, that was aimed at people who are working but with very modest incomes.

**Mr. Peter Tabuns:** Just going back to the Ontario child benefit, because I haven't worked on that file very closely, is any portion of that child benefit clawed back for those people who are on social assistance, and if so, how much?

**Hon. Dwight Duncan:** I'm going to have to get back to you on that. My understanding is, no, it is not clawed back. That is how it was intended to be designed, but in order to make sure that I'm giving you absolutely accurate information, I undertake to get back to you. Let me just—

**Mr. Peter Tabuns:** I appreciate that. Thank you.

**Hon. Dwight Duncan:** If I may, though, I do want to quote from the budget document, page 39:

"In 2007, the government introduced the Ontario child benefit to make it easier for low- to moderate-income parents to leave social assistance for employment, which helps build economic prosperity for the province. In July 2009, the OCB was increased from a maximum of \$600 to \$1,100 annually per child, two full years ahead of schedule. This increase provides benefits to more than 210,000 additional children annually. The government remains committed to increasing the maximum annual Ontario child benefit from the current level of \$1,100 to \$1,310 per child by 2013."

So, right as our economy was bottoming—and if you look at the numbers, you'll see that we think it bottomed right around May-June 2009—we decided to move forward the implementation. It is designed to get people off social assistance or at least to facilitate their coming off social assistance by lowering what some of the experts call that "welfare wall." In effect, it lowers the taxes people pay once they move from social assistance to a job that has modest pay and, in theory, should incent people to move and stay off social assistance.

**Mr. Peter Tabuns:** The recent achievement list that you had here in your report, "changes to social assistance rules to help break the cycle of intergenerational poverty," as you've said earlier this morning, every time you change the rules, there's a cost. Can you provide this committee with your calculation of the cost of changing those rules?

**Hon. Dwight Duncan:** Yes, I can. I don't have them here, but I undertake to bring those back to you.

**Mr. Peter Tabuns:** The expansion of the dental program for children in low-income families: Can you tell us the cost of that—sorry. "It was expanded in January 2009 to include children up to their 18th birthday, as part of a planned investment of \$45 million annually in dental services for low-income Ontarians." Can you tell me what we are spending annually now on those low-income dental programs?

**Hon. Dwight Duncan:** I will get back to you on that.

**Mr. Peter Tabuns:** I appreciate that.

The expansion of the youth opportunities strategy: Can you tell us what you've—am I going to be able to predict this answer?

**Hon. Dwight Duncan:** Yes, I think you are. Those numbers are readily available in the estimates, but I will undertake to get them back to you, Peter.

**Mr. Peter Tabuns:** They will be provided. Thank you.

The implementation of full-day learning for four-year-olds and five-year-olds: First of all, I think it's a good idea to have full-day learning for four- and five-year-olds, but I'll say to you, Minister—and you may well have heard it from your own riding—that I have been approached by a variety of non-profit daycares in my riding who are extraordinarily worried about the services they are going to provide in future for one- and two-year-olds. The four-year-olds were a source of income at a relatively low operating cost. My constituents and my non-profit daycare providers are very worried that their economics aren't viable. Can you tell me at this point how your government is planning to deal with the difficulty that those centres are facing?

**Hon. Dwight Duncan:** That's a legitimate issue. I think the point you raise is accurate. I've been involved in some discussions. I'm going to have to defer part of that answer to the minister responsible, but I will concur with you that the non-profits particularly have raised this issue. As I understand it, the costs associated with younger children are higher than the costs associated—which one would expect—which means that the children that are the least expensive to look after are now going into the full-day learning program. I can tell you that the minister has been meeting. One of the reasons we're implementing over five years is to help manage these kinds of challenges. One of the biggest problems we're going to have is, we don't have enough early childhood educators, so we have to make some investments to train more of them. In my own experience—

*Interjection.*

**Hon. Dwight Duncan:** My deputy is circling something here that must be very important that he wants me to get on the record. Yes, I already spoke about this earlier: When the federal government eliminated 8,500 child care spaces in Ontario, we stepped up with the \$63.5 million for that this year.

But to your broader question, I think it's a legitimate discussion. I think there are challenges. In the case of my son, he was in a non-profit daycare in his school for a couple of years—very well run. The minister, I know, is continuing to engage those discussions. Again, one of the reasons that we're implementing it over a five-year period is to help us deal with those kinds of challenges so that hopefully, overall, this becomes something that is a benefit to everybody and we minimize any challenges.

I always like to think of these things as a problem of success. People of good will, I think, can work through these issues.

**Mr. Peter Tabuns:** When you did your initial commitment to full-day early learning, did you do an analysis of

the costs that would arise from having to support the non-profit daycare centres that faced a very different cost structure?

**Hon. Dwight Duncan:** The ministry provided a range of costs, depending on what the mix of options you put into it would be. Frankly, as finance minister, one of those challenges is that the range of costs—there was a big range of costs. A whole lot of difficult things to determine made it difficult and gave you a range of costs that could be applied. For instance, one would assume that within a school system early childhood educators would see their wages increase, either through unionization or just through the fact that they are now in an environment where they're functioning more as part of a team of teachers. That was a difficult number.

One of the challenges on the capital side was how many schools would need capital money in order to accommodate the physical needs associated with full-day learning, the role of non-profit daycares within the school centre and what the impact would be on them.

That is one of the reasons why we chose a five-year implementation. Our hope would be that over time, as we are able to get a better sense of the total cost, we can move even more quickly on implementation, because we think the program is that important to our education system.

Charles Pascal, in his report, raised a variety of these kinds of issues. Officials at finance working with the ministries responsible then try to put a cost estimate on what this will cost when fully implemented. It is, by definition, difficult, but we estimate what we think the costs at the highest end would be versus the costs at the lowest end. At the end of the day, the key factors that are driving the decision-making around this are what is in the best interests of the kids and what is in the best interests of the system, because we do believe very strongly that this full-day learning program is an essential component of successful learning in Ontario and gives us a competitive advantage.

I guess the best answer I can give you is, one of the reasons we're taking five years to implement—one of the areas we've had concerns expressed to us from is the French school boards, which have had this program for some years. I'm sure you've heard from them as well. Again, from my position, I see these as problems of success, problems of quantifying how you provide a service like this in an appropriate fashion, and then building the resources into your budget that are going to be necessary to do it right.

**Mr. Peter Tabuns:** Can you release to us those ranges of numbers that you've based your decision on?

**Hon. Dwight Duncan:** I'm not sure about that, Peter. Some of that was confidential advice to cabinet. It may not be accessible. Again, I am reluctant to release numbers that are in some instances highly speculative, but I will see what is available and I will undertake to get back to you. Then, obviously, if you're not satisfied, you do have the option to go through freedom of information.

**The Chair (Mr. Garfield Dunlop):** Thank you very much. That concludes your time this morning, so we'll

recess until 3:45 this afternoon or after routine proceedings.

With that, the committee is recessed.

*The committee recessed from 1023 to 1546.*

**The Chair (Mr. Garfield Dunlop):** Good afternoon, everyone. We welcome back the minister to estimates, as well as all the members of the committee and staff of the Ministry of Finance. We will finish up this afternoon. As we mentioned earlier, the government had allowed 20 minutes to be taken off their time so the minister could finish today.

Before recessing, we finished with the third party, which had completed 20 minutes. We'll now go to the government members for a 20-minute rotation.

**Mrs. Maria Van Bommel:** Minister, this is a time of year when a lot of families start to look at extra activities for their children. I know, in talking to constituents in my riding, there's a lot of discussion about the cost, not only of the very expensive hockey but also in terms of activities like music lessons and dance. I know that we have introduced a child activity tax credit, and I was wondering if you could give us a little more information about that particular credit.

**Hon. Dwight Duncan:** Yes, and I think you've hit some of the key points. First of all, it's under our proposed tax credit that parents—and guardians, by the way—would be able to claim up to \$500 in eligible expenses for a credit of \$50 per child under the age of 16 or \$100 for a child with a disability under the age of 18.

This is similar to a tax credit the federal government brought forward, but it's more expansive than that. It does go beyond sports activities to cover a whole range of other things, such as music lessons, arts, cultural things of that nature. That's an important element of it. It's quite an expansive credit.

It's also what the accountants and economists call a "refundable" credit. Basically, what that means is that you will still be eligible for the credit even if you don't pay taxes. So when you file your return, a lot of people wind up getting money back or not owing anything, and you will still get the full amount up to \$50 for a child and \$100 for a child with a disability. What it means when they say it's refundable is that you get it even if you wind up not having to pay taxes. So it helps people of more modest incomes in its design. For those two reasons, it's quite expansive.

There are a lot of questions about what's included and what's not. I'll give you sort of the high-end list: music, dance, art classes, as well as activities with a substantial focus on wilderness and natural environment, language instruction, enrichment or tutoring in academic subjects, and activities with a focus on helping children develop and use intellectual or interpersonal skills.

The criteria for fitness activities would be the same as for the federal children's fitness tax credit. The activities would require a significant amount of physical activity that contributes to cardiorespiratory endurance and to one or more of the following: muscular strength, muscular endurance, flexibility and balance. To be eligible for the

credit, both fitness and non-fitness activities would have to be supervised and suitable for children.

Furthermore, unlike the federal credit, the maximum amounts that may be claimed for the credit would be indexed to rise annually with the cost of living.

The new permanent tax credit would put \$75 million each year back in the pockets of Ontario parents and benefit more than 1.8 million children in approximately 1.1 million Ontario families.

**Mrs. Maria Van Bommel:** As I was saying, it's one of those things where a lot of families are trying to find activities and do things for the children that help their children become well-rounded citizens. What other kinds of initiatives have we got for children in terms of activities and programs?

**Hon. Dwight Duncan:** This credit supplements a variety of those. Some of the programs include our after-school initiative, which provides high-risk communities with after-school programming, and the health communities fund grant, which provides local organizations the funding they need to deliver health promotion initiatives related, for example, to physical activity, sport and recreation.

It also supplements an agreement we have with the federal government to fund sports programs for Ontarians with a particular emphasis on enhancing opportunities for young people, aboriginal Canadians and people at risk.

Furthermore, our government funds the youth science and technology outreach program, which funds projects that allow students to explore post-secondary choices and careers in science alongside leading researchers and technologists.

**Mrs. Maria Van Bommel:** One of the other things that has come up in my riding, and I'm sure it comes up in other ridings as well—last Friday, I had a meeting with the Lambton county group that deals with developmental services. One of the things that they talked to me about was the whole issue of the compensation freeze that was introduced in the 2010 budget. Of course, the question is the rationale, and I'm wondering if you could give us the rationale for the compensation freeze.

