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

**Tuesday 3 May 2011**

## **Journal des débats (Hansard)**

**Mardi 3 mai 2011**

**Standing Committee on  
Estimates**

Ministry of Revenue

**Comité permanent des  
budgets des dépenses**

Ministère du Revenu

Chair: Garfield Dunlop  
Clerk: Sylwia Przedziecki

Président : Garfield Dunlop  
Greffière : Sylwia Przedziecki

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 3 May 2011

Mardi 3 mai 2011

*The committee met at 0900 in room 151.*

## MINISTRY OF REVENUE

**The Chair (Mr. Garfield Dunlop):** We have a quorum. Thank you very much, everyone. Good morning. Welcome to the Minister of Revenue and all the staff of the Ministry of Revenue. We are here today for the consideration of the estimates of the Ministry of Revenue for a total of seven and a half hours.

Before we begin, I would like to clarify the role of legislative research with respect to the ministry before the committee today. The research officer is assigned to the committee to support the work of the members of the committee. His or her primary function is to research and prepare briefings, summarize submissions made to the committee, draft reports to the House and, in the case of the estimates committee, help committee members track the questions and issues raised during the review of estimates.

The ministry is required to monitor the proceedings for any questions or issues that the minister undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised so that the ministry can respond accordingly. If you wish, you may, at the end of your appearance, verify the questions and issues being tracked by the research officer.

Any questions before we start on today's proceedings? Okay.

I will now call for vote 3201. We will begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition and the third party. Then the minister will have up to 30 minutes for a reply. The remaining time will be apportioned equally among the three parties. Just to make sure we're clear on this, if you don't use all of your 30 minutes on your second round, we will start immediately into 20-minute rotations for the seven and a half hours.

Minister, you have the full 30 minutes; usually, the ministers use the 30 minutes. We'll go to about 10:15 if it's possible. That would give you 30 minutes, the official opposition 30 minutes and the third party 15 minutes to begin now and then 15 minutes this afternoon. Okay?

**Hon. Sophia Aggelonitis:** Wonderful.

**The Chair (Mr. Garfield Dunlop):** Thank you very much. Minister, you can begin.

**Hon. Sophia Aggelonitis:** Chair, if I could just ask you, will you be able to give me some timing when I'm five minutes out?

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

**Hon. Sophia Aggelonitis:** Wonderful. That would be great. Thank you. I do want to thank also my deputy minister, who's here with me, Steve Orsini, as well as the staff who are here with us.

Chair, thank you for the opportunity to speak with you today. I'm very respectful of the important role that the Ontario legislative committees have in ensuring accountability to the people of Ontario for the management of public funds.

I am proud of the work of the Ministry of Revenue, the work that it does for the people of Ontario. That's why I'm so pleased to have this opportunity to talk with you about the work we have done over the past year, our successes and our future plans for 2011-12.

Our work directly supports the government's tax plan for jobs and growth to ensure Ontario remains competitive, not only within North America but also with other countries around the world. We administer many of the province's tax statutes and a number of benefit and tax credit programs. The revenues we collect through Ontario's tax system provide the necessary revenue to support our public services.

The Ministry of Revenue has had a very busy year improving Ontario's tax system to make the province a better place for Ontarians by implementing the government's new tax reform measures. Ontario's tax plan for jobs and growth and the additional tax measures announced since the 2009 budget will provide tax relief of \$12 billion for people over three years.

When we announced our tax plan measures in 2009, Pat Capponi from the 25 in 5 Network for Poverty Reduction said, "This budget has moved the bar forward on housing, tax credits and child benefits in ways that will make a tangible difference in the lives of Ontarians." John Stapleton, a research associate for the Canadian Centre for Policy Alternatives, also commented about the measures, stating that "when you look at all the benefits, it is clear that the working poor and those with low wages are going to be better off as a result of the budget measures."

The government also released a technical paper in June 2010 showing that Ontario's tax system will be more progressive as a result of our tax plan. Jack Mintz, a

leading economist from the University of Calgary, reviewed this study and said, “This is a carefully done study on the impact of the HST reform on Ontario households ... [which] shows overwhelmingly that Ontario residents will be better off with the reform. Ontarians, especially low-income level, will benefit.”

To help individuals, families and seniors, the government introduced new and enhanced tax credits and benefits as part of our comprehensive tax package. For example, the new Ontario sales tax credit will provide tax relief every year for each eligible adult and child in a family. For 2010, the credit provided tax relief of up to \$260 per person. This benefit, which started in August 2010, is being delivered quarterly, and will provide total sales tax relief of over \$1 billion per year to about 3.1 million Ontario families and individuals. It’s important to remember that \$100 in tax relief is equal to the sales tax paid on \$1,250 worth of goods taxed at 8%.

We also introduced the Ontario energy and property tax credit that is providing over \$1.3 billion in tax relief for Ontarians. Eligible homeowners and tenants can get a tax credit of up to \$900 a year, and senior homeowners and tenants can get a tax credit of up to \$1,025 per year. We doubled the senior homeowners’ property tax grant to help low- to middle-income senior homeowners offset the cost of property taxes. This grant will provide up to \$500 per household. We also provided up to \$1,000 for families or up to \$300 for single people in Ontario sales tax transition benefits.

So what do our tax credits and benefits mean for Ontarians? Well, it means that a family of four living in Ottawa with two children ages two and five years old, and with a combined gross income of \$100,000, could get back \$435 when they file their taxes. It also means that a single young adult earning \$25,000 a year, living in Thunder Bay, could get back \$945. It means that a senior couple who own a home in Toronto, with a combined retirement income of \$35,000, could get back \$2,595.

The 2011 budget provides additional information on the impact of the tax and benefit changes on households. For example, in the first full year of the changes, households will have an overall net savings of \$2.5 billion. In the third year, when the transitional benefit payments are no longer available, Ontario households will save a total of \$530 million.

Households with income under \$90,000, representing over two thirds of Ontario households, will on average be better off as a result of our tax plan. And 86% of senior households will on average have more money in their pockets.

#### **0910**

The government has taken action to help people with their energy bills. In addition to the Ontario northern energy credit and the Ontario energy and property tax credit, our government recently introduced the Ontario clean energy benefit to help Ontarians reduce their electricity bills. This is a 10% benefit to consumers on the total cost of electricity on their bills, including tax, which was effective on January 1, 2011. This benefit will help

over four million residential consumers and over 400,000 small businesses and farmers with the transition to a reliable and cleaner electricity system.

The tax plan for jobs and growth also includes a personal income tax cut, which is providing 93% of Ontario taxpayers with a permanent income tax cut, and more than 90,000 low-income Ontarians are no longer paying personal income tax.

Gail Nyberg, the executive director of the Daily Bread Food Bank, commented on our tax package and the HST, saying, “I congratulate the government on recognizing that you can fight poverty and stimulate the economic scene at the same time.” Michael Oliphant, her colleague at the Daily Bread Food Bank, added that the net impact of our tax package will “actually improve the incomes of low-income Ontarians.”

There continues to be no tax on items like groceries, prescription drugs, municipal transit, GO Transit, prescription glasses, contact lenses, child care and most medical devices. Ontarians are also not paying any additional tax on children’s clothing and footwear, children’s car and booster seats, diapers, feminine hygiene products, qualifying prepared foods and beverages sold for a total of \$4 or less, and printed newspapers and books, including audiobooks.

When it comes to the impact of our tax changes on students, Dr. Robin Boadway, economics chair from Queen’s University, said, “Many of the things students purchase will not be subject to the tax, such as books, apartment rents, food and public transit—so they shouldn’t be ... affected.” In fact, there has been no change in taxes for about 83% of consumer spending. That includes no change on adult clothing, cable TV services, cellphone services, home phone services, house furniture, freezers, refrigerators, sleeping bags, tents, camping supplies, toys, craft supplies, TVs, DVDs, Blu-rays and computers.

In addition to helping families with the new and enhanced credits and benefits, the government is making Ontario a more attractive place for businesses to invest and create jobs. More than 99% of all businesses in Ontario are small and medium-size enterprises. They employ nearly 2.9 million Ontarians and account for \$250 billion in annual economic activity.

Over three years, our plan is providing more than \$4.8 billion in tax relief for businesses. This means that businesses will be able to invest more money in job creation and growth. According to Jack Mintz, who is one of Canada’s leading economists, by 2020 our comprehensive tax package will help create about 600,000 net new jobs, increase capital investment by \$47 billion and raise annual incomes by up to almost 9%, or \$29 billion.

Joseph Loparco, co-president of AGS Automotive Systems and Tiercon, said: “The new tax changes and measures really are sending a very positive message to investors. It’s basically saying Ontario is open for business.”

In addition, two recent studies have provided numerical estimates of investment and job creation in Canada due

to corporate income tax rate cuts. One is a study by Jack Mintz at the University of Calgary, and the other is by Jayson Myers of the Canadian Manufacturers and Exporters association. AGS Automotive Systems and Tiercon are practical examples of what Jack Mintz confirmed in a report on the benefits of our tax changes.

In addition to job creation and investment, our tax changes will create a more competitive economy. Studies have shown that businesses will pass through savings to consumers. Here is what some of the third party experts are saying.

Don Drummond, the former chief economist for TD Economics, predicted in the TD Report that the majority of cost savings would be passed on to consumers in the form of lower prices.

Or you could refer to a recent study by Professor Michael Smart of the University of Toronto, who examined the impact of the HST on consumer prices in Ontario during the first six months of the HST. Professor Smart found that the impact of the HST on consumers declined as businesses passed through savings.

You can find examples of this throughout the province. One is Lafferty's Crossings Men's Wear. Its owner, Tom Lafferty, said that when the HST came into effect, his business was able to bring down its costs to make its prices a little more competitive.

Professor Smart estimated that by December 2010, about two thirds of the savings to businesses from input tax credits had already been passed on to consumers through lower prices, with further savings to come over time.

Len Crispino, president and CEO of the Ontario Chamber of Commerce, says that we only have to look at the experience of the Atlantic provinces, where consumer prices fell after harmonization, and investment rose significantly.

The president of the Ontario Federation of Agriculture, Bette Jean Crews, noted that the agricultural sector could save about \$30 million a year as a result of our comprehensive tax package and the HST.

The bottom line is that when our businesses do well, when they become competitive, they expand and they invest in more and better equipment. That means hiring more people by creating more jobs and better jobs. It means building a stronger economy which supports our valued public services like hospitals and schools. At the end of the day, that's what these changes are all about. We have a choice: We can refuse to fix what is broken or we can create jobs and a more competitive economy.

Brent Kobayashi, president of Kobayashi Online, said, "There are two things that have helped [his company] create jobs. The tax measures and pass-through effects certainly are a big part of that, as well as the rebounding economy." But Mr. Kobayashi didn't stop there. More broadly, he attributed the rebounding economy to the tax measures and pass-through effects as well.

One of the main responsibilities of the Ministry of Revenue is to help Ontarians and businesses understand the tax reform measures. That's why the Ministry of Rev-

enue has conducted more than 1,000 seminars across the province, with more than 20,000 attendees, in conjunction with the Canada Revenue Agency. The Ministry of Revenue has conducted an additional 220 technical presentations to business stakeholders and associations for over 8,000 attendees.

We also raised the bar in terms of innovative and cost-effective ways to communicate to Ontario taxpayers and businesses. This included the use of mobile applications, blogs, and Twitter accounts. We also maintained an interactive and informative website, [ontario.ca/taxchange](http://ontario.ca/taxchange), which has had more than 5.7 million unique page views since our campaign launched.

#### 0920

In March, the ministry launched an online tax credit calculator, which will allow individuals to estimate the potential tax savings from the government's new and enhanced tax credits.

Our outreach activities provided valuable feedback on specific aspects of the tax package and on communications efforts.

If we want Ontario to remain strong, we need to be competitive. We need to attract more investment and jobs. We know that we need a strong province to face the global economy. The good news is, Ontario is turning the corner to a better tomorrow. Jobs are coming back, and the economy is improving.

Here in Ontario, we've recovered more than 90% of jobs lost during the recession. At the end of March, the United States had recovered 17% of the jobs that it lost, and the United Kingdom, almost 44%. The 2011 Ontario budget forecasts 480,000 net new jobs by 2014.

We're turning the corner because of our tax plan for jobs and growth. Tax reform is one part of the Open Ontario plan to build a stronger economy that is creating new jobs, good jobs, while protecting services like health care and education that are valued by Ontarians.

The estimate of additional new jobs in Ontario, which was made by Mintz in one of his reports, is already being realized. Here are just some of the recent jobs we have helped create and support:

—Max Aicher North America of Hamilton is creating 300 new, good jobs;

—L-3 Wescam of Burlington is expanding the next generation of aerospace systems, creating 375 jobs;

—The Ford Essex engine plant in Windsor is implementing new manufacturing processes, creating over 750 jobs; and

—Roxul Inc. in Milton has created 100 new jobs at their Milton facility.

We also partnered with numerous companies in April to help create new jobs and support existing positions. Christie Digital Systems Canada in Kitchener is creating 50 new jobs and supporting 53 existing positions by developing new digital projection technologies. Warren Industries Ltd. in Concord, an auto parts manufacturer, is creating 66 new jobs and protecting 20 existing positions. Best Theratronics is creating 100 new jobs in Ottawa by improving existing product lines and developing new

technologies in the manufacturing of medical equipment. Horizon Plastics International Inc. in Cobourg is creating up to 350 new jobs.

These are just a few examples of the companies that we've partnered with. There are many more in places like Fort Erie, Mississauga, Greenstone and Huron county, to name a few.

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

**Hon. Sophia Aggelonitis:** Thank you.

It's not just our tax changes that are making our province more competitive. Our Open for Business initiative is creating faster, smarter and more streamlined government services for Ontarians. As of March 31, 2011, the Ministry of Revenue successfully met its commitment by reducing our regulatory burdens by more than 28%, which is well above the original target assigned to the ministry.

The process was labour-intensive. Ministry subject matter experts reviewed policy documents, manuals, publications, website information, forms and agreements to reduce our regulatory burdens. I am very proud of the ministry's strong commitment to and success in this initiative.

Another important initiative in the Ministry of Revenue is our focus on reducing the availability of illegal tobacco. On April 21, I had the privilege of bringing forward an important piece of legislation called the Supporting Smoke-Free Ontario by Reducing Contraband Tobacco Act, 2011. If passed, this act will help protect our youth from the dangers of cheap, illegal tobacco. Our job as parents and leaders is to do everything we can to prevent our kids from smoking. Low-cost cigarettes are a gateway for young people to take up smoking or to start again if they have already quit.

The National Coalition Against Contraband Tobacco believes that Ontario has taken a positive step towards combating the enormous problem of contraband tobacco. In fact, smoking kills 13,000 people a year in Ontario. This is an alarming number and cause for significant concern.

Our government is taking action. We've moved to build on the successes of the Smoke-Free Ontario Act. When it comes to illegal tobacco, we've made considerable progress.

