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**Official Report  
of Debates  
(Hansard)**

**Tuesday 10 September 2013**

**Journal  
des débats  
(Hansard)**

**Mardi 10 septembre 2013**

**Standing Committee on  
Estimates**

Ministry of Finance

**Comité permanent des  
budgets des dépenses**

Ministère des Finances

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Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
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Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 10 September 2013

Mardi 10 septembre 2013

*The committee met at 0908 in room 151.*

## APPOINTMENT OF SUBCOMMITTEE

**The Vice-Chair (Mr. Taras Natyshak):** We'll call the meeting of the estimates committee to order. Good morning, friends and colleagues. Before we begin, I've been notified that there are some housekeeping items to take care of prior to hearing any testimony from the minister.

Number one on the agenda is to inform committee members that the Vice-Chair—myself—will deal with a couple of housekeeping matters before resuming; that is, the appointment of subcommittee members on committee business. So I'll request that a motion be given to nominate subcommittee members. I understand that Liberal members aren't quite certain at this point.

**Mr. Mike Colle:** I'll do the subcommittee stuff.

**The Vice-Chair (Mr. Taras Natyshak):** So you're going to nominate—

**Mr. Steven Del Duca:** I'll nominate Mr. Colle, the member from Eglinton–Lawrence.

**The Vice-Chair (Mr. Taras Natyshak):** Very good. Okay.

**Ms. Catherine Fife:** I second that.

**Mr. Mike Colle:** Thanks.

*Interjections.*

**Mr. Steven Del Duca:** I move that the subcommittee on committee business be appointed to meet from time to time at the call of the Chair, or at the request of any member thereof, to consider and report to the committee on the business of the committee;

That the presence of all members of the subcommittee is necessary to constitute a meeting; and

That the subcommittee be composed of the following members: the Chair as Chair, Mr. Colle, Mr. Leone and Mr. Natyshak; and

That substitution be permitted on the subcommittee.

**The Vice-Chair (Mr. Taras Natyshak):** Thank you, Mr. Del Duca. Any discussion on the motion? Seeing none, we'll vote on the motion.

All in favour? All opposed? Carried.

To the opposition members: Do you have a nomination for subcommittee? No?

**Mr. Rob Leone:** It was all in the one motion.

**The Vice-Chair (Mr. Taras Natyshak):** Oh, everybody was in that. Very good. Thank you very much.

*Interjections.*

**The Vice-Chair (Mr. Taras Natyshak):** And I'm included in that motion, so I should have paid attention.

**Mr. Steven Del Duca:** Last but not least on the list here.

**The Vice-Chair (Mr. Taras Natyshak):** Well, thank you very much, Mr. Del Duca.

## COMMITTEE BUSINESS

**The Vice-Chair (Mr. Taras Natyshak):** The second housekeeping item has to deal with the receiving of documents. It's one that I think members of the committee know that was carried over from the last session and one where you'll see there are some correspondences that are referenced from the Chair back and forth to the minister, indicating, I guess, some directives about accepting the contents of the documents that have been filed or presented and those that have not yet. So I'll put it to the committee members to figure out how we receive these documents, in which format. There are several options on the table, but I believe that this is obviously critical to us debating the estimates and understanding the relevance of those documents as it relates to the estimates.

I will make committee members aware that the minister has requested an opportunity to speak to committee members prior to us actually coming to a decision, so be aware of that.

*Interjection.*

**The Vice-Chair (Mr. Taras Natyshak):** He wants to do that. It's up to the committee members to decide whether we want to hear from the minister about these documents and about the options of receiving these documents. Once we get through that, we can then proceed to deciding how we do receive these documents.

Any discussion on that housekeeping item?

**Mr. Steven Del Duca:** As per your request, Chair, if we could ask the committee's indulgence to give the minister the opportunity to say a few words on this before we come to a decision, that would be helpful.

**Mr. Rob Leone:** Here's my concern: We don't have a lot of time in this committee. We have to report back by the middle of November in terms of the estimates, and we're already—I don't know how long the minister is going to take to get here.

**Mr. Steven Del Duca:** Momentarily.

**Mr. Rob Leone:** I'd like to get started as quickly as possible before we have 20-minute recesses and stuff like that, things of that nature. So I would suggest that we deal with the matter just on the basis of let's go on with it, because we don't have a whole lot of time here to be looking at and examining the estimates of all the ministries that we have before us, and every minute is crucial in that regard.

**Mr. Steven Del Duca:** I certainly understand the concern, Chair, but if I could just ask the committee to go along with this request at this moment. The minister, I understand, is only a few moments away—stuck in traffic, unfortunately, from what I understand. I understand the importance to the member from Cambridge, and the points that you've raised. I appreciate and respect those, but I would ask that we give the minister the opportunity to speak to this matter before we actually render our decision.

**The Vice-Chair (Mr. Taras Natyshak):** I would say that if the minister was here—and unfortunately he is stuck in traffic, and that's really unfortunate, but I don't see that it is a good use of the committee's time to wait to see when the minister does arrive. I certainly understand the nature of traffic in Toronto. I was stuck in it a little bit earlier today, but I did get here on time. I would say that, unfortunately, we're going to have to pass over the ability for the minister to make any presentation. So I would ask committee members to now consider the item that is on the table, which is the receiving of the documents.

For the committee's indulgence, I have requested some options that we can all consider. They aren't precedent; they are simply sort of an amalgamation of options that have been used throughout other committees that have sort of dealt with the same—

**Mr. Mike Colle:** Point of order, Mr. Chair.

**The Vice-Chair (Mr. Taras Natyshak):** Sure.

**Mr. Mike Colle:** I'm just wondering, have you ruled then that you're not going to listen to the minister?

**The Vice-Chair (Mr. Taras Natyshak):** I have ruled, yes.

**Mr. Mike Colle:** I think the committee should have a vote on that.

**The Vice-Chair (Mr. Taras Natyshak):** You can put a motion forward to have the committee vote on it.

**Mr. Mike Colle:** I move that we recess until the minister is able to be here to briefly address the committee.

**The Vice-Chair (Mr. Taras Natyshak):** Mr. Colle, I'll stop you. If you want to submit a motion, I would request that it be in writing. But if you're asking for a recess, you can simply ask for a recess.

**Mr. Mike Colle:** Yes, I'm going to move for a recess.

**The Vice-Chair (Mr. Taras Natyshak):** Okay. All in favour of recessing for—how long?

**Mr. Mike Colle:** Fifteen minutes.

**The Vice-Chair (Mr. Taras Natyshak):** Any members? Do you agree? Recess: 15 minutes?

**Mr. Rob Leone:** I'm not voting for it.

**Ms. Catherine Fife:** I'm not voting for it.

**The Vice-Chair (Mr. Taras Natyshak):** Those in favour?

**Mr. Steven Del Duca:** Those in favour of?

**The Vice-Chair (Mr. Taras Natyshak):** Recessing for 15 minutes. Those opposed? Four against three, we're not going to recess.

**Mr. Grant Crack:** Point of order, Mr. Chair.

**The Vice-Chair (Mr. Taras Natyshak):** Mr. Crack?

**Mr. Grant Crack:** Does there necessarily have to be a vote when it comes to asking for a recess? I don't think so.

**The Vice-Chair (Mr. Taras Natyshak):** I'm told that if the committee doesn't agree to recess—I took a formal vote just to see—then we don't have to recess. A vote is not necessary, but obviously we know the will of the committee.

Ms. Fife?

**Ms. Catherine Fife:** I'd like to hear some of the options that you had started talking about.

**The Vice-Chair (Mr. Taras Natyshak):** I can do that, and we can debate the context of the options. We'll see what happens, if the minister shows up by the time we're done reviewing the documents, then we'll see if we can get him to interject.

I have a chronology of the events relating to the documents, just to put this into context for members—

**Mr. Rick Nicholls:** Point of order, Mr. Chair, just before you get started.

**The Vice-Chair (Mr. Taras Natyshak):** Sure.

**Mr. Rick Nicholls:** I just wanted to clarify the fact that whatever time is consumed from when we started until the minister comes will not go against the amount of time that has been allotted, that we can in fact—

**The Vice-Chair (Mr. Taras Natyshak):** It does not.

**Mr. Rick Nicholls:** Just a point of clarification, thank you.

**The Vice-Chair (Mr. Taras Natyshak):** The clock starts when the minister begins to deliver his testimony on the estimates.

**Mr. Rick Nicholls:** Thank you.

**The Vice-Chair (Mr. Taras Natyshak):** You're welcome.

So back to the chronology that we have here. Documents received during the summer adjournment: The committee adopted a motion on June 11, 2013, requesting certain documents from the Ministry of Finance, Cabinet Office and the Office of the Budget and Treasury Board: A letter from the Secretary of Cabinet was received June 25, 2013—members will see that letter; a letter from the Ministry of Finance, with one box of sealed documents responsive to parts 1 and 4 of the June 11 motion—that letter was dated June 25; a letter from the deputy minister to the minister outlining the methodology used in the document search, also of June 25, 2013; a memo from the deputy minister outlining directives to ministry staff, June 21, 2013—members will be aware that responsive documents only are responsive to parts 1 and 4 of the request from the committee.

The minister requested an opportunity to address the committee members before a decision to unseal the documents as some of the information filed is flagged as sensitive. Therefore, I presented that option to the committee. A letter from the committee Chair, advising the minister that his concerns will be presented to the committee when the House resumes in September for members to decide on how to receive the documents—that is what we are doing right now—and a memo from the Clerk to update the committee on the status of the June 11 motion is also a part of the correspondence that I believe you all have. It's dated June 26, 2013. You also have a letter from the Secretary of Cabinet, dated August 16, 2013, and a letter from the Secretary of Cabinet dated September 9, 2013.

Therefore, the options for this committee to consider with regard to the consideration of sensitive information are:

First is to exhibit and to make documents public by distributing a copy to each member of the committee.

Second is that committee members may review documents in camera before deciding on what to do with the information.

Third is that committee members keep the documents confidential but allow members to view the documents privately before committee decides on what to do with the information.

**0920**

The fourth option is to keep documents confidential but give a copy of the documents to a representative of each caucus before committee decides to do—did I just read that one? No? So again, the fourth option is to keep documents confidential but give a copy of documents to a representative of each caucus before committee decides on what to do with the information.

The fifth option is to allow the person who flagged the documents as sensitive to brief the committee in camera before the committee decides what to do with the information. Of course, the minister has already requested to address this committee.

The sixth is to exhibit and make all non-sensitive documents public by asking the filer to separate the information for the committee.

We have six options that I would suggest be considered here. It doesn't preclude us from taking any of these six options or a hybrid of them, but I would like the committee members to try to come to some consensus, to get through this portion, as we can, obviously, continue on through the estimates after this.

Members? Any discussion?

**Mr. Mike Colle:** I think, now that the minister is here, we should just give the minister an opportunity to comment on some of the implications of some of the choices we're about to make. It would help us make a better decision. Maybe you want to even bring in the secretary of cabinet to give us some background information. Maybe you've done it already. I don't know if he has come in here.

I think the context of all this is that I know the incredible amount of security there is in preparing budget documents, where the OPP comes in and there's a total lockdown in the Ministry of Finance, and there's a real serious prohibition on any discussions of pre-budget documents, especially in budget time. I'm not looking so much at the—and I'm sure a lot of this probably implicates the budget.

As I said, has the secretary of cabinet appeared before? I'm not sure if it's the secretary of cabinet or whoever is in charge of or knows about these processes—if he or she has addressed the committee.

**The Vice-Chair (Mr. Taras Natyshak):** I don't believe the secretary of cabinet has made a request to speak to committee but—

**Mr. Mike Colle:** Or whether they would be the appropriate person, I'm not sure.

**The Vice-Chair (Mr. Taras Natyshak):** Thank you, Mr. Colle.

First of all, welcome, Minister Sousa. Good morning. We understand you were stuck in traffic. We had decided to proceed beforehand.

**Hon. Charles Sousa:** Thank you.

**The Vice-Chair (Mr. Taras Natyshak):** It is up to committee members as to whether they hear the minister, prior to his actual testimony on the estimates, about his request to speak to the committee members on the nature of the document release. I'll pose it again to committee members to decide whether you want to hear testimony, or do we want to try to come to a decision, as a committee, about the documents?

Any discussion?

**Mr. Rob Leone:** Can I ask, Minister, how long do you need to discuss this matter?

**Hon. Charles Sousa:** It would just be only about, say, four minutes of opening statements. I would highlight specifically where we are in the methodology in terms of revealing those documents and some of the concerns that we have, but notwithstanding that, that we will comply. If you allow me—some of the work that we've done already, I'd like to express that to you and share with you what we've found.

**Ms. Catherine Fife:** Let's just go ahead.

**The Vice-Chair (Mr. Taras Natyshak):** Is there consensus to hear from the minister? Well, there we are.

**Hon. Charles Sousa:** Chair, thank you so much. Members, I appreciate this. Thank you for the opportunity to be able to address the committee just for a few minutes.