**Hon. Dwight Duncan:** Sure. It's all about protecting and enhancing our public services and, by the way, protecting the jobs of those people who deliver our public services. Whether they're in what we call the public sector, people who work directly for the government of Ontario—for instance, people you would see in a driver's licence office, a government office; at ServiceOntario, for people who use ServiceOntario; at the Ministry of Agriculture and Rural Affairs, which I know would be important to the people you represent—as well as what we call the broader public sector, and that refers to the parts of the economy, including hospitals, universities, colleges, schools, where people may work, say, for instance, for the Lambton school board but a lot of the money comes from the province of Ontario—that's what we call the broader public sector.

The policy we've established is twofold. One, we have frozen the wages for two years of what we call non-

bargained employees; that is, people who are not part of a union environment. So, again, it would be management people in hospitals, schools, community colleges like Lambton College, places like that.

We deliberately exempted municipalities because they are a separate level of government with duly elected officials. It also covers OPP. But because we have signed contracts, signed collective agreements, with a whole variety of unions, both directly—those unions that represent workers who work in the Ontario public service—as well as unions that represent people in the broader public service, we chose not to act unilaterally and have begun a consultation with those unions about how we can achieve zero-and-zero. Those discussions are ongoing. In fact, I think they're meeting today, some of the unions. As collective agreements expire, basically, we're looking for a zero-and-zero commitment.

Those are challenging, difficult discussions. Our hope is to bring down the cost pressures associated with rising labour costs. When you look at both the public and broader public sectors, 55 cents of every dollar we spend through the province of Ontario go to wages and benefits. So those discussions are ongoing.

The commitment we've given to those broader public sector agencies—for instance, hospitals—is that we will not fund any increase in wages associated with a new collective agreement, but where there are savings achieved through zero-and-zero, we will leave that money in the local hospital. That benefits the province. That benefits the provincial treasury in that it reduces future cost pressures.

So, taken together, we believe that will help us achieve the expenditure estimates we outlined in the budget. In the first year of our deficit elimination program, we actually are beginning to feel we're going to finish ahead of where we thought we would be.

We are hoping that, working together with the various unions that represent employees—and they include a whole variety of unions: OPSEU, CUPE, the CAW, the Service Employees International Union, ONA, the teachers' federations—they will see the importance of helping us get back to balance without having to do—you know, the NDP government did the social contract, where they unilaterally moved to change collective agreements. They wound up not saving any money.

The Conservative government: We fundamentally disagree with their approach to the public service and public servants. We think public servants are hard-working, good people. We choose deliberately not to demonize them. We think it's important, when you sign a contract, that you honour that. Our hope is that, through these consultations, we will be able to get the assistance of our partners in the public and broader public sectors to reduce the overall pressures on government, particularly over the next two years, as we move back to balance, so that we can do so without doing harm to our important public services like education and health care.

**Mrs. Maria Van Bommel:** Thank you, Minister.

**Mr. Lou Rinaldi:** How much time do I have?

**The Chair (Mr. Garfield Dunlop):** Go ahead. You have eight minutes left—sorry, nine minutes.

**Mr. Lou Rinaldi:** Thanks, Chair.

Minister, I want to talk a little bit about stimulus funding. We worked hand in hand on the majority of the projects with the federal government, and I think we're beginning to see how those stimulus dollars, mostly spent on infrastructure, are paying some dividends as far as bringing our economy back around. I think some experts are telling us that.

**1600**

So two things, Minister, if you can focus on them a little bit: first, some of those infrastructure projects that made a difference and are making a difference; also, there is a deadline on some of that stimulus, and I know some municipalities in my riding and across the province are somewhat concerned about the hard line mostly from the federal side and how we're going to be able to deal with that.

**Hon. Dwight Duncan:** Lou, you're absolutely right. We put together a record stimulus infrastructure package as part of the 2009 budget, I guess it was: \$32 billion designed to help communities through the difficult downturn that we all lived through, creating jobs and doing work, by the way, that's necessary in communities. There are literally thousands of stimulus projects going on across the province right now. You can see them whether you're driving on a highway or a city street, going to different schools and university campuses, colleges. We have worked together with the federal government on these projects.

Rebuilding social housing is another area that we've looked at by, for instance, incorporating energy efficiency improvements and helping to create new affordable housing for low-income families, seniors and persons with disabilities.

Highway projects are going on all over the place, including in Northumberland county and elsewhere, as I know you know. I know that you lobbied very hard to get support for your community.

In a whole variety of municipalities, in transportation, the tourism sector, arenas, libraries—we're upgrading and expanding education and research facilities across the province.

To your point, the federal government has a hard and fast deadline for completion of these projects, which we think they're being a little too hard-nosed on. The Premier has indicated to the Prime Minister, and I've indicated to Mr. Flaherty, that it would be a mistake simply to cut off money at March 31 if projects aren't complete. They have not, at this point, indicated any change in policy. In fact, they've tended to become a little more hard-line in their language. I'm hoping that will change. I know there are a number of municipalities particularly under pressure, that don't feel they'll get projects done according to that deadline, but it remains to be seen.

For our part, we will continue to work with our municipal partners. We think the completion of these infra-

structure projects is important and the cost ought not fall to the municipal property taxpayer because the federal government has insisted on a deadline that, quite candidly, has been hard to meet, even if they are on time with their end of things. There has been so much demand for construction equipment and the materials that go into these things that it's been hard sometimes to get everything done at once.

We'll continue to monitor that and work with our municipal partners, hopefully towards getting the projects completed as close to the deadline as possible but with some flexibility to municipalities with respect to that.

**Mr. Lou Rinaldi:** I really appreciate that consideration. I think it's really important because my concern is, at the end of the day, what do we do with the pool that we cannot fill because we haven't got a finished waterline to it, or an arena without a roof? That would be a huge concern.

Minister, I just want to switch a little bit to talk about a common securities regulator. I know that you and the Premier have been lobbying the federal folks that if we move in that direction, Ontario is a good place to be. Can you give us some insight on our approach to try to get that to Ontario?

**Hon. Dwight Duncan:** Sure. For the benefit of the people in the audience watching on television, a securities regulator regulates stock markets, basically, and some other things. In Canada, that has historically been a provincial jurisdiction, whereas in virtually every other country in the world there is one security regulator for the whole country. So right now in Canada we have 13 security regulators, in 10 provinces and three territories, whereas the United States, Australia—which has a similar federal system—and Germany have a single securities regulator. They regulate, as I say, stock markets. Why this is important: It will enhance the competitiveness of our capital markets, those markets where large sums of money trade for a variety of purposes.

The federal Harper government has proposed a common securities regulator, I believe has passed legislation or—it's introduced; I don't know if it's passed yet. There's been a Supreme Court reference.

**Mr. Pat Deutscher:** Minister, it was tabled and referred to the Supreme Court.

**Hon. Dwight Duncan:** My apologies. It was tabled and referred to the Supreme Court for an opinion on its constitutionality. Ontario is the only province supporting the federal government in that legislation; other provinces are actively opposed to it. Alberta and Quebec are very strongly opposed to it. Some of the other provinces I think could be convinced to be supportive, but they're not there yet. That's a typical Canadian challenge. We think it's important to have this because 80% of Canadian stock markets or capital markets, and bond markets, are right here in Ontario, indeed right here in Toronto.

So one of the things we're saying to the federal government, as they create a common securities regulator—that is, the body that will regulate the sale of stocks, bonds, derivatives, in this country—is that that head-

quarters should be located in Toronto, where the industry is located. That's an important issue that we have been pushing for with the federal government.

The government of Quebec has asked the Quebec Superior Court, I think it's called, to rule on the constitutionality. So what the federal government has done is tabled their legislation and referred it to the Supreme Court to test its constitutionality.

We have reserved the right as a province to participate in those discussions in front of the Supreme Court. I'm not sure when the item will be called. We anticipate what, in the next 10 to 12 months, Pat?

**Mr. Pat Deutscher:** It will probably appear before the court, the speculation is, this next April.

**Hon. Dwight Duncan:** Next April, several months from now. We haven't formally decided if we're going to participate in those discussions, but we have reserved the ability to do so if we decide to.

We believe this is in the best interest of all Canadians, and that's why we are, generally speaking, supportive of the initiative. It will provide for better, cleaner regulation of our stock markets, more transparency, more accountability. Different rules in different provinces add costs associated to move capital around.

Again, the advice to do this has come from a variety of international sources, including other regulators around the world, including the Securities and Exchange Commission in the United States. I believe the central bank, the Bank of Canada, has endorsed the notion of a single securities regulator, as well as the industry itself, which is again, by and large, the largest—I think 70% to 80% of it is headquartered here in Ontario and most of that here in Toronto.

So we'll continue to pursue that, working with the federal government.

**Mr. Lou Rinaldi:** Thank you, Minister. I think my colleagues—if there's any time.

**The Chair (Mr. Garfield Dunlop):** You're just about at your time anyhow. You've just got about six seconds left.

**Mr. Lou Rinaldi:** I guess not. Thank you.

**The Chair (Mr. Garfield Dunlop):** You'll get another chance.

We'll now go over to the official opposition.

**Mr. Norm Miller:** I guess my first question has to do with small credit unions, which I believe are regulated by FSCO, and also the Deposit Insurance Corp. has oversight over the small credit unions?

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

**Mr. Norm Miller:** I was contacted by a small credit union concerned that they feel that the Deposit Insurance Corp. of Ontario is systematically trying to put the smaller credit unions out of business, that that's their goal. They were saying that they'd been in business pretty much 50 years, have had two losses in 50 years and yet are finding it increasingly more challenging each year to stay in business. Do you know whether this is a policy, whether it's a plan to have fewer or larger credit

unions? Also, perhaps you could tell me if the number of credit unions has gone down in the past few years.

1610

**Hon. Dwight Duncan:** I don't think you could call it the policy of the Deposit Insurance Corp. or FSCO, certainly. There has indeed been a consolidation. We've seen the emergence of I think four or five relatively large credit unions in Ontario that have resulted, as I understand it, from the consolidation of credit unions. No doubt there are some smaller credit unions that are having a difficult time, and it's not just in terms of profitability; it's the ratios of capital, as I understand it, that they have to maintain in order to be in regulatory compliance.

So no, it's not the policy of the regulator, but I think it is fair to say that it has been happening. It's been happening, as I understand it, in many instances on a friendly basis, with larger organizations acquiring smaller credit unions. There's no doubt that there have been smaller credit unions that have experienced difficulty.

**Mr. Norm Miller:** This individual had the impression that they were just—

**Hon. Dwight Duncan:** I think it's fair to say that that is the view of the industry itself. You've seen that movement not only here in Ontario, but elsewhere. You're seeing the emergence even of national credit unions that are based sometimes in—I think the one big one's based in British Columbia now, isn't it?

