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Wednesday 18 September 2013

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des débats
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Mercredi 18 septembre 2013

**Standing Committee on
Estimates**

Ministry of Finance

**Comité permanent des
budgets des dépenses**

Ministère des Finances

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 18 September 2013

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The committee met at 1600 in room 151.

MINISTRY OF FINANCE

The Chair (Mr. Michael Prue): I'd like to call the meeting to order. This is the resumption of the consideration of estimates. We are here today to resume the consideration of the estimates of the Ministry of Finance. There is a total of four hours and 37 minutes remaining. When the committee was adjourned, the third party had 10 minutes remaining in its rotation. So you have the floor for the next 10 minutes, Ms. Fife.

Ms. Catherine Fife: Thank you, Chair. I'm going to pass on this cycle. There are only a few minutes left, right?

The Chair (Mr. Michael Prue): You have 10.

Ms. Catherine Fife: I know. I'm going to pass.

The Chair (Mr. Michael Prue): Out of 20 minutes? Okay, that's fine. Then it goes to the Liberals.

Mr. Steven Del Duca: Thanks very much, Mr. Chair. Minister, it's good to see you here this afternoon. I'm going to begin by asking a question that relates to the notion of a common co-operative securities regulator. In budget 2013, our government did state that Ontario does remain prepared to work with the federal government and other interested provinces to establish, as I said a second ago, a common co-operative securities regulator. I'm just wondering, from your perspective, why is achieving that so important for Ontario?

Hon. Charles Sousa: I appreciate the question. It is, in fact, something that we put in the budget in 2013. It's a fundamentally important issue and one that our government, as you know, has been working hard on for many years. A common securities regulator would reinforce Canada's otherwise strong international reputation for excellence in the regulation of our financial institutions. It would also offer many real benefits for our economy and would reduce costs and increase the efficiency of the capital markets regulation in Canada.

As finance minister, I am pleased that I get to continue to advocate for something I strongly believe in. In fact, I spoke about it at some length as a member. In 2010, I gave a speech in the House, advocating for a common securities regulator.

As I've said before, Ontario's financial services sector is a world leader and a critical part of this province's economy. Toronto is home to globally successful insur-

ance companies, five of the largest banks in North America by market capitalization, and is the third-largest financial centre in North America, behind only New York and Chicago. Over half of the Canadian securities industry's GDP and employment and 80% of market activity takes place right here in Ontario. Our financial services sector comprises almost 10% of Ontario's GDP.

But let me be clear: The effective regulation of our capital markets is a national issue. It contributes to the general welfare of all Canadians. The ability of businesses to raise capital efficiently and households to save and invest with confidence are fundamental building blocks of our economy.

In recent years, the combination of economic upheavals, technological advances, more complex financial products and trading strategies, and increased international competition have posed serious challenges to our financial services sector, including our capital markets. The quality and effectiveness of our capital markets will depend on our confronting these challenges that our current securities regulator framework, frankly, is ill equipped to handle.

Canada is the only industrialized country without some form of a national securities regulator. By pooling provincial, territorial and federal jurisdiction and expertise, Canada could create a world-leading securities regulator regime that would contribute to a stronger national economy and allow Canada to better compete in global capital markets. Canadian businesses would be able to raise funds throughout Canada more quickly and at lower cost, which would stimulate investment. Businesses would also benefit from more expedited regulatory decisions. This would help create jobs and grow the economy.

Additional benefits of a common securities regulator would include stronger enforcement, a unified voice that enhances our global reputation, and a more coordinated and effective structure for policy-making.

It is for these reasons that Ontario has taken a leadership role in the creation of a common securities regulator and continues to support, now more than ever, the co-operative development and adoption of a common securities regulator for Canada.

Ontario has demonstrated its leadership on this important issue for some time. In 2004, Ontario released a discussion paper outlining Ontario's proposal for a common securities regulator. In 2006, Ontario's Craw-

ford panel released a landmark report that outlined and recommended a blueprint for a Canadian securities regulator.

These and other reports, including our most recent budget, have shaped Ontario's position and informed discussions on the need for fundamental reforms to our current regulatory framework.

We believe that a well-structured common Canadian regulator would foster more efficient and global competitive capital markets in Canada, facilitate capital-raising and investment, provide increased protection for investors, strengthen Canada's capacity to identify and manage systemic risk, and enhance the stature of Canada's financial services sector.

I'm confident that by incorporating regional strengths into an integrated and professionally managed framework, we can create a made-for-Canada capital markets regulator that will enhance our international reputation for excellence in financial regulation, attract capital from both domestic and international investors, and foster job creation and economic growth.

Mr. Steven Del Duca: Thanks very much for that answer. If I could drill down just a tiny bit further with respect to the same topic, I'm wondering if you can explain to the committee how a common securities regulator might improve on the current passport framework of securities regulation.

Hon. Charles Sousa: The one that has been bandied about for some time? All provinces want to achieve—I know they want to achieve more effective, less costly and more competitive securities regulation.

For Ontario, the passport framework, which retains 13 separate sets of laws, administered and enforced by 13 separate regulators, is not the preferred approach for achieving cost-effective, responsive and agile securities regulation in Canada.

Ontario believes there is a better way that retains the fundamental strengths of Canada's existing regulatory culture, incorporates new safeguards and still manages to package everything in a more efficient, effective and compact framework.

We are willing to work together with other interested provinces and the federal government. In our 2013 budget, we said we believe that a co-operative securities regulator model would include:

- an independent board of directors, with capital markets expertise and a broad regional representation, to govern the new regulator and be accountable to a council of ministers from each participating jurisdiction;

- a single uniform act, to be adopted by all participating provinces, complemented by companion federal legislation, both administered by the common co-operative securities regulator;

- an executive head office in Toronto, with large regulatory offices and key executives in other major participating provinces, in cities like Vancouver, Calgary and Montreal—assuming that BC, Alberta and Quebec would even participate—but Toronto would be the headquarters of a common securities regulator. Regulatory offices

would be maintained in every participating province, offering the same range of services that are currently provided in those offices;

- a voting structure that reflects the significant role of all participating provinces where the major share of capital market activities would prevail; and

- reduced costs for issuers and investors, while providing a more modern and responsive regulatory environment.

Ontario believes that this type of co-operative securities regulator would provide Canada with a more appropriate and effective securities regulatory framework for the 21st century while contributing to a stronger economy and fostering job creation—all good things for Ontario and good things for Canada.

Any discussions around this should be taken into consideration. I spoke at great length in 2010 on this issue, and I acknowledge the work that has been done by many. But we have to always look forward, and we need to address consumer protection initiatives by having a common regulator. That will be a benefit for everyone.

We need to enhance competitiveness by improving costs and more value. It's also critical for us to attract international investment and participation, because there's an international reputation at risk here. So we want to ensure that, for all intents and purposes, Ontario is seen as the—it is the largest regulator in Canada. A lot of things come to Ontario. We want to take advantage of that strength. We want to be able to leverage that for the benefit of Canada as well. It's about improving and strengthening governance.

1610

Mr. Steven Del Duca: Thanks very much for that answer.

I'm going to change gears for a second and talk a little bit about some of the stuff that's taking place. If I understand it correctly, you were in the St. Catharines area fairly recently for the opening of the province's first Our Wine Country boutique. I'm wondering if you can talk to the committee a little bit about these boutiques and, specifically, if you can explain how these boutiques will do more for Ontario's wineries.

Hon. Charles Sousa: I recently had the privilege of going to St. Catharines and to Niagara, talking about some of our boutique stores, to promote and enhance local wineries and VQAs. Over 500 selections of unique-quality wines were available that otherwise wouldn't be. It enables the 100-plus wineries in the region to have access and distribution of their wines. It was well received. Many were in attendance, promoting their local VQA. Also, the growers were in attendance. It enables us to foster and promote Ontario brands and good-quality opportunities. The LCBO and those stores have the ability to nurture and promote some of these initiatives. These boutique stores were tailored with the branding and the environment of Ontario. It was almost like a kitchen setting. It's seen as a great way to promote local VQA and ensure that we propel our market to the rest of the world.

Mr. Steven Del Duca: Thank you, Minister. Because we're in this general topic area right now, I'm wondering if you can also explain a little bit to the committee what the LCBO is doing to promote something that I know is very important: social responsibility regarding alcohol consumption.

Hon. Charles Sousa: That's the benefit of having the LCBO. It's not only providing a huge dividend to the province, to the tune of \$1.6 billion, to support schools and hospitals, but it also—and it provides a competitive-priced product and enables us to have a wider selection of product by also enabling both local wines and local craft breweries. It takes the extra step of being socially responsible and providing a more balanced approach—to not only give more convenience to consumers through destination stores and, for that matter, even select stores that will be expanding into other distribution networks. They do so with the added precaution of monitoring who's buying and ensuring that minors aren't exposed. They take the added step of educating consumers as to alcohol consumption, and they work closely with MADD and other organizations to ensure the public is protected.

Mr. Steven Del Duca: Great. I'll turn it over to my colleagues.

Mr. Joe Dickson: Thank you. Minister, what is the government's vision for pension innovation in Ontario? I'd just reference a time when I put in a private member's bill and I met with actuaries, with different people, all of them very much in favour of—and I'm referencing an old-age pension expansion. I also realize it must be part of a national plan. I wonder if you can give me any insight on that.