When we last met, you had asked for the ministry to provide you with a number of documents. This request included:

(1) all fiscal journals that were produced for treasury board/Management Board of Cabinet between April 1, 2013, and June 11, 2013;

(2) medium- and long-term expense outlooks containing fiscal years 2015-16, 2016-17 and 2017-18;

(3) any documents dated 2013 containing consideration of user fees and/or revenue-generating fees, taxes or tolls; and

(4) all fiscal and economic update presentations and/or slide decks provided to cabinet.

Over the last few months, the Ministry of Finance has been working very hard to compile and deliver these documents to you. I fully acknowledge and respect the authority of the committee to compel the production of records relevant to its proceedings. This is a privilege of the assembly firmly established in our parliamentary conventions.

Early in the summer, we were able to deliver documents to the committee that relate to parts (1) and (4), outlined in my letter to the Chair at that time. Your request was for specific documents that were able to be searched for by title of the document. The committee now has those documents in their possession.

The other two requests are more complex and involved a more extensive search process. I'd like to make the committee aware that my ministry continues to work on the final two parts of the request. I've asked my ministry to finalize a search and review of the documents related to part (2) as quickly as possible. Given the scope of part (3), this will take a bit longer. But again, I am asking my officials to finalize the search and review as quickly as possible.

Given the documents that you have in your possession and those coming to you, I'd like a few minutes to quickly address them.

In order to assist the committee in its review of the records provided while at the same time recognizing the need to protect the confidentiality and commercially sensitive and privileged information and the rights of third parties, I'm providing both a sealed, unredacted set of the responsive records as well as a corresponding sealed set of the responsive records that have been redacted.

The records that have been provided to the committee and those which will be disclosed to you in the coming days have been sealed because I wanted an opportunity to speak to their contents. You now have more documents available to you than any previous finance minister has ever released. With that comes responsibility. In its determination of whether any documents provided under seal should be made public, I ask the committee to keep in mind not only my responsibility as minister to protect confidential commercial and other information that has come into the hands of the ministry, but also our collective duty as members of the Legislature to safeguard Ontario's public interest. I ask that you honour that trust.

Companies and organizations look to invest in Ontario because we have a stable and secure government. We cannot jeopardize future investments based on the province having a reputation of being reckless with confidential documents. That goes for all of us who have access to those materials. We don't want to turn away investment because we don't know how to handle third-party records that contain commercially sensitive information.

In addition, the records provided to you include the deliberations of cabinet and information protected by legal privilege. The disclosure of information of this nature is largely unprecedented. The integrity and confidentiality of cabinet privileged and commercially sensitive information is a core principle of government that has been recognized by all administrations in Ontario.

The documents also contain comprehensive conversations between officials and my staff and between officials and me. Those happen in a way that allows officials to offer the best advice possible with no expectation that those conversations or advice become public. This information is used to create our budget, our fall economic statement, quarterly reports and, of course, the public accounts. In order to do this, we seek the best advice from our officials—what we're seeing in this process from where we start to where we finish. When you disclose open two-way conversations, this has consequences for this and for all future governments. The documents you have contain many examples of worst-case risk analysis, a normal course of business no matter which party is in government. They are a snapshot in time and do not necessarily reflect government decisions. Based on many factors, including the analysis in these documents, our government makes decisions and puts forward a plan for Ontario.

**The Vice-Chair (Mr. Taras Natyshak):** One minute.

**Hon. Charles Sousa:** How one governs is to responsibly take all that information and produce a credible plan to the people of Ontario, and that's what we've done and will continue to do. I expect the same conduct and care to be used by all of us as we review these sensitive documents.

Thank you, Chair.

**0930**

**The Vice-Chair (Mr. Taras Natyshak):** Thank you very much, Minister.

I'll open the floor up to discussion on the minister's comments. Mr. Colle?

**Mr. Mike Colle:** Again, being a new member of this committee, I would like to get a briefing or have a quick presentation by the secretary of cabinet on this whole issue as it relates to government from a non-political perspective—because it has never been done before, I hear from the minister—and whether maybe it has been done before. It would certainly help me and other members of the committee to get a brief presentation by the secretary of the cabinet or somebody appropriate to comment on what the minister has said and what the request is—unless that has been done before and I can get a copy of that.

**The Vice-Chair (Mr. Taras Natyshak):** Are there any other comments? Ms. Fife?

**Ms. Catherine Fife:** Thank you, Chair. I agree with MPP Colle that there's a lot going on here and perhaps a precedent is being set. We've just struck a subcommittee to delve through some of the operational issues. I do think, in the interest of getting up to speed, that referring the issue of revealing the original intent of the motion to

the subcommittee for future discussion and other options that we've just started to discuss today is a good option. So I'd like to move that we refer the motion and the implications of this motion to the subcommittee for further discussion, to report back to the estimates at their earliest convenience.

**The Vice-Chair (Mr. Taras Natyshak):** For the benefit of other committee members, I would ask if we could briefly have that in writing. It's a little bit comprehensive—if we could just jot it down so members can see it. Or if members understand what the aim of the motion is—

**Mr. Mike Colle:** Just as long as it includes an opportunity to have one of these officials come to speak to the subcommittee or whatever it is—

**Ms. Catherine Fife:** In my mind, that's a separate issue. That's an issue of your information. Right now, there is a motion that we've been discussing. We waited for the minister to come. He has provided some input. The original discussion has to do with how we move forward around revealing certain documents and what the precedent is. We've just struck a subcommittee. Clearly, there's more to this than meets the eye. So I've moved that the motion and the intent of the motion be referred to the subcommittee for future discussion and that they report back to the committee and then we have a more fulsome discussion.

**The Vice-Chair (Mr. Taras Natyshak):** We have a motion on the table.

**Ms. Catherine Fife:** Yes, I've referred it to the subcommittee. It's up to them to—

**The Vice-Chair (Mr. Taras Natyshak):** Any debate on that motion?

**Mr. Mike Colle:** Mr. Chair, that's a motion that I certainly could support. It seems to be a very, very prudent way of proceeding.

**The Vice-Chair (Mr. Taras Natyshak):** Any other debate on the motion?

All in favour of the motion presented by Ms. Fife? All opposed? Okay, it's carried.

That gets that out of the way. Congratulations, committee members. I thought that was going to take a little bit longer. There is consensus.

**Mr. Rob Leone:** We really wanted you to break a tie, just like Mr. Prue. We were really waiting for that.

**The Vice-Chair (Mr. Taras Natyshak):** There may be some opportunity to do that at a later date.

#### MINISTRY OF FINANCE

**The Vice-Chair (Mr. Taras Natyshak):** We will continue with the normal function of this committee. When we did leave off before the summer recess, it was to the NDP, and they have 30 minutes remaining, so I will hand the floor over to Ms. Fife.

**Ms. Catherine Fife:** Thank you, Chair—although I will question whether there's anything normal about this committee. You just said that there's the normal function.

My questions are to the minister. Thank you very much for being here. I understand that your officials have revised the value of the HST RITCs from the original projection of \$1.3 billion on the full implementation. Can you tell me, in the present schedule, what is the revised value of the RITC by fiscal year, beginning in 2015, for four years?

**Hon. Charles Sousa:** I thank you for the question. As you know, we're always looking at what our projections will entail. I can express that, while we have exceeded targets dramatically, and while we have been able to control our spending effectively, we have challenges in our revenue growth in the out years. Notwithstanding some of the decline in revenues, as was anticipated, we have still been able to manage effectively, but I can ask the deputy to provide any updated information on HST and RST.

**Mr. Steve Orsini:** Great. Thank you, minister. When we originally estimated all of the different parameters to the HST, we had an estimate for restricted ITCs. To your question, every year, we've monitored take-up—either the point-of-sale exemptions or the amount of revenue collected from the restricted ITCs. Because this was a new provision—it exists in Quebec, but it was a new provision in Ontario—we didn't actually have actual data to work with, so the original estimate was just that: an estimate. We now have new estimates, and it's not \$1.3 billion, as originally estimated; it's more in the order of \$750 million.

**Ms. Catherine Fife:** In what fiscal year? I've asked for 2015, 2016—you have four projections.

**Mr. Steve Orsini:** We probably don't have that right at hand. I'm going to ask our officials to produce that information.

**Ms. Catherine Fife:** But you're saying that \$700 million is the projection for 2015—

**Mr. Steve Orsini:** Yes, \$750 million is our current estimate, based on information received from the Canada Revenue Agency, which actually is administering this on our behalf.

**Ms. Catherine Fife:** You're in the process of developing a formula to establish the estimates? How did you come to the \$750 million?

**Mr. Steve Orsini:** We used Statistics Canada data. As I mentioned earlier, Quebec has a similar provision that, under their agreement with the federal government, they are phasing out as well. We had estimated, based on the experience that Quebec had and based on what Statistics Canada data we had at the time. Now that the tax is in place, we're getting information on the actual amount collected. It's still an estimate because, as you may know, every year, companies might be reassessed going back four years.

**Ms. Catherine Fife:** Yes.

**Mr. Steve Orsini:** It's still our best estimate at this point: \$750 million a year.

**Ms. Catherine Fife:** Okay. Minister, can you tell me if the federal government has responded to your request

to delay the implementation of the RITCs? If so, what did they say?

**Hon. Charles Sousa:** As you know, we did write to the minister, requesting an extension of the exemption. That won't kick in, and it is graduated over a period of time, but they have indicated to us that they will not be making changes. In terms of a formal response from the Minister of Finance federally, I'll find out if I have that in hand, but I have been advised by the officials that they will not proceed in that format.

Notwithstanding that, we have still requested that the exemptions continue, but let's be clear: It's not a tax loophole, right? These are initiatives that are prevalent in all other provinces and jurisdictions as well, none of whom have had the exemption lifted, so the likelihood of Ontario receiving it is not there. Notwithstanding that, I will continue to pursue it.

More importantly, I have asked the federal government to work closely with Ontario around other matters of tax avoidance and the underground economy, things that we know can really facilitate and equal the playing field in Ontario. The restricted tax that you speak of is something that has been established with the implementation of HST and the creation of those jobs and government—

**Ms. Catherine Fife:** Okay. That said, though, \$750 million is still a lot of money. I know that your first correspondence with the federal government was on the eve of budget deliberations. There was one letter that you did share with our party, that you forwarded to the Minister of Finance at the federal level. We appreciated getting that correspondence, but that was some time ago, so I'm asking you: Have you written a formal request to the finance minister at the federal level and, if so, can we have access to that correspondence?

**Hon. Charles Sousa:** I have written formally to the minister. You have correspondence to that effect.

**Ms. Catherine Fife:** That's the only time—

**Hon. Charles Sousa:** I've had correspondence with the ministry. On August 13, I received a letter—and I have it with me now—from the minister, and if you wish, I could read it to you, but I can certainly share it—

0940

**Ms. Catherine Fife:** I think that providing the committee with written copies would be good.

**Hon. Charles Sousa:** Fair enough.

**Ms. Catherine Fife:** Thank you.

**Hon. Charles Sousa:** It talks about the other ongoing initiatives that we're doing around tax avoidance and improving the integrity of the tax system, and other methods and procedures that we're trying to do to achieve some of the revenue growth.

But, as mentioned, it's not a tax loophole. It's something that was clear from the outset. While we would like to maintain that exemption going forward, for a variety of reasons, we also want to ensure that we foster the confidence in the corporations to invest and build more jobs in Ontario.

There are other aspects that we've done, which was the employer health tax, where we in fact moved some of those provisions and gave the exemptions to smaller businesses and provided it for large corporations. So there are other things that we're doing to offset these initiatives—

**Ms. Catherine Fife:** Well, I'm actually going to move on to other things.

**Hon. Charles Sousa:** —for the benefit of the province as a whole.

**Ms. Catherine Fife:** Thank you very much, and I look forward to getting that correspondence. But just for clarification, August 13 is the response that you got from the federal government?

**Hon. Charles Sousa:** That's correct.

**Ms. Catherine Fife:** And since then, you've not written back to them?

**Hon. Charles Sousa:** No, but we've had ongoing discussions, right?

**Ms. Catherine Fife:** Can you tell me who you have had the discussions with?

**Hon. Charles Sousa:** I know our officials have had some correspondence and some discussions with the federal government, and certainly the deputy can mention that, and I can express to you what I have had in my discussions with Mr. Flaherty directly.

**Ms. Catherine Fife:** But it would be safe to say that those conversations have not been productive?

**Mr. Steve Orsini:** Maybe I can speak to that.

**Hon. Charles Sousa:** By all means.

**Mr. Steve Orsini:** As part of the HST agreement, it was a requirement by the federal government that the province had to end those restricted ITCs over a set time period. Not only is that a requirement for Ontario to get that transitional payment of \$4.3 billion as part of the agreement with the federal government, but Quebec is required to phase out its restricted ITCs, as well as Prince Edward Island, that also recently harmonized. It is a federal requirement.

Our discussions with the federal government have been on whether they're open to revisiting that decision, and they're being clear, unequivocal, from day one—

**Ms. Catherine Fife:** That they're not.

**Mr. Steve Orsini:** —that they're not.

**Ms. Catherine Fife:** Okay. Thank you. I'd like to move on to the OLG projections in the fiscal framework. In your 2012 budget, you estimated that the increase in OLG revenues from the modernization plan would ramp up to \$1.3 billion in additional provincial revenues by 2017-18. I assume you've revised this estimate. Can you please provide the revised estimates? Either one.