**Mr. Pat Deutscher:** The consolidated central one has combined with the BC and the Ontario centrals.

**Hon. Dwight Duncan:** That's correct. So that's clearly happening. I don't think it would be accurate to portray it as a policy of the Deposit Insurance Corp.

**Mr. Norm Miller:** So if I talk to this person who inquired of me, I can say it's not the policy of the Ontario government to try to put them out of business; it's just something that's been happening over time.

**Hon. Dwight Duncan:** Yes.

**Mr. Norm Miller:** Is there anything else I should tell them?

**Hon. Dwight Duncan:** No, other than we've done recent amendments to the acts governing the regulation of credit unions, which were supported by the credit union movement, updating the regulations, and we'll continue to work with the credit union movement on any future issues.

**Mr. Norm Miller:** Moving on to the question of bad debt that I was asking about this morning, because the number seemed to jump out at me, that \$3.5-billion bad debt expense, \$3 billion of it being in finance in 2009-10 from the public accounts, I note that in 2008-09 it was only—well, “only”—\$215 million; in 2006-07 it was \$78 million for finance, so this is a huge increase, the \$3 billion. I guess my question is, why such a big jump? Is there some accounting practice change that occurred, number one?

**Hon. Dwight Duncan:** Yes, that's part of it, and it does relate to debt that has been on the books a long time. It doesn't necessarily reflect unpaid taxes for the most recent years. Some of it goes back 10 years, as I under-

stand it. We still continue to try to collect it, but because of accounting changes, and in terms of the requirements of the auditor, as well as what I believe to be the need for clear transparency in terms of what really is collectible, we decided to expense that amount. At the same time, we will continue to attempt to retrieve some of the money.

**Mr. Norm Miller:** Was that connected with the PSAB rule changes?

**Mr. Greg Orencsak:** If I can offer some clarification on the 2009-10 amount, Mr. Miller, it is a larger amount than in past years. It in part reflects the province's expense that is reflected on its books in terms of support that was provided to the auto sector through the course of co-operative efforts of the governments of Canada and the United States, in terms of supporting the restructuring of General Motors and Chrysler. The province's investment in the auto sector was recorded in the 2009-10 public accounts as \$1.3 billion. That is the amount that the province expects to be able to recover. The remainder, between what was advanced and the valuation in terms of the expected recovery, is reflected and is recorded as an expense on the accounts, and that's roughly in the neighbourhood of \$3 billion. That is a one-time event that has been disclosed in fiscal updates throughout the 2009-10 fiscal year, and the 2009-10 public accounts provide an updated valuation of that investment, which is roughly in line with what the federal government has valued its investment in the auto sector at. So that is—

**Mr. Norm Miller:** So it's primarily the auto sector?

**Mr. Greg Orencsak:** It's primarily the auto sector that's driving that one-time increase, in addition to some of the other factors that we've also mentioned.

**Hon. Dwight Duncan:** In effect, with the loans and what we took back in securities, we wrote them off in that year because we didn't know, at the time, how much could be recovered.

I believe the loans have been paid back by General Motors. Of course, to the question of the further valuation, that will depend on the results of the initial public offering of General Motors shares. Ontario and other governments have both preferred and common shares, as I understand it. Once that comes to market, we'll have a better sense of how much can be recovered.

**Mr. Norm Miller:** Also on the question of debt I was asking about this morning, you mentioned the UK. The public accounts indicate that it's held by European nations—I believe it says euros. Would that include Greece?

**Hon. Dwight Duncan:** I'm sorry, can you give me that again?

**Mr. Norm Miller:** On the public accounts, it indicates that there is debt held by European nations in euros. Does that include Greece?

**Hon. Dwight Duncan:** No. I'll give you the breakdown based on your question this morning. I have it now. This is as of September 10 for this year.

We've completed \$24 billion, or 60%, of this year's borrowing program: 54% of that has been borrowed in Canada, in Canadian dollars, in domestic markets, and a

further 46% has been borrowed in Canadian dollars in international markets. The currency and composition of the international borrowing is as follows: US dollar, \$6.4 billion; euro, \$1.7 billion; Japanese yen, \$1.5 billion; Norwegian kroner, \$0.6 billion; Swiss franc, \$0.4 billion; Australian dollar, \$0.3 billion; Hong Kong dollar, \$0.2 billion.

Although my officials tell me it's impossible to compile the geographic distribution of new-issue bond sales, we know that a significant portion of our bonds are sold in the US, China, the UK, France, Germany, Switzerland and Norway.

**Mr. Norm Miller:** Thank you for that response.

Moving on to the pensions, specifically to do with the item in the budget to do with the teachers' pension plan, I note that the amount going towards the teachers' pension plan—the transfers are going up significantly, and it seems to be a trend getting larger each year. In 2008-09, on page 138 of the budget, the transfer was \$50 million; in 2009-10, it was \$255 million; and for next year, it goes to \$525 million. Also, the note at the bottom of the page says that Ontario's matching contributions to the plan grew from \$808 million in 2007-08 to \$1,245 million, or \$1.2 billion, in 2009-10, to \$1.3 billion in 2010-11.

Can you explain to me the agreement that Ontario has with the teachers' pension plan regarding the matching contributions and also these other payments that seem to be going up fairly significantly? They're pretty big numbers we're talking about.

1620

**Hon. Dwight Duncan:** I'm going to ask Steve Orsini, associate deputy minister of finance, to come up.

**Mr. Steve Orsini:** There are two calculations that are done for pension plans that the province is a partner with. One is for financial reporting. We rely on accounting standards for determining how much has to be paid towards, for example, the teachers' pension plan. That's reported every year, signed off by the Auditor General, as what we report for pension contributions.

Under the teachers' pension plan, it's cost-shared 50-50, and part of the increase reported back in the 2009 budget was a result of the market meltdown in the fall of 2008. The investment loss gets smoothed over five years. Every year, you take one fifth of the asset writedown and that gets factored in. What you're seeing is that our contributions are going up in terms of our financial statements because it's showing a cost reflecting the reduced value of the investment loss being taken on to the books.

The second calculation is that every three years we do an evaluation with the teachers' pension and with the other partners to the agreement, and that's done every three years in the valuation. The valuations are done to determine how much cash contributions have to be put towards the pension plan.

**Mr. Norm Miller:** That would be the \$255 million this year and \$525 million next year, so kind of a one-time top-up versus the matching—

**Mr. Steve Orsini:** One, for accounting treatment, is reflected in our financial statements, and for the other

valuation, those cash contributions, depending on the valuation of the day—and that will change over time, every three years or less—where a valuation is done and the province then commits to put a contribution towards it and the teachers increase their contributions as well, it is matched 50-50.

**Mr. Norm Miller:** Okay. There are a lot of public servants obviously, so why is it unique for the teachers alone versus some of the other million public sector workers?

**Mr. Steve Orsini:** In the 2009 budget we actually separated out the changes overall because it was such a significant event back in fall 2008. For greater transparency, we pulled out the pension contributions to show what that impact was on the fiscal plan, and we can refer you to the relevant page later on.

**Mr. Norm Miller:** When you go down on the budget line, further down on page 138 of the budget, pension and other employee future benefits of \$971 million for 2008-09 and \$1.1 billion, the plan for this year—can you explain that one a little bit more for me, please?

**Mr. Steve Orsini:** This looks at every year the province retains actuaries to actually cost out the pension and the additional employee benefits, and they report it as part of the costing related to the total expense. It's an expense showing the cost related to funding those liabilities that are recorded in their financial statements.

**Mr. Norm Miller:** Thank you.

I have a question to do with craft breweries and the Beer Store; that is, I have recently met with some craft breweries, and they are very concerned about the contracts they have with the Beer Store that are kind of arbitrarily being changed and forced on them, and the fees, I gather, greatly increasing. It obviously puts these craft breweries at a disadvantage. I guess my question is, what provincial regulations is the Beer Store subject to and what role does the Ministry of Finance play in approval or sign-off on new contracts developed by the Beer Store, when they obviously have a monopoly on the ability of these small breweries—you know, they don't have too many other places they can sell beer, and it's a big part of their market. What responsibility do you have to ensure that these craft breweries are treated fairly?

**Hon. Dwight Duncan:** Well, the Brewers Retail is, in fact, owned by the large brewers, as you know. It's not owned by the province, though we do regulate it.

I've met with the craft brewers—for people listening, those are small local breweries. You see them all over the province. The issue is the ability to access their product in the stores so people can buy it. I'm going to ask Steve if he can give a little bit more detail on the regulation and try to give the member some understanding of how we interface and what regulations we oversee in terms of ensuring that fairness.

I should say, Norm, in my experience now, this is kind of an ongoing, evolving issue. We regularly interface with all the participants in that industry and are always trying to find that balance.

Steve, if I could perhaps ask you to shed a little more light on that?

**The Chair (Mr. Garfield Dunlop):** Just keep it down to two and a half minutes, Steve.

**Mr. Steve Orsini:** Yes, okay.

There are a couple of additional points to make, in addition to, as the minister pointed out, the agreement that the Brewers Retail has with the individual craft brewers, as they do with all beer companies that sell through the Beer Store.

What the province has been doing is supporting craft brewers in a variety of different ways. We have a lower tax rate for the microbreweries that's provided some significant benefits. In addition, the province introduced last fall a corporate tax refundable credit for the small brewers that grow beyond the threshold; so it allows them to continue to grow and expand. This is on top of the marketing support that the province has provided to the craft brewers, which allows them to advertise and to sell their products. All those help support the craft brewers to expand their markets and create jobs throughout Ontario.

On the relationship with the Beer Store, we've met with the craft brewers and they've undertaken to have a dialogue with the Beer Store to ensure that the agreement reflects the latest perspective from both parties. We're awaiting the outcome of those discussions.

**Mr. Norm Miller:** I know that one of the companies I was speaking with said that there used to be a requirement for written notification and there were express timelines, and now the new contract allows for arbitrary increases in fees. It's kind of one-sided, without any say on their side, and they're concerned about that.

We're probably just about out of time—

**The Chair (Mr. Garfield Dunlop):** Yes, you've just got a few minutes to finish up there.

**Mr. Norm Miller:** Does the government have a role to regulate this contract?

**Mr. Steve Orsini:** There are certain things that the province is responsible for in terms of display and sales. On the actual agreement itself, that's something that we don't provide direct mediation and support for. It's really between two independent parties, but we have asked them to provide a review and to report back.

**The Chair (Mr. Garfield Dunlop):** Thank you very much to the member from the official opposition. We'll now go to the third party, please.

**Mr. Peter Tabuns:** Dwight, if we could go back to pensions for a minute and touch back on the Nortel issue, in the Arthurs pension report there was a recommendation for an Ontario pension agency. Recommendation 5(2) reads, "The Lieutenant Governor in Council should establish an Ontario pension agency to receive, pool, administer, invest and disburse stranded pensions in an efficient manner."