Hon. Charles Sousa: I appreciate that. We've begun consultations on PRPPs, pooled registered pension plans. It's on page 102 of the budget. It's a framework by which we are trying to foster and develop even greater use of employer-targeted benefit plans. It enables more individuals to participate in their pension and retirement savings—that otherwise hasn't happened. Too many Ontarians still don't have a pension plan or a savings plan.

We have been in discussions with the federal government to enhance CPP, to further facilitate the needs of the public in later years.

We have a pretty strong track record of pension reform in Ontario. We've improved the sustainability and efficiency of many plans. We want them to be reliable. We've reached agreements with four major plans, saving up to \$2.4 billion by 2018 through some of the work that we've been doing with them as well.

So in all of these initiatives, balancing the interests of pensioners, plan members and sponsors is critical. We know that in recent years, with the market downturn, there has been less funding, so we've got to make certain that consumers—or, I should say, investors—are protected in the long run. More importantly, we want to increase access and availability even to small businesses to be able to participate in a pooled plan.

Mr. Joe Dickson: I have one other question, Mr. Minister. I wonder if you could address or speak to the

review of our province's business investment portfolio, particularly its activities, and what type of positive or negative effect that could impact on the province's borrowing rates, understanding fully that it's dependent on the marketplace and very, very sensitive. I've never got to the point where I've understood. I've had to borrow from my own business from time to time over half a decade, but this is something many levels above that, and I'm just looking for some insight on what you do to help improve that.

Hon. Charles Sousa: So, Mr. Dickson, you want clarity in terms of the overall interest costs and the structure of our borrowings and the impact and the volatility? I'm going to ask Gadi to come up to also respond to this, if that's possible.

You should know that the government takes a very systematic approach. There's renewal of debt on an on-going basis. It's measured and controlled and put forward in such a way so as to minimize the volatility of rates over a longer period of time.

So, Gadi, go ahead.

Mr. Gadi Mayman: Gadi Mayman, CEO of the Ontario Financing Authority. Our borrowing program this year is \$33.4 billion. That consists of financing to the deficit, financing to refinance maturing debt that we're rolling over, and financing for capital. Of that \$33.4 billion, we are almost halfway through the fiscal year and we've borrowed almost half of that so far. We have borrowed \$16.1 billion, so we're right on track.

What we've been attempting to do in order to reduce the volatility of our interest on debt costs is to take advantage of what have been historically low interest rates. So we've borrowed as much as we can, as far out as we can. Similar to making a decision as to whether you want to have a floating rate mortgage or a five- or 10-year mortgage, we've made the decision to borrow as much as we can in the 30-year term, in the 10-year term, in order to reduce the impact when interest rates ultimately do go up. That's the approach that we've taken.

Mr. Joe Dickson: That gives me some insight. Thank you very much.

Hon. Charles Sousa: Actually, if I could ask the deputy to also—there was one more piece to your question that I think deserves response.

Mr. Steve Orsini: Yes. The other part of your question is in terms of private sector investment, what affects their cost of borrowing to invest, and I thought that was an interesting aspect to the question.

The government has done a number of things to help reduce their cost of capital. Borrowing interest rates is part of it; the amount of tax they pay on their investments; accelerated depreciation. These are ways that the government has taken steps to reduce the cost of capital for companies making important investments in jobs and growth in the economy.

One other thing that was announced in the 2013 budget was extending the accelerated depreciation of businesses manufacturing, for example, making investments in machinery and equipment. That's an important

contributor to productivity, so that was a significant budget measure to allow companies to accelerate their capital cost deductions, which means they get bigger tax savings if they make more investments.

Reducing sales tax on their business investment—it was another significant barrier in the past, and with moving to a value-added tax under the HST, that removes sales tax on their business investments.

These and a number of other things that government has done actually reduce the cost of capital that companies face, and that will encourage more investment down the road.

1620

Mr. Joe Dickson: Thank you kindly.

Mr. Mike Colle: I just have a consumer question. I don't have the complexity of my friend from Ajax here.

Something in microeconomics: The LCBO, as you know, has proven to be quite a success story in many ways. The way we handle the distribution and control of alcohol and beer in this province is quite unique. I think there are a lot of good things about it—we all know that—but there are some challenges.

I'll just give you an example of a real-life problem. I've got an 85-year-old resident; she lives in the Caboto Terrace in the Columbus centre complex at Dufferin and Lawrence. She said to me one day, at the picnic this summer, "I wanted to get a beer. I don't go into the bars or taverns or restaurants, but I wanted to get a beer. I live at Dufferin and Lawrence. To get a beer, I would have to take the Dufferin bus all the way up to Yorkdale. Then from Dufferin, I'd have to walk about a mile into the LCBO to get"—she wanted two beers, three beers, whatever it is. She said, "So how is this possible? I'm a mature lady. I don't have much money. I don't want to take a cab, because it defeats the whole purpose." She just wanted one or two beers.

Then I was saying to myself, "Where is there a Beer Store?" One of the closest Beer Stores would probably take—she'd have to take the Dufferin bus to Eglinton West, then the Oakwood bus down to Oakwood. It would take her about a day to get a beer at the Beer Store.

Is there any kind of innovation that we might have within the LCBO framework, or the Beer Store framework, where ordinary people could somehow get a beer without breaking the holy charter or the Holy Grail of alcohol sales in Ontario and not sell off the LCBO and all these crazy ideas—just within the framework of convenience for an 85-year-old woman or man or someone who just wanted to get a six-pack or even one beer in a more reasonable way than having to take buses, trains and taxis?

Hon. Charles Sousa: I appreciate the question. The LCBO has been looking—and you may have seen a number of their stores that have been renovated and expanded. We have the destination boutiques as one of them. We also have, in certain rural communities, agency stores that are together with some of the breweries and other distributions.

The other thing they're looking at is expanding into what are called express stores in groceries. The intent is

to have certain LCBO areas within the grocery chains, enabling people more access, when they go shopping, to wine and beer and especially those products that are selling more appropriately. There are a number of pilots that are happening in some of the large grocery chains.

It's important that the LCBO expand the services and the distribution to provide greater access to consumers, all the while being socially responsible. These things will be monitored and addressed.

But you're absolutely right: We want our consumers to have easier access to product. The LCBO is looking at ways to make those expansions a reality.

Mr. Mike Colle: Yes, in fact, it just makes me—

The Chair (Mr. Michael Prue): It has to be very short.

Mr. Mike Colle: I think a lot of people are fans of the agency stores in remote areas. I think they really work well. Would this also be tried in some of Toronto too?

Hon. Charles Sousa: This would be in addition to that. You have the destination boutiques. You'll have the VQAs and the Vintages. You're going to have the agency stores in certain communities. Then you're going to have what's called express stores within the grocery markets.

Mr. Mike Colle: Will they be allowed in Toronto, though?

Hon. Charles Sousa: It will likely be all over, but it will be in urban centres.

Mr. Mike Colle: Okay, thank you.

The Chair (Mr. Michael Prue): Okay, thank you. Time is now finished, and we go on to the Conservatives. You have 20 minutes.

Mr. Victor Fedeli: Thank you very much, Mr. Chair.

The Chair (Mr. Michael Prue): I would state that you have indicated a desire to put a motion in. I would ask that you do that sometime before your 20 minutes is up.

Mr. Victor Fedeli: Will you let me know when 19-and-three-quarter minutes are up?

The Chair (Mr. Michael Prue): I'm not going to go right down to that—

Mr. Victor Fedeli: I'm kidding.

The Chair (Mr. Michael Prue): I'll let you know when there are about three or four minutes left. Then you decide.

Mr. Victor Fedeli: Thanks. I appreciate it, Chair. I'm just having some fun.

Good afternoon, Minister.

Hon. Charles Sousa: Good day.

Mr. Victor Fedeli: A pleasure to see you today.

In the 2012 budget, your predecessor estimated that the province would save \$265 million by 2014 through the divestment of Ontario Northland. Of course, we now have documents from the Ministry of Finance, from January of this year—and those documents are coming—that confirm it may cost up to \$790 million to divest, rather than save \$265 million. So, Minister, either to you or your deputy, I would ask: Where is the billion-dollar gap, that delta between the forecasted savings and now

the forecasted expense? Where would that have been reflected in the estimates?

Hon. Charles Sousa: In our first-quarter results, we identified the status of ONTC. The Minister of Northern Development and Mines would be the appropriate person to talk to in regard to where we stand in regard to it.

Mr. Victor Fedeli: But I'm going to talk to you about it today, though, with all due respect, Minister. This is a billion-dollar change from a number that was presented on page 43 of the budget supplement—a forecasted savings of \$265 million by selling Ontario Northland, and now we understand that the costs may actually be a \$790-million cost, with no savings to sell Ontario Northland. The difference between the two—the forecasted number that you put in the budget, a savings, a minus of \$265 million, is now a plus of \$790 million. So that billion-dollar delta, I'm asking about that and how it's reflected in your budget.

Hon. Charles Sousa: Yes. So, as I mentioned, the minister of ONTC has set up an advisory committee; they're still reviewing the options. But you may have—I know you weren't here initially for the start of these proceedings, but let's not make the mistake of reviewing some very sensitive documents that are before you, which is unprecedented. We do not want our staff to be hesitant about advising us about risks and about circumstances so that we can make informed decisions—

Mr. Victor Fedeli: I may not have been in the room, Minister, but I listened to you; I listened to that.