**Hon. Charles Sousa:** Actually, the OLG projections, we tapered down at that point. They were actually coming to us at a higher amount. We deliberately went further down. I mean, we're still on plan to do the modernization, do the transformation, to increase the revenue and the share overall.

Did you want to add to that?



**Mr. Steve Orsini:** Maybe just an additional point. The OLG is always updating their forecasts. One of the things they factored in their forecast was the municipal decisions. We couldn't predict with all certainty what municipalities would agree to a land-based gaming facility. But at the same time, there was prudence built in to ensure that if not every one happened, the revenue numbers would not be impacted to any material amount. We're still waiting to see all those decisions and how it plays out over time. Right now, based on what we know today, we're pretty well on track to what was built in the fiscal plan.

**Ms. Catherine Fife:** Okay. So you can't, at this time, itemize the changes line by line, based on municipal response to new casinos.

**Mr. Steve Orsini:** That is an ongoing—

**Hon. Charles Sousa:** Yes. I mean, it's ongoing at all times. But just to be clear, when we did the projections in the budget, we already tempered the OLG's proposed amount prior to the decisions being made by the municipalities. So we took a more prudent approach.

**Ms. Catherine Fife:** Do you have any understanding of what the change in potential revenue will be around the online gambling? Are you tracking that at all? Are you asking OLG to track that at all?

**Hon. Charles Sousa:** Do you want to respond? Because we are doing that.

**Mr. Steve Orsini:** The OLG is tracking a number of different line items, in terms of iGaming, which they're en route to implement. They do have estimates on that. I don't know offhand what they are, but I'm sure it's something we could provide.

**Hon. Charles Sousa:** It's early to tell, because we've just initiated those initiatives, right? So it's new territory for OLG and for the province.

**Ms. Catherine Fife:** Okay. A related but different question: Can you tell me what additional costs there were to OLG related to the termination of former Chair Paul Godfrey?

**Hon. Charles Sousa:** He had a remaining tenure on the board, and beyond that, there was no additional cost for—

**Mr. Steve Orsini:** Not that we're aware of, but we can follow up.

**Ms. Catherine Fife:** So you have no figure? You don't know what the figure is?

**Hon. Charles Sousa:** Oh, no, we do, and we will provide it for you. We don't know off the top of our heads.

**Mr. Steve Orsini:** I don't know if there was any follow-up cost, but we could follow up.

**Ms. Catherine Fife:** Okay.

**Hon. Charles Sousa:** In my discussions with him, there was nothing like that.

**Ms. Catherine Fife:** Okay.

With regard to privatizing ServiceOntario, can you provide us with a breakdown of the fiscal impact of privatizing ServiceOntario in 2015-16, 2016-17 and 2017-18, those three years?

**Mr. Steve Orsini:** For ServiceOntario, there was no—I'm going to check with my officials, but I don't think any fiscal savings was built in for ServiceOntario. It was part of a transformation. A lot of these things, in terms of engagement with alternative ways to deliver those services, weren't fully defined and fully estimated, so they weren't built into the fiscal plan in any way.

**Ms. Catherine Fife:** So you don't have a breakdown of what financial impact privatizing ServiceOntario will have?

**Hon. Charles Sousa:** In terms of all the transformational recommendations made by Drummond and a few others, there are a number of savings that were outlined by doing so. We have acted on a few, not all of course, but we recognize the benefits of trying to improve service delivery through our public service network while at the same time maintaining the quality of that service.

I will determine, Catherine, what, if any, we have that we can share with you.

**Ms. Catherine Fife:** Thank you.

Regarding other non-tax revenue sources, can you provide a list of approved new non-tax revenue sources that are built into the fiscal framework, other than the privatization of ServiceOntario and the OLG modernization? And please provide revenue projections and implementation schedules for each item.

**Hon. Charles Sousa:** There are a number of items that are shared with you in those packages. Some are just analysis, some of it is options, but the decisions that ultimately have been made are outlined in the budget as we go forward. So those are things that we've made public.

There are some other initiatives that were spoken about during question period in the House. Those things have not occurred, but I can certainly provide you with the outline and the breakdown of any of the others.

**Ms. Catherine Fife:** Okay. Thank you.

**Hon. Charles Sousa:** But you do have some of them. They were shared.

**Ms. Catherine Fife:** Some of them are in there.

This is sort of an off-the-cuff question, but I think the committee would be interested in learning if you are considering any new non-tax revenue sources that are not yet built into the fiscal framework. Would you like to share any—

**Hon. Charles Sousa:** In the budget, we dedicated a whole section around the transformational change, the Drummond recommendations. Of that, over 60% of those initiatives are now under way, and some of them include non-tax revenue tools and initiatives. So we're looking at and reviewing our current state of tax credits; we're looking at a few others as it relates to ServiceOntario opportunities. But for the most part, it's what's outlined in the budget.

**Ms. Catherine Fife:** Okay. Around clean energy and the Clean Energy Benefit, can you provide us with a breakdown of the fiscal impact of ending the Clean Energy Benefit, potentially beginning in 2015-16? Any general comments about that?

**Mr. Steve Orsini:** I don't have those numbers available to me, but that, with your permission, is something we can follow up on.

**Ms. Catherine Fife:** Thank you.

Around bank capital tax, can you provide us with two sets of figures: a breakdown of the fiscal impact of restoring the capital tax on financial institutions to the rate that existed in 2004, and then also the rate that existed in 2009—so a comparator for the years beginning in 2013-14 for five years moving forward?

**Hon. Charles Sousa:** Certainly we'll get that to you, but let's be clear: The accelerated capital tax allowance, the surtax on capital tax—all of those were initiatives to incite greater investments into the province, and as a result of that, Ontario has become the second-largest jurisdiction in North America to attract those investments as it relates to some of these initiatives. It's also in keeping with some of the things that we're doing with the federal government in attracting those investments to Ontario. But we'll get it to you, and we'll certainly share that information.

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**Ms. Catherine Fife:** I think that in these times, it's also worth considering all financial options, so that's why we're asking these questions.

**Hon. Charles Sousa:** And I appreciate them, because we are looking at them. But I think that the deputy may respond—

**Mr. Steve Orsini:** I think it's in the earlier budgets, but we can share that. As part of all the tax changes—harmonization, corporate income tax reduction and capital tax—when you look at the changes by sector, financial services, because they don't have input tax credits, they pay sales tax on virtually all their inputs. That was a sizable cost for financial services.

I just want clarity on the question, because that increased their tax burden significantly; reducing the capital tax and corporate income tax moderated that. When you're looking at just the capital tax, you're not looking at the other adjustments that were made on the sector—

**Ms. Catherine Fife:** This question and this data that we're asking is specific to the capital tax.

**Mr. Steve Orsini:** Okay.

**Ms. Catherine Fife:** Can I just check on time?

**The Vice-Chair (Mr. Taras Natyshak):** You have roughly 13 minutes left.

**Ms. Catherine Fife:** Okay, thanks.

Around tax-related revenue sources, I have three questions on this issue. Can you provide us with a breakdown of the fiscal impact of ending higher-income PIT bracket of 13.16 as planned, beginning in 2017-18?

**Hon. Charles Sousa:** There are some sensitive analyses that have been made to determine what avenues and tools and alternatives are available to us to increase revenue. Be it increasing taxes, be it the elimination of some of the accelerated capital tax allowance or capital tax, a lot of those things have been identified.

We can stay here all day and find ways to increase revenue tools. Ultimately, the decision made by us and by government is: Which one of these will facilitate greater investment and greater job creation and, in essence, greater GDP growth and economic growth for the province, taking a balanced approach in the things we do?

Catherine, we can identify all the ways we can increase revenue and how we can tax the people of Ontario and the businesses of Ontario. I can do that all day. We can give you analysis by a 1% increase; it could be another billion dollars.

This is what I'm telling you: We have a shared responsibility. All of you are going to have information available to you that's unprecedented. You're going to see a lot of analysis and a lot of alternatives by which we can increase taxes, by which we can cut spending. What we need to do is make that decision so that we can facilitate those services while at the same time encouraging those investments. It's a balanced approach that I'm getting to. I'll give you this information.

**Ms. Catherine Fife:** That's good.

**Hon. Charles Sousa:** But what you're going to get is alternatives, and then you have some of that, because some of that has already been shared with this committee, and it's in those boxes.

**Ms. Catherine Fife:** I absolutely agree with you. I think that information—

**Hon. Charles Sousa:** I agree.

**Ms. Catherine Fife:** That's why we're asking for this information: to inform public policy, so that we can actually all be part of the solution.

I think that we're asking for this information because the corporate tax breaks that people have received in the province of Ontario have not generated jobs. It has not generated the revenue that you expected. We are asking for other options so that we can actually put forward progressive ideas, as well, on the economy. It's about re-prioritizing how we spend tax dollars.

**Hon. Charles Sousa:** Absolutely. This is all about prioritizing those decisions. There's a number of choices, and there's a number of challenges before us, and that's outlined as well.

Let's be clear: 180% of those jobs lost have come back to the province. We have 477,000 net new jobs since the recession, and we've been able to do that with some challenging revenue issues while, at the same time, we've been able to control our spending at less than 1%, year over year, for the last two years.

It's not about taking excessive austerity measures or excessive cuts, because that too would hamper our sensitive recovery.

**Ms. Catherine Fife:** Well, we know that it doesn't work, so we shouldn't be talking austerity—

**Hon. Charles Sousa:** But we also are cognizant that we can't—and these are the choices we make: To what extent do we increase taxes or increase those revenue tools, which would then hamper some of that growth as well?

It's the balance between the excessive cuts or excessive tax—and excessive spending, for that matter. We've got to make certain that it's stimulus and that it creates that right amount to create those jobs.

I appreciate the questions, and I'll give you the alternatives. You'll have them, and you have them in these boxes already.

**Ms. Catherine Fife:** I think we're in agreement, though, that a course correction is needed, and to that end—and on tax-related revenue services as well—can you provide us with a breakdown of the fiscal impact of reducing the general corporate income tax to 10% from 11.5%, as planned in your 2017-18 projections moving forward for four years?

**Hon. Charles Sousa:** Yes, we'll provide you with that information, but also note that we did not make the cut as planned. We maintain it at 11.5%.

**Ms. Catherine Fife:** Yes. Can you provide us with a breakdown of the fiscal impact of resuming the reduction in the business education tax, as planned, in 2017-18 and 2018-19?

**Hon. Charles Sousa:** Certainly.

**Ms. Catherine Fife:** Thank you very much. Those are all the technical questions I have. I want to thank you very much for your time and for the discussion, and I look forward to actually getting the information on behalf of the committee and New Democrats.

Thank you, Chair.

**The Vice-Chair (Mr. Taras Natyshak):** Thank you. We move to the Liberal members. Mr. Del Duca.

**Mr. Steven Del Duca:** Thanks very much, Mr. Chair. Good morning, Minister. It's good to see you here this morning.

I want to start off, because the tail end of the questioning from the member from Kitchener was—a lot of the discussion was in relation to jobs, and I think that's a good place for us to start. I know you referenced some numbers in one of the answers to your questions a second ago, but I'm wondering if you could give the committee a general sense from your perspective about how Ontario's economy has fared since the depths of the recent recession?

**Hon. Charles Sousa:** When we compare Ontario to other parts of the world, we recognize that there are challenges facing all jurisdictions. Ontario was hit hard, hit fast and prior to any other province in Canada. What we did is, we took bold steps like transforming our tax system, the introduction of HST, and a number of other initiatives to try to incite greater stability and greater certainty in terms of how to do business in Ontario. As a result of some of these initiatives—one of the biggest ones was stimulus that we put into the system through infrastructure and through a number of programs to incite and protect those jobs in the province.

As a result of the combination of attracting business investment and promoting business growth through our stimulus, we've, as a province, put in place parameters—and that's not about creating more government here. It was all about creating more opportunity, recognizing that

it's businesses, small businesses especially, who create those jobs. So the decision we then have to come to is, what do we do to make that happen?

As a result, Ontario became the second-largest jurisdiction in North America for net business investment. We have, as I mentioned, 180% of those jobs that were lost during the lows of the recession compared to what has been 40% and 50% in other parts of the world. We're outpacing the UK. We're certainly outpacing the United States, and we recognize that even those emerging markets in South America and Asia are not growing as fast.

Consequently, when Ontario is faced with the predicament of losing its trade, its buyer—the United States wasn't buying to the extent that it had. When you look at the parity of the Canadian dollar at that time, it made us less competitive as it once was before, and the cost inputs of increasing oil prices made it even more difficult for our manufacturing sector and others to compete.

Recognizing those major challenges before us, the province took a huge step to partner and foster as best we could to protect the integrity of the province's finances—more importantly, maintain a stability of our fundamentals. Ontario's fundamentals are very good. In fact, we have positioned ourselves in such a way as to provide some integrity—the judicial system, certainly our public education and our universal health care are another major attraction for these investments to come to the province.

So when we look at these initiatives and we look at how Ontario has fared, we're able to make some competitive decisions, keeping in mind that what we're doing is, what is the dividend of the initiatives that we're putting forward? By investing in infrastructure, we're not spending for the sake of operating; we're investing for the sake of providing a return in the long term. As a result, we've done that.