Given the Nortel and AbitibiBowater experiences, why is that this recommendation has not been implemented?

**Hon. Dwight Duncan:** I think another recommendation you see talks about the risks associated with that for government and doesn't completely articulate how the government should assume those risks, because essentially when that happens you will have, as in the case of Nortel, a large pool of money—it's \$2.5 billion—but it's not enough to cover its liabilities. Part of the challenge is, who becomes responsible for that? It is our view that in order for there to be take-up from a financial institution or others around that, the government would have to provide a guarantee of some form. We did not act on that particular recommendation from Professor Arthurs because of the ambiguity around how those liabilities would be paid for.

**1630**

We did honour the pension benefits guarantee fund. We put \$250 million into that fund in order to protect the first \$1,000 a month of income for Nortel pensioners. It does cover a substantial number of those pensioners.

Basically, then, what has to be resolved is, if you were to create an organization, government-run or, as the Nortel pensioners have proposed, to be run by a private sector partner, you basically would be assuming liabilities associated with lack of proper funding of what is in essence a private pension, and asking the taxpayers to assume whatever residual damage has been caused by that. That has a very substantial price tag. It would have, I suspect, enormous consequences for the provincial budget, the provincial public accounts, because it would become a liability. So with every fund that goes in there that's underfunded, which presumably these would be in many instances, there would be large liabilities that are not properly funded. The question would then become, do taxpayers assume that liability, which could be a fairly expensive proposition?

Given the fact that some 70% of Ontarians don't have a pension, we weren't prepared to embrace that notion that the individual making \$12 or \$13 an hour with no pension, through their tax dollars, should be supporting that beyond the legal undertakings that successive governments of all political parties in this province have given through the PBGF, even though it wasn't properly funded. We didn't think that was clearly defined and, accordingly, chose not to move in that direction.

We do have a system now that provides for an administrator that's appointed. This is what's going to happen with Nortel subject to the final review that the Premier and I have undertaken to do.

The proceeds still, in effect, belong to the pensioners. The money will be invested in annuities, which is a very conservative format for investing. One understands the concerns associated with that. However, the other side of the issue is the risk associated with putting those proceeds into higher-risk investments.

In the case of Nortel, a financial institution has not come forward to offer to take up this challenge. We have seen lots of expressions of interest, but inevitably, given the fact—any institution undertaking this would be essentially agreeing to run an unfunded pension that can't

pay its existing liabilities, so they would inevitably want some kind of backstop from the government, and there's no guarantee, in our view, that pensioners would be better protected by that proposal than they would be simply by the use of these annuities.

Phil, did you want to add anything to that?

**The Chair (Mr. Garfield Dunlop):** Do you want to come forward?

**Mr. Peter Tabuns:** If you could come forward, introduce yourself and comment, I'd appreciate it.

**Mr. Philip Howell:** Philip Howell, CEO of FSCO and superintendent of financial services.

The minister has captured the main points of the issues here, but let me just go back to this orphanage concept that you raised—

**Mr. Peter Tabuns:** Mr. Arthurs.

**Mr. Philip Howell:** In the context of the Arthurs recommendation.

It's important to understand what he was really suggesting there, and it's quite different than the spin that's being put on it by the NRPC, or at least as it has been interpreted in the press reports. He was proposing a way to deal with situations where underfunded plans, by virtue of the PBA, are forced to be wound up. We'll leave aside all of the legislative hurdles—and there's a tremendous number that would be required to enable that kind of concept to be put in place. The more important part in his concept is that they're really taking the funds that exist at the time of what would have been a windup that are in the plan, but the members would bear all the risk of the potential future earnings there. There's no discussion about a government guarantee for the downside. There could of course be an expectation on the part of members or others that that would come, but that's not really part of the proposal that was in the Arthurs model. So there was considerable risk that would be borne downside and potentially upside if it was implemented after all the changes to the PBA and so on were put in place, but definitely there was downside risk attached to that. This contrasts with the existing PBA approach with the PBGF, where there is some certainty that's provided by the PBGF top-ups.

**Mr. Peter Tabuns:** I'm going to comment, if you would stay for a minute. As I understood that recommendation, it's not that different from what you have just said to me, that in fact an arm's-length organization would be set up to deal with these orphan pension funds, somewhat like the Ontario Securities Commission now deals with securities investments. The government of Ontario is not sued when a derivative goes under. The OSC tries to protect people from poor investments and poor information. Arthurs was suggesting that if you have a fund that comes along—a company has gone bankrupt, their fund's in a bank, they are not adequate to meet all the liabilities—but set up a facility that would allow management of these funds to the greatest advantage of the people who are to benefit from them.

I didn't understand, from this recommendation—there may have been a misunderstanding between us, but I

didn't understand that this was Mr. Arthurs saying you have to guarantee all these funds. He was just saying, "Have a facility in place to manage them when they come forward." You've come to the conclusion that the risk in that is too great, that you can't protect out of the province or the pensioners from that. But Mr. Arthurs clearly felt that that was a rational, businesslike way to approach the problem that we're all facing.

**Hon. Dwight Duncan:** The—go ahead.

**Mr. Philip Howell:** I was going to say I'll let the minister answer the issue about the government's determination on policies. But just to clarify the key point that I was trying to make, which is that it's to the advantage or disadvantage of the members, because in his proposal, there's an implicit assumption that somehow the investment returns would definitely go up over time.

It's important to also remember that in his proposal they could go down and all of that downside would be borne by the pensioners under the Arthurs proposal. Of course, the PBGF and so on wouldn't be applied—

**Hon. Dwight Duncan:** Which is why many members of the Nortel plan, particularly disabled people who haven't yet begun to collect their benefits, were not supportive of the proposal put forward by the one pensioners group: because it would result in a riskier portfolio. So anybody whose pension is \$1,000 or lower on a monthly basis would likely not support that because it would put at risk the principal that still remains—I don't know if that's the right word, Phil—the capital that still remains in the assets that remain in the pension, the \$2.5 billion. It wouldn't have been too long ago that Nortel stock would have been in pension plans, when it was trading at \$124 a share. I'm sure at one time, some pensions held Bre-X stock.

**1640**

So it becomes a question of the risk associated with the investment profile of those remaining assets that are in the pension fund. That's why there was not unanimity among the employees. We can quibble about who was for and who was against and so on, but on balance, Professor Arthurs's recommendation contemplated that pensioners would assume all the risk, downside and upside, associated with these.

The final point with the Nortel pensioners: It is our view that a financial institution has not been forthcoming with an actual proposal because they would likely require some kind of guarantee or backing from a government. You mentioned AbitibiBowater as part of a plan that was put to the federal government. They refused to provide that backing.

Another challenge, by the way, we have with Nortel is that I believe there were Nortel employees in 10 provinces, and this kind of initiative would have to have the undertaking—back to our discussions around financial regulation—the agreement of all those provinces where there are employees, as well as changes to the federal Income Tax Act and the federal Bankruptcy Act. I'm not aware of any other jurisdiction that has something similar to this in place. I know there was experimentation in the

United Kingdom; I have presented already some answers that show that that was not a particular success.

I guess, when you boil it down to the essence of the question, because the company is gone, there is no longer a plan sponsor, so the assets that are left over, how should they be invested? Should they be invested in a riskier portfolio to try to recoup some of the losses, which I think some would call a moral hazard, or should they be put in a very conservative instrument, with an independent administrator, which is what has been created at Nortel, and strive for protection of those assets so that, hopefully, many pensioners will not see a large reduction in their pension and won't risk further erosion of the assets that are in the plan?

**Mr. Peter Tabuns:** You don't need to leave, because my next questions deal with the property and casualty insurance sector—no offence, Minister—if you don't mind my asking you to stay on.

**Hon. Dwight Duncan:** It will give me a few minutes off.

**Mr. Peter Tabuns:** In the property and casualty insurance industry, the two major sources of revenue are underwriting income and investment income. I'm assuming that's correct. Nodding of the head shown in Hansard as agreement.

Can you tell me the approximate percentage of revenue flowing from underwriting as opposed to investment income in P&C in Ontario?

**Mr. Philip Howell:** We can get back to you with those details. They're published by OSFI.

**Mr. Peter Tabuns:** So you can provide that to the committee?

**Mr. Philip Howell:** We can provide that info, yes.

**Mr. Peter Tabuns:** Can you give me a sense of the trend lines for both investment and underwriting income in the past 10 years or so, and more specifically, the trend lines in the past two years?

**Mr. Philip Howell:** We can provide a detailed answer on that as well. I can tell you that neither of them are consistently up.

**Mr. Peter Tabuns:** Right. Which contributed more to the pressures that have led to recent program changes?

**Mr. Philip Howell:** In the case of Ontario, what has been driving the costs have been underwriting losses, which have been mammoth. In particular, it has been the underwriting losses on the accident benefit side of things.

If you're looking in terms of cycles over time, obviously the P&C industry, like many others, would have been impacted by investment returns coming out of what happened in 2008-09. Those returns on the investment side have been recovering as markets have been recovering. In the last few years, the underwriting losses have been steadily increasing.

**Mr. Peter Tabuns:** Okay. So you've had pressures, in fact, from both ends.

**Mr. Philip Howell:** Yes.

**The Chair (Mr. Garfield Dunlop):** You have a couple of minutes, Mr. Tabuns.

**Mr. Peter Tabuns:** Thank you, Chair. I appreciate the warning.

From your perspective, can you give me the pros and cons of putting in place a pure no-fault system in Ontario? I understand we have a threshold approach now. What are the arguments for and against a pure no-fault approach?

**Mr. Philip Howell:** That would be a government's choice to make. I'm just the regulator. We take the system that's in place and then we regulate it.

**Mr. Peter Tabuns:** But as a regulator who must work with the insurance industry and must be fully aware of the state of the insurance industry across Canada—my guess is you talk to your colleagues—what do you see as the pros and cons of a pure no-fault system?

**Hon. Dwight Duncan:** Peter, I think you're being unfair. You're generally a very fair guy. That's a question that properly rests with me—

**Mr. Peter Tabuns:** Then I'm happy to ask you, Minister. Go ahead.

**Hon. Dwight Duncan:** We haven't looked, candidly, at that in this round of reforms. There's a body of literature, there's a body of opinion on either side of the issue of the challenges with no-fault, and public auto insurance as well. In this set of reforms we did not look at that issue.

We've had, over the course of the last seven years, a pretty good record on auto insurance rates. The underwriting costs did grow substantially, as the regulator has reported, so we moved to address those.

I would want to go back to have a look at the transcripts in Hansard around the debate when this system was put into place to review all of the pros and cons. I was a young staffer around here at the time, but I don't, frankly, recall all of the issues. Suffice to say that at this point and in this round of reforms, we did not consider that broader question.