Dr. Lynne Thurling, president of the College of Physicians and Surgeons of Ontario, said the college "welcomes the government's enhanced commitment to smoking cessation in Ontario and to reducing the supply of illegal tobacco across the province.... We congratulate the government on this important initiative."

In six of the last eight years, we have introduced measures to reduce the availability of illegal tobacco in Ontario. We listened carefully to our stakeholders and partners who share our concern and commitment to address this complex problem.

If Bill 186 is passed, our legislation would do five key things. One, it would transfer the responsibility for licensing raw-leaf tobacco from the Ontario Flue-Cured

Tobacco Growers' Marketing Board to the Ministry of Revenue, and it would now license raw-leaf tobacco importers to ensure that there's a level playing field for all raw-leaf tobacco suppliers. Second, for the first time, it would require fine-cut tobacco to be marked for better enforcement. Third, if we passed Bill 186, we would authorize police to seize illegal tobacco in plain view. Fourth, we would set a new fine structure to reflect possession of smaller amounts of contraband tobacco. Lastly, we would strengthen our government-to-government relations with First Nations.

Michael Perley of the Ontario Campaign for Action on Tobacco said that fines are a step forward in deterring individuals who want to buy illegal smokes.

This legislation is an important step. The proposed measure will move us closer to our goal of a smoke-free Ontario. Our kids are counting on us.

The president of the Ontario Medical Association, Dr. Mark MacLeod, said, "Today's announcement is another important step in the ongoing fight against tobacco. Keeping illegal cigarettes out of our children's hands is a good thing."

I believe these measures are the right ones at the right time and will make a real difference.

The 2011 Ontario budget proposes a number of measures that will affect the Ministry of Revenue and the work that we do. The proposed measures support the government's transformational agenda, including initiatives to promote greater efficiency and effectiveness. Ultimately, these initiatives will result in improved customer service and greater efficiency. The budget highlighted significant benefits gained in the past from such measures as changes to corporate and sales tax administration.

The budget announced new opportunities to reduce overlap and duplication, which include:

- working collaboratively with other ministries towards a more coordinated and centralized collection function;

- providing support to other ministries, including the use of the Ministry of Revenue's automatic risk assessment tool to support their compliance efforts;

- providing forensic data recovery and forensic accounting services to other ministries and the broader public sector; and

- working with other ministries to investigate changes to further improve benefits and program delivery.

The 2011 Ontario budget also announced the proposed Ontario Trillium benefit, which would be combining payments of several refundable tax credits and delivering them on a monthly basis, starting in July 2012, to help low- to moderate-income families and single people better manage their household budgets.

I am very excited about what the future holds for this ministry. We are an important link between government policy and Ontarians, and we appreciate the importance of good administration in making sure government policy delivers its intended results.

I would like to conclude by thanking all the committee members for their time and for the thorough look that they have taken at the Ministry of Revenue this year. Thank you very much, Chair.

**0930**

**The Chair (Mr. Garfield Dunlop):** Thank you very much, Minister. You had about three minutes left over.

**Hon. Sophia Aggelonitis:** Should I keep talking?

**The Chair (Mr. Garfield Dunlop):** If you want to, you can.

**Hon. Sophia Aggelonitis:** I think that's good. Thank you very much, Chair.

**The Chair (Mr. Garfield Dunlop):** That orange tie over there is just scaring me. It's just so bright.

*Interjections.*

**The Chair (Mr. Garfield Dunlop):** Okay, thank you, Minister.

We'll now go to the official opposition. Mr. O'Toole, you have up to 30 minutes. You can make a 30-minute speech or you can ask questions, whatever you'd like.

**Mr. John O'Toole:** Thank you very much, Chair. Thank you, Minister, as well. I think, respectfully, you read the speech flawlessly, and I thank your staff for preparing such a thorough accounting of where you think you've been and where you think you're going.

It's my duty here today, filling in for Lisa MacLeod, to give you a framework of where we're coming from. We feel the changes made in 2010 with the initiation by your government requesting that this harmonized sales tax go forward and the \$4-billion-plus that was loaned to you to transition this is an admission that it is going to take money directly out of consumers' pockets. We understand that the whole tax policy is switching to consumption-based taxing as opposed to income-based taxing for a lot of reasons—to be competitive with other jurisdictions around the world. We see the input tax credit, as has been described by Jack Mintz and others, as probably the right sort of policy; it's the implementation that we find difficult.

Premier McGuinty has admitted to the public that this new arrangement of collecting tax from consumers is about \$3 billion per point, which means it's a drag on the economy in the interim, until this is put in place firmly and some of these so-called reductions in price flow through to offset the increased cost, which may not materialize. Mr. Mintz and others have written on that as well, that it's maybe not coming through as quickly.

This new \$3 billion per point: I want the government members—soon to be opposition members—to watch very carefully. This is coming directly out of seniors' and average families' pockets, and the reason for all these benefits—the Ontario Trillium benefit, the clean energy credit and all those things you mentioned—is an admission that the McGuinty government went too far too fast, taxing everything you could get your hands on. So that's an admission. You went too far.

It's not permanent. It's going to get you through the election, maybe, or at least your hope is. It also doesn't

give you 10% on the whole energy bill; it gives you 10% of part of the bill. That needs to be straightened out.

I see this government reeling under tremendous, staggering debt. Even if you look at some of the risk assumptions in the budget itself, we're in a climate now of low interest to stimulate spending. That spending is debt, because most people have the highest level of debt individually and collectively in the province. When we look at the future, with the amount of money being flushed into the economy, that's super inflation in the future. All of that \$3 trillion in the States is eventually going to hit the economy, cause increased demand; increased demand causes inflation; inflation causes interest to go up, because interest always has to exceed inflation. Those fundamentals—and even Mintz and those people realize that is super inflation.

The debt in Ontario has doubled. That's thanks to McGuinty's spending. The deficit is the highest ever: \$16-billion-plus annually. We're already crowding out spending on services by the cost of the debt that we're carrying. Most of what I'm saying here is a framework to having you answer a few questions.

I see my colleague, the actual critic—

**Ms. Lisa MacLeod:** You're pretty good.

**Mr. John O'Toole:** She's not that critical, but she is critical.

**Ms. Lisa MacLeod:** But you're good at criticizing.

**Mr. John O'Toole:** Yes; well, I'm good at observing what the realities are.

What we need to see here is really some truthfulness or transparency, not just the blah-blah the staff have written for you. We need to know how much revenue you have collected on HST from July 2010. Nothing fancy, just how much revenue so far.

Also, in that climate, you must have modelled the data prior to the implementation. What's the number? What are the commodities? What are the exemptions and your estimates on what your forecast revenues are in a normal budget or fiscal year? That's the first question.

In that, I'm going to pass the subsequent detailed examinations to my colleague Lisa MacLeod because—

**The Chair (Mr. Garfield Dunlop):** Are you looking for an answer from the minister right now?

**Mr. John O'Toole:** I don't expect to get one, but I have put it on the table. With that, Minister—

**The Chair (Mr. Garfield Dunlop):** Would you like to answer that question at this point? I'm just trying to make sure we don't get into a brawl here.

**Mr. John O'Toole:** That's good. No, no; no brawls required.

**The Chair (Mr. Garfield Dunlop):** You can answer that question, Minister.

**Hon. Sophia Aggelonitis:** First, let me just say how much respect I have for the honourable John O'Toole. Thank you very much for that question.

When you ask what's in it for families: \$12 billion is going to families. In fact, when we talk about the \$12 billion that's going into—

**Mr. John O'Toole:** What I'm asking is, what are they paying? Maybe they might get some back, but clearly now, what is the anticipated revenue, not your expenditure decisions to the benefits, the Trillium benefit, all these refunds and that? How much are you going to collect in one year on HST, the new revenue source, total?

**Hon. Sophia Aggelonitis:** All the money that is collected from the HST as of July 1, you would know that for the next three years consumers will benefit from \$12 billion—

**Ms. Lisa MacLeod:** Minister, I think he was very clear. I'm going to ask you again: How much HST have you collected to date since July 1, 2010? Can you give me a number?

**Hon. Sophia Aggelonitis:** Again, for the honourable member, I wanted to make sure that she understands that every HST revenue that comes in will be back to the people of Ontario—

**Ms. Lisa MacLeod:** We understand. What we want to know is, what is that number? I will request through the Chair that we get that information from the minister. I would also like to know what your projections were for the first year insofar as you're not telling us how much HST you've collected in the last year, but we want to know what you expected you were going to take in. We know from budget sources that previously it was \$3.5 billion. Does that stand?

**Hon. Sophia Aggelonitis:** Again, as the member could see, we do have our estimates here and the deputy will go through that, but all the money that comes in—

**Ms. Lisa MacLeod:** I have asked you to remember, Minister, that you're accountable to this committee, so we're asking for a number.

**The Chair (Mr. Garfield Dunlop):** Okay, hold on a second. Does the deputy have that number available?

**Mr. Steve Orsini:** Let me just respond, briefly, in a number of ways. First of all, the budget does include forecasted HST revenues, and if you go back—

**Ms. Lisa MacLeod:** And what's the number?

**Mr. Steve Orsini:** We can refer to that. All the revenue forecasts really belong in the domain of the Ministry of Finance—

**Ms. Lisa MacLeod:** But it's in your hands right now, so why don't you open it up and let us know?

**Mr. Steve Orsini:** I will find the reference page and refer to that, if you give me a moment.

The other point I want to refer to—it was in the minister's remarks, and I think this is Mr. O'Toole's question: What does it mean to families? What does it mean to individuals at certain income levels?

Back in June 2010, the government—

**Ms. Lisa MacLeod:** Okay. I understand. I know that everybody wants to dodge answering my question, Chair. The reality is, we're asking something very simple. We want to know how much HST has been collected to date. We want to know what this government has projected. They're clearly not giving us the answer. I'd like to, respectfully, request that information through you before the end of these proceedings.

We have questions that are very serious. I've asked you for numbers. You've given me a lot of words, and that's what we—

**The Chair (Mr. Garfield Dunlop):** Excuse me a second. Will you be able to provide those numbers?

**Ms. Lisa MacLeod:** On the record.

**Mr. Steve Orsini:** I can give a budget page reference. Page 183 shows Ontario's revenue outlook, and it shows the 2010-11 interim number and then the planned 2011-12, 2012-13 and 2013-14.

**Ms. Lisa MacLeod:** And what does that say? Let's get us some numbers.

**Mr. Steve Orsini:** Okay. For sales tax for 2010-11—it's the interim number—\$19 billion.

**Ms. Lisa MacLeod:** So you took in \$19 billion?

**Mr. Steve Orsini:** The fiscal year 2010-11.

**Ms. Lisa MacLeod:** Okay.

The question that I have—and there's a series of them. If you can't get me these answers for this morning, I would appreciate it if I could have them in the afternoon. I'd like to know what the average senior in Ontario pays in HST. I'd like to know if you have collected HST off of tobacco and how much that is, how much you have collected off of gasoline, and how much you have collected off of hydro bills.

Are you prepared to answer those questions at this point in time, or can I get that information this afternoon?

**Mr. Steve Orsini:** That is something we'll have to refer to the Ministry of Finance. The costing of different elements of the HST system is a Ministry of Finance responsibility.

**0940**

**Ms. Lisa MacLeod:** Could you provide me with those answers this afternoon when we reconvene?

**Mr. Steve Orsini:** I don't know if I can commit to the end of today, but it's something we will follow up on.

**Ms. Lisa MacLeod:** Okay. So, again, how much HST does the average Ontario senior pay, and how much are they collecting off of tobacco, gasoline and hydro bills?

In the same vein, I would like to know how much hydro bills have increased in Ontario as a result of the HST. Like everybody else in this room who actually gets a hydro bill, I see it has popped up on two different line items on my bill, obviously through my hydro but also through the debt retirement charge. If I could have that answer, I would appreciate it.

Another question I have is, what item or product has increased the taxes collected the most thanks to the HST? What item are you receiving more money from? For example, I recently had my cat at the vet, and we were paying \$113 in the HST. I had an experience at my own church on Sunday where one of the members of our congregation was telling me about home care and how it's becoming unaffordable for her family as a result of the HST. I'd like to know, what is that item that is actually generating the most money for government as a result of the HST? Are you prepared with that number today?

**Hon. Sophia Aggelonitis:** What we have for the member at this moment is that we know that 83% of

things would not see any tax changes. We know that 17% would see some changes. We have tried to make sure that Ontarians are aware of that by providing an advertisement that went to households to make sure that people could be aware of the 83% that saw no change and the 17% that did see some change—

**Ms. Lisa MacLeod:** Of the 17% that has seen more change, do you know which product has increased the revenues of the government thanks to the HST?

**Hon. Sophia Aggelonitis:** At this moment, what I can say is that we have a list of examples of the 17%, which we can bring to the member.

**Ms. Lisa MacLeod:** That would be great. And then if we could be more precise in exactly which items actually—is it hydro? Is it gasoline? Is it other big-ticket items that right now we're not aware of that are actually costing Ontario taxpayers more as a result of the HST?

I think it's really important—and I'd really appreciate this answer—that we find out the amount of HST collected since July 1, 2010. It's critical that this committee and the Ontario public are aware of that.

Going back to the hydro bills, can you tell me how much revenue has been generated from the HST on the increase in hydro rates that took effect yesterday?

**Hon. Sophia Aggelonitis:** I could ask the deputy to give us a fuller explanation, but what I can say about the hydro costs, electricity costs, for Ontarians is that we have tried to help homeowners by providing the Ontario clean energy benefit, as well as the property and energy tax credit, as well as a northern credit for hydro costs.

We know that hydro costs will be increasing. We are changing to a more reliable hydro system. We want to make sure that the lights are turned on when Ontarians are home, and we will make sure that we keep the lights on, having a renewable energy source.

**Ms. Lisa MacLeod:** I appreciate that. That was sort of an answer I'd expect from the energy minister.

But from you, I would like to know how much additional revenue you're expecting from hydro bills and the increases that have occurred. Because we've had a series of hydro increases, I think it's really important that your ministry would have those projections so that we can inform Ontario families and seniors that their hydro bill is going up and a certain amount is going into the provincial treasury. I'm a bit concerned that either the government is not aware of what that increase is going to be on the HST or they're not going to share it with the public. Please tell me it's neither, that you're actually going to tell me today how much extra money the McGuinty Liberal government is taking in in revenues as a result of the HST on these hydro increases.

**Hon. Sophia Aggelonitis:** Thank you for the question. I will ask the deputy to fill in on the exacts, but again, when it comes to electricity costs, we are looking at increases—in fact, increases all over the world. We want to make sure that we're making key investments in our electricity system. What's important is that Ontarians are depending on a reliable electricity system, and it's

important for our government to make those key investments.

Deputy, do you want to add to that?

**Mr. Steve Orsini:** On the forecasting of individual amounts, I repeat, we'll have to follow up with the Ministry of Finance. These projections that the Ministry of Finance prepares are looking at total consumer spending. If one area goes up and another goes down—consumers sometimes adjust to different price signals with more energy efficiency. It's something that may not, based on a forecast, come to fruition, but it's something where we'll need to take your question and follow up in terms of what is available in terms of estimating those amounts.