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Now, the notion of the degree of debt that has accumulated as a result of some of these initiatives becomes the question. We don't want to pass the burden of debt on to future generations. What we want is to ensure that we can afford the level of debt that's afforded to us. As a result, we put in our budget—and the Premier has it in her throne speech—a net-debt-to-GDP ratio of 27%. Ontario, over this period of time, recognized that net debt to the GDP would go up but not to the extent and the alarm that has happened in other parts of the world. We want to make certain that it's controlled in terms of how we get to it. As a result, we've put in a ratio, or a target, of 27%. We're hovering just under 39% or 38% at this point. In our budget, we made it clear as to what extent and what that would entail.

I'm happy to the extent that the people of Ontario and the businesses have, in fact, maintained the degree of activity that's surpassing other parts of the world. There's still untapped potential in the province of Ontario, certainly in northern regions, that we want to take advantage of, like the Ring of Fire, mining, forestry and other things that we need to leverage and to expand upon.

We also have new-age manufacturing before us, and we're attracting some pretty exciting proponents to the province. Again, I say to you that you have material with you that's extremely sensitive, commercially, around these issues. But it bodes well and it speaks well to the activities that the province has been doing.

In our budget, we put forward a six-point plan to talk about how we're going to initiate some of this growth. It includes, in the budget, areas around supporting our youth, who we recognize are critical to the success of Ontario in the long term. When we look at youth unemployment in other parts of the world, at 35% and 40%—that's a chronic issue. We need to ensure we employ our young people as quickly as possible and give them the skills necessary to compete. A \$295-million fund was included this time around to ensure that we establish over 30,000 youth jobs—and these are graduates into the workforce—to gain their respective skills, to fill the sector gaps that exist in Ontario.

We have a number of sectors and industries that are crying for certain types of skills, and they're not being met extensively in Ontario. We are working with Immigration Canada to try to foster even more economic immigrants and investor immigrants to Ontario to fill some of those gaps, and find and train the people of Ontario, to prepare for that sector.

We also have the infrastructure program. We have \$35 billion targeted for the next three years to support infrastructure throughout the province—again, another means by which to increase our competitiveness.

Just in the southern corridor of Ontario, over \$6 billion is expensed or costed for gridlock, so we know that it's an economic imperative. In fact, there should be a national strategy by which to facilitate these investments to reduce the gridlock and ensure that we increase the competitiveness of some of these companies that are coming to Canada and to Ontario.

We also provided a \$100-million roads and bridges fund for rural communities and northern communities to also have sustainable funding to support their transit and infrastructure needs.

As part of the plan—and I refer to you a number of initiatives here—we have also put in place a competitive tax regime. We've had a number of questions around our tax system, and at what point are our taxes too low or too high? What's important is to continue to foster that investment and attract businesses to operate in Ontario. When you compare Ontario, with all the tax systems we have in this place—compared to other OECD countries and so forth, we are one of the lowest. So we recognize that we are competitive now.

To what extent do we need to cut more? In these challenging times, we've decided not to. We've decided to maintain our corporate taxes at the levels they're at. We're looking now at other forms of tax credits and so forth, and we're having a review done by a panel to ensure that we maximize the level of revenue for the province while, at the same time, maintaining a competitive environment for those businesses.

The other aspect of our six-point plan includes—if I can just refer you to the page in our budget. As you know, the budget does talk about growing the economy and the prosperity agenda. It also talks about being fair, and that fairness component is essential to us, in that we want to ensure that all people are at their best, especially those most vulnerable—and enabling everyone to have employment.

The other piece is around our skills initiatives and our investments to promote those skills. We are going to continue to invest in skills. It's very refreshing and sobering to recognize that the people I speak to—and I've had over 600,000 submissions in helping us prepare this budget—in the recent round of consultations that I've had, the people of Ontario are not asking, "How much money can I get?" What they're asking is, "What do we need to do to ensure that we secure these jobs and promote more job growth?" So it's not so much that they're looking for us to fund their respective programs inasmuch as they're looking at supporting the communities and supporting the investments to then create those jobs.

One of the points in our six-point plan is around community engagement. That's where we come out with the economic development funds to secure those investments and to attract those initiatives.

Of course, we have maintained a very disciplined and determined initiative around tackling and eliminating our deficit on a timely basis. We know that the markets are looking at Ontario very closely. Agencies have reviewed the projections that we brought forward with a fine-tooth comb, and we've been surpassing those targets because of the initiatives and the disciplined approach that we've taken, even with the revenue challenges that we've been having. We are proceeding with a very pragmatic and prudent approach to ensure that the deficit is reduced on a timely basis without impacting negatively on the well-being of the province. It is essential that we provide that level of confidence and security, knowing that we are on track and that we're committed to stay on track to eliminate the deficit by 2017-18.

In the budget, we highlighted that we've reduced our deficit by over \$5 billion. We have enabled recent one-time negotiations with labour markets around pensions. That has saved us \$1.2 billion, \$1.4 billion. If you look on page 129, it talks about the difference between projected pension expense versus commissions in the public service forecast, and in it, we've continued to surpass, and over \$1.1 billion over that period of time has been saved.

All of this is done by way of co-operation. This is why I'm saying when I've had consultations around the province, there is a sense of concern to co-operate with government. Government has a big impact on how things are assessed and done in the market, but the real impact comes from businesses and corporations. The budget is also, to some extent, a call to arms to businesses to ensure that we foster more of that investment.

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In the budget, we talk a little bit about the productivity gap that exists. Canada, Ontario—our productivity gap is still widening when we compare it to the United States and other parts of the world, so we need to be more competitive. We need to invest more in manufacturing equipment, and we need to invest more in R&D. We need to invest more in those initiatives. That's going to make us competitive.

I can say that even in the agricultural markets, they get it. Even the smaller farms are competing much more effectively than they have in the past. When you look at some of the big farms that are out there, the technology—the new farmer, the young men and women who are going to Guelph, the people they're looking for in the farming community are people who have some technical expertise. They're looking at those who can deal with satellite images and so forth in order to prosper and initiate smarter decisions in the way farming is done. That enables small farms to compete effectively in Ontario when you're competing against the large ones in the United States and elsewhere.

Even when you look at those initiatives and all those investments that we're making, it is Ontario that has also been working closely with the municipalities by way of uploading some of their services and costs. Even with all the challenges that have occurred, the Ontario government has still worked closely with the municipalities to upload their services and enable more relief for them, because we're all being affected by this. The taxpayer is a shared taxpayer among the three levels and three orders of government.

It's not so much about what's in it for the province of Ontario as I look at our budget alone; we have to collectively look at what is in the best interests of the families of Ontario. If we look at that as that priority by which to gauge the things that we're doing, then we can have, I believe, greater success in moving forward, instead of, who has to collect and who has to pay. In other words, for us to balance our books on the backs of the municipalities isn't going to improve the livelihood of those Ontario families.

In the work I'm doing with the federal government in transfer payments and enabling them to support the very important initiatives in the province of Ontario, it's not about Ontario looking for a handout; it's about Ontario wanting to invest the monies that Ontario is already putting out into the federation. Close to \$20 billion comes out of Ontario to other parts of Canada. We want to be able to also invest in Ontario because of the priority initiatives that we have here. Those are the kinds of discussions I'm having with the federal government.

All this to say, in consultations and in discussions I've had with some of the rating agencies themselves, with the investors that we have tried to attract into the province even when we're trying to sell some Ontario bonds, we have become very attractive and diverse in terms of the investments that are coming to this province. I recognize that we have challenges still, and we're not going to rest

until we have not only eliminated and tackled the deficit, but that we continue to have a plan that builds on the initiatives that we've already established for the benefit of all Ontarians.

I recognize this has been a long response, but it's all about trying to position and give appreciation to what it is that the government is doing and also to reflect very hard on what it is that's been provided to this committee, so that you recognize that there's a lot of material and there's a lot of things that are brought forward, and we then have to take prudent, responsible initiatives to mitigate some of those risks that are presented to us and act accordingly. By way of the actions we've taken, we believe it's been a very balanced approach, and we're going to continue building on that.

**Mr. Steven Del Duca:** Thank you, Minister, for that very thoughtful and comprehensive answer.

Chair, I'm going to turn it over to my colleague the member from Mississauga–Brampton South for the next question.

**Mrs. Amrit Mangat:** Thank you, Chair. Minister, my question is with regard to auto insurance rates. Auto insurance rates are high in the greater Toronto area and region of Peel, and we know cars are no longer a luxury; they're a necessity. We need to drive to get to work, to pick up our kids, to do groceries—and it's a pocketbook issue. This has been an issue in my riding for many years, and I'm sure it's in your riding as well. So my question is, what are you doing to reduce auto insurance rates?

**Hon. Charles Sousa:** Thank you for the question. I appreciate your leadership on this, having also provided a private member's bill on finding ways to reduce auto insurance almost two years or so ago.

I know that it is a consumer issue. We are trying to protect the interests of the consumer and pass on the savings that we've been able to achieve through our anti-fraud task force in recognizing that the premiums of auto insurance are a reflection of the cost of claims. In Ontario, those costs are almost 10 times more than they are in other parts of Canada. For the last two to three years, we've been addressing and finding ways to combat those costs.

More recently, during the budget and in co-operation with the third party, we have taken again another piece of legislation to control and to provide FSCO, the Financial Services Commission of Ontario, with more authority in compelling those insurance companies to reduce their premiums, based on the cost reduction that we've been able to achieve. This also builds on a piece of legislation that we brought forward in 2004 around controlling insurance premiums. As a result, we have established a commitment to reduce those premiums by 15% over two years, with a target of reducing them by 8% in this year.

The Superintendent of Financial Services now has the authority, as I mentioned, to require those insurance companies to file for rates and offer even greater reductions to safe drivers. We've expanded the focus of the superintendent for investigation, for enforcement authority, and particularly around fraud prevention. We recog-

nize also that FSCO is there as an authority to license and oversee business practices, but we need them to oversee the health clinics and the practitioners as well, when they invoice auto insurers.

The bottom line is the budget went on at great length about transforming the current way we do business. In the piece of legislation that I put forward in a policy statement, it talks about dispute resolution systems. We've appointed an expert review panel to look at the legislative amendments. We've appointed a judge to maintain that work. We must always continue to look at ways to reduce those costs of claims.

I'm pleased to say, though, that two major insurance companies have now come forward, and they have publicly stated—they put forward releases—that they are reducing their rates. That, again, speaks to the initiatives that we brought out.

We have a number of dispute mechanisms for consumers. This is all about protecting consumers in this field.

I myself shopped around. Just by shopping around, you're able to find competitive rates. We have over a hundred companies in this space, competing in Ontario. I'm pleased to say that just by asking competing companies, I've already achieved more than 15% in rate reductions on the very policies that I have. So it's possible, and companies are prepared to compete.

We want to make certain that we stabilize the industry, recognizing that the anti-fraud task force submission be adopted and enabled. There are other issues.

We'll be appointing a watchdog so that if certain rate reductions aren't met on a timely basis or in an effective manner, then we'll take extra steps. The extra steps are outlined in the policy statement as well, around health clinics, around tow trucks, around catastrophic definitions.

These are things that are afforded, but we know, in working with the underlying costs of these claims, that savings are there. We are encouraging those savings to be passed on to the consumers. FSCO is going to be compelling the companies to do so in a timely and a quick manner.

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**Mrs. Amrit Mangat:** Minister, can you state the names of those two companies that have come forward that will reduce the rates?

**Hon. Charles Sousa:** I can share them with you.

**Mrs. Amrit Mangat:** Okay.

**Hon. Charles Sousa:** I don't want to mistake it, but I believe it's CAA and Co-operators.

**Mrs. Amrit Mangat:** Thank you. And what are we doing to prevent fraud?

**Hon. Charles Sousa:** Well, as I mentioned, we've identified them. We've worked with the police on certain aspects. We're working with the insurance companies, and we're giving FSCO more teeth, more strength to provide enforcement.

**Mrs. Amrit Mangat:** Okay. Thank you.

**Mr. Mike Colle:** How much time?

**The Vice-Chair (Mr. Taras Natyshak):** Mr. Colle, you have five minutes.

**Mr. Mike Colle:** Minister, you mentioned the productivity gap that exists between Ontario and, I guess, some US jurisdictions. You referred very briefly to how we can rectify that or what steps can be taken to reduce the productivity gap. Does it make us—obviously—less competitive? Does it cost us jobs? Can we, maybe, create jobs by reducing the productivity gap?

**Hon. Charles Sousa:** Yes. I appreciate that. In fact, you should know that one of the individuals who supported us in the preparation of this budget, especially around this very issue, was David Dodge, the previous governor to the Bank of Canada. We implemented and talked about some of the challenges that we face globally and Ontario's lag behind the US in productivity.

There was a chapter dedicated to this. In it we see that we've identified that gap, so now, to your question, what steps do we take to improve it? One of the recognitions that we see is Ontario falls dramatically when it comes to investing in R&D, well below the United States. Ontario investment into machinery and equipment and other modern manufacturing practices falls and is lower than in the United States. Just those two items impact greatly on the ability to be more productive in Canada, in Ontario versus these other jurisdictions. So it begs the question: What can we as a province do to try to facilitate that?