Hon. Charles Sousa:—and in order to make the informed decisions, we will base it on that.

Mr. Victor Fedeli: I appreciate that—

Hon. Charles Sousa: At this point, you're making reference to something that hasn't been decided upon.

Mr. Victor Fedeli: Minister, I appreciate that I wasn't in the room for your earlier discussions, but I did pay attention to them and I did hear that comment from you before. The fact of the matter is, these are documents that are in existence; these are documents that are in the public domain. That still doesn't tell me about the difference, the delta of a billion dollars, and how you account for that in your budget.

Hon. Charles Sousa: Well, we want the risks to be assessed. We want to make certain we understand the worst-case scenarios so that we can make decisions effectively to mitigate them. We're making those decisions to mitigate the risks.

Mr. Victor Fedeli: I appreciate that. It's unfortunate there wasn't consultation in the beginning, because within minutes of this announcement back on March 23, 2011, I, along with my colleagues and with the third party, have always said the numbers don't add up. There will be no savings.

In fact, Minister, we also have a document, the last document from the ministry of—either it's finance or treasury; we can't ascertain that. It's advice to cabinet; it's page 8 of 24. It talks about the divestment of ONTC business lines, and the recommendation back then to the Minister of Northern Development and Mines was to

defer, not to go ahead and announce the divestment. They said, “The ministry's plan does not accommodate transition costs, which could include asset writedowns (est.: \$215 million), severance (est.: \$25 million), and pension liabilities (est.: \$100 million).”

Now, we know that those numbers are all wrong, because this year, the new document shows those \$340 million are actually \$790 million. So the advice to defer was given back when it was only \$340 million. Even before they knew it was \$790 million, the advice to cabinet was to defer this decision. It says, “It is recommended that this lever be deferred to the document process for further due diligence and analysis of fiscal and policy implications.”

So somebody, way back when, seemed to know and agree with what we were saying: The math doesn't add up. Had they listened even closer to us, they would have seen this \$340 million became \$790 million, pretty close to the number we had from day one.

1630

So I would ask you again, then, why did the provincial government go ahead with the announcement of the divestment when they knew their own advice to cabinet was to defer that decision?

Hon. Charles Sousa: There are a lot of discussions that occur between the buildup to make the decisions. You make reference to something that occurs all the time, and we want to ensure that we deliberate and get as much information as possible in order to make those appropriate decisions. Right now, the options are still under review. ONTC is still undergoing some of its issues. We recognize some of the requirements in order to maximize the valuations of ONTC or the continuing use of certain components of it, but I would refer you to the Minister of Northern Development and Mines, who is overseeing it right now.

Mr. Victor Fedeli: I will speak to the minister; I have frequently. We have spoken on many occasions about the fire sale of Ontario Northland, but I'm asking you specifically financial questions today. Will you detail what costs the ministry didn't consider when stating in the 2012 budget that the fire sale would save \$265 million? Was it pensions, severance, WSIB, environmental, other liabilities? What did you miss where you felt a savings of \$265 million when the real cost now is a cost of \$790 million?

Hon. Charles Sousa: We've outlined the costs of this transition in our quarterly reports. I did that when I just tabled it in early September.

You make reference to something in your own draft report—and this is a draft. It does say “the divestment of the ONTC ... based on worst-case estimates.” You're making reference to a worst case, and we need to ensure that our team gives us as much information as possible.

You know, unlike referencing material that you're talking about without recognizing some of the mitigation that takes place to proceed to the decision, those are the steps that you should ask the Minister of Northern Development and Mines as to what we're doing in terms

of ensuring and reviewing those options to minimize the impact—

Mr. Victor Fedeli: I appreciate that.

Hon. Charles Sousa: —but knowing that it's not creating a positive return for the province.

Mr. Victor Fedeli: So let's stay with the document, appendix A. It's called "Summary of Key Items with Fiscal Implications at Variance from the 2012 Budget." That's a long way of saying, "Oops, there are other costs here now that we didn't have." These are fiscal implications at variance from the budget, things that are different from the budget. So I ask you, how did you account for these changes in the budget that you wrote and presented just last March? How were they accounted for? I don't recall where and when I saw those.

Hon. Charles Sousa: Sure, I'll give you some clarity, with the deputy's involvement here.

Mr. Victor Fedeli: Please.

Hon. Charles Sousa: As I've said, we've put in our first quarterly results, and—go ahead.

Mr. Steve Orsini: One thing, as part of developing the fiscal plan, the government, in ascertaining proposals from ministries—and ministries bring forward, as part of every budget cycle, their ideas to invest or to save money and find efficiencies.

Mr. Victor Fedeli: Excellent.

Mr. Steve Orsini: What the government does, as a part of weighing all those different proposals, is to factor in things that—these are estimates, and they continue to be estimates. Even in the documents you handed out, that pension expense could rise or fall—

Mr. Victor Fedeli: Oh, it's going to rise. I think we both know that.

Hon. Charles Sousa: Well, you can't say that.

Mr. Victor Fedeli: Well, I think we can.

Mr. Steve Orsini: It's a worst-case scenario and it depends on long-term interest rates, and those are the things that at the time the ministry—

Mr. Victor Fedeli: So—

Mr. Steve Orsini: Just to respond, what the government does is—given that these are estimates, given that there is potential risk—build in some significant prudence or contingency funds. So one of the things is a contingency fund. The other one: Because of a significant transformation, there was a billion-dollar transformation fund or transition fund to accommodate those estimates from ministries that might change—

Mr. Victor Fedeli: So that's where you're saying it's in; it's in that area there. This billion-dollar delta—part of it could be in there.

Mr. Steve Orsini: I don't know how you arrived at that number.

Mr. Victor Fedeli: Well, the difference between a savings of \$265 million and a cost of \$790 million: That's where I came up with the billion. It's from your documents.

Mr. Steve Orsini: All I'm saying is that there are contingency funds and a transition fund of \$1 billion to accommodate the cost of transforming any public service. So there is money—

Mr. Victor Fedeli: But even when you look at the—thank you, Deputy. When you look at the first day the announcement was made, it was "we're going to save \$265 million." Minister, you talked about deliberations, you talked about getting as much info as possible, and I cannot argue with that. I believe in both of those vehemently. Sadly, when your government announced the divestment of Ontario Northland, there were no deliberations. There were no consultations. There wasn't anybody getting information. It was done without anybody talking to anybody in northern Ontario. Had they only talked to us even briefly, as the MPP from Parry Sound–Muskoka, Norm Miller, and I found when we did a 1,600-kilometre drive through northern Ontario—you know, you talked about saving \$265 million, and then you found out first that your costs were about \$340 million and now \$790 million. You had labour severance at \$25 million. Well, anybody that works in the north fully understands the 14-year severance that many Ontario Northland employees have, and the six- or seven-year severance that Ontera employees have. You've revised your number from \$25 million to \$250 million, which many of us still believe is low, by the way. It could be as high as \$450 million, if it's taken all in.

How can I know that, as a brand new MPP, but the Ministry of Finance not have reflected that \$250 million? You have zero in for benefits. How can I know that benefits aren't going to be zero, that they turned out to be \$56 million? That's just the benefits. The pension, you said, is \$100 million. Anybody that reads the North Bay Nugget at home knows that the unfunded pension liability at Ontario Northland is \$150 million to \$200 million, and now you've updated it to \$212 million. How can I know that as a new MPP and you not have it from the Ministry of Finance's advice?

Hon. Charles Sousa: We put a note in our first quarterly results, identifying some of the concerns that you've just stated. I referenced the fact that you're dealing in worse-case scenarios and, by your own admission, you're making up numbers too. So, really, ONTC is underway. We've established a review. The minister—

Mr. Victor Fedeli: No, I won't admit—

Hon. Charles Sousa: Let me answer, because you've made a lot of deliberations and the premise of your question was all over the map. What is involved here is—

Mr. Victor Fedeli: My numbers are pretty close to the numbers you came up with a year and a half after I published my numbers.

Hon. Charles Sousa: No, you make reference to a contingency that is existing. It's not the entire contingency that would be used for this one deal. It's a contingency that's used for the entire—

Mr. Victor Fedeli: That's what your deputy had said.

Hon. Charles Sousa: —so don't reference it in that capacity.

Mr. Victor Fedeli: So what you're saying—

Hon. Charles Sousa: Mr. Fedeli, if I could respond.

The Chair (Mr. Michael Prue): Let him answer the question.

Hon. Charles Sousa: Thank you, Chair. I appreciate the opportunity to at least express some clarity that the member is asking questions and he's taking inferences about a contingency that is allowable for a number of initiatives, not just for this one aspect. As I've said many times, you have to ask the Minister of Northern Development and Mines in reference to what we're doing now. A lot of material comes to the minister for decisions. Once those decisions are made, it's up to review to determine the best way to proceed forward.

We recognize that there's going to be deficiencies. That's why we accounted for it in our first quarterly results, and that's there.

Mr. Victor Fedeli: I appreciate that. Thank you very kindly.

When did you first discuss—I'll ask the deputy this question—at finance the divestment of Ontario Northland? What was the date?

Mr. Steve Orsini: I wouldn't recall off-hand—

Mr. Victor Fedeli: What year?

Mr. Steve Orsini: I think the Drummond commission—there were a number of things that were discussed. I think it was one of those areas that the ministry had been looking at from time to time. So I can't give you a precise date. That's something we can—

Mr. Victor Fedeli: Let me go back, then—and this, Chair, is going to relate to the motion that I'll be bringing forward.