**Ms. Lisa MacLeod:** Deputy, you'd have to agree with my concern here, and you just said it: Some will increase; others may decrease. In the cost of hydro, we've now seen a dramatic increase, and I think you have to agree that you're adjusting that price and therefore you're adjusting the revenue based on the HST on that product. So I think it's important that a government that's going to raise hydro rates, and on top of that the HST, would understand what the implication is with the HST.

I guess what I'm getting at is, how much more money is the Ontario government collecting as a result of these hydro increases? I think that's a very important question to ask this government. I think it's a very important point that the revenue ministry should be analyzing as a result of this. It is more revenues for the government.

The question we have is, how much is that? I guess I'm now being referred again to the finance minister?

**Mr. Steve Orsini:** Economic forecasts of what's occurring in the economy are the purview of the Minister of Finance, but we can endeavour to follow up on those questions.

**Ms. Lisa MacLeod:** I have a series of questions. I would have expected that this ministry would have come forward today with actual numbers rather than political jargon and spin and discussion points. I think it's really important that what we have been asking for in the official opposition are hard numbers. We want to know how much the HST is costing Ontario families, seniors and small businesses as a result of tobacco, hydro, other costs like gasoline and anything else. I'm a little disappointed that we don't have the numbers that we had expected in this analysis.

So I guess I go back to the minister and I ask, how much more revenue do you expect to collect from the HST on hydro bills than you did when you brought in the HST last year?

**Hon. Sophia Aggelonitis:** Thank you to the member for the question. I think it's really important that she did speak about seniors. In my opening remarks, 86% of senior households will be better off with the implementation of the comprehensive tax package. We know that \$12 billion are going back into the hands of the people of Ontario. We've made a significant change here. It is a comprehensive tax package which includes the HST. We have been listening to and hearing comments from third

parties, including Jack Mintz, Michael Smart and other economists like Don Drummond.

We believe, with the help of the federal government, with the \$4-billion-plus that has come to the province for transitional benefits to the people of Ontario—it's all about building a stronger economy, and we believe that we're on the right path. We've seen significant changes in the economy. One of the things we've seen is that nine out of 10 Ontarians are getting a permanent income tax cut. We know that 90,000 low-income people no longer pay personal income tax. We also know that Ontario has the lowest provincial tax rate in Canada for the first \$37,000 in income.

Along with the HST transition benefit cheques, we have additional tax credits for people, including the Ontario sales tax credit, which is permanent, the Ontario energy and property tax credit, the seniors' homeowner property tax grant, the children's activity tax credit—

**Ms. Lisa MacLeod:** Minister, again, I had asked a very specific question on how much and I wanted a number. I don't want to cut you off, but I had a very specific question. I actually have 13 very specific questions on 13 very specific numbers I was looking for, and I still haven't received a number to date, with the exception of something that was already in the budget for 2010 and 2011, which was that the HST was going to bring in \$19 billion, almost \$20 billion, to the McGuinty Liberal government.

**0950**

So I guess, if we want to talk very simply, I have a question: Do you have a ministry briefing on the HST on the effects it has had on our economy, on individual families and seniors, and the impact it has on your government, and will you table it here today?

**The Chair (Mr. Garfield Dunlop):** Can I just interject for a second? I want to make sure—these questions that the member has asked on specific things like tobacco and hydro etc., are they going to be available to her, that that information will come back to her in some kind of an answer?

**Mr. Steve Orsini:** The forecasting of HST revenues, the forecasting on different elements, has been done to date by the Ministry of Finance. Whether that information's available, I can't confirm right now, but it's something we'll follow up on as requested by—

**The Chair (Mr. Garfield Dunlop):** Okay. I think it would be nice—just between our legislative research—if we could get some of those specifics, maybe this afternoon or at the next meeting, if it's at all possible. I think she has a lot of revenue questions, what kind of revenues have been created—

**Mr. Bob Delaney:** Chair, just on a point of order with regard to what you've been saying: I understand the concern of the member but the minister and her staff are being asked to presume the outcome of a year of experience that hasn't closed. Just to reiterate, the Ministry of Finance will appear before estimates in this round, at which point all of these questions can be addressed.

**The Chair (Mr. Garfield Dunlop):** I thought they were revenue questions.

**Ms. Lisa MacLeod:** Thanks very much, Chair. Actually, they were revenue questions and I did ask another question: if I could have that ministry briefing on the HST and if it could be made available. Is that possible?

**Hon. Sophia Aggelonitis:** I do have my remarks that I shared with the committee at 9 o'clock. I would be very happy to share that with the member.

**Ms. Lisa MacLeod:** So the briefing that the Ministry of Finance and your own ministry officials gave you was your remarks? That's the only briefing you've ever received on the HST?

**Hon. Sophia Aggelonitis:** In fact, my speech, I think, was pretty thorough and I'd be happy to share it with the member.

**Ms. Lisa MacLeod:** Minister, I don't think that's what I'm asking for. I'm asking for projections. I'm actually asking for collections. I'm asking for details on specific questions. I understand you've made comments about the Daily Bread Food Bank, you've talked about Jack Mintz, you've talked about Michael Smart. I want to know what your briefing book says about the HST and I'd like to know if you would like to share with us any of your ministry issue notes or memos that helped make your decision and the previous minister's decision to implement the HST. I think that's very important.

Also, I think it's very important, if you have any details on how much you've collected on the HST, that those documents could be available to the Ontario public.

**Hon. Sophia Aggelonitis:** I think that the member is aware that all our records are open and transparent to the Ontario public. If there are specific things that the member is looking at—I know those 13 questions—we know that the Minister of Finance will be here to answer those questions. In the meantime, if there's a specific document that the member is looking for, most of our documents are published through the budget.

**Ms. Lisa MacLeod:** I guess the question is that I've now asked 14 questions about how much the HST has cost Ontario families, how much HST has been collected in general and on certain products and services, and I've not received that. I think the question Ontario families have is, why are you not being transparent with this and why haven't you released any documents the ministry has showing how much HST you've collected, whether that's on hydro bills or gasoline?

You're trying to split hairs and so is the parliamentary assistant in trying to say let's pass this off to the Ministry of Finance. The Ministry of Revenue put forward this HST bill. In addition to that, the Ministry of Revenue actually collects the revenue for the province of Ontario. So I want to know from the Minister of Revenue how much revenue you have collected as a result of the HST on the products I've listed, the services I've listed, and how much of an impact that has on Ontario families. I don't appreciate, nor does the Ontario public, receiving

the run-around and the lack of transparency in the request of documents that aren't going to be forthcoming.

**Hon. Sophia Aggelonitis:** I think the member is aware that we do have results-based estimates in front of her and all the members of this committee. We have all along said that the comprehensive tax package is really about many elements, but it's all about making sure we create jobs for Ontarians. We know that there are some tax changes to some items: 17% of the items have gone up. But overall, we have information for the member. We are open and transparent.

The other question is, in regard to whether or not families have seen savings, Michael Smart from the University of Toronto has created a document that specifically says that there are savings that are passed through by business.

Deputy, do you have anything to add?

**Mr. Steve Orsini:** It might help just to go through a couple of documents that have been released by the government. In June 2010, it looked at all the changes impacting households. That was June 2010.

The 2011 Ontario budget updated those numbers and shows what it means by income level. People's purchasing patterns vary, and what the Ministry of Finance has done is roll up all the changes. So of the 17% in additional sales tax they're paying—because the expanded base has included that 17% of additional spending—plus the tax cuts, plus the pass-through, what does it mean to household incomes, the net change? That's all included in the 2011 Ontario budget—and I can refer that to you—which does disclose in pretty significant detail what it means to average household income levels.

**Ms. Lisa MacLeod:** Well, Deputy, with all due respect, a year ago we were told that Jack Mintz was going to create—that you were going to create 600,000 jobs as a result of the HST, and that all prices would go down. By all accounts, everything has seemed to increase. So I'm going to take that with a grain of salt because I actually know what's happening through the people who actually elect me and who I talk to, particularly when we've been back from our break week. They're telling me that it's becoming very hard to make ends meet in this province because of that tax.

Since you've not given me any concrete numbers, which I've requested, and I've now asked you for your ministry issue notes and the memos that helped your government make the decision to implement the HST, I would like to know, as my last question on this round: Will you release those documents before the election, yes or no? If yes, when will you release them? If no, why not?

**Mr. Steve Orsini:** About five or six major government documents have been released, providing more detail on any tax change that I've ever been familiar with—

**Ms. Lisa MacLeod:** With respect, Deputy, I was asking the minister. I'd like to know—and this is actually a political question—are you going to release to the public the briefing notes, the ministerial issue notes and any memos that you or your predecessor may have received

to implement this HST, yes or no? It's a question of transparency.

**Hon. Sophia Aggelonitis:** I thank the member for the question. Like the deputy did say, there are a number of reports that we would be happy to make sure that the member has a copy of. But, Mr. Chair and members of the committee, at the end of the day we have seen one of the worst recessions that we have seen in 80 years. We are prepared to change—

**Ms. Lisa MacLeod:** You're taking in 19 extra billion dollars.

**Hon. Sophia Aggelonitis:** We're making sure that we're going to help Ontarians. That's why we have \$12 billion that is going back to Ontarians, and also \$4 billion to businesses. It's about making sure that life is easier for Ontarians, and that's why we're changing our tax package.

**Ms. Lisa MacLeod:** I'll look forward to all the information that I requested earlier this morning. Thank you.

**The Chair (Mr. Garfield Dunlop):** We'll now go to the third party for 15 minutes. Mr. Tabuns.

**Mr. Peter Tabuns:** Thank you, Minister, for being here this morning. One question I have for you is about tax avoidance in the construction sector and the black market. This came up during the pre-budget consultations; it was a concern of the homebuilders who spoke to us in this committee room.

Can you tell me if you have an estimate of the scale of tax avoidance because of people operating under the table and what actions you're taking to deal with it?

1000

**Hon. Sophia Aggelonitis:** That's a great question. Thank you very much, Mr. Tabuns.

When it comes to the underground economy, it is a very serious issue. It's an issue that we at the Ministry of Revenue are working very hard on with our inspectors and enforcement officers. But even more so, we're also working with the Canada Revenue Agency. It's going to require all of us working on this together, including the people of Ontario, because it's something that is not—frankly, we have to work together to make sure that we solve this.

**Mr. Peter Tabuns:** Can you give me an estimate of the scale of tax avoidance?

**Hon. Sophia Aggelonitis:** I wish I could give you an estimate, but I can't give you an estimate.

**Mr. Peter Tabuns:** There's no economist who has done an estimate?

**Hon. Sophia Aggelonitis:** What I can tell you is that the Ministry of Revenue is working with the CRA. It's important that we work at not only finding out what is happening out there, but being able to combat it as well.

**Mr. Peter Tabuns:** How do you know it's a serious problem if you don't have an estimate of the size of the revenue we're losing?

**Hon. Sophia Aggelonitis:** I can ask my deputy to answer in regards to the estimates, but what we know is that this has to be a multi-jurisdictional issue that has to be solved with us as well as the CRA.

**Mr. Steve Orsini:** The CRA is aware of issues where people have a claim that there is an underground economy. That is a key priority with them. I've had a chance to talk to the CRA commissioner. It's an area that we're working on with them, and because of the complexity in the multiple levels of government and agencies, it's one that will take a number of initiatives over time to try to manage and deal with this tax leakage within the system.

We don't have a firm estimate. It's a question of how many initiatives we can put in place to have it reduced as much as possible.

**Mr. Peter Tabuns:** Well, if you don't have a firm estimate, I'll take your ballpark estimate. Is there any documentation estimating the value of this tax leakage?

**Mr. Steve Orsini:** We work with the CRA. We don't have an estimate; we work with the CRA to address areas where—and part of our risk assessment. We have very elaborate models that try to identify areas that we have to focus on in terms of our audit investigations. So it's more like, investigate those areas where we think it's a greater problem, and that's what we work with the CRA on.

**Mr. Peter Tabuns:** I have to say it's very strange to me, because I've seen estimates of the size of the illegal drug market. I'm assuming that there are economists out there who look at areas where revenue is being lost to governments and who develop models that allow you to get a sense of the scale. Are we talking \$1 million a year or \$1 billion a year? If it's \$1 million or \$1 billion, very different resources are allocated to dealing with the problem. So I have to say first off that I'm very surprised that you don't have an estimate, and apparently you haven't done a Google search to see if any economist has developed an estimate.

Can you tell us, then, on this problem of unknown size, what sort of resources you've allocated from your ministry to assess it and to come to grips with it—resources in terms of full-time equivalents assigned, cost of their salaries and results expected in the next few years?

**Mr. Steve Orsini:** Our estimates include a number of different functions within the Ministry of Revenue that deal with audit and operations. We have desk auditors, field auditors, and they do a number of things in terms of assessing, inspecting to ensure broad-based compliance.

How do you define "underground economy"? If someone is not reporting their full amount of tax, is that underground economy or not? If someone is not reporting sales, is that underground economy or not? Or is someone auditing a return and saying, "You know what? They miscalculated the amount"?

Ensuring greater compliance is the objective. Whether it's intentional or by inadvertent miscalculations, the Ministry of Revenue is focused on ensuring full compliance as much as possible.

**Hon. Sophia Aggelonitis:** The other thing, Mr. Tabuns, is what we all know is that the underground economy hurts all Ontarians. Some of the ways that we are working with CRA, as well as other ministries like the Ministry of Labour—three things: We're working on developing strategies to address the underground econ-

omy activities, we're sharing information to assist in targeting potential noncompliant taxpayers and we're collaborating on innovative audit techniques. It is a priority for our government, and that's why we have to continue working with all levels.

**Mr. Peter Tabuns:** Those answers are not as specific as I would like, so I'll go back. When the homebuilders were here speaking in the pre-budget consultations, they said there was huge pressure for cash-only deals and that the HST had exacerbated the problem and was making it far more difficult for legitimate contractors who actually charged taxes for the work that they did, so I'm assuming this is a noticeable issue. When I've talked to contractors in my riding, they say that they have a problem competing with those who operate on a cash-only basis. So I'm assuming that Aecon or PCL are operating on a legit basis, and probably the problem areas are smaller-income generators. Still, it's an issue in terms of fairness in bidding and fairness for those who are willing to operate by the rules.

You tell me you're developing strategies. Can you tell us the top two strategies that you're developing and what the content of those is?

**Mr. Steve Orsini:** The one that the minister referred to is one that we think has a lot of promise and opportunity, and that's cross-appointments with other organizations that might be out in the field. So we would cross-appoint someone in the Ministry of Labour or WSIB looking at issues in the workplace payroll with the Ministry of Revenue that looks at the employer health tax. They're looking at similar things with a different perspective. We're running a pilot project there. That has huge opportunities in terms of having more people in the field looking for people who, for whatever reason, are not reporting or not disclosing the full amount of the tax owing.

The other one is the CRA. In talking to the commissioner of the CRA, it's an agreement that it's an important area, that we need to redouble our efforts, and the idea is to look at new technologies in terms of computer technologies to help better investigate opportunities to find, disclose and follow up on potential areas of investigation. So we believe that's another important area to work on.