We know that access to capital for some of these big businesses and, for that matter, even some small businesses, is there because there's a great degree of working capital accounts that are measured and are available to the companies. So they have access to capital to facilitate their working capital accounts, that being inventory and receivables. They also have capital access to machinery and equipment because those are investments that will enable them to be more productive. Financial institutions in the province welcome those opportunities because they're making that available.

What's lagging is the desire of some of these companies to make those investments. In our consultations, in our round tables, in our deliberations with some of these companies, with the chambers of commerce and others, we're working very closely now to foster and stimulate those investments. One of the ways we've done that—and earlier a question was asked about the capital cost elimination—well, those are some of the allowances that enabled those companies to make those investments.

The other one is our introduction of the accelerated capital cost allowance. In essence, it enables those companies to write off more quickly the depreciation on those assets that they buy, to enable them to expense it more quickly and, at the same time, foster the investment to them, so it lowers their overall tax burden on those investments.

**Mr. Mike Colle:** I want to just sort of clear my mind. Again, what makes an American company invest in more R&D and buy more updated equipment? Is it those writeoffs that they have with their equipment in the States, and why wouldn't a Canadian entrepreneur do the

same thing? What's the block there? Is it that there aren't enough capital cost allowance writeoffs or that it's not accelerated enough? Because if I owned a company, I'd want to be as productive as I can, right? I'd want to be very competitive. So what stops the Ontario smaller manufacturer from basically updating their equipment? What's the block?

**The Vice-Chair (Mr. Taras Natyshak):** Minister, you have 45 seconds to answer that simple question.

**Hon. Charles Sousa:** Well, there are a number of jurisdictions that we compare ourselves to; not just the United States, but also Europe, who are subsidizing more greatly some of these investments. But I'll ask the deputy to give a quick answer.

**Mr. Steve Orsini:** Just very quickly, in the interest of time: That's a very good question. There's not a single reason why. What we do know is that Deloitte and Touche did a recent study that looked at businesses making those types of investments, and they found that about a third are not even aware that they're not making the right investments to compete globally.

We have great companies that do invest and excel, but it's not uniform across the system. The government is reaching out to businesses to find out those reasons why and to work with the business community to address them.

**The Vice-Chair (Mr. Taras Natyshak):** Thank you very much, Mr. Orsini. Thank you to the Liberal members and all members of the committee.

Ms. Fife, you have a question?

**Ms. Catherine Fife:** Just a question of clarification. The NDP asked for a lot of data and information today, and because I normally don't sit on this committee but I'm very interested in the answers, I'd like to know, through you to the minister and staff, what is the expected time to actually have access to some of the data that we specifically asked for?

**The Vice-Chair (Mr. Taras Natyshak):** I'll answer: I'm sure as expediently as possible. We will be working with the minister to get that information back to the committee.

I'll make members aware, just before you leave, that we will recess until 3:45. We may or may not change rooms; that's being worked out.

That is it. Next will be the PCs for 20-minute rotations. We will adjourn until 3:45. Thanks.

*The committee recessed from 1026 to 1548.*

**The Vice-Chair (Mr. Taras Natyshak):** Welcome back, committee members. When we adjourned this morning, the Liberals had finished their questions, and now we turn to the PC caucus.

**Mr. Mike Colle:** On a point of order, Mr. Chairman.

**The Vice-Chair (Mr. Taras Natyshak):** Go ahead, Mr. Colle.

**Mr. Mike Colle:** I just had some information I wanted from research, and there's no rush on this. Could you, if possible, find out what the net debt to GDP is for the OECD countries; secondly, youth employment or unemployment rates in these same countries and in other

Canadian provinces; and one third thing is the funding percentages in transit, public transportation probably, in these OECD countries as it relates to municipal portions, provincial portions and federal portions in funding of mass transit projects?

**Ms. Anne Marzalik:** Okay.

**Mr. Mike Colle:** Okay? Thank you.

**The Vice-Chair (Mr. Taras Natyshak):** Thank you, Mr. Colle.

We'll move to the PC caucus for a 20-minute rotation. Mr. Leone?

**Mr. Rob Leone:** Thank you, Mr. Chair. Minister, welcome back to committee in a different setting. I notice there's a little bit of natural light that will make everyone a little bit happier.

Minister, I know that when we did the request of documents earlier, and you spoke to that a little bit earlier this morning, one of the items that we were looking for were the medium- and long-term expense outlooks containing the fiscal years 2015-16, 2016-17 and 2017-18. Now, the budget that you tabled earlier in the spring didn't have numbers associated with those out years. Do you have any information to give us or provide us as to why that is the case?

**Hon. Charles Sousa:** As I explained earlier today we are compiling the information as required. We'll be getting all of that to you, particularly those items that you've identified, but I'll ask the deputy to interject.

**Mr. Steve Orsini:** I think, as mentioned earlier in the summer before the motion, the budget typically structures the current year plus two. The reason why that level of detail is not in the budget is because those were beyond the budget plus two. So the motion actually speaks to those three years—2015-16, 2016-17 and 2017-18—and that's what we're endeavouring to pull together, as the committee requested. We'll be bringing that material forward.

**Mr. Rob Leone:** So some of the information we've been able to acquire over the last little while suggests that while the government has been able to report—and I noticed that you issued the public accounts for this year—lower-than-forecast deficits, it's suggested that the actions required to meet fiscal targets in the out years will need to significantly increase and not decrease. Can you comment on that?

**Hon. Charles Sousa:** You're right. We tabled the public accounts. That's audited by the Auditor General. It's unqualified, so it was a clean audit recognizing that not only did we achieve the results that we said we would, we exceeded them, particularly as it relates to the deficit target, which was actually \$9.2 billion as opposed to what was initially thought, at \$9.8 billion.

Of course, you may know that over that period of time we actually reduced the budget. It originally forecasted at this time \$14.8 billion, then we revised to \$11.9 billion and then \$9.8 billion. Of course, the achievement was \$9.2 billion.

More importantly, in public accounts it was acknowledged that the measures we've taken to control spending

weren't just around controlling spending but actually reducing spending, and it's something that hasn't happened in over a decade, at 0.1%. Total spending was reduced and actual program spending was reduced by 0.4%.

All in all, that enabled us to achieve progress—albeit some of them as one-time benefits through negotiations that were achieved, because at the same time revenues were also below what we had anticipated this time last year. But all in all, our net-debt-to-GDP ratio was also improved from—what was anticipated at being 39.5% was reduced to 37.4%. In all circumstances, greater jobs were afforded throughout this process at 477,000 net new jobs.

**Mr. Rob Leone:** Minister, what about the out years, though? It has been said that in order to balance the budget by 2017-18, your plan assumes that program spending for each Ontarian will be reduced by about \$1,000 per capita, or 12% in real, per capita terms, which is basically back to what it was in 2006-07, before the onset of the global recession. I don't hear a lot of talk from you or the government in terms of what's going to happen. Those are significant spending reductions that have to take place, but we have no discussion from the government in terms of what that will look like.

**Hon. Charles Sousa:** But in fact you do, because we've just illustrated to you through our public accounts that spending can be reduced and we've achieved just that. That's because we've been disciplined and determined.

In terms of our ability to control and monitor the degree at which we are spending, in fact a number of our ministries have reduced their overall spending. Now, health and education are the two areas where we're still fostering greater investment just because of the demands of the sectors. But in all, we have been able to establish substantive savings for the taxpayers primarily around pensions. That in itself, a \$6.5-billion reduction in 2017-18, is what I anticipated going forward.

**Mr. Rob Leone:** But how does that get you to 12%? I'm struggling to understand how you're ever going to balance your budget without actually outlining the steps you're going to take to get there. Obviously, you've committed to balancing your budget by 2017-18. I know that folks ask for the confidence that the government will actually achieve those objectives, and without outlining what those steps are going to be to get that spending under control to a level that is significant—I mean, this is going back to 2006-07 budgetary levels. It is a significant change in direction, and we haven't heard anything from the government on how they're going to get there. So how do we believe that you're actually going to do it?

**Hon. Charles Sousa:** But, Mr. Leone, we have been expressing that to the Legislature and to the public year over year through our budget forecasts and our submissions. In fact, one chapter in this budget is dedicated to the transformational changes as recommended by Don Drummond and his group. Over 60% of those initiatives are being adopted and are having results.

**Mr. Rob Leone:** What about the other 40%?

**Hon. Charles Sousa:** We've differed, obviously. You and a number of others would prefer full-day kindergarten to be cut and possibly the elimination of certain front-line staff from nursing and hospitals, but we chose not to do that. We find it's necessary to invest in those initiatives because that is what determines, I believe, a fair and more competitive society overall. We want everybody to be at their best.

But there are certain transformational changes that we can do in terms of delivering service and looking at some of our cost inputs. We've adopted those, through the Drummond report, and they're outlined in our budget. Those are the things that have enabled us to cut spending, which, as I said, has never happened in over a decade. No other government in Canada has been able to achieve that, and yet we have.

So the point you're making is, how credible is it that we're able to achieve those results? Well, we've just shown you that we can achieve them, that we have achieved them and that we're surpassing those targets.

It's also important to note that we are being very prudent in our targets to reduce and eliminate the deficit by 2017-18. Some others, in other jurisdictions, are calling for much more aggressive measures, and yet they have not been able to achieve them. We have, in fact, been doing it in a prudent and, I think, fair and balanced way.

**Mr. Rob Leone:** All right. I still don't really get an understanding of how you're going to balance the budget by 2017-18 by not outlining some of the steps you're going to take. Certainly, you say you've adopted 60% of what Don Drummond said. You're not going to adopt 40%, apparently, because of whatever reason that's going to be. That gives us no confidence that you're actually going to do what you say you're going to do without expressing, step by step—not even step by step but in broad details exactly how you're going to get there.

True or false: Ontario remains the largest borrower among all sub-sovereign governments globally?

**Hon. Charles Sousa:** Just in response to your preface, we are reviewing every recommendation made by Drummond and we are taking the steps to address all of them. We have chosen not to adopt some of them, and yet there are some expenses and some transformational changes that are being adopted that you, yourself, have said, "We should adopt them all," and now that itself is being questioned as well.

We recognize that we have to make some tough choices. As I said initially, you have before you a lot of information and a lot of identified risks that we must mitigate in order to achieve, control and eliminate that deficit in a timely way. The steps that we're taking and the plan that we've adopted are outlined very clearly in our budget. There's a six-point plan to improve and grow our economy and improve GDP. That GDP growth will be a determination and a very important factor in the elimination of our deficit, as well as the spending constraints that we have adopted and that we're doing. Those are identified and those are being addressed.



**1600**

We've targeted a 27% net-debt-to-GDP ratio in the years to come. We're monitoring the degree at which debt is growing. But debt is growing as a result of the investments we're making in capital expenditure and in infrastructure especially. We've done that strategically and deliberately, and that has added to our net debt. Certainly the accumulation of certain deficits is a part of that, but more important are the investments that we're making in capital for the benefit of our future.

**Mr. Rob Leone:** So is or is not Ontario the largest borrower among all sub-sovereign governments, globally?

**Hon. Charles Sousa:** Ontario has become one of the most attractive jurisdictions around the world for investment. When I was mentioning and talking about and promoting Ontario to other investors, the idea of investing in Ontario through its degrees of bonds and initiatives—we have become a magnet for many investors. We are rated AA. We have a strong, sustainable economy and we have strong fundamentals. The ability to afford debt is a measurement by which the agencies and investors are looking at how Ontario proceeds, and I believe our debt now is about \$240 billion.

**Mr. Rob Leone:** I'll ask again: Is Ontario the largest borrower among all sub-sovereign governments in the world?

**Hon. Charles Sousa:** Ontario is a substantive and a major borrower, and as a sub-sovereign government, we've also become well-regarded in the degree in which we are dealing in the automotive sector and in attracting investments into the province. As a result of some of those initiatives, Ontario has become a huge and powerful sub-sovereign jurisdiction.

**Mr. Rob Leone:** I'm going to try one more time. Is Ontario the largest borrower among all sub-sovereign governments in the world?

**Hon. Charles Sousa:** Mr. Leone, I am going to call upon one of our officials, who will answer that question.

**Mr. Rob Leone:** Thank you.

**Hon. Charles Sousa:** Gadi.

**Mr. Steve Orsini:** I'm going to ask Gadi Mayman, who is the chief executive officer at the Ontario Financing Authority.

One thing I want to point out is that a lot of comparisons don't net out capital borrowing, so that is one thing, given the \$35 billion in capital spending that the province is investing over the next three years. It does change the rankings if you just pulled out the capital spending. But I'm going to ask Gadi to speak to our general borrowing program in general.

**Mr. Gadi Mayman:** Yes. Do I need to swear in?

**The Vice-Chair (Mr. Taras Natyshak):** No.

**Mr. Rob Leone:** Just your name.

**Mr. Gadi Mayman:** Gadi Mayman, and I'm the CEO of the Ontario Financing Authority.

Yes, we are the largest sub-sovereign borrower in the world, but we have one of the highest credit ratings of the sub-sovereign jurisdictions in the world. Ontario has, as recognized by the rating agencies, substantial responsibil-

ities that other sub-sovereign jurisdictions do not, so a comparison of one to another is difficult to do.