The Chair (Mr. Michael Prue): In terms of that, you have about five or six minutes left.

Mr. Victor Fedeli: Okay, thanks. We had a freedom of information that was filed last year seeking 2011 Ministry of Finance documents from prior to the elections. We're asking for documents from January 1, 2011, to October 6, 2011, the day of the election, which included Ontario Northland, ONTC, the Ontario Northland Transportation Commission. We were told there are 703 pages of discussion by the Ministry of Finance on the Ontario Northland divestment, back as early as January of 2011, before the election. Of the 703 pages, only 11 were sent. The other 692 were not released, even though the full fee of \$530.60 was paid for 11 pages. And almost every page of the pages is completely redacted. On all of these, you may not even find the words "Ontario Northland." You find the word "the" on some or the word "and," "advice to government" and it's all blacked out. You don't even know if that's to do with Ontario Northland.

So I will be making a motion from the estimates committee for exactly what was not given under freedom of information. I would like to have not only those 703 pages that we now know are available, but I would like to have all of the email correspondence from the Ministry of Finance to do with the divestment of Ontario Northland, and I have a motion that's worded.

The Chair (Mr. Michael Prue): If the Clerk could pass out the motion, then, at this point?

Mr. Victor Fedeli: Thank you. While we're doing that, is there any chance you could tell me how much

money was spent on consultants for the divestment since the time it was announced to today?

Mr. Steve Orsini: No.

Mr. Victor Fedeli: Can you undertake to do that for us?

Mr. Steve Orsini: We could follow up on that.

Mr. Victor Fedeli: Thank you. And can you also tell us, how much profit do you plan on making from the sale of Ontera? Is that a known number yet today?

Mr. Steve Orsini: The process is under way, and the Ministry of Northern Development and Mines would be in a better position to—

Mr. Victor Fedeli: That's fair, but I will look for how much money was spent on consultants for Ontario Northland specifically related to the divestment between the March 12 announcement and today.

The Chair (Mr. Michael Prue): Are you about to do your motion?

Mr. Victor Fedeli: Yes.

The Chair (Mr. Michael Prue): All right. Then, at this point, we will stop the clock in terms of the 15 hours relating to the minister, and I would invite you to do your motion.

Mr. Victor Fedeli: Thank you. I'm not familiar with this committee. Do I just read it?

The Chair (Mr. Michael Prue): Just read it into the record.

Mr. Victor Fedeli: Thank you. I move that all printed and email correspondence from or within the Ministry of Finance between January 1, 2011, and October 6, 2011, inclusive, that includes the phrases "Ontario Northland," "ONTC" or "Ontario Northland Transportation Commission" be provided to the Standing Committee on Estimates within two weeks from this date.

The Chair (Mr. Michael Prue): Okay. We have a motion. Is there debate?

Mr. Steven Del Duca: Chair, I would actually ask for a 10-minute recess. Having just received this, it will give us a chance to take quick look at it.

The Chair (Mr. Michael Prue): That's in order. Yes, we will then, at the request of Mr. Del Duca, take a 10-minute recess. I would ask everybody to be back here—I'm trying to see. This is a very difficult—

Mr. Rob Leone: It's the glare.

The Chair (Mr. Michael Prue): Yes, the glare off the clock. I think at five to—I'm trying to see what that is—at seven minutes to 5.

The committee recessed from 1642 to 1652.

The Chair (Mr. Michael Prue): Okay. The 10 minutes has now concluded. Mr. Del Duca, do you wish to speak to the motion?

Mr. Steven Del Duca: Yes, I do, actually. Thanks very much, Chair. I guess I'd like to begin by asking a bit of a question. I'm not an expert in this particular area, so I'm trying to figure out, reading this particular motion—and perhaps I'm looking for some advice or an answer on this one. I'm not quite sure, from my perspective, that this particular motion actually falls within the scope of this particular committee. It's asking for all printed and email

correspondence, not as it relates to the tabled estimates but as it relates to anything that might have occurred with those particular terms at the Ministry of Finance between those dates. It reads to me as being extremely broad and goes well beyond what I believe are the tabled estimates, so I'm just wondering if it is within the scope of this committee. It doesn't feel like it is to me.

The Chair (Mr. Michael Prue): The members may ask for any documentation. As I understand the rulings of the Speaker and the past rulings of the Speaker of the House of Commons, Speaker Milliken, which were largely borrowed from, the members of the committee have the right to ask for any and all documents. I'm not sure as to the scope, but he's asking for what he's asking.

Interjection.

The Chair (Mr. Michael Prue): The Clerk has reminded that if it is a line item in the ministry, and it appears to be from the documents we have in front of us.

Mr. Steven Del Duca: Okay. Just so I'm clear on this, they're asking for emails. The emails—and again, forgive my ignorance on this—are not line items in the budget. I understand one term or the terms, maybe, but it just seems that this goes beyond what is intended to be examined here at this committee, which is the tabled estimates of the Ministry of Finance in this particular case.

The Chair (Mr. Michael Prue): The committee has asked for other documents. We've asked for documents a number of times in the course of the last year. The ministry, in each case, including this ministry earlier, has laid out, in quite exquisite and legal detail, those documents that they feel they can release or not release at particular times and which ones they have and do not have. I would have to say that that is an entirely reasonable possibility in what may happen here.

Mr. Steven Del Duca: Okay. I do understand what you're saying. Again, as someone who is not regularly at this committee, I will only say again that it does feel like it's—

Mr. Rob Leone: You should be, though.

Mr. Steven Del Duca: Thanks. I appreciate that vote of confidence. It does feel like it is beyond the scope of what I understood this committee's work to be about and it does give me the impression of being—I suppose what I've come to expect is a bit of a fishing expedition from my friends on the other side.

Having said all of that, I'm looking now at the particular timeline that's being suggested in the committee, which is two weeks. I guess I would say that I think it would probably make sense if the committee would consider extending the timeline itself. As we've seen, both here and in other committees, there's a fair amount of work that needs to take place to actually do this. The folks who are working to produce what's requested by all of these committees do work extremely hard, not only with respect to producing for a committee, but also in terms of the outstanding work that they do on behalf of the government on a regular basis. I would ask that the committee would consider extending and adding to the timeline so that the information that you're looking for can be provided.

Mr. Rob Leone: What are you suggesting?

The Chair (Mr. Michael Prue): Well, wait a minute. This is an amendable motion. If you want to amend the motion to put in a different timeline, you still have the floor, or if you want to hear other people and make that amendment later, you can do so as well. But it is an amendment; you can't just suggest. If you want it done, it needs an amendment.

Mr. Steven Del Duca: Sure. I would like to amend it to—we'll say four weeks, double the time. Two weeks to four weeks.

The Chair (Mr. Michael Prue): All right. So we have an amendment on the floor, then, that it read "four weeks" to produce the documentation.

Okay. Speaking, then, to the amendment, I have Ms. Fife down next.

Ms. Catherine Fife: Thank you, Chair. I was actually just going to disagree with some of the comments that have already been made. We support this call for new information. When you look at how little information came out of this FOI, it's really quite incredible. The nature of the questions and the information, how to maximize the government's interest in its assets and organizations to secure the best value for taxpayers—and then we have no information. We're interested in following the money. When you follow the money, you follow the priorities, so we're supportive of the intent of the motion and we're also amenable for additional timing if the rest of the committee thinks it's necessary.

The Chair (Mr. Michael Prue): Okay. Just to keep us on track, we're talking now about the amendment, which is four weeks. Any further discussion on four weeks?

Mr. Steven Del Duca: On the amendment?

The Chair (Mr. Michael Prue): On the amendment. Any further discussion on four weeks? Okay, then. All those in favour of the amendment that it will now read "four weeks," signify. The amendment is four weeks. All right, that appears to be unanimous. Okay, it's amended.

Now, back to the main motion, as amended: Any further speakers on that?

Mr. Steven Del Duca: Having listened to Ms. Fife, I do want to take one more kick at this can. I apologize for this, and I appreciate the patience and indulgence of everyone who is participating here today. Looking again at the issue of scope, I'm just wondering—given, as has been said a second ago, that this does, in theory, deal with or is somewhat connected to a line item in the estimates—would it not make more sense, to keep it within the scope of this committee's work, to have it tied to the issue of funding? Email correspondence that relates to the funding of this stuff, as opposed to just any particular reference to these words that are listed here—again, considering the work that takes place here at this particular committee.

The Chair (Mr. Michael Prue): Again, this is up to the committee. I can only speak of the past practice when documents have been requested, first of all from the Minister of Energy, then from the Ministry of Health and then from the Ministry of Finance. These have all been

done by this committee in the last year or so and have been forthcoming with explanations—sometimes with delay, sometimes with legal opinion. They have all been forthcoming. If you don't want the documentation, you can vote against the motion as amended or, if you want to amend it further to limit the documentation, you can move that amendment too.

Mr. Steven Del Duca: Thanks, Mr. Chair.

The Chair (Mr. Michael Prue): Further debate? Seeing none, we'll call the question then. All those in favour of the motion, as amended?

1700

Mr. Rob Leone: Recorded vote.

The Chair (Mr. Michael Prue): On a recorded vote. We've had a request for a recorded vote.

Ayes

Fedeli, Fife, Harris, Leone.