**Mr. Peter Tabuns:** So do you have a person who's charged with overseeing this area—coming back to you, Minister—with plans to move forward on dealing with it, and if so, who is that person?

**Hon. Sophia Aggelonitis:** Go ahead.

**Mr. Steve Orsini:** We have someone who's the lead for compliance in general, so an ADM responsible for compliance. A key role for them is to ensure that all areas, whether it's the so-called underground economy or not, or failure to report or whatever we're calling it—to ensure the highest compliance possible. And then with the CRA, we have another ADM responsible for building partnerships.

So we have two people, among others, who really are charged with the responsibility to build those partner-

ships and develop those compliance tools and mechanisms to ensure that we collect our fair share of revenue, and that is an important objective for the Ministry of Revenue: ensuring that people pay their fair share.

**Mr. Peter Tabuns:** What portion of the time of those two teams is devoted to dealing with the underground economy?

**Mr. Steve Orsini:** It would be difficult right now to give you an estimate. We know that there's a whole group of auditors, and their job is to audit-investigate. As I said, whether or not you call it an underground economy, that would be difficult to ascertain, but it's something that we could follow up on and explore, to see whether or not you can pinpoint to a specific person a per cent of their time. Compliance is a full-time job for the vast majority of people in the Ministry of Revenue. It's compliance that we focus on, whether it's deemed to be an underground economy or not.

**Mr. Peter Tabuns:** I'd like to ask the minister, then, if she would come back and provide us with an outline of the scale of staff and resources assigned to dealing with the underground economy, because if you've got two people working for the Ontario public service dealing with the underground economy, I don't think that's an adequate application of resources.

**Hon. Sophia Aggelonitis:** As the deputy said, this is an issue that requires the skills that we have in the Ministry of Revenue, especially with our ADM and his whole team. There are a number of auditors and very good people who work in the Ministry of Revenue who have their fingers on the pulse of not only the underground economy but of course on compliance and making sure that taxpayers are paying taxes.

We will make sure to get you the information you've requested.

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

**The Chair (Mr. Garfield Dunlop):** You have about three minutes in this 15-minute period.

**Mr. Peter Tabuns:** It was going so well, Chair.

The savings from the HST: When I had the opportunity to chat with your predecessor in this format a year ago, we were looking at where most of the savings were going from the HST, and it was primarily in the construction and development industries. As you may be aware, Minister, there don't appear to be any deep discounts in houses out there. Can you tell us, from your department, where the savings are showing up from the HST in the construction and development industries?

**Hon. Sophia Aggelonitis:** Of course. I thank the member for that question. We have embarked on probably one of the most comprehensive tax packages in the province in decades. What we know is that we're creating an economy that is working not only for businesses but also for people.

If you look at the study that was recently published by Professor Smart from the University of Toronto—and his paper was peer-reviewed—we know that there are savings that are passed through to consumers in a number of different areas. But most importantly, that gave us a snap-

shot of six months of the HST being implemented. We know that it is also six months—but if we look at some of the savings that have happened in the Atlantic provinces, we know that we are on the right track. We have seen increased business investment, and we also continue to see investment in our people in Ontario.

**Mr. Peter Tabuns:** I know my time is short. Can I ask you to table that report for the benefit of the committee?

**Hon. Sophia Aggelonitis:** I will.

**Mr. Peter Tabuns:** Since we get to resume later today, I would like to see what you have in terms of real numbers in reduction of costs of housing and construction that come from the HST.

**Hon. Sophia Aggelonitis:** I'll look forward to the afternoon.

**The Chair (Mr. Garfield Dunlop):** That concludes the time this morning. I want to thank the minister and all the staff from the Ministry of Revenue for being here. With that, we'll recess until 3:45 or right after routine proceedings.

*The committee recessed from 1013 to 1608.*

**The Chair (Mr. Garfield Dunlop):** I call the meeting back to order. When we recessed, the third party had 15 minutes of their 30-minute rotation. Mr. Tabuns, you can continue on for the next 15 minutes, then we'll go to the minister for the next 30 minutes, okay?

**Mr. Peter Tabuns:** Thank you, Mr. Chair. Minister, when you were making your presentation you talked about Lafferty menswear and the savings they were able to provide. Can you give us details on how much they were able to reduce their prices as compared to the increase in costs people pay for the HST?

**Hon. Sophia Aggelonitis:** That's a great question, Mr. Tabuns.

**Mr. Peter Tabuns:** I liked it.

**Hon. Sophia Aggelonitis:** I had the pleasure of visiting Mr. Lafferty. I don't have those exacts but what I can tell you is that he has offered a testimonial—it is on our website—as with a number of business leaders who have put testimonials on our website to share their cost savings with the HST and the savings on to consumers.

**Mr. Peter Tabuns:** So let's be clear about Lafferty's. It's a retail operation?

**Hon. Sophia Aggelonitis:** It's a men's store.

**Mr. Peter Tabuns:** He sells suits.

**Hon. Sophia Aggelonitis:** Yes.

**Mr. Peter Tabuns:** And where are the suits, shirts and ties made?

**Hon. Sophia Aggelonitis:** I would have to ask him, but they're very nice suits.

**Mr. Peter Tabuns:** I have no doubt of that.

If you add HST—no, you wouldn't, would you, on those? They were already getting GST and PST on them.

**Hon. Sophia Aggelonitis:** What I can share with you is, when you look at the tax savings for a retailer—and again, we do have that on our website. If we were to look at Ontario's tax plan for jobs and growth, the booklet that we have here, on page 17—and I can bring this over to you—it shows that in 2009 the sales tax, corporate in-

come tax and the embedded sales tax would equal about \$7,560 for a typical retailer. What we have seen as of July 1 is a reduction of 66%. That's up to \$2,600. That's a typical retailer.

**Mr. Peter Tabuns:** Okay.

You have a car.

**Hon. Sophia Aggelonitis:** I do.

**Mr. Peter Tabuns:** And you've bought gas recently.

**Hon. Sophia Aggelonitis:** I have.

**Mr. Peter Tabuns:** The oil that was used to make that gas, very little of it is actually produced in Ontario. Let's say it came from Alberta. That oil wouldn't have been—there would have been no HST on it, so there is no potential for a reduction in the cost of that oil, and that oil is traded on world markets, so the price reflects what the market will bear, and there's a huge amount of demand these days.

There are refineries that would process that oil and make gasoline. In the course of that, of course, those refineries would have costs that they would have to deal with. Can you tell us how much the price of gasoline has been affected by the implementation of the HST?

**Hon. Sophia Aggelonitis:** For that figure, I probably would not at this moment be able to give you the exact figure. It's hard to estimate the spending of one specific sector. We see it as a whole package of the spending per consumer. But when we talk about gas prices—and you're right. I did fill up my gas tank and it was a lot higher than it was last month, but those issues, when it comes to gas, of course have to do with crude oil prices in the Middle East and north Africa.

**Mr. Peter Tabuns:** Yes, absolutely.

**Hon. Sophia Aggelonitis:** Those are the things that we do know.

**Mr. Peter Tabuns:** I'll just guess that half the cost of a litre of gasoline is from the oil that it's made from, and there would be no savings because that oil is produced and sold on the world market. There might be a savings on the other half, and yet we're taxed on the full litre. So I don't see where we would be getting the savings that the government has been claiming.

**Hon. Sophia Aggelonitis:** I will ask my deputy if there's anything he could add to that.

**Mr. Steve Orsini:** There's a number of savings that business will benefit from. One is the elimination of the capital tax. This is a tax on the financial. There's the cut in the corporate income tax. There's also the removal of sales tax on their inputs. The actual benefit for a sector would be dependent on what inputs they were buying and what was taxable before. Some purchases weren't taxable and some were under the old sales tax system. It really depends on their configuration and what they manufacture or don't manufacture and sell. It's hard, as the minister mentioned, to sort of single out one piece in a very complex, dynamic modelling-type environment.

The question is, can we isolate by sector the totality of their benefits of the three measures—input tax credits, corporate income tax cuts and the capital tax elimination—and that's something that the government has done and published.

**Mr. Peter Tabuns:** I'd argue that the cost of much of what we buy goes to materials or goods that are imported and that those base costs aren't reduced by the removal of the HST from those business operations—gasoline, for instance, or natural gas that heats our home, come from Alberta. About half the cost of my gas bill is distribution and the other half is the raw material. That raw material is not going to have its price reduced. I look at the price of gasoline and I don't see that, in fact, the HST has reduced that cost. There are very few costs to pass along. What it has done is raise the cost of living for those who utilize gasoline for commuting.

I would be very interested in having you file a study, if you have it, of the impact on things like home heating or gasoline and the HST. Do you have such a study?

**Hon. Sophia Aggelonitis:** What I can tell you, Mr. Tabuns, is that the Ministry of Revenue has records, of course, of how we administer the tax. But if you would like estimates and forecasts of that specific nature, that would be through the Minister of Finance, and I know he's coming here later.

**Mr. Peter Tabuns:** I'm looking forward to that. But in your opening speech you went on at length about the government's policies and the impact and so on. When you do that, I assume that you'll be defending that whole package. If your opening remarks had just been about the operations of your department, I could have understood you limiting it, but I assume the notes that you were provided with went on at length about the larger policy issues.

**Hon. Sophia Aggelonitis:** That's because I'm really excited about the tax package.

**Mr. Peter Tabuns:** I'm very glad that you're very excited about the tax package. As a Minister of Revenue that's probably the proper thing to be. But if you start introducing those broader things we will ask broader questions and expect them to be answered.

As I was going through here, you noted that you've done work with First Nations on contraband tobacco. Can you tell us whom your ministry has met with, what issues have been discussed and what the outcomes have been?

**Hon. Sophia Aggelonitis:** What I'd like to start by saying is that our relationship with First Nations on so many issues has been collaborative. We have partnerships with a number of First Nations leaders, elected council members; we have someone in our ministry who works very closely with them, not only in the Ministry of Revenue but also in the Ministry of Aboriginal Affairs. Minister Bentley has those relationships, and we continue to foster them.

When it comes to contraband tobacco—and I know that you're aware of the proposed legislation—we have been working with First Nations on an ongoing basis, and we continue to open those partnerships to look at agreements where we, as the Ministry of Revenue, and First Nations can work together. When it comes to contraband tobacco, I think we all are on the same page. We want to make sure we get contraband tobacco out of the hands of our young people. We know that they are spending lunch

money buying contraband tobacco because it is cheap. It's a responsibility not only for us in our communities but also for First Nations.

**Mr. Peter Tabuns:** I appreciate that, and the sentiment makes sense to me, but which First Nations have you been meeting with? How frequently do you meet? Are the contexts large workshops or one-to-one? Can you give us more detail than your general direction and concern?

**Hon. Sophia Aggelonitis:** Sure. I can tell you that I personally have met with Chief Montour. We've had some very good discussions, especially on the key issues for First Nations. I could get you some more information on our ministry and whom we have met. Deputy, do you have anything to add to that?

**Mr. Steve Orsini:** Maybe a couple of additional points to add. There have been a number of First Nations groups that have expressed an interest in working with the Ministry of Revenue. This year alone, we've been able to sign an additional five agreements with them on the cigarette allocation retail agreement, where band councils play a role in determining eligible retailers on a reserve for the cigarette allocation formula.

One of the things they've also asked—and this is your point: What have they raised? They really want a greater opportunity to engage with the government on solutions. One of the things that the minister does not have the authority to do is to enter into agreements. One of the things that Bill 186 proposes to bring forward is to give the minister the authority to share information and enter agreements, which would really open up the more meaningful, broad-based consultations that First Nations have been asking for.

**Mr. Peter Tabuns:** These agreements around contraband that you've signed: What impact did they have on reducing the problem?

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**Mr. Steve Orsini:** These agreements play an important role in determining who is a retailer on a reserve, and it does ensure that there is some oversight on whether—the retailer might have shut down. We don't, as a ministry, want to issue a cigarette allocation to a business that doesn't operate. Keeping that list up to date is an important part of ensuring a more robust cigarette allocation formula. That's only one of many, many things that the ministry could do in working with First Nations. Until those authorities are approved, the ministry is limited on what future agreements the government may want to enter into with First Nations.

**Mr. Peter Tabuns:** With the agreements that you've signed around determining who is a current vendor and who is not, has that had any impact whatsoever on the sale of tobacco?

**Mr. Steve Orsini:** It does ensure that there is a retailer on a reserve authorized to receive the cigarette allocation. As you know, the province does provide a certain amount of cigarettes to be distributed on reserve for First Nations purposes. One of the things that the ministry looks for is

that the band council play a role in monitoring that retailer.

What the ministry has been doing, independent of that, is ensuring that we do have the effective mechanisms in place to ensure that contraband—that, across the system, we have effective ways of curtailing that activity. Over the last three years, the ministry has been successful in seizing 150 million illegal cigarettes. Those effective tools complement other things that the government may be doing, working with all stakeholders, including the CRA and local police, collaborating on ways to deal with contraband.

**The Chair (Mr. Garfield Dunlop):** You have about a minute left, by the way, in this round.

**Mr. Peter Tabuns:** I'll pass on the minute.

**The Chair (Mr. Garfield Dunlop):** Thank you very much to the third party.

Minister, you now have 30 minutes to make any responses to what was mentioned here this morning.

**Hon. Sophia Aggelonitis:** Great. Will you be able to tell me when I'm close?

**The Chair (Mr. Garfield Dunlop):** Oh, yes. I'll keep an eye on it. It's my job.

**Hon. Sophia Aggelonitis:** Great. Okay.

I first want to thank you, Chair. I'm really glad to be back.

I do want to make some comments and respond to some of the questions that were raised this morning, specifically on the HST and how it relates to families and seniors—the question about how open and transparent the government is on the impact of the HST in our tax package.

We have had a number of reports that have been published that show these tax changes, by third parties, leading economists and, of course, the Ministry of Finance. We have been also very clear that the price of some items would increase, but we've also provided, I believe, a full, balanced picture of the impact of all of our tax changes.

We want to make sure that we get on record in Hansard the facts on how the government has been transparent. What I'd like to do, if I could, is read into Hansard a table that is in our 2011 Ontario budget. I do have some information that I'd like to pass the committee, if I can do that through the clerk.

The table that I'd like to read into Hansard is a table that is on page 251. It's table 2, and it presents the average savings or cost to Ontario households by income range. In the first full year of the HST, households with incomes up to \$300,000 will, on average, have an overall net savings. In the third year, when the transitional benefit is no longer available, households with income under \$90,000, which represent about two thirds of households in Ontario, will, on average, have a net savings. In both years, the net savings generally decline as incomes rise.

Looking at the chart, if we look at annual incomes between \$4,000 and \$20,000, which represent about 12% of households, the net cost of the HST on that income

earner is \$225, but the total tax relief for someone in that income bracket is \$730, for a net savings of \$510.

If we take the next annual income, which is between \$20,000 and \$30,000—that represents about 10% of households—the net cost of the HST is \$290. The total relief, though, is \$970. The net savings would be \$680.