I think the biggest measure is our ability to attract capital. We have a \$33.4-billion borrowing program. We are, I guess, just over five months into the year, and we've already borrowed almost half of what we need for the year at very attractive rates. So while we are a large borrower, we're still a very attractive borrower to investors both in Canada and around the world.

**Mr. Steve Orsini:** And just to underscore: The size of the borrowing reflects the major capital investments that the province is making.

**Mr. Rob Leone:** Minister, what area is the fastest-growing area of expense? What area is that?

**Hon. Charles Sousa:** The largest portion of expense in government is around salaries.

**Mr. Rob Leone:** Is what?

**Hon. Charles Sousa:** Salaries and employees; labour is our largest expense.

**Mr. Rob Leone:** How about interest on the debt? Is that pretty fast?

**Hon. Charles Sousa:** Interest on debt—and I can call Gadi back on this one—has remained the same, at about \$10 billion, for the last six or seven years, I believe. Notwithstanding the increase in our overall debt, our ability to attract investors at lower rates has enabled us to maintain our interest costs stable over that period of time.

**Mr. Rob Leone:** What exact effect will be borne on the Ontario budget if interest rates do go up over the short to medium term?

**Hon. Charles Sousa:** We can speculate if rates go down, if rates go up. What I can say is that on a percentage basis overall, our overall cost of interest to our budget has been reduced, has been going down, because the amount of \$10 billion is roughly how much it cost in our interest rates over this 10-year period. It's highlighted in our budget forecast. The deputy is looking it up now.

Gadi just mentioned to you the attractiveness of Ontario. As a result of the good work that they've been able to do—they've been locking in our bonds for a 30-year period in many cases, which minimizes the volatility exposure to interest rates.

**Mr. Rob Leone:** Are we going to get Gadi to come back?

**Mr. Steve Orsini:** Just in terms of the budget on page 221, it shows last year, for 2012-13—this is an interim. I will have to double-check public accounts, but it's roughly \$10.4 billion. For this year, we're tracking about \$10.6 billion.

**Mr. Rob Leone:** Okay. One of the things that our researchers pulled out was that the interest on the debt represents not only the fastest-growing area of expense but almost half of the planned growth in expense over the next several years. That suggested that this is going to increasingly crowd out spending priorities such as health care and education.

**Hon. Charles Sousa:** I'm sorry. Where are you getting that from?

**Mr. Rob Leone:** I'm sure it came from something that we've been able to get over the last little while, but I can't specifically outline that. Is that true?

**Hon. Charles Sousa:** I'm not aware of that. We recognize what interest costs are. We recognize—and certainly finance, in their due diligence, always identifies risks and worst-case scenarios. We then, as government, make a decision based on those initiatives and those analyses, but as we've shown over time, we've been controlling the level of expense as it relates to interest rates. Of course, we're all benefiting from a low-interest-rate environment.

**Mr. Steve Orsini:** Maybe just to elaborate a bit further on the minister's comments: One of the things that public accounts has reported is a lower deficit of \$600 million compared to interim at budget time. That would bring down our interest debt costs. Any growth in interest on debt will have to be recalibrated in light of the new numbers. Whatever information we have would be in our public accounts that have been released today.

**Hon. Charles Sousa:** In public accounts, during some of the work that we've done, we've also identified that roughly \$22 billion were not borrowed over this period of time, as we were able to make savings.

**Mr. Rob Leone:** What does that mean?

**Hon. Charles Sousa:** Because of some of our cost controls further to what we anticipated in our budget, we were able to control our expenses and grow our economy without borrowing to the tune of \$22 billion that was anticipated.

**Mr. Rob Leone:** Just on that note, I know you talked about the debt growing because of capital investments and so on. The deficit for this year is projected to be about \$11.8 billion, if I'm correct.

**Hon. Charles Sousa:** It's \$11.7 billion, yeah.

**Mr. Rob Leone:** It's \$11.7 billion?

**Hon. Charles Sousa:** Yes.

**Mr. Rob Leone:** Whatever it is. But the debt is expected to increase by over \$20 billion. Is that because of capital expenditures? I've never been really clear on how—everyone just assumes that debt increases by the amount of your accumulated deficits, but obviously that's significantly more, so can you comment on why or how? I'm very curious about that.

**Hon. Charles Sousa:** Yes. It's important to note that when reviewing your overall debt structure, you have to consider the amount that you're borrowing to invest in capital and infrastructure and in initiatives that aren't covered, because what we are expensing is the amortization component. So the overall debt load will be that capital investment. That's why we do take into account the total debt structure in identifying our net debt. Net debt is the summation of both the cumulated deficits in our debt as well as our capital debt structure that's used to invest in capital.

Go ahead.

**Mr. Steve Orsini:** Just to elaborate further on the minister's comments: In the 2013 budget, pages 305 and 306, it separates the two. It looks at cumulative deficits

over time, and then it compares it to net debt to GDP. The differential—there are a lot of adjustments; accounting and otherwise—is primarily capital investment. The government is investing significant amounts in capital, over and above the cumulative net deficit for the province, and that accounts for a large share of the net debt to GDP.

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**The Vice-Chair (Mr. Taras Natyshak):** Thank you very much, Mr. Orsini, and Mr. Leone.

We'll move to the NDP. Ms. Fife?

**Mr. Rob Leone:** The timing worked out that way?

**The Vice-Chair (Mr. Taras Natyshak):** Time's out. Time's over.

**Ms. Catherine Fife:** It goes fast when you're having fun, Mr. Leone.

Thank you very much. I'd like to pick up where we left off with MPP Mangat this morning on auto insurance. I guess I should congratulate you, Minister, on getting a 15% reduction in your auto insurance rates; that's wonderful to hear. However, that isn't the reality for many Ontarians in this fiscal year, as they negotiate their new rates.

In your auto insurance policy statement of August 23, there was a commitment to look at the issue of credit scoring. Will the province ban credit scoring in the setting of insurance premiums and in determining eligibility for coverage?

**Hon. Charles Sousa:** We're going to ask one of my officials to come up, but in the meantime, it is important to note that, as a result of some of the collaborative efforts of the government, together with the third party, together with some of the work that's been done in the anti-fraud task force, together with the identification of some of those additional costs that are attributed as a result of that which you've just identified, we are able to now identify and lower the overall costs of claims. That is what is being transferred over to the consumers. One of them, of course, is the competitive nature of the industry. As a result of that, a number of companies that have weathered the situation better are now affording even better rates to their clients and potential clients, and that is what they're doing.

But if I could call on—

**Mr. Steve Orsini:** Phil Howell.

**Hon. Charles Sousa:** One of the identifications here is to have an independent expert panel and an independent review to look at the transparency and accountability of passing on those savings.

**Ms. Catherine Fife:** Okay, thank you. Phil, would you like to comment on credit scoring?

**Mr. Phil Howell:** Sure. I'm Philip Howell, CEO and Superintendent of Financial Services. Credit scoring for auto insurance is already banned.

**Ms. Catherine Fife:** It's completely done for this year?

**Mr. Phil Howell:** Sorry. Credit scoring is not allowed by companies in setting—

**Ms. Catherine Fife:** In the setting of insurance premiums?

**Mr. Phil Howell:** Yes. In setting the rate.

**Ms. Catherine Fife:** And in setting eligibility?

**Mr. Phil Howell:** Yes.

**Ms. Catherine Fife:** Completely?

**Mr. Phil Howell:** Yes.

**Ms. Catherine Fife:** Okay. Thank you. You might want to stay there.

The definition of “catastrophic impairment”—this is a very contentious issue. If we’re looking for systemic change in the auto insurance industry, this has to be part of the conversation. This is an important issue, but it’s the cost of treating those injured victims that is the critical concern to us as legislators. I sat on the finance committee, and, quite honestly, I heard some very compelling stories as we travelled across the province and heard personal stories of individuals who were not qualifying or who were in long, extended court battles with their insurance companies because of a lack of clarity on this issue.

Could the minister release the data on costs related to catastrophic injuries, so that we can assess if there is a real problem being dealt with here when we look at the redefining of the definition of “catastrophic”? We’re trying to delve down to get to the real costs of this issue. Can you comment?

**Hon. Charles Sousa:** It is something that comes up in our discussions and in our deliberations, but over to you, Phil, if you could?

**Ms. Catherine Fife:** Phil?

**Mr. Phil Howell:** Sure. There is a lot of misunderstanding, I think, around the issue of the catastrophic impairment benefits that are part of the Statutory Accident Benefits Schedule. As part of that schedule, there is a detailed definition in the SABS regulation that lays out the requirements to access the benefits that are provided for catastrophic impairment. What a number of court decisions have done and a number of arbitration decisions have done since that definition was established is point out that there is a lack of clarity and precision as to what constitutes catastrophic impairment.

As part of the 2010 reforms, I was asked to convene a medical expert panel and have them produce a report for me on a definition, an appropriate, medically evidence-based definition of “catastrophic impairment.”

Following their report to me, I prepared a report to the previous Minister of Finance recommending a number of the recommendations that were provided by that expert panel, modifying and changing some of them that presented a definition of “catastrophic impairment” that actually enhanced the benefits under the “catastrophic impairment” definition that had been in existence, specifically making it automatic entitlement for children—in this case, children are up to 18 years old—who sustained catastrophic injury, and a number of other amendments.

The key part about this report was that, for the first time, it actually introduced medical evidence into consideration. One of the problems, from my perspective

certainly, is that the previous definition of “catastrophic impairment” really wasn’t based on anything other than a number of stakeholders getting together and saying, “Yes, this should be deemed catastrophic.” They shouldn’t.

So, on the going forward basis, the 2010 reforms were very useful and, for the first time, trying to root the definition of “catastrophic impairment” on the basis of medical evidence.

Having said that, the reason that catastrophic impairment benefits are so important—and I should mention that Ontario is the only province that provides those as an entitlement or as a benefit; no other province does. I should also note that because of the amount of those benefits, there’s a considerable incentive on the part of people to try and access them, whether or not they are legitimately catastrophically impaired. Nobody questions, including insurance companies, the right of people who really are legitimately catastrophically impaired to get those—

**Ms. Catherine Fife:** And yet the auto insurance industry has asked for clarity around the “catastrophic” definition. Just to be clear, we’ve gone through this—it’s three years ago, 2010. Expert panel—you have recommendations. You brought them to the finance minister. What happened to that needed clarity around the definition of “catastrophic”?

**Mr. Phil Howell:** Well, that’s something you would have to ask the government.

**Ms. Catherine Fife:** Okay. Minister?

**Hon. Charles Sousa:** And to that end, and as we release the policy statement to the Automobile Insurance Rate Stabilization Act, 2003, we recognize that some of the steps necessary to reduce the overall cost of claims are being addressed. Items in regard to health benefits, as well as clinics, and then the definition of “catastrophic” are also—and minor injury guidelines for that matter—being reviewed, but what we want is to start passing on the savings immediately and get those that are available to us. So that’s what we’re doing. An expert panel is also being addressed. We have—

**Ms. Catherine Fife:** So we have another expert panel?

**Hon. Charles Sousa:** No, no, no. This is a watchdog. This is independent so that they monitor the results on an ongoing basis to ensure that the savings are being passed on. We need that independence. We need to ensure that those things are captured, and if, for whatever reason, something is not being passed along, then they would work on those required definitions, but that review is also being assessed.

**1620**

**Ms. Catherine Fife:** Okay. So, in 2010, though, just to review: The government radically changed the Statutory Accident Benefits in September 2010, drastically reducing the basic coverage from \$100,000 to \$50,000 and implementing a cap of \$3,500 for minor injuries. This has dramatically reduced statutory benefit payouts and increased industry profits, even while the

industry is asking for clarification on the “catastrophic” piece of this equation.

Could you tell us how much statutory benefit payouts have dropped between 2010 and 2012, the last year of which we had GISA statistics? I mean, you’ve just said that you want to pass on those savings immediately, and this is 2013. I think the challenge is better understanding why the government hasn’t been able to pass on those savings when we’ve already had an expert panel. And I understand that you want a watchdog, but we have to drill down and get the exact number on the statutory benefit payouts and how much they’ve actually dropped. I think that’s an important piece of the equation. Do you not think that?

**Hon. Charles Sousa:** It all is important, and as a result of some of the extensive work that we’ve done, as you’ve just identified clearly, we are now in a position to get those savings passed on to the consumers. At the same time, we want to protect the victims, and I think you’ve identified that too in your question, in a round-about way. So we want to make certain that we’re taking a fair approach in terms of how we’re achieving the results that we want, which, in the end, is to provide greater benefit to the consumer, recognizing that we want coverage that’s adequate for all concerned. But those savings are identified, those savings are being passed on, and I think that is being identified.

But to your point, you want to know exactly the degree to which they’ve been reduced, so—

**Ms. Catherine Fife:** Well, you must know. I mean, somebody must know how much, what that number is.

**Hon. Charles Sousa:** Go ahead.

**Mr. Steve Orsini:** I’ll just make some remarks and then ask Phil to elaborate further. One of the things that we looked at, cost in premiums over time—so if you look at for 2010 down to 2011 and then where we are at 2012, that is taking a very short-term perspective of where the costs are.