**The Chair (Mr. Garfield Dunlop):** That's your round, Mr. Tabuns. We'll now go to the government for their 20 minutes.

**Ms. Leeanna Pendergast:** Minister, my question is also about auto insurance. On September 1, you announced new reforms for auto insurance, so I have a two-part question. I'd like to know if you could please elaborate for us the changes in these reforms for auto insurance. The second thing that I'll be asking you is if you could explain for us how these reforms protect consumers. First, about the announcement on September 1, the new reforms for auto insurance, if you could elaborate on the changes, please.

**Hon. Dwight Duncan:** Absolutely. As you pointed out, Leeanna, there are a number of measures that we've put in place to help protect consumers. First, objectionable quoting practices are prohibited. That includes the use of credit scoring, delays in providing quotes, requiring written applications for quotes and certain screening techniques that were used by some companies. We have also expanded the definition of "catastrophic impairment" to include single-limb amputees.

We are introducing a new streamlined process to get treatment started quickly for claimants with minor

injuries. No element of a risk classification system would use past claims for which a driver is 25% or less at fault.

We're making the existing statutory appraisal process under section 128 of the act mandatory on insurers for property damage claims, if the consumer prefers this process over the courts.

We are also amending regulation 283/95 to make it more difficult for insurers to deflect claims and to ensure that claimants receive accident benefits while the issue of liability for a claim is resolved.

#### 1650

We're amending the Ontario standard auto policy to provide a limited amount of additional coverage for vehicles with a gross vehicle weight rating over 4,500 kilograms.

We're providing consumers with more choice by reducing the minimum coverage for medical and rehabilitation benefits, attendant care, deductibles on court-awarded compensation and a direct compensation property damage deductible. Consumers would have an option to increase any of these coverages—and I should say that the minimums are the same as, and certainly not lower than, what is seen in most other parts of the country.

Furthermore, we're requiring insurers to provide claimants with a benefits statement every two months following an accident, indicating the amounts paid to date and the remaining amounts available for medical rehabilitation and attendant care benefits.

**Ms. Leeanna Pendergast:** Thank you, Minister. My next question has to do specifically with jobs and the recession—I had a constituent come in on Friday—specifically in my area of Kitchener and the townships. Ontario workers are still suffering the negative effects of the recent economic downturn, and it would be very helpful, Minister, if you could explain for us what the government is doing to help these Ontario workers who are still struggling during the economic downturn, please.

**Hon. Dwight Duncan:** Sure. Through our Open Ontario plan, we're building on existing enhancements to important programs and services while focusing resources on areas which will open Ontario to new ideas, new economic growth and jobs. We are continuing to invest in the knowledge and skills of Ontarians through post-secondary education, skills training, job programs and full-day learning as the province makes the transition to a knowledge-based economy.

Already, more than one million Ontarians each year rely on Employment Ontario for help finding work and receiving job training. Our Second Career strategy alone will enrol about 30,000 additional clients over the next two years, bringing the total number of people helped to nearly 60,000 yearly. In addition, post-secondary education remains a top priority, and the government is investing to add 20,000 new post-secondary spaces in 2010-11 alone. It will also ensure that there is a space for every qualified Ontarian who wants to attend while increasing international student enrolment by some 50%.

I guess the higher-level answer I would give is that virtually everything we have done in the last two years has been about jobs and about helping Ontario get through what arguably has been the worst downturn since the Great Depression. Our investments in education, we believe, are part of that longer-term response to make sure that we are training the workforce we need for the jobs of the future.

In the more immediate term, I think Second Career best represents the kinds of investments we've made. Initially, when the program was set up, we were surprised that we didn't have as many applications as we thought we would. We then adjusted and moved forward. We got a whole bunch more and, in fact, had to expand the program; and I have provided additional funding in this year's budget for that.

That is taking people who are displaced from their work and giving them the opportunity to go back for training—not just for training, but to help them with their other costs of living. It's very difficult, for instance, for a woman or a man in my age category, in their early 50s, who might want to go back to acquire a new skill. This will give them the opportunity, plus some income to be able to continue to support their family while they do that retraining.

We've also had a range of programs that have been designed to encourage new investment in Ontario through the business sector; AMIS and the Next Generation of Jobs Fund come to mind immediately when I think of that.

Our entire tax reform package is designed to create jobs. Jack Mintz, a well-known conservative economist, as I indicated this morning, was actually a witness here on behalf of the Conservative Party of Canada—actually, at SCFEA. He came and testified that the HST, the harmonized sales tax, was probably the best thing any government could do for jobs. I think that's why a variety of industry groups—manufacturing, forestry, some of the sectors that have been hardest hit; and the Ontario Chamber of Commerce—advocated so strongly for this policy.

So everything we're doing is about jobs. It's about helping Ontario families weather this storm. What I've seen in my own constituency and in my travels across the province is not just people who have lost their jobs, but it's also about families that have seen their income erode. Maybe one of the spouses isn't getting as much overtime as they used to; maybe they saw their RRSPs decline by 40% or 50% in the span of several weeks and, even though they've come back, it was kind of a wake-up call that things can change very quickly and has contributed to a sense of uncertainty that wasn't here prior to the downturn.

As I said, and as Warren Buffett said, even though we're technically out of the recession in terms of what an economist would define a recession as, we still have far too many people in Ontario who need work, and we will continue to build on these programs.

When we made the choice, for instance, to go into deficit, as governments around the world did on the rec-

ommendation of the OECD, then the IMF, the International Monetary Fund, we chose deliberately to do that to help encourage job growth as we construct infrastructure, which is all about jobs in the short term.

We're trying to take both approaches, looking at the immediate problem. When we talk about eliminating the deficit, the deficit was created in order to respond. It was a deficit created in Canada, in Ontario. Interestingly, in the United States there are legal and constitutional restrictions on states borrowing, and you see the absurd scenario where the government of the United States is spending billions on stimulus and the flipside, where states are laying off police officers, closing schools, paying workers with IOUs because they can't run a deficit or borrow. A number of noted economists, Paul Krugman and others, have spoken of that irony—I guess, sad irony, if you will.

When we talk about getting back to balance, we need to bear in mind why the Canadian government, the government of Ontario, the government in virtually every province in this country, governments in western Europe and elsewhere went into deficit. It wasn't because we want to spend money; it's not because we wanted a deficit. It was based on the best advice from the best economists in the world, and we've tried to do it in what I would call a manageable and meaningful way to create jobs in the short term and allow us to maintain and enhance the public services that people value such as education and health care.

**Ms. Leeanna Pendergast:** Thank you very much. Mr. Brownell?

**Mr. Jim Brownell:** I first of all want to say that my question will relate to pensions, but we've had a very good outline of your take on the Nortel situation and you've outlined that clearly here. You recently announced that the government is proposing a broad set of reforms, a package of reforms, that will be released this fall that will strengthen the pensions of Ontarians. With that in mind, I wonder if you could tell us a little more about the proposed reforms; what effect they will have on ordinary Ontarians, especially those who are not part of pension packages.

**Hon. Dwight Duncan:** Sure. Jim, the last time Ontario reformed and updated its pension laws was over 20 years ago, in the 1980s. Of course, a whole lot has changed since then.

In 2007, my predecessor, Greg Sorbara, asked Professor Harry Arthurs to lead a consultation on what constitutes pension reform and what we need to do to update our pension laws and our pension regulations to ensure that we have a robust regulatory system for those pensions. The previous government brought forward Bill 198, which they wound up withdrawing because it ran into so much opposition, so we were determined to try to find a balance between employers and employees who are involved in pensions.

To your point, this only affects those people who have a pension. It's principally around what are called "defined benefit plans," that is, a pension plan where a

member of the plan knows what their monthly income from a plan will be when they retire and whether or not it's indexed. It really involves—about 30% of Ontarians have a pension of that nature. I think it affects about 54% of households. There would often be households where one spouse will have one and the other won't. That's kind of the ballpark numbers.

**1700**

Professor Arthurs spent two and a half years consulting a broad range of stakeholders across Ontario and produced a report; I think there were 144 recommendations in total in that report. We received the report and then got further input on those recommendations to allow groups to respond to the recommendations.

Very cognizant of the controversial nature of some of the changes, we chose to segregate out a number of options that were considered less controversial. They weren't without controversy, but they weren't deal breakers either for the employer community or the employee community. I brought forward legislation. I think that was Bill 237. There were approximately 42 recommendations, and I must say it was passed unanimously by the Legislature. All three parties endorsed that. I think it's a tribute to all the parties in the Legislature.

We were left with the balance of Professor Arthurs's recommendations. Again, we departed from the way things are normally done. Rather than simply tell people what we were doing by introducing the legislation, in the latter part of August I announced where we had landed on a variety of the more controversial items prior to introducing the legislation, again in order to give stakeholders the opportunity to input and participate in yet another round of dialogue as we moved forward.

At the very high level, we believe that the changes—and I'll be introducing legislation very soon to give effect to what we've announced—will strengthen Ontario's pension funding rules. We're clarifying pension surplus rules and providing a dispute resolution process to allow members and sponsors to reach agreement on how surplus should be divided and provide a more robust pension guarantee fund.

The government is committed to modernizing the pension system to continue to balance the concerns of workers, retirees and employers. I failed in my earlier comments to distinguish between current workers as opposed to retirees from the same organization. Oftentimes they have different views on how these things should be regulated.

We will be continuing our call for a modest expansion of the Canada pension plan. This is the broader issue—what I prefer to refer to as post-retirement income because, again, only about 30% of us have a pension. Part of this overall discussion has to involve Canada pension and what we believe is needed in that are modest enhancements to Canada pension.

The proposals we've addressed are 37 of Harry Arthurs's recommendations. When you add that to the 42 in Bill 237, we have responded to 80 of the 142 recommendations in the Arthurs report—I said 144; it's 142—

or about two thirds of the 120 of those recommendations that are within the purview of government. So, of the 142, about 120 are in the purview of government, and we've responded to about two thirds of them.

I should say that we have not rejected outright any of the recommendations at this point, but what we have said is that these are the ones we are moving on at this point in time. My hope is to bring that legislation forward very shortly, introduce it, and hopefully the Legislature will have the opportunity to deal with it in this session of Parliament.

**Mr. Jim Brownell:** Thank you. I think there's a few more minutes, so I'll move on to provincial-municipal relations.

*Interjection.*

**Mr. Jim Brownell:** Four minutes.

In my past life, I served 14 years on municipal council and had many opportunities to have relationships and to work out agreements and whatnot with governments. I know in the past few years our government has certainly done a lot to provide our municipal partners with significant investments. I'm wondering if you could describe some of the funding initiatives that we've carried out and how they benefited the municipalities.