The Chair (Mr. Michael Prue): All those opposed? I see none in opposition. The motion carries.

Mr. Fedeli, you have two minutes left.

Mr. Victor Fedeli: Thank you very much, Chair. I didn't know it worked that way. I did not realize that.

Do you have anything?

Mr. Rob Leone: Sure.

Mr. Victor Fedeli: I've actually asked all my eight questions here. I'm quite happy to see the motion carry, and I'll yield to the member from Cambridge.

The Chair (Mr. Michael Prue): You have 90 seconds.

Mr. Rob Leone: Thank you, Chair. Maybe in the brief time that I have, Minister, we talked last week about this difference between the deficit and the amount of accumulated debt that's going to grow this year. You associated that extra cost as capital expenses that the government's incurring. Does that mean that all the capital projects in the province of Ontario are being financed through the debt—increasing the debt?

Hon. Charles Sousa: As a result of some of the measures that we've taken in a very disciplined and determined manner, we've actually had about \$22 billion in debt not accumulated. Consequently, it's the net-debt-to-GDP ratio—that's an important measure—that assesses our ability to afford debt. We recognize that there's an accumulation of deficits that increases our debt load, but it has been very much the strategic investments that we've made in infrastructure and in other capital systems that enable us to promote economic growth and enable us to stimulate our economy and ultimately support the systems that we are now taking advantage of. It's about improving our competitiveness and increasing our overall dividend in the end. It has been an accumulation of reducing deficits that we've exceeded year over year, as well as some of the capital infrastructure that we've invested in.

Mr. Rob Leone: So when we build a bridge, that's financed through the debt? That's my question.

Hon. Charles Sousa: Depending upon the system, right? We also have a lot of P3s and a lot of alternative forms of financing that have made Ontario, frankly, the leaders around the world in certain initiatives. It's nurtured an industry that's actually being exported now around the globe as a result of some of these initiatives that we've done—

Mr. Rob Leone: So when we build—

The Chair (Mr. Michael Prue): I've got to stop you there.

Mr. Rob Leone: Okay.

The Chair (Mr. Michael Prue): The time is up. Ms. Fife, you have 20 minutes.

Ms. Catherine Fife: Thank you very much, Chair. I'm going to be asking some questions on energy this afternoon. I know that you'll be disappointed that we're not talking about auto insurance anymore, but you'll have to get over that.

Moving forward, can you tell me how much is built into the fiscal framework for the following items: the clean energy benefit?

Hon. Charles Sousa: Right. We have in our reports and in our assumptions the clean energy benefit. It's stipulated in our reports. And just as some of the reports that have been released—and it's unfortunate that Mr. Fedeli has just left—I want to also make reference to the sensitivity of some of the material that's been requested, especially the commercially sensitive matters. We hope that the committee will also continue to recognize the ongoing discussions and the ongoing negotiations that are under way with ONTC. They will be delivered and we'll respond and respect the committee's motion, but we've got to make certain that we recognize the sensitivity and the very complex nature of what is being requested. So I hope that, again, the committee will keep it in the seal.

Ms. Catherine Fife: So just back to the clean—

Hon. Charles Sousa: In regard to the clean energy benefit?

Ms. Catherine Fife: Yes, that would be good.

Hon. Charles Sousa: We make reference to it in our assessments and in our budget. It's part of our plan going forward.

Ms. Catherine Fife: A figure?

Mr. Steve Orsini: That's something we'll undertake to get back to you.

Ms. Catherine Fife: Okay. What about the relocation, the costing of the relocation of the Mississauga and Oakville gas plants? I know this came up last week, but we'd like to—

Hon. Charles Sousa: Yes, we've accommodated it in our—it's been accounted for. The number was \$190 million for the Mississauga gas plant, and there was another \$40 million, I believe, for the Oakville plant. They were accommodated in our previous reports.

Ms. Catherine Fife: Can you tell me how much is built into the fiscal framework for the industrial hydro rate program as well, such as the northern industrial electricity rate program?

Hon. Charles Sousa: Deputy, do you have a number for that?

Mr. Steve Orsini: We'll undertake to get you that.

Ms. Catherine Fife: Thank you very much. Are there any other monies allocated to energy programs for the consolidated revenue fund as opposed to the hydro rate-payer base?

Hon. Charles Sousa: Deputy?

Mr. Steve Orsini: I'm trying to envision where there would be a program that provides a tax subsidy through that, and I can't think of any offhand. What we'll do is in the response to these other questions consider whether there were any other things that would be tax-base supported energy relief programs.

Ms. Catherine Fife: Okay.

Mr. Steve Orsini: We do have in the personal income tax system the Ontario Energy and Property Tax Credit, and that does provide relief, and there's the Northern Energy Tax Credit for individuals. Those are two that are provided to individuals and families. Those are things that we could—if that's what you're looking at, that's tax-base support to families and individuals to assist them on their energy costs.

Ms. Catherine Fife: Thank you. Can you give us a total for all monies from the CRF allocated to energy programs built into the fiscal framework? Of course, this would include any personal tax credits built into the PIT system, so it's connected to that.

Hon. Charles Sousa: We'll get it back to you.

Ms. Catherine Fife: How much revenue accrues to the province from hydro corporations, such as Hydro One and OPG? You must have some assessment of that.

Mr. Steve Orsini: We do. Part of them are estimates. Part of it is, we'll need to look at what we reported in public accounts based on financial statements that have been filed. Again, that is information we could get back to you on. So you're looking for the two hydro companies?

Ms. Catherine Fife: Yes, Hydro One and OPG.

Mr. Steve Orsini: Okay.

Ms. Catherine Fife: Connected to that, though, what is the current market HOEP for electricity? You must know the current one.

Hon. Charles Sousa: Why don't we get back to you on that, too?

Mr. Steve Orsini: The hourly Ontario price—

Ms. Catherine Fife: There's nobody who can give us current numbers?

Mr. Steve Orsini: Well, anything like that fluctuates on the spot market, I think—

Ms. Catherine Fife: I think that's where I'm sort of going with this.

Mr. Steve Orsini: Yes. It's going to be averaged out, and that's really the Ministry of Energy. When you get down to that level of technical specifications, we would need to consult with the Ministry of Energy—

Ms. Catherine Fife: So the same thing would be said, then, for the current price that consumers pay for electricity, right?

Mr. Steve Orsini: Yes, that's certainly a Ministry of Energy calculation.

Ms. Catherine Fife: And the global adjustment makes up for the difference?

Mr. Steve Orsini: That would be the same thing.

Ms. Catherine Fife: So what is the point, then, of having a spot market if the market prices in no way represent the price paid by consumers?

Interjections.

Ms. Catherine Fife: Do you want me to start talking about auto insurance again?

Hon. Charles Sousa: No. I mean—

Mr. Steven Del Duca: That sounds like a threat.

Ms. Catherine Fife: No.

Hon. Charles Sousa: The whole structure of our energy mix in the province of Ontario, be it with whatever service providers we have—they all come with different pricing and different accommodations. We can certainly give you a structure and get back to you with some of the specifics, be it that we get our base supply through nuclear, or even the mix that's being changed.

Go ahead.

Mr. Steve Orsini: The structure of electricity pricing, the different generation capacities, all those things are highly complex and it's really the Ministry of Energy. They have a number of agencies that have very sophisticated calculations in trying to estimate some of the questions you have. It would best be deferred or referred to the Ministry of Energy.

Ms. Catherine Fife: Okay. I'll return, then, to the privatization of ServiceOntario. I understand that the Teranet privatization netted the province, as you've pointed out, \$1 billion in an upfront licence fee. Is that correct?

Mr. Steve Orsini: There's a cash gain of about \$1 billion, correct.

Ms. Catherine Fife: A cash gain? One time? Do you plan to make the same approach with the privatization of ServiceOntario so that you can actually accrue that upfront licensing fee?

Hon. Charles Sousa: Again, we're talking about various alternatives and options, valuations of respective programs and organizations within government, and no decisions have been made to privatize beyond the motions that we've done.

1710

Ms. Catherine Fife: Okay. So that's a matter of record. Because there have been some conversations afoot, if you were looking at privatization, do you know what that fee would be?

Hon. Charles Sousa: I'm not prepared to speculate.

Ms. Catherine Fife: Okay. Those are all the questions I have.

Just a question, though, of the Chair: I did ask for some specific questions last week and I received a summary of them today. What is the accepted time frame for—

The Chair (Mr. Michael Prue): Unless a time frame is specified, it's when the ministry gets around to it. If

you want them at a specific time—as an example, the next meeting or before the minister is finished—you'd have to say so, before we go on to the next ministry. So if you want—you still have the floor—you can request that.

Ms. Catherine Fife: I guess this question would be for the deputy. We're trying to get a handle on the pricing of electricity and energy in the province of Ontario, and, as you know, it's a contentious issue. In what sort of timeline could you get back to us with some of the questions with regards to market prices?

Mr. Steve Orsini: Those types of questions would—it really is a Ministry of Energy response, so one of the things that would be hard for us to estimate is the time that it would take for them to pull this together, and they might need more clarity on the exact time frame and issues around that. Typically what we do is we get a question from the committee and if it's something that the Ministry of Finance can respond to, we respond to it as soon as possible. If it's a question to a line ministry, typically we would want to refer that to the line ministry that is best able to estimate the time it takes to respond to some of these questions. It would be difficult for us to estimate for them how long we would think it would take them to do that.