If the annual income of a person in Ontario is between \$30,000 and \$40,000—that represents about 10% of households—the net cost of the HST would be \$360. The total relief for that person would be \$1,115, and the net savings would be \$755.

If the annual income is between \$40,000 and \$50,000, which represents 9% of households, the net cost of the HST would be \$420. The total relief, though, would be \$1,135. The net savings for that would be \$715.

Annual income between \$50,000 and \$60,000: For the first year, the HST would cost that individual \$480. The total relief, though, would be \$1,130, for a net savings of \$650.

For an annual income between \$60,000 and \$70,000, the net cost for the HST would be \$530, but the net relief—the total relief, in fact—would be \$1,130. The net savings would be \$595. That's in the first year.

Savings for someone with an annual income of \$70,000 to \$80,000: The net cost of the HST in year one would be \$580. The total relief would be \$1,160. The net savings for someone making \$70,000 to \$80,000 would be \$580. That's a net savings.

If annual income is between \$80,000 and \$90,000, the net cost of the HST would be \$630, the total relief would be \$1,170 and the net savings would be \$545 in year one.

If the annual income is between \$90,000 and \$100,000, the net cost of the HST would be \$685, the total relief would be \$1,210, and the net savings for that income earner would be \$520.

If your annual income is between \$100,000 and \$125,000, the net cost of the HST in year one would be \$760, the total relief would be \$1,290, and the net savings would be \$530.

If we look at year three, if the annual income per household is \$4,000 to \$20,000, the HST net cost to that household would be \$195, the total relief for that household would be \$455 and in three years, the net savings would be \$260.

In year three, if the annual income per household is between \$20,000 and \$30,000, the HST would have a net cost of \$250 and the total relief would be \$620, for a net savings of \$370.

If the annual income per household is \$30,000 to \$40,000, in year three the HST would cost \$320, the total relief would be \$690 and the net savings would be \$370.

If annual income is between \$40,000 and \$50,000 per household, the HST would cost \$380—that's year three. Total relief would be \$680, and net savings would be \$300.

#### 1630

If the annual income is between \$50,000 and \$60,000, in year three the HST would cost that household \$435, total relief is \$640, and the net savings would be \$205.

If the annual income is between \$60,000 and \$70,000, in year three the HST would cost \$480, the total relief would be \$605, and the net savings would be \$125.

If the annual income rises to \$70,000 to \$80,000, in year three the HST would cost \$530, with a total relief of \$605, and a net savings of \$80.

If the annual income is \$80,000 to \$90,000, in year three the total amount for the HST would be \$570, the total relief would be \$605, and the net savings would be \$35.

If the annual income is \$90,000 to \$100,000, in year three the HST would be \$640, the total relief would be \$625, but the net cost would be \$15.

We know that the higher the incomes are, that would change, as far as the cost of the HST.

Like I said, we have open and transparent records. We've got a number of publications from third parties, from the Ministry of Finance, that are available to the people of Ontario. We're happy to get these charts out to anyone who needs to see them. We want to make sure that they know that they are available.

One of the responses this morning—Mr. Tabuns asked a question in regard to the tax relief to businesses. There is a table that has been published twice. The last time it was published was by the Ministry of Finance in January 2010. That was in Ontario's Long-Term Report on the Economy. I'd like to pass a copy to the members, if I could, through the clerk. This table on page 59 shows that almost all sectors of Ontario's economy will see substantial tax savings from the HST combined with the permanent tax cuts. When fully implemented, businesses will save almost \$4.5 billion a year from replacing the RST with the HST, \$2.4 billion annually from the CIT cuts and nearly \$1.6 billion a year from eliminating the capital tax.

I would like to read this chart into the record. I think it's extremely important to show how a lot of sectors are benefiting from the tax package.

The first sector I'd like to talk about is the agricultural sector. Under the HST, they would save \$30 million annually; the corporate income tax savings would be \$15 million; and the capital tax would be small, but the total net savings for the agricultural sector is \$45 million.

The forestry, fishing and hunting sector, under the HST, would save \$15 million; corporate income tax and capital tax would be small, but the total net savings for the forestry, fishing and hunting sector would be \$15 million.

Mining, utilities, oil and gas, under the HST, would save \$105 million; the corporate income tax would see a savings of \$110 million; with the capital tax, they would see another \$100 million; and the total would be \$315 million.

When we look at the construction sector, under the HST they would see savings of \$2.3 billion; corporate income tax, \$120 million; capital tax, \$40 million, for a net savings of \$2.4 billion.

Under the HST, manufacturers would save \$510 million; corporate income tax, \$405 million; capital tax, \$305 million, for a total net savings of \$1.2 billion.

The wholesale trade sector, under the HST, would see a savings of \$440 million; the corporate income tax would see \$245 million in savings, and the capital tax would see about \$100 million in annual savings. So the total net savings for the wholesale trade sector would be \$785 million.

When it comes to the retail trade, under the HST the savings would be \$265 million; corporate income tax, \$100 million; capital tax, \$55 million, for a total net savings of \$420 million.

Transportation and warehousing: Under the HST, they would see savings of \$500 million; corporate income tax, \$60 million; capital tax, \$35 million, and the total net savings would be \$595 million.

The information and cultural industries: Under the HST, they would see savings of \$565 million; the corporate income tax, \$80 million; capital tax, \$85 million; the total net savings, \$730 million.

The financial services, except insurance: They will pay more with the HST—in fact, \$900 million—but they will also benefit from corporate income taxes, \$535 million, and capital taxes, \$520 million, to see a net savings of \$155 million.

For insurance, it's basically a wash.

Real estate: They would be paying \$20 million, but they would benefit from corporate income tax, \$135 million, and capital tax, \$75 million, for a net savings of \$190 million.

The renting and leasing sector: Under the HST, they would see a savings of \$105 million; corporate income tax, \$25 million; capital tax, \$40 million, for a total net savings of \$170 million.

Professional, scientific and technical services: Under the HST, they would see a savings of \$395 million; corporate income tax, \$270 million; capital tax, \$120 million, and the total net savings for the professional, scientific and technical services sector would be \$785 million.

Other services, except public administration: Under the HST, they would see a savings of \$280 million; the corporate income tax, \$170 million; the capital tax, \$75 million, and the total net savings for other services except public administration would be \$525 million.

So the savings in this chart regarding the tax relief by business sector would be, for the HST, \$4.4 billion; corporate income taxes, \$2.4 billion; capital tax, \$1.5 billion, for a total of \$8.4 billion.

That's a chart that we have published twice. Like I said, the Ministry of Finance published it the last time in January 2010. I think it's important that we have this available to us not only here at this committee—it will be on Hansard, and we do have these records and this information on our website at the Ministry of Revenue.

**1640**

We spoke this morning of case studies of families. There are, in fact, a couple of case studies that I wanted to share with you. One case study is a family of four with two children aged two and five who, say, live in the great city of Ottawa: two income earners with a combined

gross income of \$100,000. They could get back \$435. A single adult earning \$25,000 living in Thunder Bay could get back \$945. A senior couple who owns their home in Toronto and have a combined retirement income of \$35,000 could get back \$2,595. A family of five with three children aged eight, 10 and 14, living in Goderich and earning a total family income of \$60,000 could get back \$585.

We also spoke this morning about the clean energy benefit. The clean energy benefit is providing more relief on the provincial portion of our hydro bills; the provincial portion, of course, is the 8%. We are offering for five years a 10% discount called the new Ontario clean energy benefit, which is retroactive to January 1 of this year.

Those are just a couple of things that I wanted to put into the record from this morning.

The other thing I'd like to mention is—I would like to read for the record and put in Hansard an open letter that was sent to Ontarians and British Columbians. It was a letter that was dated June 15, 2010, and it reads, Toronto, Ontario, June 15, 2010:

“Effective July 1 ... in Ontario and British Columbia retail sales tax ... will be replaced with a value-added tax ... and combined with the federal goods and services tax (GST) to create a federally administered harmonized sales tax (HST).

“We,” the undersigned, “strongly support implementation of the HST as we believe it will promote investment, jobs, and higher wages. With more than 140 countries and four other provinces having adopted a VAT, the HST will elevate provincial competitiveness. Currently, the RST is charged on a broad range of inputs purchased by businesses to manufacture products and provide services. This tax becomes embedded in the cost of goods at each stage of the production, distribution and retail processes. The result is a compounding of the tax that is ultimately paid by consumers through higher prices.

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

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

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

“The HST will enhance competitiveness, encourage new investment and create jobs. It represents sound public policy.”

Those signatories include Craig Alexander, the senior vice-president and chief economist, TD Bank Financial Group; Sam Boutziouvis, vice-president, economics and international trade, Canadian Council of Chief Executives; Derek Burleton, associate vice-president and director of economic analysis, TD Bank Financial Group; Mel Cappe, president, Institute for Research on Public Policy; John Chant, professor emeritus, department of economics, Simon Fraser University; Dr. Sherry Cooper, executive vice-president and global economic strategist, BMO Financial Group, and chief economist, BMO Capital Markets; Len Crispino, president and chief executive officer, Ontario Chamber of Commerce; the Honourable John Manley, president and chief executive officer, Canadian Council of Chief Executives; Roger Martin, dean of the Rotman School of Management, University of Toronto; Earl Sweet, managing director and senior economist, BMO Capital Markets; L.R. Wilson, chairman, CAE Inc., and chancellor, McMaster University; Craig Wright, chief economist, RBC Financial Group; Dr. Brian Lee Crowley, managing director, Macdonald-Laurier Institute; David Dodge, senior adviser, Bennett Jones LLP, and former governor of the Bank of Canada; Don Drummond, economics adviser, TD Bank Financial Group; Dr. Anne Golden, president and CEO of the Conference Board of Canada; Glen Hodgson, senior vice-president and chief economist, Conference Board of Canada; Finn Poschmann, vice-president of research, C.D. Howe Institute.

Mr. Chair, I wanted to make sure that that was in Hansard. I think the information that they have provided, the letter of support, is important for all of us to make sure we're aware of.

The other thing I would like to conclude—

**The Chair (Mr. Garfield Dunlop):** You have about five minutes left, Minister.

**Hon. Sophia Aggelonitis:** One minute?

**The Chair (Mr. Garfield Dunlop):** Five minutes.

**Hon. Sophia Aggelonitis:** Oh, good. The last thing—

**The Chair (Mr. Garfield Dunlop):** You're doing a good job.

**Hon. Sophia Aggelonitis:** Thanks.

The last thing I'd like to include in my report is some of the information that we have already compiled on new jobs that have been created. We know that Jack Mintz, one of Canada's leading economists, has said that in the next 10 years, with the implementation of the comprehensive tax package, we would see an estimated 600,000 additional new jobs, we would see increased capital investment of \$47 billion, and we would see increased overall annual worker incomes of up to almost 9%.

We are turning the corner when it comes to jobs, and some of those jobs that have come our way in Ontario—very exciting—are:

—Max Aicher North America in Hamilton created 300 new, good jobs;

—L-3 Wescam of Burlington is expanding the next generation of aerospace systems, creating 375 jobs;

—Sandvine of Waterloo: The business is developing network solutions, creating 75 jobs;

—The Ford Essex engine plant in Windsor is implementing new manufacturing processes, creating over 750 jobs;

—Roxul in Milton has created 100 new jobs at their Milton facility;

—Ferrero Canada, a new state-of-the-art confectionary manufacturing facility, is creating 40 new jobs;

—OpenText in Waterloo, Richmond Hill and Ottawa: The business is developing new, innovative digital media products while creating 400 new, good jobs.

In addition to that, in April we partnered with a number of companies that are getting ready to hire, and they include Christie Digital Systems Canada in Kitchener. They're creating 50 new jobs and supporting 53 existing positions by developing new digital projection technologies. There's Warren Industries Ltd. in Concord. They're an auto parts manufacturer. They're creating 66 new jobs and protecting 20 existing jobs. Silfab Ontario Inc. in Mississauga is a new solar manufacturing plant. They're creating 71 new jobs in Mississauga and will employ up to 200 people once at full capacity. Digital Extremes in London is developing a 3-D evolution game empire, creating 30 new jobs and protecting 53 existing jobs. Integran Technologies in Toronto is creating 20 new jobs, while supporting 29 existing positions by developing leading-edge metal coating technologies. Pratt and Whitney Canada in Mississauga, a world leader in the aerospace industry, is creating 80 new jobs in Mississauga. Kellogg Canada in Belleville is creating 40 new jobs and is planning a new cereal production line in Belleville. Lastly, Mr. Chair, Eagle Feather Aviation Inc. in Sault Ste. Marie is creating up to five new jobs.

**1650**

Those are just some examples for the committee of new jobs that are coming to our province and also jobs that are being protected. I leave you with that.

Thanks, Chair.

**The Chair (Mr. Garfield Dunlop):** You've still got a minute and six seconds.

**Hon. Sophia Aggelonitis:** Another minute and six seconds? I'll pass on that. Thank you.

**The Chair (Mr. Garfield Dunlop):** Thanks very much, Minister. That concludes the 30-minute rotation.

Now we will go to the official opposition. We'll begin 20 minutes with Ms. MacLeod.

**Ms. Lisa MacLeod:** That was utterly disappointing, that you chose to use 30 minutes to read a letter to the editor, two documents prepared for the public in a budget and another chart.

It's frustrating. I asked about 16 questions this morning—specific questions—with respect to the revenues that the HST brought in. You decided you were going to refer me instead to the Ministry of Finance. You then took the opportunity this afternoon to discuss economic development numbers from their estimates, yet you can't talk about your own.

You're the Minister of Revenue, right? If you are the Minister of Revenue, you should be able to discuss revenues to the government. That's why I have a series of questions that I don't believe were answered.

I didn't ask for third party documents. I could bring you all the third party documentation I need or anyone here would need from across the province from people who have concerns about the HST and how much it's costing them. I didn't ask for that.

I asked for your internal documents. I asked for your internal documents with respect to memos or issue notes that helped make your decision and your predecessor's decision to advance the HST. I expect that to be forthcoming because that's what I asked for this morning.

In addition to that, I asked for two other sets of documents. One was projections on the HST, what you thought you were going to receive from the public, who would be paying this tax. The second is how much HST your department of revenue, of which you are minister, would collect in revenues from the HST, things like tobacco, gasoline and hydro. I further asked you about, when the hydro rates go up, how much more HST you would be expecting to receive from the public.

Do you have any of those answers now that we've had the better part of a day to leave this room and to reconvene after having me ask you, as revenue minister—of all of the revenues that come into your government about your revenue ministry?

**Hon. Sophia Aggelonitis:** Well, I thank you for that comment. I would respectfully disagree. I think reading into the official, permanent record charts and annual costs or savings for household incomes, when it comes to the HST, is important—

**Ms. Lisa MacLeod:** Minister, you have to come clean—

**Hon. Sophia Aggelonitis:** I think people really—

**Ms. Lisa MacLeod:** I'm going to ask the Chair if you can ask her to answer my questions. I asked them this morning. I would have expected that they would have been able to get that information to me. My first question is, how much HST has the McGuinty Liberal government collected off of taxes?