**Hon. Dwight Duncan:** We've done so in a variety of methods, really, since we came to office, reversing the trend where the previous provincial government had downloaded costs to municipalities without consideration as to how programs would be supported. For instance, we've uploaded the municipal share of social assistance benefit program costs from the property tax base. The McGuinty government will have increased ongoing annual support to municipalities to over \$3.8 billion by 2018, when this program is fully implemented. This represents an increase of more than 250% over the support provided in 2003.

In 2010, Ontario began the phased upload of the Ontario disability support program, or ODSP, and Ontario Works benefit costs. This builds on the previous uploads of the Ontario drug benefits in 2008 and the administration component of ODSP in 2009.

At the essence of this is the ability of the property tax base to support these programs as compared to the broader tax base that the province has at its disposal. That's why we strongly opposed the download of these programs to our municipal partners by the previous government. That is why we undertook to upload, and that is why we have kept that promise and made very substantial investments, as well as a variety of other, I think, very meaningful initiatives undertaken at the municipal level, including what we call the municipal round table, where we actually consult—

**The Chair (Mr. Garfield Dunlop):** Just under a minute, Minister, to finish up.

**Hon. Dwight Duncan:** I'm sorry?

**The Chair (Mr. Garfield Dunlop):** Just under a minute here.

**Hon. Dwight Duncan:** Oh, okay.

To date, we have invested more than \$1.7 billion for communities across Ontario to fund more than 2,200 key

municipal and community infrastructure projects. We've also provided \$1.1 billion directly to municipalities through the Investing in Ontario Act, 2008.

Since 2004, we have been sharing gas tax revenues. That has amounted to, I think, over \$1.6 billion since that time for our municipal partners. We will continue to do that. We will continue to make those commitments and invest in public transit, building on the nearly \$9.3 billion that we've provided for public transit and for municipalities across the province since 2003.

**The Chair (Mr. Garfield Dunlop):** Thank you very much, Minister. That takes us over to the final round, and we've got about 14 minutes each in the final round. That will take us through to the voting time.

**Mr. Norm Miller:** Thank you, Mr. Chair.

I have a few different questions that I'd like to ask. Just following up on the last question I was asking the last time I had an opportunity to ask questions, I was asking about the agreement between the craft breweries and the Beer Store and you said that you're facilitating talks between the Beer Store and the smaller craft breweries so they could come to some sort of amicable or agreeable agreement. But if they can't come to an agreement, what will you do?

**Hon. Dwight Duncan:** I'll cross that bridge when I come to it. I think it's in both parties' interests to continue to negotiate. I believe the system has been working fairly well over the years. There have always been points of departure. We'll continue to work with the craft brewers. Steve pointed out a couple of initiatives that I had forgotten about that we had undertaken last year to assist craft brewers. Again, for the people watching, those are the small, local breweries that are so familiar to us in our home communities.

We'll cross that bridge when we come to it, but, again, I would urge both sides to continue to negotiate.

**Mr. Norm Miller:** So you'll monitor the situation, at the very least?

**Hon. Dwight Duncan:** I can assure you that both my officials and I are in relatively frequent contact with both sides. We deal with Brewers Retail and the brewers on a range of issues. I must say, it has been a while since I've spoken formally with the craft brewers, but we will continue to monitor it.

**Mr. Norm Miller:** Very well.

Now, switching topics to the question of balancing the budget, one of the biggest costs is health care. The actual public accounts for this past year show that health spending from 2008-09 to 2009-10 rose from \$40.7 billion to \$43.1 billion in the year. That's over an 8% increase in health care spending.

Your plan from the budget to balance the budget by 2017-18, which is a fair ways out there, counts on annual growth in program spending at an average of 1.9% per year. Obviously, that's quite a change from over 8% that you experienced in the last year, so how are you going to do that?

1710

**Hon. Dwight Duncan:** Well, we have a variety of mechanisms. As you know, we took strong measures this

spring to lower the cost of prescription drugs for Ontarians, which was well received across the province. That's an example. The use of a whole range of things—and I'll let the Minister of Health address those specific questions, but I will acknowledge this: Those are aggressive targets in the context of the reality of health care. We've had years when health care had been up 8%, I think, in recent years. You'll see some years when it's been 4% and 6%. The point is, it has risen beyond the rate of growth in government revenues and rate of growth in the economy on a continual basis across the entire period of time I've been here.

One of the key items that will be important to the province is the willingness of the federal government to extend the health agreement, the health accord, that was reached, I think, in 2006—

**Mr. Greg Orenszak:** In 2004.

**Hon. Dwight Duncan:** I'm sorry, 2004—where they are transferring to Ontario some \$14 billion. That expires in 2013?

**Mr. Greg Orenszak:** In 2014.

**Hon. Dwight Duncan:** —In 2014, and will be crucial to our ability to sustain health care in Ontario. This is a concern to finance ministers and health ministers across the country. To date, we've not had confirmation from the federal government on whether they will be prepared to make that undertaking again.

That would be an important matter where I know, with your contacts and friends in Ottawa, we could count on your support. At least I hope we'll be able to count on your support.

My hope is that we can begin to seriously address the post-current agreement world sooner rather than later. It will be important, most importantly to Ontario families, to know that they will have access to the highest-quality health care around and that the federal government will continue to play a role in helping to finance that.

**Mr. Norm Miller:** Minister, I note from your public accounts that the trend with federal transfers to total revenues has been increasing: from 16% of 2007-08 to 17.1% in 2008-09 to 19.4%, so it seems like there's been an increase in federal revenues being transferred.

I'd now like to switch to the Ontario Lottery and Gaming Corp. There was the Auditor General's report on expenses, where Ontario Lottery and Gaming wrote to the then minister, asking if they were supposed to abide by the expense rules. They didn't receive a response back from the minister, so they assumed that meant they didn't apply. We saw in this report that they had \$60,000 cars on lease; they had a convention held at their own facility where they hired a consultant for \$150,000; and many other examples of abuses.

You were the minister in charge of OLG for one year when the government promised to post travel and hospitality expenses for OLG employees. So my question is, have any of those travel and hospitality expenses been posted online?

**Hon. Dwight Duncan:** I'm not sure, but we'll find out for you. I'm not sure. But the new policies that the government established are in effect. I'm glad to hear your

concerns about what went on, because earlier today one of your colleagues talked about the mistakes we made in dealing with some of the previous executives, so I'm glad to hear that you're supportive of the initiatives that we have taken.

**Mr. Norm Miller:** We did check, and the expenses are not posted.

I guess I have another question, and that is, the Premier removed the OLG file from the Ministry of Finance and moved it to the Attorney General. Was it because—

**Hon. Dwight Duncan:** No, the AGCO, not OLG.

**Mr. Norm Miller:** Okay, the AGCO.

**Hon. Dwight Duncan:** The AGCO is the regulator. That was with government services. There were a whole variety, as I understand it. They have to be separate from the ministry that has the OLG because of the distance between the regulator and the operator, so make sure you understand the difference. The AGCO is the regulator of gaming; the OLG is the operator. It was the AGCO that was moved to the Attorney General's purview. I think that came from a number of recommendations that have been brought forward recently.

**Mr. Norm Miller:** Okay. You were the minister responsible for OLG, and the OLG is supposed to table an annual report each year. Did you table an annual report in 2010?

**Hon. Dwight Duncan:** I don't believe the 2010 report has been tabled yet. I stand to be corrected. With the new board and the new CEO, Paul Godfrey, I believe they were a bit behind in that.

When we came to office, there were six years of reports on a variety of agencies that had never been filed. In fact, it took us almost three years just to get up to date on a whole variety of agencies whose annual reports had not been filed. But in terms of the 2010 report, I don't believe it's been filed yet.

**Mr. Norm Miller:** I believe the answer is that you did table a report in 2010, but it was for the year 2007-08, when in fact the Ontario Lottery and Gaming Corporation Act states, "Every year, the corporation shall give the minister a report on the affairs of the corporation for the preceding fiscal year.... The minister shall submit the corporation's annual report to the Lieutenant Governor in Council and shall then lay the report." Why haven't you filed the report covering 2008-09?

**Hon. Dwight Duncan:** I'll have to double-check, but I do know that we caught up, as you're probably aware. Over a number of years in the late 1990s and the early part of this decade, it was routine not to file these reports publicly. We have caught up, I think, for the most part, and I'll have to get back to you on the 2008-09 year.

**Mr. Greg Orenszak:** If I can just add one thing to your previous inquiry, Mr. Miller, in terms of the posting of expenses for senior government officials and senior agency officials, I just punched an address into my BlackBerry and they are, in fact, posted. Let me just provide the address for the committee, and everyone can check that it's there. It's [www.ontario.ca/en/expense\\_claim](http://www.ontario.ca/en/expense_claim). The information is available there. I believe it's sorted by

ministry, ministers, parliamentary assistants and political staff, senior officials. I believe it is a searchable database.

**Mr. Norm Miller:** Does it have the OLG expenses?

**Mr. Greg Orencsak:** I'm sure if I went there, there would be expenses for agencies that have reported expense claims.

**Mr. Norm Miller:** Well, when you find that, let me know, because we did check and we couldn't find it.

Still under the OLG, who is running the Windsor Energy Centre now?

**Hon. Dwight Duncan:** Right now it's the OLG under contract to—I can't recall who, but it is being run by the OLG under contract.

**Mr. Norm Miller:** Is it the consultants H.H. Angus and Associates?

**Hon. Dwight Duncan:** I'm going to have to double-check that.

**Mr. Norm Miller:** If you could find that out for me, I'd appreciate it.

Switching topics to auto insurance, it seems that in Ontario there is a significant fraud situation with auto insurance. RBC reported fraud costing \$1.9 billion of premiums. A big part of it is the cost of assessments and over-assessments that occur in Ontario. One of the recommendations of FSCO in their recent review was that a physician be appointed as the director of patient treatment, which I think could actually achieve a reduction in over-assessment or abuse of assessment that is a part of that fraud. Why did you choose not to implement that?

**Hon. Dwight Duncan:** I'm going to ask Phil. You might want to discuss the whole assessment situation.

**The Chair (Mr. Garfield Dunlop):** You've got two minutes to discuss it, Phil.

1720

**Mr. Philip Howell:** It is definitely the case that there has been a massive increase in the number of assessments in the system. In fact, it's interesting to note—and I think this is indicative of what some might call “the abuse in the system”—that after the government received the five-year review from my predecessor, which had the recommendations, including the one you just mentioned in it, there was a significant increase in the number of assessments. I should point out, the way the product was structured before September 1, all assessments were paid for by the insurance companies, i.e. the people who are insured by them, because it gets reflected in their premiums.