If you go further back and you look at costs in premiums, costs have been rising faster than premiums, so you have to look at it a little over a longer time horizon. Since the 2010 changes—I think Phil can elaborate further—there’s been quarterly reports coming of rate certifications that FSCO does. There’s been actually small reductions going forward. The benefits of the recent changes from the budget bill are not expected to kick in until January of next year.

**Ms. Catherine Fife:** Okay, but I’m not talking about this last bill; I’m talking from 2010-11 and 2011-12. FSCO must have this number.

**Mr. Steve Orsini:** I’m going to ask Phil to elaborate, but it’s just over a longer period of time.

**Ms. Catherine Fife:** You’ll provide that number?

**Mr. Phil Howell:** I will provide that number to the committee.

**Ms. Catherine Fife:** Thank you, Phil.

**Mr. Phil Howell:** Statutory Accident Benefits payments have been reduced. It’s important to remember that Statutory Accident Benefits are only one part of the cost-

of-claims equation. There’s third-party liability, there’s collision, all of those other costs. Currently, one of the effects of the 2010 reforms is that Statutory Accident Benefits as a share of total claims costs have dropped from about a third to a bit over a quarter, which is true, although third-party liability costs are going up and other costs are going up.

**Ms. Catherine Fife:** Sure.

**Mr. Phil Howell:** In the context, I think it’s important just to reiterate a point that the minister made, and the deputy as well. At the end of the day, any discussion about reducing auto insurance premiums under the system that we have in Ontario has to be based on reducing claims costs. The two are not separable; they are intimately connected.

**Ms. Catherine Fife:** I think that you touched on that too, around catastrophic, because you say because the number is so high, then you are seeing people who want to access that high number. We’ve never said that fraud is not part of the equation; we’ve said that we need systemic change in the auto industry so that it’s fair for everyone, because there are some—I mean, you have the auto insurance industry actually coming to us and saying, “We need clarity.” They want a level playing field, and it seems to me that the government had all the information they needed from 2010 to level the playing field, but we’re going to get to that.

The overall loss ratio—sorry, I’m on to my next question. The overall loss ratio is considered by most industry experts as the best measure of profits. Can the minister tell us what the change in the overall loss ratio was between 2009 and 2012?

**Hon. Charles Sousa:** I appreciate the question. Over to you, Phil.

**Mr. Phil Howell:** We can provide that. The loss ratios have definitely come down from a situation pre-2010 in which the industry was experiencing significant losses. I will provide those numbers and add the caveat that the loss ratios that do get reported for P&C companies reflect their whole line of business. They’re all regulated by the federal solvency regulator, OSFI, and those loss ratios will reflect what happens in all of their lines of business. But it is true that auto loss ratios have come down.

**Ms. Catherine Fife:** Thank you. To the minister: In your August 23 auto insurance policy statement, you said that you would look at the question of territory and whether it was fair for drivers in one part of the city to pay considerably more than other drivers in another part of the city or jurisdiction. Could you elaborate a little bit on where you’re going with this? Because I think the Ontario public has actually waited a long time for an acknowledgement that there is great disparity in rates across the province, and sometimes even within very close regional areas. The statement, I think, was welcomed; what do you exactly mean by the statement?

**Hon. Charles Sousa:** You’re referring to a statement in the policy under item 1(f), ensuring that insurers are allocating costs fairly between rating territories. It also talks about a number of issues around the return-on-

equity benchmark; it talks about first-time drivers getting benefit for being safe drivers; it talks about technology initiatives; it talks about those initiatives where we have safe driving habits as well, winter tires and things of that sort. But in all of these things, one thing that was clear to us was that certain regions in the north, rural communities and so forth have less risk, less consequence, a lesser degree of claims, and yet certain areas and urban centres are more greatly affected.

But I'll ask Phil to talk about specifically those where within the same city we're having dramatic differences in those premiums. I think that's what you're getting at as well.

**Mr. Phil Howell:** Currently, the Insurance Act allows companies to rate by territory. The number of territories that can be used is limited under current regulations. In the case of the GTA, they are limited to 10 different territories. There's a vast array of rules and parameters around what constitutes an acceptable territory, and at FSCO we have to approve all of those territories. If members are interested in an exhaustive discussion of that, I can refer the committee to my submission to the general government standing committee of April 15, 2013, in which the rules and parameters and so on are explained.

**Ms. Catherine Fife:** So you're considering different formulas and maybe sliding scales and scoring?

**Mr. Phil Howell:** Companies are allowed to establish their own territories and submit an application to us for approval of those territories.

**Ms. Catherine Fife:** And those are approved by FSCO.

**Mr. Phil Howell:** Yes. There are rules, though, around what constitutes a territory. You can't choose, like, three blocks here and then go several blocks away—

**Ms. Catherine Fife:** So you're looking to create some clarity around that.

**Mr. Phil Howell:** I think there's complete clarity around those rules. They're all published on our website. They're all available. There has never been—

**Ms. Catherine Fife:** But when the minister says that—sorry, to the minister: When you say that you're looking at trying to make this more fair, what do you mean by that?

**Hon. Charles Sousa:** The way the policy statement reads, we want to ensure that insurers are allocating costs fairly between rating territories. FSCO and Phil will be compelling those insurance companies to provide for rate applications for reduction, and, as mentioned, they have discretion as to what territories they wish to accommodate. We want to make certain that it's done fairly.

1630

**Mr. Phil Howell:** We, in the ongoing course of business, do examine companies and audit them to ensure that they're compliant with what has been approved.

The key thing to understand on the territories is, there are very legitimate reasons why claims costs are going to differ in different areas. Of course, as with any insurance product, the implication—if you went all the way to the

same premium base, average premium, applying everywhere in the province, what you would see is a significant savings for people in the high-claims-cost area, i.e., the GTA, and a dramatic increase in the rest of the province, in areas that are much smaller and don't have claims costs experiences that are anywhere near as high as in the GTA.

**Ms. Catherine Fife:** And so I'm sure—

**The Vice-Chair (Mr. Taras Natyshak):** Thank you very much, Mr. Howell.

We will now move on to the Liberal caucus. You have 20 minutes.

**Mr. Rob Leone:** Ask a tough one.

**Mr. Steven Del Duca:** Twenty minutes?

**The Vice-Chair (Mr. Taras Natyshak):** Twenty minutes.

**Mr. Steven Del Duca:** Sorry, the member from Cambridge wants a tough one? I could ask you a question about how you do your hair like mine.

Minister, good to see you this afternoon. I wanted to start off by asking you a little bit about—maybe you can help the committee understand some of the initiatives that this government has undertaken with respect to providing support to Ontario's municipalities, but in particular our rural and northern municipalities.

**Hon. Charles Sousa:** As you know, we've been working very closely with all municipalities across the province, recognizing some of the pressures that they face fiscally—as does the province, for that matter—but more importantly, uploading a number of those services to support social services and court services. We've been able to upload a substantive amount of dollars, in the billions, to offload some of the pressures on the municipalities, and we're doing so on an ongoing basis. We have a number of funding formulas to support them sustainably and consistently and predictably so that they're able to plan effectively.

We also added this year, in our budget, under page 141, our ongoing support to municipalities to the tune—in that, you'll note how much it's an increase from the year 2000 to 2012, which is well over \$3 billion. There has been an increase of over 200% from the levels of 2003; it has actually been about \$3.4 billion.

We also added, in this budget, those municipalities that don't have the benefit of the gas tax. It's important to note that certain rural communities also need to invest in infrastructure, in roads and bridges. So we added what would have been equivalent, thereabouts, to the gas tax that's provided to some of those urban centres that do receive it. That came out to around \$100 million, and that is being used to support those municipalities.

We've also made permanent the gas tax to the other municipalities that were receiving it, so that they too have reliability and recognition so that when they make their planning and their initiatives for their budgets, it's not that they have to come out with cap in hand; they already have that stuff secure.

We have ongoing discussions with the municipalities in terms of what other matters are required to support. It

has enabled us to upload a substantive amount of dollars. It has enabled us to also have, I believe, much more responsible discussions and conversations around the type of infrastructure investments that are necessary, as well as sewers and water treatment plants, for example, and other matters. We're working closely with the municipalities on that score.

You yourself have taken a lead in regard to assessing the MPAC assessments so that the municipalities that are reliant on property tax can also have a better understanding and a sense as to what will be afforded to them on an ongoing basis.

**Mr. Steven Del Duca:** Thanks very much for that answer. I know many of us were at the AMO conference in Ottawa just a few weeks ago, and I think it was very clear, listening to folks from municipalities across the province of Ontario, how much they appreciate your efforts and the efforts of Premier Wynne and our government to make sure that they are treated in a fair and just manner going forward. That's great news.

One of the topics that came up earlier today at committee—at least, I thought I heard some of the questions from across the way—was discussion around the notion of innovation. I have kind of a two-part question here. One is, because we all understand that innovation is an important part of a strong economy that, when done properly, when being supported properly, helps to support high-paying jobs—if you could tell us a bit about what Ontario is doing to support innovation, I guess, generally speaking, but then also specifically what Ontario is doing to support innovation and entrepreneurship within Ontario's music industry, that would be very helpful.

**Hon. Charles Sousa:** You're absolutely right that for any jurisdiction to be competitive in the long run, it's essential for us as a province to take leadership. We have some outstanding innovative minds and leaders in the sector who have done a substantive amount of work around innovation. But we need to, in some respects, nurture the incubation of those research projects to the benefit of the province—for that matter, for the country.

In our budget, we also talk about promoting entrepreneurship and innovation. We talk about fostering the programs that we have for research and development. As a percentage of funded businesses or the Ontario businesses that fund these types of projects, Ontario is equivalent to Canada, I guess on an average, but we are much lower than what Germany would do in investing in research and innovation.

It sets us apart. It will set that jurisdiction apart from the others for those that invest. We know from some of the studies that have been provided that those that invest in research and innovation will surpass other jurisdictions that do not. For Ontario to be competitive, we need to be bold, and we need to ensure that we make those investments. We spoke earlier about the productivity gap. That's one of the areas that we need to invest in in order to reduce and close that gap.

It's also, to some extent, a great investment in our young minds. There are a number of outstanding ideas

that are coming forward that we want to nurture and develop right here in the province as opposed to seeing them go elsewhere. Of course, we've had a number of companies that have done well. Some of the best practices that come from those companies work in other parts of the world, and when they bring it back to Ontario it is the continuing systematic reinvestment in innovation and technology.

I'm not talking about just using the universities and colleges for these kinds of programs. We see some of those outstanding programs occurring right here in Toronto, at Ryerson and at University of Waterloo. But it's the businesses themselves. It's those companies that have to also take leadership in making those investments in R&D. We have encouraged that. We're trying to stimulate some of those initiatives. We've established a fund around innovation to support that.

We've also developed a fund to help our arts and culture. It's not just about improving or promoting the social benefits of arts and culture. It is very much an economic benefit. We see that Ontario has attracted more films and productions that any other place in North America. That's because of some of our film tax credits that we've provided.

We also recognize that there's probably even more untapped potential in the music industry. Why do so many of our artists have to go to LA or New York to make their productions and to produce their—CDs, I guess they're now called, as opposed to albums? We have here an opportunity to expand the ripple effect of the tremendous amount of jobs that will be created from that.

We provided a \$45-million grant over three years, starting in 2013-14, to take advantage of those opportunities that exist. As a result of that announcement alone, there are a number of major record labels, producers and recording artists all looking at the opportunities that will be available in Ontario to make those productions. I'm talking about every part of the province, not necessarily any particular urban centre, because there is some great degree of work that I see now happening in some of the northern communities around music. If these grants can help support that, all the better.

**1640**

These are just some of the initiatives that are coming forward to try to promote—and this is innovation in itself. Some of the music, some of the recording, some of the film and some of the technologies that are being developed right here in Ontario are occurring because of the stimulus and the support systems that we've been able to provide them.

**Mr. Steven Del Duca:** Thanks very much.

**The Vice-Chair (Mr. Taras Natyshak):** Mr. Colle.

**Mr. Mike Colle:** How much time?

**The Vice-Chair (Mr. Taras Natyshak):** You have roughly 10 minutes left.

**Mr. Mike Colle:** Oh, good. It just intrigued me, some of the questions Mr. Leone was asking about sub-sovereign jurisdictions and borrowing comparisons.

What I was always trying to find out is some information in terms of jurisdictional responsibilities when it comes to sub-sovereign jurisdictions compared to the Canadian or Ontario model—for instance, the German states, the US states, the states in Australia. Have we ever looked at or do we have any information—maybe I can ask research to find out what their jurisdictions are. In other words, do the states in Australia pay for mass transit? Do they pay to build hospitals? What percentage of health care is paid by the federal state and the sub-sovereign states?

I'm not sure if the Ministry of Finance has ever done any kind of cursory review of some of these sub-sovereign states and, basically on the capital side, what their jurisdictional obligations are, compared to a typical Canadian province or the province of Ontario.