**The Chair (Mr. Garfield Dunlop):** We have a list of the questions you've asked, and legislative research is going to work with the ministry to try to get those answers. Now, I don't think all of those were guaranteed today.

**Ms. Lisa MacLeod:** I thought they were guaranteed for this afternoon; that was my understanding.

**The Chair (Mr. Garfield Dunlop):** I wasn't under that impression. I think the deputy said "as soon as possible." I don't think he guaranteed them, did you?

**Mr. Steve Orsini:** Just a couple of points, if I may. One is, the Ministry of Finance prepares the forecast and estimates on revenues from the HST and from economic analysis. As the minister mentioned, it's a complicated set of consumption patterns that people engage in. They all change and move around, and you have to look at it as

a complete package, which is what the household impacts show—

**Ms. Lisa MacLeod:** Are you suggesting that it's too complex for the opposition?

*Interjection.*

**Ms. Lisa MacLeod:** I guess I'm getting a little frustrated that the Minister of Revenue came in to talk about economic development numbers and read letters to the editor that were published in community newspapers and other papers across the province and elsewhere in the country. She's given me a budget document—I'm perfectly capable of reading that myself. The question I have, Chair, is, why can't this minister answer the questions on revenue? She is the Minister of Revenue, and I asked for specific projections. If she's not prepared or if they're afraid to table the documentation, I need to know. I'm here to do a job. The official opposition expects answers.

**The Chair (Mr. Garfield Dunlop):** Okay, and I think we've got a list of the requests that you have had here in your first 30 minutes, as well as what you're asking right now. I just don't know if you're able to—can you give any of those revenue projections or numbers at this point? Or when can we expect to have them?

**Hon. Sophia Aggelonitis:** Like the deputy did say, we do now have those questions from Ms. MacLeod. But like he stated, it's the Ministry of Finance who has estimates and forecasts when it comes to those items that she asked for.

The Ministry of Revenue—the job that I'm supposed to do is the administration of tax. Reading this chart—I think it's very important to have a permanent record, because people want to know how much the HST is costing them and what kind of relief they're getting.

**Ms. Lisa MacLeod:** They know that. With respect, Chair, they know what it's costing them. They tell me each and every day. They tell me that the price of a loaf of bread has increased. They tell me that the price of gas has gone up—

*Interjection.*

**Ms. Lisa MacLeod:** No, no, the cost of living has gone up. People will tell me; they'll tell me what their family needs. The HST is impacting certain things. But the reality is—

*Interjections.*

**Ms. Lisa MacLeod:** —and I appreciate the heckling from the Liberals—I've come and I've asked very specific questions. I wanted to know what the increase of these revenues would be. It appears that the revenue minister is not prepared to tell me what those revenues are or what those revenues were projected to have been or what the revenues are projected to be. That's a big concern to the official opposition as we prepare to end this session.

I guess maybe I'll ask a few other questions, if you'll indulge me with the remaining moments that I have. I'd also like to receive some specifics on this. I did talk a lot about hydro. Hydro, of course, is probably the biggest issue of any of the calls that any of us are receiving—

emails or phone calls to our constituency office, even when we're out door-knocking or at community events. We know that it has risen. Your government said that hydro bills would only go up by about 1%, based on the Green Energy Act, but now we know it's 46%.

I guess the question is: What is the new estimate of what you expect to collect in HST because of that increase? Has your department costed that out? Have you war-gamed that? Have you discussed and projected what the addition of the HST will be, given the rapid increase in hydro rates?

**Hon. Sophia Aggelonitis:** Ms. MacLeod, like the deputy did answer, part of your specific questions do relate to the Ministry of Finance when it comes to estimates and forecasts. But you are quite right: People want to know about hydro costs. As an MPP, I appreciate that as well.

One of the things that I make sure I tell my residents of Hamilton Mountain is that there is some relief. The one piece of relief is the clean energy benefit—

**Ms. Lisa MacLeod:** Sure. But the question is, how much money have you collected as a result of the increases in hydro on the HST? I'd like to know the answer.

1700

**Hon. Sophia Aggelonitis:** Well, the clean energy benefit—

**Ms. Lisa MacLeod:** I'm not interested in the clean energy credit; I'm interested in how much you are receiving or you are collecting. You did say you're the collector. You deal with the administration of revenue. How much money are you collecting as a result of the increases to hydro?

**Hon. Sophia Aggelonitis:** We do administer tax, the HST, and we are collecting tax. When it comes to estimates and forecasts—

**Ms. Lisa MacLeod:** How much tax are you collecting?

**Hon. Sophia Aggelonitis:** —the Ministry of Finance is responsible for that. I do understand your specific questions, and I know that the Ministry of Finance will be here.

To say that the Ontario clean energy benefit is not important—it's 10%.

**Ms. Lisa MacLeod:** No, it's not relevant to the question I'm asking you.

Mr. Chair, I've asked now another question with regard to—the minister stated that she deals with the administration and the collection of revenue. My question is, how much revenue is being generated as a result of these hydro increases?

It's simply not realistic or plausible to suggest that she doesn't know that. If she doesn't, I'm left with two conclusions, as is the public: that she's withholding information from me or that she doesn't know the answer, in which case, I think that's bad for the government—in either case.

I guess the question is, could we bring some honesty into this discussion and actually tell me, do you have a

document which forecasts how much additional revenue your department will collect and administer as a result of the increase in hydro rates?

**Hon. Sophia Aggelonitis:** Ms. MacLeod, our government has been very clear with our plan right from the start. We have a comprehensive tax package that is helping Ontarians: \$12 billion going back to families. Those are really important tax credits and tax cuts. It has always been our plan to be open and transparent. That's why I chose to read to Hansard for the permanent record: to make sure that the annual savings or the costs to households when it comes to the HST—on your specific question on the hydro issue, like my deputy and I previously have said, the revenue ministry does administer the taxes of our province, but the Ministry of Finance is in charge of estimates and forecasts, and—

**Ms. Lisa MacLeod:** I'm not even just asking estimates. What are the numbers?

Mr. Chair, the minister seems to be talking about every single other ministry with the exception of her own. I'd like to talk about revenue.

As the revenue minister, she's responsible, as she has said, for administering and collecting revenue. The seriousness here is the Premier figures that—the new hydro bills costs came five months after the HST took effect. I would like to know, since she is evading the answer that I would like in terms of what those concrete numbers are, what she has recalculated the amount of the HST that she takes from—

**The Chair (Mr. Garfield Dunlop):** Excuse me a sec.

**Ms. Lisa MacLeod:** —Ontario families for the next five years.

**Mr. Bob Delaney:** On a point of order, Chair: The standing orders of the House apply in committee as well. This is the third time the member has perhaps allowed her words to run away on her and imputed a motive or made an allegation against either the minister or the ministry. I would ask, Chair, that the member confine her remarks to a question and to the matter at hand.

**The Chair (Mr. Garfield Dunlop):** I think she's confused on what the role of the ministry is because I think she's after specific numbers coming from the Ministry of Revenue as part of that administration. Carry on.

**Ms. Lisa MacLeod:** Thanks, Chair.

I guess the question is, can I expect an answer from you?

I understand. Look, I get it. They put you in this role. You're here to do the job that nobody else really wanted because you're taking this money, billions of dollars, from taxpayers. I get that. I know it can't be easy.

But you have to understand: In the official opposition we have a job. We're here to hold you to account and ask for answers. You aren't providing me with any answers. I'm sure that's probably a good thing for your friends over here so that we don't have to hold you to account. The reality is, in order for this process to work, you're going to have to provide us with some answers so that

not only the public knows but also the official opposition, so we can do our work.

I would ask you again: Can you provide me with the amount that the Ministry of Revenue that you administer has collected as a result of the HST on hydro rate increases? Can you provide me with that?

**Hon. Sophia Aggelonitis:** Ms. MacLeod, first let me start the answer by saying that I believe that every single person in our Legislative Assembly plays an important role. It doesn't matter if you're in government or official opposition. We are all in this together. I believe that the most important thing for all of us is to make sure that we support the people of Ontario, and that's why the government has a very strong, comprehensive tax plan.

The Ministry of Revenue administers the tax collection, and the Ministry of Finance is in charge of estimates and forecasts. If you are looking for specifics, I cannot provide you with specifics, but the ministry—

**Ms. Lisa MacLeod:** You just provided me with specifics from other ministries. Why don't you provide this committee with the response to the question I've asked?

How much more time do I have, Mr. Chair? I do have several more questions.

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

**Ms. Lisa MacLeod:** I have five more minutes. If we could just hurry it along, and if perhaps you could just provide me with the answers so that we can just get on with business on what these hydro rate increases are going to do for the treasury in terms of the HST, I'd really appreciate it.

I'm just wondering if the minister could provide me with a copy of the briefing that she received on the increased windfall that they're going to be receiving in revenues in the ministry that she is administering, as a result of the increase in hydro bills. I assume that that would be available to you, and I'm sure that your ministry officials—there seem to be several of them right behind you—would have, at one time or another, crunched those numbers. It's well known that these hydro rates are increasing; everybody knows about it. I suspect that they have taken into consideration and into account that extra revenue that will be, of course, collected under your administration in the Ministry of Revenue.

**Hon. Sophia Aggelonitis:** Ms. MacLeod, my ministry officials would be very happy to provide any briefing for you that you may request.

**Ms. Lisa MacLeod:** Okay, that's wonderful. If they could provide us with a copy of the briefing that you received as a result of the increased windfall that you're going to receive from increased hydro bills, that would be great. If we could have that, I think—

**The Chair (Mr. Garfield Dunlop):** Is that what you're asking here?

**Ms. Lisa MacLeod:** That's what I've asked. I think, from what I understand, that's what she's accepted.

**The Chair (Mr. Garfield Dunlop):** Are you offering a briefing, Minister?

**Hon. Sophia Aggelonitis:** For clarification, I would offer, in fact, to any member of the House—if they would like to have a comprehensive tax package briefing, I would be happy that our ministry can speak to our comprehensive tax package.

**The Chair (Mr. Garfield Dunlop):** I think what the member is asking is, can she get a copy of the briefing that you were given?

**Hon. Sophia Aggelonitis:** I would be happy—

**The Chair (Mr. Garfield Dunlop):** I'm just trying to make sure—

**Ms. Lisa MacLeod:** Well, now what I'm wondering is, was she even briefed on this?

**The Chair (Mr. Garfield Dunlop):** No, I'm just wondering if—

**Ms. Lisa MacLeod:** But I'd like to receive a copy of the briefing.

**The Chair (Mr. Garfield Dunlop):** We have a series of questions that have been asked here. Are we expecting to have these questions answered by the Minister of Revenue?

**Interjection:** Yes.

**The Chair (Mr. Garfield Dunlop):** Okay. There's a whole group of questions, around 15 or 16 questions now, I believe.

**Ms. Lisa MacLeod:** Well, it'll be qualified, of course, at Hansard. That would probably be the most helpful place, even for the minister, to—

**The Chair (Mr. Garfield Dunlop):** You've got two minutes and 40 seconds.

**Ms. Lisa MacLeod:** Sure. I guess we'll just continue on with this line of questioning, because I think obviously it's a big concern. These hydro bills, these rates, are increasing, and we're paying the HST a couple of times. I would like to know, what is the HST—

**Hon. Sophia Aggelonitis:** I should also answer that we have the energy benefit.

**Ms. Lisa MacLeod:** I was wondering, what is the HST on hydro bills estimated to generate as revenue? Do you know that?

**Hon. Sophia Aggelonitis:** It's really important, and I would hope that Ms. MacLeod would share with her constituents and all of Ontarians, that there's an Ontario clean energy benefit—

**Ms. Lisa MacLeod:** But why don't you know that answer? I think that what concerns people—

**Hon. Sophia Aggelonitis:** —of 10%.

**Ms. Lisa MacLeod:** —is that we have to always redirect the answers that I'm receiving from the minister toward a green energy benefit or the clean energy benefit, rather than getting to the crux of the questions that we have right now.

**1710**

The question I have is, yes or no, does she know what the answer is? Yes or no. I mean, I can't get any more clear than that, Minister. I do apologize. You're a wonderful person. It's hard to hold you to account, because you are such a nice person, but I have to. That's my job, and you are the minister who is responsible for ad-

ministering the department that collects revenue. I need to know, do you know what the HST on hydro bills has generated for your department? It would be simple if you could just say yes or no.

**Hon. Sophia Aggelonitis:** I think you're a wonderful person too.

Let me just say that the Ministry of Finance provides estimates and forecasts for the province of Ontario, and they are coming to this committee. I'm sure that they'd be happy to answer those questions.

**The Chair (Mr. Garfield Dunlop):** Just to make sure I'm clear on this for research, you're saying that if Ms. MacLeod asks the Ministry of Finance how much revenue has been collected from the harmonized sales tax on all hydro bills in Ontario from the day the HST was implemented to a specific date, they will be able to provide that information? Because I think that's what she's after.

**Hon. Sophia Aggelonitis:** Let me clarify that I can't comment on the Ministry of Finance and how they're going to answer questions. What I can say is that the Ministry of Revenue administers the tax in the province of Ontario. The Ministry of Finance is in charge of estimates and forecasts, and I know that they will be here at committee.

**The Chair (Mr. Garfield Dunlop):** Who actually would give a specific dollar value for how much HST has been collected on hydro? Who would actually be able to come up with that information? That's what I'm trying to find out.

**Ms. Lisa MacLeod:** On a point of order, Mr. Chair: The member from Ottawa Centre just asked if I would like to see the Premier's briefing on the question that I just asked. I've got two questions. One is, when can I receive it? And two is, is the briefing the Premier received different from what the minister received? Those are my two final questions.

**The Chair (Mr. Garfield Dunlop):** Okay. That's the 20 minutes for the official opposition.

We'll go to Mr. Tabuns. You now have 20 minutes.

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

Where is the debt that is being generated to pay the Ontario clean energy benefit being recorded? Is it with the Ontario Electricity Financial Corp. or the general debt of the province?

**Hon. Sophia Aggelonitis:** That's a great question. I will ask my deputy to fill in with that question, but what I would like to say about the new Ontario clean energy benefit, which is providing a 10% benefit to help consumers manage the rising electricity prices for the next five years—the credit is helping more than four million residential consumers, including our seniors, and more than 400,000 businesses and farms. It took effect on January 1, 2011, and is retroactive if people have not received that benefit yet.

Deputy, could you add to that?

**Mr. Steve Orsini:** In the interests of trying to respond to that, we need to confirm it with the Ministry of

Energy, but it shows up in the budget as an expenditure item, so it comes from general revenues.

**Mr. Peter Tabuns:** And it's going on for five years, right?

**Hon. Sophia Aggelonitis:** Correct.

**Mr. Peter Tabuns:** So that's about \$1 billion a year?

**Hon. Sophia Aggelonitis:** I don't have that figure in front of me, but it's for five years—a 10% discount on electricity costs to help with the high cost of our electricity.