Ms. Catherine Fife: Okay. Just to follow up on some of the questions that were asked this morning—it feels like this morning—earlier this afternoon by Mr. Colle with regards to modernization around the LCBO: When you're looking at other options around accessibility, are you also looking at the role that advertising plays with the LCBO? Because it's a Catch-22. You want this agency to be successful, but in a responsible way. Their advertising budget has increased steadily over the years. Would you like to comment on that?

Hon. Charles Sousa: Yes, certainly. It's an opportune way for the LCBO to brand Ontario and to find ways to promote our local producers and product selections within the stores, and enables us to educate consumers as to what choices are available to them.

Ms. Catherine Fife: But you understand the challenge, right? The commercials, obviously, are promoting alcohol consumption and purchasing and there are definitely negative effects from a health care and a social policy perspective with increased alcohol consumption. What do you think the role is of government to find a balance within that? I mean, it's a Catch-22.

Hon. Charles Sousa: It's important for the LCBO and the government to be socially responsible, and it invests quite a bit in abatement initiatives to ensure that people who are exposed are protected and to make certain that minors and others don't have access as readily as may be available in other systems. The LCBO, I think, does a pretty good job and certainly it is renowned worldwide for its efforts to promote social responsibility in the delivery of its products.

Ms. Catherine Fife: Part of the budget dealt with agency accountability. You're looking to improve the results of those agencies and to ensure streamlining around expenses and value for dollar and building trust.

With agencies like Metrolinx in particular, as those revenue tools do come out, what is the relationship with the provincial government? You monitor their budget. You monitor their expenses. How do you make sure that you're getting good value from an agency like Metrolinx when we've seen other levels of government sort of weigh in on what Metrolinx says?

Hon. Charles Sousa: All of our agencies are monitored and audited and reviewed, and we've actually increased accountability and accessibility, even in our budget more recently. We recognize that it's important for the public, certainly, to have access and understanding as to what's happening in our programs and in our agencies. We endeavour to ensure that it's done in the most effective and efficient way possible, while at the same time using as many and attracting as many experts in that particular sector to advance those issues.

We are coming forward with a strategic advisory panel to assess certain alternatives to move forward with the next phase of Metrolinx and those investment strategies.

Ms. Catherine Fife: Thank you. No further questions.

The Chair (Mr. Michael Prue): It then transfers to the Liberals. You have 20 minutes.

Mr. Steven Del Duca: Thanks very much, Mr. Chair. I look forward to spending a bit more time here on this side of the room asking the minister questions about decisions that were actually made by the government as opposed to speculation, which we've heard a lot of questions about, unfortunately, from a certain group on the other side.

In any event, I want to begin by asking you a little bit about education. I don't think we've covered that from our perspective just yet. If you can talk to the committee a little bit about what actions the government has taken to improve the quality of both the primary and secondary education systems here in the province, that would be helpful.

Hon. Charles Sousa: The province and the government have long dedicated resources and investments into our education system, both in the primary and secondary—certainly, in the elementary, with the introduction of all-day learning; and, of course, post-secondary, in the realm of universities, colleges and trade services.

We know, through the works of Dr. Fraser Mustard, for example, that early years education will enable us to promote greater graduation rates and greater success by students in the long term. Investing in all-day learning is an initiative and a means by which to protect and invest in our young people, even at the start of life. This enables us to promote greater initiatives so that as they graduate and as they have greater success in later years, we can help produce and promote greater skills in our workforce.

That's one of the reasons we've introduced a 30% reduction on tuition. That has enabled us to help lower the cost of post-secondary. Approximately 230,000 college and university students now receive that 30% off tuition grant that we introduced in 2012-13.

We also know that there's a huge gap of skills and knowledge that certain sectors are seeking. By continuing

to invest in education, it will enable us to attract as well as export some of our services in post-secondary to the world. That was something that was introduced in our throne speech, I recall, last year.

We will continue to provide funding for education, with a modest increase this go-round. We're going to continue promoting the work of teachers and working closely with all educators so that we can attract the best students, retain the best students and enable kids to succeed from JK all the way to post-secondary.

Mr. Steven Del Duca: Thanks very much, Minister. Can you talk to us a little bit about the government's plan to give Ontarians better access to health care and, in general, better value for their money in a very crucial field, that being health care?

Hon. Charles Sousa: Yes. This year alone, the government is investing \$75.8 million across the province to support health care and support providers and continue to reduce wait times, for example, and provide for more than 6,800 additional surgical procedures and more than 220,000 hours of MRIs and CT scans.

As you know, we've increased the number of nurses by 16,393, from 111,000 in 2003 to 127,000 in 2012.

We know that transformational change in health care is necessary to provide greater access and greater services, especially to our senior population with home care.

All of these are initiatives that we introduced in the budget. We've expanded the degree of funding to support it and to save money in the end by introducing these steps so that clients and those in need of care are receiving the care more quickly, more accessibly and closer to home. It's about getting care where and when they need it. We will continue to invest that and make the transformational changes that have been recommended, and help front-line workers especially.

1720

Personal support workers do a tremendous job in our province, and we want to ensure that we provide and support them in the work they do. We know that the work they do enables us to have much fewer incidences in emergency wards, for example, and in alternate levels of beds in hospitals. Introducing these steps, introducing community health teams and introducing more home care initiatives enables us to have less of a burden on our hospitals and in our health care network, and investing in nurse practitioners, investing more in pharmacies and pharmacists by introducing some of their procedures, by giving more ability for other providers of health care to access and deliver some of the services will lessen the overall cost and burden to our system. So it's important that huge transformational changes take place.

Mr. Steven Del Duca: Thanks for that. My next question relates to the issue of transit and transportation. As I think you know, I represent the riding of Vaughan. It's a pretty fast-growing community in York region, just on the edge of Toronto.

Mr. Mike Colle: You want a subway too?

Mr. Steven Del Duca: I believe it's under construction, opening soon.

I'm just wondering if you can give us a bit of an idea or an understanding of the government's plan for transit in the GTHA.

Hon. Charles Sousa: We made it clear that part of our six-point plan is to continue investing in modern transportation, modern infrastructure, including transit. We're committed to finding real solutions to get people moving in the province more quickly and more safely, and allowing businesses to move their goods more quickly because we know it costs around \$6 billion in the GTHA annually in the gridlock. The gridlock we're facing is tremendous. It's tremendous not only economically but also by way of quality of life.

We're moving forward with a plan to provide for better transit in the GTHA. An advisory panel will be reviewing some of the recommendations made by MetroLinx's investment strategy to help find the right solutions to improve that system in the area.

Strategic investments in public transit infrastructure have always been a key part of the economic plan. It helps create jobs. It will help people in their everyday lives by investing in people, as well as building stronger infrastructure in a more dynamic and innovative system, but it's critical that we have an integrated, coordinated approach. We understand some of the barriers that exist between different municipalities—all the more reason that we need to have a holistic approach with regard to transit.

In this region and, for that matter, even around the province, we've dedicated \$100 million in the roads and bridges fund. We're making the gas tax permanent to the various urban municipalities so that they can invest in transit. There is a more programmed and predictable funding stream, and we're putting in \$35 billion over the next three years dedicated to that very issue.

Mr. Steven Del Duca: Thanks very much for that. Could you give the committee sort of a general sense of the economic challenges that you think the province of Ontario is facing?

Hon. Charles Sousa: Well, in light of some of the challenges with regard to slower growth around the globe, including Europe and even the emerging markets that have slowed down more so than was anticipated—they've all had an impact on our ability to source greater revenue and trade. But notwithstanding some of those declines, we've also been able to beat our deficit targets tremendously to well over \$5 billion. Last year alone, our deficit went down to \$9.2 billion as a result of a very determined and disciplined means of controlling our spending. In fact, last year, as by an audited report in our public accounts, our program spending actually went down. We didn't just control it or keep it below 1%; we've actually had a reduction of expenses and a decline of program expenses year over year by 0.4%, and total spending went down by 0.1%. That has not been accomplished by any government in Canada. In fact, Ontario continues to be the lowest-cost government in Canada, and it hasn't been achieved in well over a decade. So we recognize how important it is for us to control spending,

especially in light of the tough environment that exists around the world. We'll continue to invest in those initiatives. We'll continue to invest in our six-point plan, to invest in people, to invest in infrastructure, to invest in innovative solutions and to invest in our young people through our youth programs, so that 30,000 more people can be put to work.

All of these initiatives enable us to ensure that Ontario's fundamentals remain strong and that we are able to become even more competitive in the long run and tackle and eliminate our deficit on plan, as targeted, by 2017-18.

Mr. Steven Del Duca: Thank you.

I want to move away from that sort of broad general question to one that's a little bit more specific. I know, over the last number of years, there has been a lot of analysis and research done and a lot written about the equalization program and how it impacts what's taking place nationally but also how it impacts a province like Ontario. Could you talk to the committee a little bit about your perspective on that program?

Hon. Charles Sousa: Yes. I mean, as we all know, Ontario is the largest contributor to the federation. And for many years, all the other provinces combined—Ontario was still a net contributor to the rest of the federation, and we continue to be so. So the province has asked for a little bit more fairness, especially when it comes to investing in strategic initiatives and in strategic transit, for example, or in certain sectors of our economy, just as has occurred in the east and in the west. Ontario is looking for more of its fair share. We, I believe, are over \$11 billion or so in net contributions, and I think Ontario's fiscal capacity remains as one of the best, so it will continue to go. Ontario continues to provide for the federation; we just want to make certain that we get—especially in light of the challenges that we always face and that we've been facing of late.