Then, as the government reviewed the five-year review and came out last November with their decision on which recommendations to include, which were almost all of them, plus five additional recommendations that were added to the government, some predominantly to give greater choice to consumers, there was another big spike in assessments. Then, when the regulations around the statutory accident benefits were clarified and posted at the end of last February, there was another really significant jump in assessments as the race to September 1 went on.

It's kind of interesting to look at the insurance product in 2004 and 2009. It's essentially the same product, and over that time period what really jumps out is that the amount of money that's actually spent on treatments has gone up—doubled—but the amount of money that's spent on assessments has almost quadrupled.

**Mr. Norm Miller:** If I can ask, then, seeing as I'm out of time, for a written response as to why that recommendation to try to control the assessments was not—

**Hon. Dwight Duncan:** There are a number of steps in the reforms that are designed. There were assessments, reassessments, reassessments on the reassessments; there are a number of undertakings that are designed to reduce that. And I will undertake, since it's on Hansard, to respond to you in writing on that issue.

**The Chair (Mr. Garfield Dunlop):** Thanks very much, Minister. That concludes your time, Mr. Miller.

Mr. Tabuns, you have 14 minutes.

**Mr. Peter Tabuns:** Thank you, Chair.

Minister, last question on car insurance: From your perspective, what are the pros and cons of banning age, gender, marital status and postal code as insurance rate classification categories? All jurisdictions that have public auto insurance have gone that route, and I believe Nova Scotia, which operates a private system, has banned age as a category.

**Hon. Dwight Duncan:** Again, I'd have to look more carefully at those factors but it wouldn't have the effect of lowering costs, it would shift the costs. Premiums are based on risk assessments related to a number of factors.

As you know, for instance, we've prohibited the use of credit scores in calculating, where we felt that there was no real benefit. I'd have to look at it from an actuarial perspective to see how that would shift costs, not only across some of the groups that you've talked about, but across communities—urban versus rural, all of these factors. Obviously, these other jurisdictions have gone in that direction. It's something worth looking at carefully.

**Mr. Peter Tabuns:** Is your ministry or any arm of your ministry currently engaged in doing that kind of assessment?

**Hon. Dwight Duncan:** Not my ministry. I don't know if the regulator has done any of that work, Phil, in terms of removal of some of these factors that are used in calculating insurance rates by actuaries. But to your specific question, not within the Ministry of Finance.

**Mr. Philip Howell:** Not in terms of things that are being done in Nova Scotia, although we do speak with our colleagues there and share experiences, but the legislation does provide fairly precise definitions of the various categories that can be used to assess risk.

**Mr. Peter Tabuns:** And have you done an assessment of shifting away from those categories, as has been done in provinces where they have public auto insurance?

**Mr. Philip Howell:** Looking at the risk classification system is something that's done on an ongoing basis and is reported on, and certainly that's something that would have been looked at in the context of the work done on the five-year report.

**Mr. Peter Tabuns:** Could you provide this committee with your most recent analysis of those risk factors and our position as a province on their use? If you say you do it on an ongoing basis, if you could provide us with your most recent report, that would be useful.

**Mr. Philip Howell:** Okay.

**Mr. Peter Tabuns:** You will provide us with that?

**Mr. Philip Howell:** Yes.

**Mr. Peter Tabuns:** Thank you.

Minister, there was a report that was produced by a panel last year, called Adapting to Climate Change in Ontario. As you're probably aware, as the climate continues to change, there are greater and greater risks of loss from flooding and extreme weather conditions. The people who wrote the report recommended:

"Proponents of infrastructure projects for which provincial investment is sought should be required, after January 1, 2013, as a matter of due diligence, to provide a climate change and infrastructure risk assessment. In the meantime, proponents should provide a site-specific vulnerability assessment of known climate risks such as flooding."

Since your ministry is the one that ultimately has to secure the funds, provide the debt financing and, in the end, you're the ones who have to deal with the problems if we incur a loss, are you on track to implement that recommendation?

**Hon. Dwight Duncan:** I'm going to have to refer that to the ministers responsible. Suffice to say we've taken a number of steps on the climate change file, everything from joining the western climate initiative to some other steps. We continue to advocate on behalf of it. But with respect to those specifics, I'll have to refer them to the ministers responsible.

**Mr. Peter Tabuns:** So at this point the Ministry of Finance is not doing an assessment of the liability that we are at risk of from climate change itself?

**Hon. Dwight Duncan:** We take all of these things into account, and we rely on individual ministries to provide us with something called a results-based plan that goes into helping us determine budget amounts. I would assume that various ministries do include some of these things. Again, I'd want to undertake to get back to you. For instance, on Thursday I'll be attending the opening of the David Suzuki school in my riding, which will be the first platinum LEED school in North America. It is entirely self-contained in terms of the environment. As you know, the certification standards under platinum LEED started with the demolition of the old school and have culminated in what I think is the first time Dr. Suzuki has lent his name to a public building of that nature. He's going to be attending with me and I think with the Minister of Education on Thursday evening, with the parents we have been working with.

But a lot of that is going on in different ministries. We have our own climate change working group within the government that is doing some of that. We have moved on some buildings—one that may be familiar to you is the old Sears building on Jarvis Street; the signs are up

there, I know—in terms of more energy efficiency, and these are ongoing programs within government, but I will ask the specific ministers to respond on those programs.

**Mr. Peter Tabuns:** I'm trying to think of how best to frame this for the clearest answer. There are two pieces here, Minister: One is trying to stop the world from getting hotter, and the other piece is adapting your buildings and your infrastructure to the inevitable change that is already happening and trying to prevent loss, trying to reduce liability. Should I take from your comments that the Ministry of Finance is not now taking the lead in making sure that the ministries it's raising capital for are ensuring that they are protecting the province from losses?

1730

**Hon. Dwight Duncan:** That is overseen by Infrastructure Ontario, which reports to another ministry. Infrastructure Ontario is receiving acclaim from around North America for its business management practices. I do know that they look at those standards, so accordingly, I will have to ask the minister responsible to respond to your questions on that.

**Mr. Peter Tabuns:** On another matter, then, the Ontario Electricity Financial Corp. dedicated electricity earnings: In the results-based plan briefing book, item 1203-12, we show estimates of electricity sector dedicated income of \$291 million in 2009-10, as estimates. The interim actuals were \$646 million. How did it come to be that the allocation was doubled?

**Hon. Dwight Duncan:** The electricity sector dedicated income transfer payment was originally estimated at \$291 million based on the original estimate of OPG's earnings for the fiscal year. The estimate of OPG's earnings has now been updated and is currently reported to be \$355 million greater than originally forecast; hence, the corresponding increase in the transfer payment to the OEFC.

As the transfer payment expense in finance reflected as revenue in OEFC, the amount is eliminated on consolidation of the province's accounts. It therefore has no fiscal impact. So you're seeing a lot of moving around of numbers to accommodate accounting needs.

I don't know if Gadi's here. Gadi, maybe you can give a better—

**Mr. Gadi Mayman:** No, that's a full answer.

**Hon. Dwight Duncan:** That is a full answer.

You have to be careful how you use select numbers out of a document of a couple of hundred pages. By the way, I read that from the page you've got in front of you.

**Mr. Peter Tabuns:** It's not in the one that I have in front of me.

**Hon. Dwight Duncan:** Page 103: You'll see it. It's circled in red.

**Mr. Peter Tabuns:** The one that's given to us, Minister, doesn't have all that detail.

**Hon. Dwight Duncan:** Okay, well, now you have it.

**Mr. Peter Tabuns:** I would be very happy to have your copy.

**Hon. Dwight Duncan:** I'm sure you would, but there you go.

**Mr. Peter Tabuns:** So if I understand what you've said, more money was earned by OPG than was expected. The money was flowed through to the OEFC. Was that extra revenue used to reduce the stranded debt? Since I don't have your documentation in the plebeian copy that I have—

**Hon. Dwight Duncan:** I would prefer to refer you to the province's financial statements where we consolidate the actual income associated. We did pay down stranded debt that year, I think a billion dollars. Is that correct, Gadi?

**Mr. Gadi Mayman:** It's \$1.1 billion.

**Hon. Dwight Duncan:** So \$1.1 billion was paid down. I think that's the fourth year in a row we've paid down stranded debt. Interestingly, the previous government put the debt retirement charge in place in 1999. That's when that money started coming off people's bills, but they never used it to pay down debt. The debt went up and up and up. So beginning in I think 2004 or 2005, we began putting that money towards that.

Also, I'll ask Gadi—I'm going to start getting off of an area that I know well. OPG, like others, with this big fund they have for nuclear decommissioning, saw some losses, as I recall, associated—where's Gadi?—

**Mr. Peter Tabuns:** You might as well join us.

**Hon. Dwight Duncan:** —with market changes, with the money that's invested. Is that accurate, Gadi?

**Mr. Gadi Mayman:** Yes.

**The Chair (Mr. Garfield Dunlop):** You've got three minutes here, guys. Gadi, go ahead, please.

**Mr. Gadi Mayman:** Gadi Mayman, CEO of the Ontario Financing Authority and also CEO of the Ontario Electricity Financial Corp., as that corporation actually has no staff and is managed by the OFA.

The minister is absolutely right. What happens is, it's an accounting issue. OPG, in conjunction with the province, has a fund set aside called the Ontario nuclear fund, and that fund is in place to provide for the decommissioning of nuclear reactors and the used fuel that comes from nuclear reactors at that time. That fund is about \$10 billion in size. Decommissioning nuclear reactors, as you know, is expensive, and these funds are set aside. In some ways, it's like a pension fund with one or two pensioners that will not retire for a long time, but when they do, there will be a big expense attached to them.

Those funds are invested by, I believe—my recollection is that about 18 different external fund managers manage that money. Those funds, as did every fund in 2008-09, lost a lot of money. It actually made it back in 2009-10.

So we have an interesting situation where unrealized gains and losses are recorded on OPG's books. The province doesn't use that form of accounting. Under PSAB accounting, public sector accounting, we're allowed to only look at realized gains and losses. The justification for that is that this is a fund where we're not going to actually use the money for 20 or 30 years. Why do the volatility up and down?

Interestingly, in fiscal 2008-09 the fund lost just over \$1 billion. In fiscal 2009-10 the fund made just over \$1 billion. So if you'd fallen asleep two years ago and you looked at the fund's record, you would think that—I think the difference was about \$5 million. On OPG's books, on the other hand, one year they had a billion-dollar loss; the next year they had a billion-dollar gain.

What we did, with the province's accounting, was take all that out and only recognize the realized gains and losses, so that really smoothed it out.

But it does make for some very interesting ins and outs. It makes it actually more confusing, as the minister was referring to, when you look at the estimates for OEFC, because of the accounting ins and outs that take place.