We all want to make sure that we have a clean, reliable system for Ontarians.

**Mr. Peter Tabuns:** Could we get confirmation from your ministry as to how much it costs per year?

**Mr. Steve Orsini:** Yes. I'll see if we can locate it in the budget. It might be faster.

**Mr. Peter Tabuns:** That would be good. And when you've got that, since it's part of our provincial debt—the figure that rings in my mind is \$1 billion a year. There may be a different number that comes up. We'll be paying that off over 10 years, maybe 20 years. I'd like to know the cost of that particular program, including its interest costs.

**Hon. Sophia Aggelonitis:** Again, I think that that would be better answered by the Ministry of Finance, who are coming.

**Mr. Peter Tabuns:** I'm sure that I will ask the minister that question when I get the opportunity. But if you have that data available, I would appreciate it as well.

**Hon. Sophia Aggelonitis:** And we will locate what we can in our budget, follow through and get it back to you.

**Mr. Peter Tabuns:** In the books, the public accounts, there are a number of revenue sources: electricity payments in lieu of taxes; income from government enterprises—Hydro One Inc. and Ontario Power Generation; and there's electricity debt retirement charges.

My understanding is that the funds from those first three—electricity payments in lieu, Hydro One Inc. income and OPG income—all go to pay down the stranded debt. Can you confirm that for me?

**Hon. Sophia Aggelonitis:** I will ask the deputy minister if he could add to that.

**Mr. Steve Orsini:** What goes towards defeasing the stranded debt is something that the Ontario Financing Authority provides oversight for, and that is something that's probably best directed to the OFA in dealing with those types of questions.

**Mr. Peter Tabuns:** So your department has nothing to do with the OFA?

**Mr. Steve Orsini:** No, that's the Ministry of Finance. What the Ministry of Revenue is responsible for is administering the payments in lieu that you referred to.

**Mr. Peter Tabuns:** Can you tell me what that means when you say you administer those payments in lieu?

**Mr. Steve Orsini:** We're responsible for the auditing to make sure that those payments are made accurately to the government.

**Mr. Peter Tabuns:** Okay. So funds come in and you check to see that they reflect the amount that you expect should be paid.

Just going through your briefing book, can you tell us what the cost is of implementing Ontario's tax plan? The cost of staffing, resources and consultants to make that transformation happen?

**Hon. Sophia Aggelonitis:** Mr. Tabuns, that's a great question; I will ask the deputy for specifics.

I would like to just mention that in our estimates that we've provided, we do show a decrease of \$1.8 billion from the previous fiscal year. The reason there is a decrease of \$1.8 billion is the net result of several changes. Most specifically, it's in regards to the sales tax transition benefit. It is the \$1.8-billion reduction that you see in our estimates. That's because two payments have already gone through to the public in transition payments and the next one is coming in June. It also reflects the decrease of the \$400 million that was given to businesses, the up to \$1,000 which helped businesses in the changeover to the HST. That helped in their point-of-sale system and their accounting systems.

I'll ask my deputy to follow with more specifics.

**Mr. Steve Orsini:** The estimate lays it out by division or program area. To implement the RST wind-down, which is part of that, and to implement the small business transitional payments, which is \$400 million, in addition to support the CRA issuing the sales tax transitional benefit, the ministry has added resources in different parts of the ministry's budget.

For example, on technology, the ministry did incur information technology services to make all the systems changes. We hired additional temporary resources to clean up all the old RST cases, because it wouldn't be fair to business if we had their RST returns languishing for many years. The idea was, let's fast-track those through the system.

We know that, when it's all said and done, there are 1,253 FTEs or positions that, under our HR agreement with the CRA, have the potential to transfer those to the federal government. We also know that overall, the savings will be \$100 million a year when you roll them all up. What we don't have—and maybe this is something we can get back to you on—are the different components when you roll them all up, because they're all in different departments. But we have, on some of the pages, shown where our expenditures rose to pick up the new responsibilities and now will fall as a result of the transition.

1720

**Mr. Peter Tabuns:** I would appreciate it, Minister, if we could have the aggregate cost of the implementation, because obviously if retailers have to change their systems and equipment, you've had to do some work at your end as well.

**Hon. Sophia Aggelonitis:** The good news, Mr. Tabuns, is that the Ministry of Revenue and the people who work in the Ministry of Revenue are extremely talented, and what we have seen them do in the last year

and a half, with the changeover of the HST—we've seen a lot of great synergies within ministries, a lot of people working together. We do have some really great expertise with us, and I think that should be noted.

**Mr. Peter Tabuns:** I'm happy to note that, but I'm going to go back. You've reduced your workforce by 1,200 FTEs. How many are left?

**Hon. Sophia Aggelonitis:** I'll ask the deputy to share the exact number with us.

**Mr. Steve Orsini:** There are two waves, as we refer to: a smaller group back in November, and the second wave will occur by March of next year. Those folks are critical in maintaining the current audit and supporting the wind-down of the RST, and I should say that they're very high-skilled individuals who provide a great service to the ministry and to the people of Ontario and will provide a huge benefit to the CRA as well, because they're bringing a lot of expertise to the CRA to deal with many of the issues we talked about, such as the underground economy. That expertise will continue, but at the federal level.

**Mr. Peter Tabuns:** That's not quite the question I had asked. How many people will be left in your ministry when you've taken 1,253 out?

**Mr. Steve Orsini:** If I recall correctly, our FTE target by the end of this fiscal year would be about 1,413.

**Mr. Peter Tabuns:** So you effectively cut the department almost in half?

**Mr. Steve Orsini:** It was a significant portion of the ministry, and this came after a time of the corporate tax harmonization as well, which also affected the ministry.

The ministry has gone through a significant transformation in the interest of reducing compliance costs for the economy as a whole, so more than \$135 million savings in corporate tax compliance costs with federal administration and more than \$500 million in compliance cost savings with sales tax administration at the federal level.

What the 2011 Ontario budget has done is identified the Ministry of Revenue as an important source for other transformation in terms of consolidation of collections. The Ontario government is looking to the Ministry of Revenue to do a lot of new supporting functions: audits, special investigations, collections. These are core competencies within the ministry that the Ontario government has recognized and has identified as services that should be more widely available to support the work that other ministries are doing.

**Mr. Peter Tabuns:** I know that people work a limited number of hours in their day. How are they actually going to do that much more work, given that I assume you've got them going pretty steadily now?

**Mr. Steve Orsini:** It's how we can do things faster—smarter technology. We have a state-of-the-art service right now that converts all paper files to electronic images. It's a huge savings to the ministry. So we're actually providing support to other ministries that find that the difficulty in tracking files, the difficulty in dealing with paper when you have clients across the prov-

ince—the Ministry of Revenue, through ImageON—and that was referenced in the budget as well—is now providing that service more widely across the OPS. Actually, our marginal cost of doing that additional service is very small compared to the savings of ministries that don't have that technology. It's state-of-the-art technology that's similar to the banks.

**Mr. Peter Tabuns:** Which other ministries are you providing service to?

**Mr. Steve Orsini:** On that one, we're working with a number of them in moving their files. The Ministry of Community and Social Services is one we're collaborating with. But it is becoming more of a broader-based service that we're offering.

**Mr. Peter Tabuns:** The applications for the electric vehicle incentive program: How much does it cost to process one of those applications, and how many do you process a year?

**Hon. Sophia Aggelonitis:** That's a specific question, and I think we'll have to get back to you on it.

**Mr. Steve Orsini:** Yes. I did a quick scan of folks, and we wouldn't have that readily available. That's something we'd have to follow up on.

**Mr. Peter Tabuns:** If I could have that for the committee as a whole, that would be great.

The new benefits transformation project office: Can you tell me a bit more about what it does and what it's costing?

**Hon. Sophia Aggelonitis:** Absolutely. It's very innovative. We're trying to help Ontarians find benefits quickly. On our ministry website, there is the benefits directory which came online in March of this year. There are approximately 30 benefit and tax credit programs in Ontario. We wanted to centralize the entry point for Ontarians, because right now they have to go to each different ministry to find what program they offer. By centralizing the program information, the new Ontario benefits directory is going to make it easier for people. It's a one-stop shop. We have committed to simplifying access to Ontario's income-tested benefit programs and improving client services. In fact, I have the full website, which is [ontario.ca/benefitsdirectory](http://ontario.ca/benefitsdirectory). The important access is that we've organized it by population segments—seniors, persons with disabilities, families with children—and the types of benefits that they're looking for. So we've tried to make it very simple. There are 30 different benefit programs, and many ministries have been online with us, but we don't have all of them yet.

Deputy, do you have anything to add to that?

**Mr. Steve Orsini:** This was in response to a number of stakeholders—John Stapleton, among others—who have identified the difficulty that people face when they try to navigate a number of different programs and services. This creates one window. It's standardized so that they can go to the right application that's consistent around the program. So it does facilitate people accessing more than 30 programs from nine ministries, and the idea is to expand that.

**Mr. Peter Tabuns:** How much did it cost to set up?

**Mr. Steve Orsini:** Typically, there's a one-time cost when you create the technology. There was a 2010 budget commitment to create the Web portal. The 2011 budget says there might be more things we can do, so there are people working on it to make it easier. Right now, they still have to apply different parts of the system. There's a way we can streamline that. It's all about making the services from government more convenient for the consumer. That's where the skill set from the Ministry of Revenue comes into play—because of our ability to administer programs and services efficiently.

**Mr. Peter Tabuns:** But what did it cost?

**Mr. Steve Orsini:** There's a number in here that has a number of components in it. So I could get back to you on the specific amount related to that. It's in here, but there are a number of other programs related to the benefits transformation.

**1730**

There is another element where individual ministries will income-test a program, and there's about eight agreements with the CRA. That's a lot of different ministries and programs dealing with the CRA. What we're looking at is streamlining the back office. So the portal is looking at the front window to access programs. There's a lot of work on the back-office side in terms of streamlining the verification of income, and that's another piece of it. It depends on what you're looking at.

**The Chair (Mr. Garfield Dunlop):** A minute and a half left, Mr. Tabuns.

**Mr. Steve Orsini:** If you're looking at the Web portal, we can carve that out. If you're looking at other parts of the benefits transformation, it's a little more complicated.

**Hon. Sophia Aggelonitis:** I would just add, Mr. Tabuns, that it was a soft launch because there are still things that we want to work on to make sure that it runs really efficiently. But even more so, I think the ultimate goal for our government is to make sure that that one-stop shop is—when you register for a benefits program, you do it right online. So it's not about printing the application and then filling it out. We want to make sure that we can be as interactive as possible and use technology to the best possible use. I think that would be beneficial to Ontarians.

**Mr. Peter Tabuns:** Fair enough. I'd still be interested in knowing the cost.

**The Chair (Mr. Garfield Dunlop):** Okay?

**Mr. Peter Tabuns:** Thanks very much, Chair.

**The Chair (Mr. Garfield Dunlop):** Thank you. You've still—

**Mr. Peter Tabuns:** You're a generous Chair.

**The Chair (Mr. Garfield Dunlop):** All right. We'll now go over to the government members. You've got 20 minutes as well. Mr. Delaney.

**Mr. Bob Delaney:** It's always a pleasure, especially to begin this estimates with a discussion of our Ministry of Revenue.

If I can just start by mentioning something that perhaps I can shed a tiny bit of light on, I think Mr. Tabuns asked about the electric vehicle rebate. While I don't

know how much it costs you to process it—and presuming that this applies if you buy something like a hybrid car, which I did—it took something like two to three weeks for me to receive it. I have to say that the service was pretty prompt. After the premium to buy the vehicle, it was really nice to get that nice little slice of cash back. The great advantage of that, of course, is that it makes you relatively insensitive to the price of gasoline because you now so seldom buy it.

I'd like to conclude with a couple of very simple questions. I'd like to just take some of the material, Minister, that you've presented and sort of sum it all up and see if we can encapsulate a little bit of it. So here goes.

If we go back to the genesis of this, when the province was looking at taking—well, what is a Cold War relic? The provincial sales tax, which was actually introduced by Premier Leslie Frost just prior to when Premier John Robarts took the leadership of the province. It was, in its day, an attempt to implement a consumption tax, but I often ask people, if we're discussing it, "Are you still driving the same car that you had in 1961? Do you still wear the same clothes that you had in 1961? Do you still have the same furniture that you had in 1961?" We go down through a few of these, and I say, "Well, why do you expect that you would still have the same tax that you had in 1961?"

Because taken in the context of today, to do tax in much the same way as that original foundation for the provincial sales tax lay, it leaves you with a Cold War relic that is, first and foremost, obsolete. Secondly, it's complex, because like any other piece of machinery, whether it be a physical piece of machinery or a legal piece of machinery, you can't really blow up the foundations unless you want to change the whole tax, which in the end is the conclusion that the province came to. You're constantly patching it and putting little legal Band-Aids on it, and it makes it complex and wasteful and expensive, and of course makes it incompatible with the way the rest of the world has learned how to do tax.

Along the way, in the way of making it expensive, it means that particularly in an area that Ontario has traditionally had as an area of unique competence for our province, which is manufacturing in general, but, particularly today, we're the leading jurisdiction in North America for the manufacture of motor vehicles—when we look abroad, if one listens to the Minister of Economic Development and Trade, in all of North America, only California was attracting more foreign investment than was Ontario, and not by much. But California is triple our size, with an economy that's more than triple ours.

So once again, we are punching above our weight in world markets, and you have to ask why and who is coming here. The people who are coming here are private sector firms that are in the tomorrow industries—be it digital imaging, renewable energy, water management—those things that the province identified about a year ago in Open Ontario as some of the core competencies with which Ontario can progress into the second and the third and beyond decades in the 21st century.

In order to do that, what you need is some infrastructure. Some of that is physical infrastructure, which both the province and the feds have collaborated on. In retrospect, when one examines the infrastructure rebuilding program that has happened here in Ontario, people will look back at it and say that one of the reasons it worked out so well isn't so much that two levels of government threw money at it, but it was because, largely, the provincial government, within whose jurisdiction a lot of the infrastructure lies, began in 2003 to lay out a plan, and having a plan was one of the aspects that made the investment of the money effective, efficient and timely.

This has enabled us to lay the groundwork for another part of that infrastructure, which is, if you're asking a company to come here to Ontario and you're saying, "We have the roads over which your trucks can travel, either from your suppliers or to your markets; we've got the railways that can connect you with the largest market in the world; we have the critical mass of trained people"—because a lot of these firms are not coming here with commodity jobs. If you're going to do manufacturing, which is commodity manufacturing with commodity labour, you're not going to go to a place like Scandinavia, Europe in general, Canada or most of the developed countries. You're going to go where the commodity is the cheapest, which is probably the developing world. So almost by definition, the jobs that we're seeing the private sector create here are not commodity jobs but, indeed, careers with a future and growth potential. This sort of lays the groundwork for the balance of that infrastructure investment.

Another part of it, of course, has been primary, secondary and post-secondary education, whose relevance in the scope of this discussion has been that if firms are to come here, then the most valuable thing that goes into the products and the services, or the bundle of them that they assemble and put together to create value for their markets and their clients, is that essential ingredient of trained people. So another part of that infrastructure investment is the trained people in addition to the physical infrastructure.