I think the deputy also would like to contribute to that.

Mr. Steve Orsini: Just to the minister's reference: In the budget, on page 249, it shows fiscal capacity before federal transfers and after federal transfers. So you look at how Ontario has a diversified economy—not quite the energy wealth of some other provinces. We're in the middle of the pack. If you look at Ontario's fiscal capacity, it's in the middle. There are provinces ahead of us and then provinces behind, in terms of ability to raise revenues.

When you add in federal transfers, it overcompensates all other provinces to the point that Ontario now is the lowest fiscal capacity in the country, because the federal transfers overwhelm our ranking and knock us down to the bottom rung.

Mr. Steven Del Duca: Thank you very much.

Mrs. Amrit Mangat: Minister, my question is with regard to small business. We all know that small business is the backbone of our economy, and I think there are approximately 390,000 small businesses in the province of Ontario.

Being a small business woman in my previous life, I know how hard it is for the small businesses to sustain

and remain competitive with limited resources. There are many small business men and women who keep on meeting me—and I am sure they are also in your riding—and they always ask me this question: What is our government doing to support small businesses so that they remain sustainable?

Hon. Charles Sousa: It's a great question. I myself had a business prior to government, and I recognize the challenges that all small businesses face. Certainly for our economy, small business is the largest employer when you combine everyone's work together. We recognize that. That's one of the reasons we made our small business taxes lower still, and it's one of the lowest in North America and around the world. We want to encourage small business to invest and encourage them to continue producing jobs.

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We also introduced, in our budget this year, an increased threshold of the employer health tax benefit so that small businesses now—those making up to \$450,000—get exemption from the employer health tax. Again, this is helping more small businesses; I believe almost 80% more will be getting benefit from it.

Some years ago, we introduced Open for Business, trying to find ways to reduce red tape so that more small businesses can access government more effectively. We want to try to enable a one-stop approach to government services and programs.

In the budget, we also included an accelerated capital cost allowance so that we encourage those businesses to invest in machinery and equipment so that they too can become more competitive and productive. A number of programs exist to that effect now. In fact, we look at some of the small businesses that are really punching above their weight when they're competing against some of the other big businesses from the United States and other parts of the world, and they're succeeding. They're succeeding because they are nimble and they provide specific services and initiatives that make them much more competitive. It's also about our innovative culture. We need to encourage some of that innovation so that more small businesses can succeed in that entrepreneurial spirit. It's one of the reasons we've also invested in the youth program: to have more young people engaged in small business activity.

Mrs. Amrit Mangat: That's a long-term goal, right? What are we doing in the short term? That's my question.

Hon. Charles Sousa: We're keeping taxes lower, we're allowing for accelerated capital cost allowances so that these companies can invest, and we've immediately increased the employer health tax so that they pay less tax overall.

Mrs. Amrit Mangat: What was the threshold before for the employer health tax?

Hon. Charles Sousa: I believe it was around \$400,000. It has been increased to \$450,000, which now accommodates many more than there were in the past.

Mrs. Amrit Mangat: Okay. My next question—

Hon. Charles Sousa: We also introduced a pooled retirement savings plan to enable those small businesses

that haven't been able to provide for pensions and services to be part of something even greater for their employees.

Mrs. Amrit Mangat: I don't think small businesses know about that much. I think we need to raise more awareness about that.

Hon. Charles Sousa: That's a good point.

Mrs. Amrit Mangat: What is our government's plan to invest in infrastructure?

Hon. Charles Sousa: It's critical that we continue to invest in infrastructure. We've made that part of our six-point plan. We have already invested more in the last eight years than all governments combined. It has been a big part of our stimulus package to try to be strategic in those investments to protect and grow our economy. We will continue to invest \$35 billion, over the next three years, dedicated to modern infrastructure to enable us to be more competitive and to ensure that those businesses that want to come to Ontario have greater access, greater dependability. We have some of the best roads and systems now in Ontario than we've ever had in the past. We need to continue to invest in that so that we can continue to attract even more. We're located in proximity to the largest trading partner in the world, and we want to make certain that those companies that invest in Ontario will have access to that market as well.

Mrs. Amrit Mangat: How much are we investing in the future? Can you give us a—

Hon. Charles Sousa: In infrastructure?

Mrs. Amrit Mangat: Right.

Hon. Charles Sousa: We've made a dedicated amount of \$35 billion for the next three years.

Mrs. Amrit Mangat: Thirty-five billion?

Hon. Charles Sousa: Yes.

Mrs. Amrit Mangat: Thank you.

The Chair (Mr. Michael Prue): There's approximately a little over a minute left.

Mr. Rob Leone: Talk about the Hells Angels again.

Mr. Mike Colle: We should talk about the downloading of the Conservatives, how many billions of dollars that they've downloaded on municipalities and their property taxpayers. I remember they downloaded highways—

The Chair (Mr. Michael Prue): This is not a line item.

Mr. Mike Colle: —they downloaded the social services. They downloaded court costs, ambulance service—all those downloads. I'm just wondering—

Mr. Rob Leone: Point of order.

The Chair (Mr. Michael Prue): On a point of order.

Mr. Steven Del Duca: The question is coming.

The Chair (Mr. Michael Prue): The question is coming? I haven't heard anything that's a line item. I have a point of order here.

Mr. Steven Del Duca: He's downloading his question.

Mr. Rob Leone: Oh, you guys are downloading? Okay, good. We'll continue the question, then, if they're downloading.

Mr. Mike Colle: What I'd like to know, Minister, maybe in the next round of questioning, is, we as a government and you as Minister of Finance have been involved in the uploading of those municipal costs that were downloaded to the tune of billions of dollars on poor property taxpayers, I know in my riding and in towns and cities all across Ontario. What is the status of that uploading of costs, and what is the formula being used about which costs are being uploaded? How much of ambulance has been uploaded, how much of welfare costs and how much of court costs? So I'd like, maybe in the second round, to get sort of a state of the nation on uploading that your ministry is doing.

The Chair (Mr. Michael Prue): Okay. There is not time to answer it at this point, but if you want to hold your thought or if you want to respond later, then that can be done. The question has been asked.

We will go to the Conservatives for the next 20 minutes. However, I must warn you that, in the event of a bell, which I anticipate may happen at about quarter to 6 or 10 to 6 today, we would have to leave. It would be my intent, if that is the case, if there is a bell at 10 to 6, to adjourn for the day at that point rather than come back after 6 o'clock, when we can't ask any more questions anyway. Okay? Just to let you know that you have 20 minutes.

Mr. Rob Leone: I'm surprised, Mr. Chair, that you don't think that there's going to be unanimity when we vote in the House on our opposition day motion, but I guess we'll soon see if that is the case or not.

Minister, I know I had a brief question before our time was up last time, and I want to come back to the issue about how capital expenditures are reported in the budget. It seems that they're tacked on to total debt and then you use the concept of net debt, because obviously net debt—I don't want to use the words "cancels out," but in a sense it does—the assets of the government. Therefore, that's what you're focusing on. So when you say that you're spending \$35 billion over the next three years on infrastructure, what does that mean to the total debt? Does that mean the total debt is going to increase by \$35 billion?

Hon. Charles Sousa: It's more appropriate for us to look at net debt, which includes deficit accumulation as well as capital investments, so it includes the debt that has been borrowed for capital investments. We also depreciate those investments over time, so a component of it is actually expensed and accounted for in our budget on an ongoing basis. So it's not the entire amount that would not be recorded—I think you're getting to the point of how much of it is recorded and how much of it is borrowed. We recognize that some of it is expensed and is recorded. The borrowing accumulation of some of those capital improvements are recorded as well. Highlighted on page 31, we actually talk about some of our planned infrastructure expenditures by sectors, and it talks a little bit about the implication that it has overall.

Mr. Rob Leone: So the actual increase in debt includes the accumulated deficit, the deficit plus the capital

expenditures of the government? That's what I'm trying to get at. I'm just curious; I'm trying to understand how it's all recorded.

Hon. Charles Sousa: It's a good question. Right now, that's why we're talking about net debt, because we want to ensure that the public and people are aware that we can't measure this based on deficits alone, because we're in a deficit position. We are borrowing and have to because of the deficit that exists and, as Gadi has explained already when he's been here—he's talked a lot about the degree at which we borrow on a capacity. In our chart we talk a little bit about those ratios and our ability to afford the debt. So we need to monitor that, more so than anything else, so as not to find ourselves in a position where we're borrowing beyond our means.

Mr. Rob Leone: In the Legislature today we're talking about—I note on the television that's in the room that they're talking about an extension of the subway to Scarborough, at a cost of \$1.4 billion. I think that's the estimate of your government's current plan, if you will; obviously, I think that changes almost weekly. Would the people of Toronto and the people of Ontario expect that the debt would increase by \$1.4 billion on account of the infrastructure project being completed?

Hon. Charles Sousa: I go around the province doing consultations, explaining to individuals, determining what priorities we want to make. There are initiatives and investments that we must make in order to improve our competitiveness, requiring increasing the debt. That's why we want to make certain that we make choices as to where we invest and where we cut spending, because the offsets are also continuing to cut our spending to ensure we can afford this.