**Hon. Dwight Duncan:** If I might just respond a little bit more to that: This whole issue of PSAB rules and so on is something that finance ministers across the country are concerned about. This is a good example, I think, of how rules that are designed to improve transparency and accountability, in my view, don't do that. The one thing you learn as finance minister—and I think my colleagues of all political stripes from across the country would attest to this—is that accountants rule the world. These rules can be complex and, at times, challenging.

**The Chair (Mr. Garfield Dunlop):** Okay, that concludes your time, Mr. Tabuns.

We'll now go for the final round today. It's 14 minutes for the government members. We'll have the vote right after this too.

**Ms. Leeanna Pendergast:** Minister, I had the privilege this morning in my riding, in the small township of Wellesley, to be part of the announcement for the proposed Ontario energy and property tax credit. I must say, Minister, that seniors were very enthusiastic and very pleased to hear this proposed tax credit.

I'd like to follow up on that, though, Minister. My question about seniors is really quite straightforward. On behalf of the seniors in Wellesley and across Ontario, I'm wondering what the government is doing to support our seniors. It's a pretty broad question, but—

**Hon. Dwight Duncan:** For good reason: There's a broad range of programs and services that we are providing as well, some of which we're very proud of, and that, quite frankly, I don't think we've spent enough time informing people about.

For instance, for 2010 and subsequent years, we have doubled the maximum amount of the Ontario senior homeowners' property tax grant to \$500. As you know, today we announced another expansion of that. Over the next five years, that grant alone will provide \$1 billion in property tax relief to more than 600,000 low- to middle-income seniors within their own homes.

The 2010 budget also proposes reforms for locked-in accounts to give seniors and other Ontarians more flexibility in accessing funds in those accounts.

The government is addressing the short-term economic challenges that pension plans are facing, while moving forward with long-term reforms to strengthen the

pension system for Ontarians. We talked a lot about that earlier on this afternoon.

Our government will strengthen the accountability of home care services among service providers and community care access centres throughout the province.

In addition, we're introducing new quality measures that will strengthen the way community care access centres make arrangements for home care services, provide information and referrals to community-related services, and authorize admission to long-term-care homes.

Beginning in 2009, through the Ontario Health Quality Council, the government has publicly reported for the first time on quality of care in long-term-care homes in the form of resident health outcomes and satisfaction.

Those are just a sample of the sorts of things we do with and for our senior citizens.

Today's announcement is especially important, and we've had a very good response to it right across the province. I know that a number of our colleagues were in their hometowns today, meeting with seniors and explaining to them that new tax credit.

1740

**Ms. Leeanna Pendergast:** I have another pretty straightforward question on the HST and jobs, but before I ask the question, I'd like to read—I carry this quote with me, Minister, and if I could share the quote with you, maybe you can clarify for me the question I have subsequent to this. It's a quote from the Canadian Centre for Policy Alternatives. They say that the Ontario government's HST plan is "virtually revenue-neutral when viewed as part of a total tax package that includes increased sales and property tax credits and a significant decrease in personal income tax rates."

Minister, do most economists agree that switching to the HST will in fact create jobs?

**Hon. Dwight Duncan:** Yes. I wish there were more economists living in Ontario to help us get that message out. In fact, 21 of the leading national economists in Canada have spoken to that. So there's overwhelming support among economists, the chamber of commerce, anti-poverty groups.

You can understand the trepidation people have with the HST: They will be paying on some services that they didn't pay on before. But we've been very careful to reduce their tax burden in other places to help them accommodate that. Some of the more recent examples that are kind of fresh in mind, quite apart from the personal tax cuts we've provided, the small business tax cuts, the corporate tax cuts: Today's announcement is designed in part to help seniors and others with their energy bills; the special program for children's sports and recreation; the education tax credit that we've provided is another example, and that again is designed to help people who are suddenly paying HST on things that they didn't before.

We'll continue to try to get our message out and help people understand why these economists so strongly urge not just this government but every government before us since the GST was brought in in Canada that this is absolutely the right thing to do.

The one I like to quote most is Professor Jack Mintz, who used to be at the University of Toronto and is now at the University of Calgary. He was the Conservative Party's expert witness at pre-budget hearings the year before we brought in the HST. They called him on their behalf to speak about what he thought should be done, and of course his number one recommendation for building more jobs in Ontario and a brighter future was in fact to harmonize our sales tax.

We went beyond what most other provinces have done. For instance, we cut the personal tax rate on the first bracket. We're now the lowest rate for the first \$37,000 of income, and I think the HST rebate we're providing is the most generous in the country.

There has been a lot of this, but people still have trouble seeing that, and we've got to just keep driving that message home and helping them understand why the manufacturing sector supported this, the forestry supported this, the Ontario Chamber of Commerce supported this, anti-poverty groups like the one you quoted—the 25 in 5 coalition—and a whole range of others supported this. I believe that, over time, Ontarians will make the adjustment to the system and see the wisdom in why we did it and why such a diverse group of interests were able to support it as strongly as they did.

**Ms. Leeanna Pendergast:** I'd like to switch to OLG as the next topic. I'm wondering what the OLG is doing for local economies in the province. Could you take a moment and explain that for us, please, and as an addendum to that, perhaps you could explain what the government and the OLG are doing to tackle problem gambling.

**Hon. Dwight Duncan:** Thank you for the opportunity to put this on the record. In the last couple of years the OLG has been plagued with serious problems, and we've moved to address them as we become aware of them. That has quite clearly caused people to be concerned that we're maximizing the revenues that come from OLG.

But let me give you some examples of what you asked about. In 2008-09, the OLG purchased approximately \$46 million worth of goods and services from local and area businesses to support gaming facilities and included approximately 19,000 employees on its payroll, for approximately \$941 million. In 2009-10, the OLG made approximately \$82 million in payments to municipalities that host OLG gaming facilities and \$333 million in payments to Ontario's horseracing industry through the slots at racetracks program.

In terms of the OLG and what we're doing on problem gambling, we take that issue very seriously and we're committed to minimizing the risks associated with problem gambling here in Ontario. We provide approximately \$40 million annually for problem gambling awareness, prevention and treatment programs, and to ensure that such efforts are effective and up to date.

In addition, in partnership with the Responsible Gambling Council, the OLG has introduced responsible gaming centres at all of its gaming facilities. I remember a couple of years ago Sandra Papatello and I had the opportunity to open that facility at the Caesars Windsor operation, which, of course, is in our hometown.

The OLG also provides information and tools to assist in the prevention of problem gambling and to help players make informed decisions about gambling. OLG also manages the website knowyourlimit.ca in support of this important initiative.

**The Chair (Mr. Garfield Dunlop):** Another question?

**Ms. Leeanna Pendergast:** Another question.

**The Chair (Mr. Garfield Dunlop):** Go ahead, yes.

**Ms. Leeanna Pendergast:** Thanks.

I've been waiting for this one for a long time. Minister, when I was in OAC and took economics, the final exam question was, "If you were the Minister of Finance, how would you or your government reduce and eliminate the budget?"

**Interjection:** The deficit.

**Ms. Leeanna Pendergast:** Sorry, the deficit. The budget, we don't want to do that.

I'm in a position now, Minister, to actually ask the question. I could tell you what I wrote on my exam; however, I'd like to hear from you, please, what the government's plan is to reduce and eliminate the deficit.

**The Chair (Mr. Garfield Dunlop):** You've got to do this in about three minutes.

**Hon. Dwight Duncan:** About three minutes, okay.

**The Chair (Mr. Garfield Dunlop):** I'm sure you could do that in three minutes.

**Hon. Dwight Duncan:** We've laid out—Leeanna, you and our colleagues are all part of this process—an eight-year plan to do that. Part of it will be due to growth in the economy. We need the economy to grow. That's how we can continue to improve the services that I think all of us value and recognize as being part of our longer-term economic health—that is, education and health care. So part of it will be growth.

We do have to control expenditures; there's no question about it. We are going to have some very difficult challenges in this country in the next 10 years, probably, if not longer, around health care. The rate of growth in health care expenditure is far exceeding the rate of growth in government revenues and growth in the economy. That poses enormous challenges.

Part of the response to that, by the way, is enhanced retirement income for people so that people can better prepare for their own retirement. One of the things I learned about long-term care with my own mum and dad was that most long-term care in this country is privately delivered; it's not in the public health care system. I don't think a whole lot of us are cognizant of that, on the one hand, and, on the other, preparing for that. Government has to be cognizant of that as well because these are very identifiable problems that are coming at us. The baby boom turns 65 starting January 1 of this coming year, and there are going to be enormous challenges.

It's a combination of doing the right things to encourage growth—job growth, growth in investment in the

economy—along with maintaining what I would call prudent investments. I believe, for instance, that the \$1.5 billion we've invested in full-day learning is very prudent. It's not a frill. It's about an important part of our economy and about growing the economy in the future.

On the other hand, you will see outlined in the budget documents a number of initiatives we have taken to help control the rate of growth and costs, and we'll continue to take those steps.

So it's a combination of encouraging growth in the economy, making sure that every dollar we spend we spend wisely, recognizing that mistakes will be made over time—when you have a \$110-billion budget, in any given year there is waste, and we will be vigilant in finding that, constantly trying to find it—and, again, enhancing the investments in areas that will help improve growth in the economy and hopefully help us get back to balance, as I say, in line with what's being done in other OECD countries.

**The Chair (Mr. Garfield Dunlop):** Okay. You've still got 30 seconds. Do you want to add anything more to that, Minister?

**Hon. Dwight Duncan:** Thank you all very much. It's been a wonderful opportunity.

**The Chair (Mr. Garfield Dunlop):** Thank you very much to the committee members. That concludes our timing. I do have a vote to go through here.

The first vote is vote 1201. Shall vote 1201 carry? It's carried.

Shall vote 1202 carry? It's carried.

Shall vote 1203 carry? It's carried.

Shall vote 1204 carry? Carried.

Shall vote 1208 carry? Carried.

Shall the 2010-11 estimates of the Ministry of Finance carry?

**Mr. Peter Tabuns:** Recorded vote.

#### Ayes

Brownell, McNeely, Pendergast, Rinaldi, Van Bommel.

#### Nays

Norm Miller, Tabuns.

**The Chair (Mr. Garfield Dunlop):** That carries.

Shall I report the 2010-11 estimates of the Ministry of Finance to the House? That's carried.

Thank you very much to the members of the committee and to you, Minister Duncan, and your staff and all the folks at the Ministry of Finance.

That concludes the estimates for the Ministry of Finance. We'll be back here tomorrow for the Ministry of Northern Development and Mines. This meeting is adjourned.

*The committee adjourned at 1750.*

## CONTENTS

Tuesday 28 September 2010

Ministry of Finance .....	E-185
Hon. Dwight Duncan	
Mr. Greg Orenszak	
Mr. Steve Orsini	
Mr. Pat Deutscher	
Mr. Philip Howell	
Mr. Gadi Mayman	

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