Another piece of it is a world-class taxation system. In the lifespan of federal and provincial governments of both stripes, in the past, in the 1990s and in the previous decade, we've looked at Canada's and Ontario's tax structure and have said that this is not the optimum structure with which to attract firms in the future and to create employment and to build a future in our country and in our province. I note that our former colleague, who is now the federal finance minister, of course, is a strong advocate of the type of tax reforms which the province has undertaken. And of course, when we look at our tax reforms, we very quickly come to the realization that this can't be done, save and except for the fact that we need the willing co-operation of the federal government in order to implement them.

**1740**

Of course, there's a lot of precedent for the type of move that Ontario is making. We are not the first, fourth

or 41st but about the 141st jurisdiction all over the globe that's moved from the type of Cold War tax that I described earlier to what I guess began in Europe as a value-added tax whose intent is that things are only going to be taxed once.

We introduced these measures in 2009. At our budget breakfast in Mississauga, we normally have an independent auditor who comes in. We invite the auditor to come to the budget briefing here on budget day and sit in the lock-up. The next day, we have an independent person who'll say, "I'm from" such-and-such a firm of chartered accountants. "Here is our observation of the budget of the province of Ontario." They do their bit and then we do our bit. He was talking about this, and he said, "This is going to be a very, very significant boost to businesses and to individuals in Ontario."

Some time after, I was having lunch with him, and he said—this was after tax season; I gave him a few days to recover from the big crush at the end of April. We were out having lunch in mid-May, and he said to me, "One of the interesting things is that as I sat in the budget lock-up and did the budget breakfast and listened to the questions that people asked, I was just going into the heavy period in our firm." He's the senior tax partner. He said, "As I was doing my clients' taxes, I forecast out a year or two, depending on how much time I had, what would be the intended impact of implementing the HST in all of these businesses."

He said, "I was a little bit of a skeptic. I wasn't entirely sure. Is this going to affect small businesses and cost them money? What would be the difference between service businesses and manufacturing businesses and large businesses and small businesses and closely held family businesses" and on and on and on? He started to show me some of the spreadsheets that he did. He said, "I've taken out the names of my clients, of course." But I looked at them, and I said, "You're kidding. Look at the money these people are saving." He said, "I didn't believe my own numbers. I gave them to one of my staff, and I said, 'I'd like you to just check my math.'" He was finding just astonishing changes in both your before-tax earnings and obviously your after-tax earnings because their taxes had gone down.

We were talking about the time required for it to flow through to the consumer. This was, of course, before a lot of the studies had been published and allowed us to estimate—I think it was Don Drummond's study that said roughly two thirds of it will be in the hands of the consumer within the first year, leading up to about 90% by the end of year three, and all of it within six years.

This, by the way, happens to have been the experience in implementing the HST in Atlantic Canada and Quebec, which we could see very clearly when one looked at the cost-of-living increase. You could see that the cost-of-living increases in Quebec and Atlantic Canada marched in lockstep until the moment they implemented their version of the HST. Then, everywhere else in Canada, it rose at a level higher than it did in Quebec and Atlantic Canada. You could just see it flow through to the consumer in a lower cost-of-living index.

I started to look for this. One thing I've done every year for about the past six years is, around Christmas-time, I go into my retail sector, as I think I've described to you once or twice. They're just quick visits. I'll go in, and I'll wish people a merry Christmas and happy New Year and shake hands and say hello.

I started to ask, "How's business?" The year that we implemented the HST in the budget, nine months later, of course, I'm wishing people merry Christmas. This was before the actual implementation on July 1, 2010. I was getting a lot of people saying, "Gosh, I don't know what this is going to do. This is probably going to cost me money. I'm really worried about this. I haven't heard good things about it" and all of that. I said, "Well, I'll see you next year. We'll have another chat next year." I went into one stationery chain that year, and the assistant manager laid into me and said, "I just don't believe that this is going to work. I just cannot accept that this is actually going to save us money." So we discussed it, and I said, "At this point, it's premature for both of us, but let's accept the fact that I'll be back next year."

This past Christmas, I went into the same place, and I was speaking to the store manager. This same chap saw me from the back of the store, came running up to the front of the store and said to me, "I've got to have a word with you. Do you remember me from last year?" I said, "I do, and I even remember the conversation that we were having." He said, "Well, I've got to tell you something." And I thought, okay, here it comes. He said, "You were right, and I was wrong." I said, "Really?" He said, "Yes. I have to say that I was a skeptic. I didn't believe that the implementation of the HST would make a difference to us in retail. I thought it would drive our prices higher, but in fact it's enabling us to either hold the price, despite the fact that our suppliers are maybe increasing theirs, or to work with our suppliers to work on a lower price." I said, "Tell me, how are you going about passing this along to your customers?" He said, "If I remember correctly, you have an MBA, right?" I said, "Yes, that's right. Good memory, because that was a year ago." He said, "Well, you know a little bit about the art of pricing. Pricing is one third methodology, one third guesswork and one third what the market will bear. It's hard to walk away from a manufacturer's suggested retail price or, in our case, a price that was published months and months ago in our catalogues. But one thing we can do is we can rebate people. So you'll see in a lot of our advertising that we'll say, 'Buy this, that or the next item, and we'll pay the HST.'" I thought, "Oh, okay."

This was kind of an interesting revelation, that for a lot of people in retail, they're saying, "A lot of times our prices are hardwired at the time that we have to publish our price lists, our catalogues or whatever else, and a lot of our pricing has to be standardized across Canada." When we consider the structure of retail in Canada, we can certainly see that this is the case, because other than individual family-owned businesses, a large proportion of the stores that we buy from have some connection or other to a franchise or a chain. So while the prices may

be locked in nationally, one part of the flexibility that the merchant gets locally is, in their local ads, to say, “For a limited time only (pretty near forever), we pay the HST.” You started to see it fairly early on in home renovation things, like carpets and tiles. Most of the vendors in our area started off about three months after the implementation of the HST and said, “Shop with us and until such-and-such a date”—which, of course, kept getting extended—“we’ll pay the HST.” Translation: Even though the price to them was the same, because people were always paying a 5% GST and an 8% PST, replaced with a 13% harmonized sales tax, which is, for all the world, the federal GST now, they’re taking retail items that really have the same level of taxation, and discounting them 13%. That sounds to me like the savings are flowing through to the consumer.

As I’ve explained before, it makes it difficult to take prices that had to get locked in nearly a year ahead of time and have to be more or less in lockstep with your prices in other parts of Canada, parts where the HST has already been implemented—

**The Chair (Mr. Garfield Dunlop):** You have two minutes to get that question in.

**Mr. Bob Delaney:** Holy cow, time flies when you’re having fun. I think the last time I did this, I had to actually carry the question over until the next time.

Minister, has this been congruent with some of your experience as you’ve been dealing with the clientele that we’ve dealt with in the Ministry of Revenue?

**Hon. Sophia Aggelonitis:** Thank you very much, Mr. Delaney, for your question. Yes, my experience has been the same. We’ve had many conversations with businesses. They have been telling us about the flow-through, the savings to consumers that they’ve passed on.

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When we talk about our businesses and some of the successes that we have seen, specifically, they have seen a \$400-million transition payment to help them in the changeover to the HST. They’re also saving \$500 million in compliance costs. But over and above that, we’ve had conversations with businesses. For example, Kobayashi Online, which is an Internet company. Basically, what Mr. Kobayashi has said is; “We passed through our savings in the first month of the implementation of the HST. We realized savings” early on “and had a 10% off sale.” This was the first sale in the history of the company and it accounted for 20% of sales for the month of July.

Going forward, there is also John Voortman, who is from Countrywide Recycling Inc. On June 1, 2010, he stated, “The HST will benefit us in the building of our plant and in buying our equipment. The money we’ll be saving will enable us to do more business and hire more employees.”

At the end of the day, this is about making businesses stronger, building our economy and having jobs for Ontarians.

**The Chair (Mr. Garfield Dunlop):** Thank you. We’ve got about eight minutes for the next round and

then we’ll have to adjourn for the day until tomorrow afternoon. Ms. MacLeod.

**Ms. Lisa MacLeod:** First, let me congratulate the parliamentary assistant for going as long as he did on that question. It was remarkable. You have a true gift.

**The Chair (Mr. Garfield Dunlop):** He does it all the time.

**Ms. Lisa MacLeod:** Oh, you do it all the time, so it’s nothing new. You’re perfecting it.

Let’s just go back to the HST. We’ve already gone through several questions I have that are quite specific. I’ve asked you about a number of different issues on the HST and on hydro bills, and you’ll endeavour, hopefully, to get that information back to me. Given you are the Minister of Revenue, and the Ministry of Revenue collects revenue and it administers the revenue process, of course you would look at all of the documents from the Ministry of Finance.

I’m wondering if you could provide me with the number—how much more HST you will collect on hydro bills if the HST is raised to 14% and how much more HST you will collect on hydro bills if the HST is increased to 15%.

**Hon. Sophia Aggelonitis:** Okay. Just for clarification, Ms. MacLeod, are you suggesting that the PC Party wants to increase the HST?

**Ms. Lisa MacLeod:** No, actually, I’m suggesting that probably, given your government’s track record, Dalton McGuinty would. I think that’s where we’re going with things. As far as we can tell, a 2% increase to the HST would be attractive to the Ontario Liberal Party. I guess the question then becomes, I would like to know what the HST collected at 13% on hydro bills and on the debt retirement charge is; then, when Dalton McGuinty contemplates raising the HST to either 14% or 15%, what that increase would be. We’re concerned about consumer protection, and that’s why we would ask that question.

**Hon. Sophia Aggelonitis:** I appreciate the question from the member. Ms. MacLeod, without a doubt, I appreciate the questions that you have raised in committee, but I do want to go back to the answer that Deputy Minister Steve Orsini and myself have reiterated. The specifics that you are looking for, the differences between the Ministry of Revenue and the Ministry of Finance: As the Ministry of Revenue, we administer the finances of the province, we take the taxes in; the Minister of Finance estimates and forecasts. I know that the Minister of Finance will be here at a later date, and I would encourage you to have that conversation at that time.

**Ms. Lisa MacLeod:** Minister, it’s just simply not plausible. This is how one envisages what you’re saying: It’s as if you’re going around—let’s think about Robin Hood. My daughter is a big fan of Robin Hood and she’ll watch that little cartoon and, of course, we all know how that goes. There’s somebody with a big bag and they take the money and it’s all filled up with money. That’s how you’re describing this: as if you’re collecting the tax and you’ve got this big bank bag and you’re just taking in the

money, and then you're just handing it over to Dwight Duncan. I mean, let's be serious. We all know that's not what's happening.

We know, in fact, what's happening is that you're administering the process—you've got the bureaucrats—and that money is coming in. You're collecting it, and it's not in a big bank bag or in a safe or anything. You actually administer it; you actually analyze it; you actually have to count it. That money has to be accounted for, and it's accounted for in your ministry because you're the Minister of Revenue and you collect revenue and you administer the revenue.

It's a little bit disingenuous to suggest that the money that's being collected at the Ministry of Revenue is not being analyzed or reviewed in any way, shape or form.

**Mr. Bob Delaney:** Chair, I have to ask for a point of order.

**The Chair (Mr. Garfield Dunlop):** Excuse me. What did you want—

**Mr. Bob Delaney:** Chair, I have to ask for a point of order in here: A word that is considered retractable in the House is also not allowed in committee. This member knows that the word she just used would have the Speaker call her to account in the House.

**The Chair (Mr. Garfield Dunlop):** Okay. We'll try not to use it anymore.

**Ms. Lisa MacLeod:** I have a quick question: How much revenue did you take in last year? Do you know that answer, as the Minister of Revenue?

**Hon. Sophia Aggelonitis:** I'm learning a lot from the member today, Ms. MacLeod. Ms. MacLeod, the federal government actually collects the revenue. We are—

**Ms. Lisa MacLeod:** So the Ministry of Revenue doesn't collect any revenue whatsoever in Ontario? I think we both know that's not true.

**Hon. Sophia Aggelonitis:** I do want to make sure you understand—

**Ms. Lisa MacLeod:** You actually do collect some taxes.

**Hon. Sophia Aggelonitis:** —that the Ministry of Revenue does administer—

**Ms. Lisa MacLeod:** So the question is, how much revenue do you collect and how much do you estimate you will take in next year?

**Hon. Sophia Aggelonitis:** —and the finance minister estimates and forecasts.

**Ms. Lisa MacLeod:** I mean, clearly you collect the money. Could you count the money that you collect? I guess that's a better question. Mr. Orsini, do you count the money that you collect? I need to know this before 6 o'clock. Or is it just going in this Robin Hood bag and it's being distributed by Dalton McGuinty to the other folks? I need to know.

**Mr. Steve Orsini:** There are two parts to our response. The first part is, the federal government collects a lot of our tax revenue: personal income tax, corporate income tax and now the sales tax. We do get transfers, so, absolutely correct: The revenue flows from the CRA for those three taxes. There are 12 tax statutes that the Ministry of Revenue collects directly. But for those three, it flows from the CRA to the Ministry of Revenue—

**Ms. Lisa MacLeod:** So you do do some counting there.

**Mr. Steve Orsini:** We do.

**Ms. Lisa MacLeod:** And how much that you count can we actually know about, or are we not allowed to?

**Mr. Steve Orsini:** We do get our sales tax revenue—we have our own sales tax residual in place. We get bundled payments, so we do have to work with the Ministry of Finance, the federal Department of Finance and the CRA to make sure we have proper accounting, and that is done.

**Ms. Lisa MacLeod:** Okay. So we're counting it. Now, how much do we get? How much does the Ministry of Revenue—

**The Chair (Mr. Garfield Dunlop):** Thirty seconds and then we've got to—

**Mr. Steve Orsini:** Part two is an important part. The HST revenue is based on a formula that has—

**Ms. Lisa MacLeod:** Oh, no, I'm just talking about all revenues at this point. Now, if you're telling me the federal government does everything and then the Ministry of Finance does everything else, we have staff for what?

**Mr. Steve Orsini:** There is the reconciliation that occurs, and it could occur a year or two after. But we do get money flowed from the federal government. We make sure it's accurate. We have to protect the public interest in Ontario. It's the Ministry of Finance that forecasts the HST or sales tax revenue based on the growth of the economy.

**Ms. Lisa MacLeod:** So how much in the last year did the Ministry of Revenue collect and count?

**The Chair (Mr. Garfield Dunlop):** I think we've got to wrap it up at this point today. We've got a whole series of questions here we're going to try to get answers to.

*Interjection.*

**The Chair (Mr. Garfield Dunlop):** Ms. MacLeod?

*Interjection.*

**The Chair (Mr. Garfield Dunlop):** Okay, so thank you very much, everyone, today. Minister, thank you, and to all the staff at the Ministry of Revenue for being here.

The committee will adjourn until tomorrow at 3:45 or after routine proceedings.

*The committee adjourned at 1759.*







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