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Mr. Rob Leone: So I wouldn't be incorrect to say that if the subway is in fact built, people in Ontario are going to have an increased debt by that amount. I wouldn't be incorrect in saying that?

Hon. Charles Sousa: That's highlighted in our budget. I'll go over to the deputy. We clearly outlined how the debt is accumulated and why and how it is affected, for what programs are creating the debt. Go ahead, Deputy.

Mr. Steve Orsini: It's a question of when the government flows the \$1.4 billion. Our understanding, based on the Ministry of Transportation estimates, is that it's going to be likely beyond 2017-18 as the time frame.

It may not have the full impact on the dollar-for-dollar, because the government will possibly have other capital offsets and other things that might mitigate that dollar-for-dollar addition to debt. So it really depends on the circumstances, when the government flows that money, as to whether or not there will be a direct \$1.4 billion added on to debt.

Mr. Rob Leone: But essentially, if a subway is extended, there will be more debt. Is there a percentage that would be—could you give us an idea of how much that would be in terms of—

Hon. Charles Sousa: Again, it's about timing, and it's about when the investments are made. It won't happen all at once, right? It's going to be over a period of time. As mentioned, there is a system of borrowing and access to capital that the province takes, and it's offset through those initiatives.

Mr. Rob Leone: In essence, so I'm clear, then, the question of how infrastructure projects are financed in Ontario—it's mostly financed, if I can get this correct, through borrowing. Is that true?

Hon. Charles Sousa: Infrastructure Ontario does have a number of proposals. We have a number of them that are done through institutions as well. We have a lot of private investors participating in some of these initiatives. We've seen that in a number of hospitals and other builds.

Mr. Rob Leone: So the answer is yes?

Hon. Charles Sousa: There's a component that's private, and there's a component that goes by debt.

Mr. Rob Leone: In the absence of public-private partnerships, the answer to that is yes, that infrastructure projects in Ontario are financed by borrowing, correct?

Hon. Charles Sousa: The component on the timing of those that are done—I mean, we can clarify as to—you're asking for a specific project. We're suggesting to you that there's revolving debt that's accumulated, that we use then to invest in certain projects.

Do you want to clarify?

Mr. Steve Orsini: Some of the capital projects are with other partners. The full amount—not necessarily saying it can be added to borrowings. The province is also depreciating old capital investments that are still rolling through. So you have to look at the depreciation, the additional capital amounts, as to come up with a total impact on borrowing overall.

Mr. Rob Leone: When you're investing in infrastructure—I noticed in the House today, during question period, your transportation minister likes to claim that you're a party of writing cheques. I'm just going to assume that the cheques that are being written are being written on an overdraft account.

Hon. Charles Sousa: No, I think what my colleague is saying—

Mr. Rob Leone: We actually don't have the money to pay for the infrastructure projects beforehand.

Hon. Charles Sousa: No, he's saying that there has been a commitment made by the province to invest in these initiatives, and we're looking for a commitment of that same amount, or more, from different orders of government to do the same. Right now, the province has made that commitment to proceed with these investments.

Mr. Rob Leone: But don't you think that's an untold story, that people think that when they're getting new subways, bridges or schools—and assuming that they're not public-private partnerships—they're expecting that the government actually pays for those infrastructure projects when they actually have the money for it, rather than dipping in further into debt and further into the red?

Don't you think they have an expectation that you have the money to do that prior to engaging in these sorts of things?

Hon. Charles Sousa: Mr. Leone, in all the time that your party has been in government and has provided for budgets, their debt went up, for the very reasons that you've just stated. The government of today's budget is \$117 billion. Twenty years ago it was only \$20 billion. There are different circumstances, different infrastructures, different investments and different initiatives that go forward. In fact, we have been very determined and disciplined by which we do so. That's why we've actually been able to offset about \$22 billion in accumulated debt that we had anticipated initially. Because of the measures that we've taken, we've had to not borrow almost \$22 billion.

Mr. Rob Leone: We have lots of questions about the nature of your investments and having money before you actually engage in that. We talked at length last time we were here about whether there is, in fact, a plan in place to balance the books by 2017-18. I certainly claim that there isn't a plan to do that. I don't think you have a credible way of doing that.

In addition to that, there have been media reports within the last week that suggest that your caucus is actually quite divided on how and whether you should stay committed to that 2017-18 deadline or whether you should soften that target. What's the position of the Minister of Finance on that?

Hon. Charles Sousa: No. We are committed to eliminating and tackling the deficit as planned by 2017-18. We've succeeded in exceeding our targets year over year. Last year alone, by audited reports, we even did better than initially anticipated because of the measures of cutting our spending.

We're going to continue to make those determined efforts, but we're not going to jeopardize Ontario's future by not investing in those very initiatives to create growth and create jobs. This is our competitive advantage in the long term, so we need to make those investments strategically as well.

It's about taking a balanced approach. We could aspire to some of the suggestions made by your party to do even greater austerity measures and across-the-board cuts that would hamper our sensitive recovery, but we're not going to do that. We're going to invest in those subways. We're going to invest in public transit. We're going to invest in municipalities. We're going to invest in health care and education, for the future benefit of society. It's part of government, and those are the tough choices that have to be made.

Mr. Rob Leone: When you have half of your caucus, and even half of some cabinet ministers within the cabinet, questioning whether you're going to actually make those targets and potentially soften it, does that not give us a sense that the government is not committed to balancing the books by 2017-18?

The reality is, you haven't given us any indication of how you're going to do that. We've tried to actually get

some information from you and your ministry about the "out years." We don't have enough information to actually understand how you're going to balance the books, and yet we have people in your own caucus actually questioning the resolve of your government and you, as finance minister, to actually balance the books, and actually wanting to extend that deadline even further. So how does that give confidence to anybody that you're going to stick to your commitments going forward, knowing that there is dissension in your ranks?

Hon. Charles Sousa: There's no dissension, and you're making this up. So the premise of your question, I can't accept—

Mr. Rob Leone: I'm not making it up.

Hon. Charles Sousa: —but I can say this: Let's talk about what actually does occur and what has occurred. Every year, the out-years are always estimates and they're always difficult to determine. Some of the proposals being put forward have been adjusted as a result of the continuing global recession.

Notwithstanding that, we have taken extra steps to control our spending, more so than before, because now we've even proven that we can have negative spending, which has occurred. It hasn't occurred in over a decade. We outlined very clearly the restraint in our growth and spending: Year over year, it has been less than 1%.

We have taken reports and recommendations by Drummond and others to determine what we need to do to transform government. His assumptions were—and you keep using some of those assumptions—as to what would be the worst-case scenario. Had it not been for some of those deliberations and reports, we wouldn't be able to make the decisions that we've made to control some of those worst-case scenarios, to the tune of \$1.8 billion in pension transformation. That alone is giving us greater benefit in those out-years.

We have illustrated our ability to outperform. We have illustrated, through our six-point plan, the steps we're going to do to continue to invest and promote those jobs and economic growth. To use your party, we've been very conservative in terms of what it is that we're doing to address those out-years. So we'll continue to make those tough choices, but we are also going to hold to values of being fair and socially responsible to those most vulnerable.

Mr. Rob Leone: Minister, program spending in the province of Ontario is scheduled to be \$117 billion in 2013-14; the following year, as I state here, \$118.3 billion. Then the totals from 2015-16, 2017-18, \$118.8 billion and then falling to \$118 billion. So that means you're going to cut spending, particularly in the last year of your fiscal plan, but you have not done anything to tell us what those cuts are going to be. How am I supposed to give any credibility to a plan where you haven't actually outlined the kinds of steps you're going to take to actually reduce government spending. After two years of growth, you're actually going to have to cut back.

Interruption.

Mr. Rob Leone: Saved by the bell, Minister.

The Chair (Mr. Michael Prue): You can finish your question.

Mr. Rob Leone: That's my question. I want to see if he can give me an answer.

The Chair (Mr. Michael Prue): We have 10 minutes, so just one answer and then we're out of here.

Hon. Charles Sousa: I do appreciate the question, because it's critically important that people and the public recognize—it's one of the reasons we've included in here accountability and transparency; it's one of the reasons we have introduced a Financial Accountability Officer to look at the integrity of those numbers going forward—

Mr. Rob Leone: But what are the cuts you're going to make?

Hon. Charles Sousa: The out-years are always difficult, but we've recognized that measures around the world and the austerity measures that occur are not as a result of the decisions made necessarily by the government but are forced upon them. We don't want to be in that position; we want to be the government that takes

control of the way we're proceeding. We control our spending year over year. We've taken very extraordinary measures not to do across-the-board cuts but to take a balanced approach so that we can continue to stimulate growth. We've cut FTEs; we've controlled our envelope for spending. We have a number of ministries that have now cut their spending more than they did in previous years. These are now providing positive results going forward. If I look at year-over-year growth in program expenses in our report to public accounts in 2012-13, our annual growth rate in 2009 was 12%. It fell in 2010 to 4.5%, and it fell further in 2011 to 0.9%, and it went below 0.4% in 2012. We reduced that spending.

Mr. Rob Leone: You have to reduce spending by \$1 billion for the last year, and you haven't outlined it.

The Chair (Mr. Michael Prue): Okay. I'm going to stop it there. We have eight minutes to get upstairs.

The meeting is adjourned until Tuesday, the 24th of September at 9 a.m. I think at that point, we're going to have about two hours and a bit left in this ministry.

The committee adjourned at 1754.

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