**Hon. Charles Sousa:** It's a great question, because you do want to compare apples to apples. In this case, a comparison of certain jurisdictions—a sub-sovereign jurisdiction versus another—may not necessarily be appropriate. California, for example, is prohibited from borrowing, yet they're also financially having some difficulty in their recovery, for other reasons. It's important to note that the fundamentals of Ontario are different than they are in other parts of the world, and it's one of the reasons why we have this ability not only to borrow but to also act on some of those programs and initiatives.

I'll ask the deputy here to provide some clarity as to which of those jurisdictions are different than Ontario.

**Mr. Steve Orsini:** It's a very good question, to make sure we're comparing apples to apples, as the minister referenced. We feel that Ontario is a significant borrower because of major, major capital investing that's going on: \$35 billion over the next three years. I think if we come back and net out the differences in mandates and sort of capital investment, that might put it more on an apples-to-apples basis.

One example is, during the major downturn in 2008-09, Ontario was the only sub-national jurisdiction to make a big investment to restore and protect the auto sector, whereas most of it was done at the federal level in other jurisdictions. That, again, shows the differential in terms of Ontario's responsibilities versus other sub-national jurisdictions.

I think we can commit to provide some additional information on that, to ensure apples-to-apples comparisons.

**Mr. Mike Colle:** The Ontario government is committed to \$35 billion in capital expenditures in the next three years. What has the federal government committed to in capital expenditures over the next three years?

**Hon. Charles Sousa:** There's a Building Canada Fund, and to date, there have been minor contributions made by the federal government to our infrastructure, our transportation initiatives. I have ongoing discussions with the federal minister to review how it is that we can act on a national strategy around transportation, but to date, it hasn't been a great amount.

But if you could—to the deputy, please.

**Mr. Steve Orsini:** We can provide that information. Without the specific numbers, by far, Ontario is making a much larger infrastructure in the province than the federal government is cross the country. We can provide those numbers.

**Mr. Mike Colle:** Okay. Just continuing on that vein, I know a number of years ago, a number of us were very interested in the fiscal gap that exists between the amount of dollars collected by the federal government in Ontario every year in taxation—personal income tax, corporate taxes, GST/HST—and the amount of dollars then invested or spent in Ontario by the federal government. I know that at the time when this was first brought up by Dr. David Naylor, president of the University of Toronto, he found there was a \$23-billion gap. That was the amount of money that people of Ontario were not getting back from the taxes they paid to the federal government. Most of that money, I guess, was going to other provinces because of the equalization formula. I know there were some successes and changes to that equalization formula that created this \$23-billion gap between the number of dollars Ontario taxpayers paid and what they got back from the federal government. I'm just wondering whether the Ministry of Finance has kept any data on this gap of the dollars that flow out of Ontario and the dollars that come back from the federal government.

**Hon. Charles Sousa:** Yes, it's a good question, again. We do have records of the amount that is basically contributed to the federation by Ontario over and above that which we receive. You're right in commenting it was about \$23 billion in the past. We're looking it up right now.

I'm going to ask Greg Orencsak to come up, and he will be able to give us some support on this.

**Mr. Greg Orencsak:** Hi, Mr. Colle. I'm Greg Orencsak, associate deputy minister of the office of treasury board.

You're correct: There are various measures of the fiscal gap, including the \$23-billion gap that was identified in terms of transfers between the federal government and the province. That gap is something that we've monitored closely. There are also other ways of looking at that gap.

In particular, you mentioned equalization. We publish and track the contribution that Ontario taxpayers make to the equalization program against the transfers through the equalization program to the province of Ontario. The latest figures on that that we have is in the 2013-14 fiscal year, Ontarians' net contribution to the equalization program will be about \$3.1 billion. That's about \$226 per person. That is the difference between what Ontarians sent to the federal government to fund the equalization program as a whole and what we receive back from the federal government.

If you add up this gap over time, it does result in a fairly significant number. Over the past 10 years alone, Ontario has contributed about \$50 billion to the equalization program. Despite receiving equalization, Ontario

still remains the biggest contributor to the equalization program among all provinces in Canada.

**Mr. Mike Colle:** Thanks very much, if I could get a brief one-pager on that. There's no hurry on that.

**Hon. Charles Sousa:** Actually, we can do better than that. It's already outlined on page 248 of the budget. I'll read this to you. "The Mowat Centre's report"—this is an independent report now—"Filling the Gap,' estimates that there is an \$11-billion shortfall between what the people of Ontario pay in federal taxes versus what they receive in federal transfers and services.... It is increasingly clear that the current system of federal-provincial fiscal arrangements is working against, not for, the people of this province."

There is a chart on page 249 highlighting some of the differences in the gap. If you go to "Net Contribution to Equalization by Province" on page 250, it shows an example of how it's working against Ontario.

**Mr. Mike Colle:** Okay. Thank you for that. I think my colleague has a question.

**Mrs. Amrit Mangat:** Thank you. When the housing bubble burst in 2006, that led to a sharp economic downturn. The fallout from that recession continues to reverberate globally. Ontario was hit hard as well. This morning, you discussed job creation and job numbers. My question to you is: What is your plan about youth employment? I'm hearing a lot of questions from the youth in my riding of Mississauga-Brampton South.

1650

**Hon. Charles Sousa:** Thank you for the question. You're right in that Ontario felt the recession much more quickly and much more severely than any other province in Canada. At the same time, we took almost immediate steps to try to resolve and incubate and secure the position of the province.

One of the areas critical to our success as a province is ensuring that our young people are achieving and reaching their maximum abilities. Given the change of the landscape, while some want to be stuck in the past and want to deal with the old ways of manufacturing, that's not the way it is today. In order for Ontario to compete and be effective, it's very much an investment in the people of the province and those individuals doing value-added contributions in the sectors. We can't compete, we know, with low employment numbers, low wage rates. We can't compete on a low Canadian dollar. And we're finding it increasingly difficult to compete in a system that doesn't provide innovation. If we're just replicating that which is already existing, we're going to fall behind, because there's always another mechanism, another manufacturing sector that's going to invent something new to enable that product to be—

**The Vice-Chair (Mr. Taras Natyshak):** I have to cut you off. Thank you very much.

We will move to the PC caucus for another rotation of 20 minutes.

**Mr. Michael Harris:** Thanks, Taras. Good afternoon, Minister. I'm sure you'll be able to come back to that later on.

Minister, I notice that you had a press conference earlier today where you talked about achieving a 0.1% reduction in spending. I guess I'll just ask you right off the bat, how did you achieve those savings? Was it through administrative or efficiency savings?

**Hon. Charles Sousa:** The total spending of the province was reduced by 0.1% as you've just identified, which includes interest on debt and program spending. Program spending actually was reduced even greater, at 0.4%, and those substantive reductions that have not occurred in well over a decade were achieved as a consequence of transformational changes that we've done in respect to the way we deliver services, a number of reductions by ministries in their costs. There have been some one-time improvements in pension reform and other ways that we've provided for expenses. We did this all at the same time that revenues fell below what was anticipated. As a result of some of those innovations or some of the transformations that we did in spending cuts, it enabled us to come forward with an even lower deficit at \$9.2 billion.

**Mr. Michael Harris:** Earlier this year, your cabinet secretary, Peter Wallace, said that the government needs much more significant reform to balance its books. In fact, he said there would need to be 4% spending reductions every year. That's 40 times more than your 0.1% reduction. I just find it concerning—and do you think Ontarians would be concerned?—when you say "significant achievement" of 0.1% in terms of reductions when even your own cabinet secretary is calling for 40 times that?

**Hon. Charles Sousa:** Again, I cautioned the members of this committee at the start of my deliberations that what you're looking at are commentary, analysis, risks that are identified by officials of government, which is exactly what I need them to do. We want those ideas and those concerns to be brought forward so that we can address them appropriately.

I've just identified some of the savings that we've done, primarily in health and education, to the tune of \$0.9 billion, and other expenses to the tune of \$0.4 billion. As a result of some of the consequences, some of the risks that may be identified, we then have to mitigate those risks. That's why we've taken the steps that we have in transforming the way we do business as a government, to ensure that those costs are contained and, in this case, reduced even further.

**Mr. Michael Harris:** Thanks. I couldn't help but read a quote that I read a while back, in fact from the cabinet secretary, talking about the government's debt. I'll read you one of those quotes. He said, "This is so far beyond administrative or efficiency savings, it's not even funny. We can get rid of all" Ministry of Community and Social Services "administration ... and not come close to the fiscal objective. More directly, this is far more gravy than Ford even promised to look for."

Do you agree with the cabinet secretary's assessment?

**Hon. Charles Sousa:** Again, I wish to caution this committee as to what it is you're saying and the premise



by which you're asking the question. You have before you a number of opinions and communications and discussions that would never be made public anywhere else. We want our staff and our officials to speak openly and freely, to provide information and opinions as they see fit.

The determining factor here isn't what was said as much as what was done to control the outcome and to make the difference. We have, and we take under advisement, all of the concerns that come our way. But it's this budget and it's this summation of these initiatives that are most important, because that is what has been compiled to offset some of the very risks that have been identified.

When we provided this budget, we not only looked at some of the work done by Don Drummond; we also looked at the jobs and prosperity report that provided a number of ideas as to how to promote growth. We also looked at Frances Lankin and Munir Sheikh's report on how to help transform social programming, all with the intent of ensuring that we control our spending and promote economic growth.

There are two parts of this equation. We have to always be mindful that we need to increase economic growth in order to promote and provide for the lowering of our overall deficit and support a more prosperous environment and a more prosperous economy in the long term.

**Mr. Michael Harris:** Would you actually agree, though, with the cabinet secretary that a 4% reduction in spending is required every year?

**Hon. Charles Sousa:** Well, we've just proven to you that we can make a reduction in spending, and we just accomplished that.

**Mr. Michael Harris:** Would you suggest that 0.1% is actually a significant achievement?

**Hon. Charles Sousa:** We have just beaten our targets, well below what was anticipated, at \$14 billion to \$9.2 billion. We have now even re-forecasted some of our out years in our deficit targets to make them even lower, recognizing some of the systematic changes that have been established that will enable us to even provide for a further reduction in our deficits going forward.

**Mr. Michael Harris:** So you don't agree that a 4% spending reduction is required to get spending under control?

**Hon. Charles Sousa:** If I look to page 110 of our budget, this talks about how we're holding our program spending, and how we have held our program spending, to less than 1% year over year, on average, since 2012-13 to 2017-18. This is the critical step that we've taken to achieve our balance by 2017-18.

It is already one of the lowest-spending governments in all of Canada. We already are the lowest-cost government in Canada, because of some of the careful reviews and initiatives that we've put forward and some of the transformations that we've taken.

We've outlined very clearly how we're going to achieve that balance, through the engagement that we've had with the public on our path to balance, through the spending that has been identified.

**Mr. Michael Harris:** I do think that the cabinet secretary provided some good advice. Clearly, that's not where you're headed, but that's out there.

I guess I'll take us back to your predecessor. I know he has transitioned out. We enjoyed his time at committee last year; I know I did. He characterized Ontario's debt as a "ticking time bomb." Would you agree with him in that statement?

1700

**Hon. Charles Sousa:** Again, I wish to caution this committee as to how they're prefacing the question. You're looking at only one side of the challenges that we face here.

You all have a shared responsibility in this, because you now have before you a lot of information that you would otherwise not have. It is not just the debt that's in question here; it's our ability to afford that debt. Some of the work that's been identified by other experts and economists—and it's even identified in our budget—is the concern that it would hurt public services with extreme across-the-board cuts. We've seen other parts of the world that have had no choice but to take more excessive austerity measures, not by choice, but because the markets demand it. When that happens, there is havoc and there is chaos, and there's an inability for those jurisdictions to have a return to prosperity and, more importantly, to balance.

So what is in question here is our ability to balance the books, stimulate economic growth and protect the hard-working families of Ontario to achieve that. So we have taken a very cautious but strategic approach to control spending and, more importantly, to promote growth through investment.

That has at times created more stimulus programming, like infrastructure spending, which then causes some higher degree of debt. But again, it's the ability to afford that debt that's questioned, and that is where we're monitoring on an ongoing basis the total net debt to GDP.

**Mr. Michael Harris:** Dwight Duncan characterized the debt as a ticking time bomb. How would you characterize today's debt here in Ontario?

**Hon. Charles Sousa:** For me, eliminating and tackling the deficit is a priority. It is one of the single most important things that we must do to maintain our competitiveness and confidence in Ontario's direction.

At the same time, it has to be done in a prudent and practical manner. That is why the previous finance minister also said it would be in 2017-18, not sooner: because he too recognized that Ontario must have a much more sober recovery that doesn't hamper the livelihood of families in Ontario while being able to support those investments which would then create some debt.

The measure, as I've always said, is that ability to monitor net debt, including interest on debt, so we can ensure that there's enough GDP growth to support it. As we look at that equation, as we look at that ability to increase our prosperity, Ontarians, for the most part, recognize the challenges that we faced, but also appreciate, I believe, the ability to continue having low un-

employment relative to other parts of the world, public education and universal health care, and confidence in our system to provide for the needs of those respective communities. That has been our priority, and the ability for us to create more jobs is what's going to create more GDP. That is why we have put forward a six-point plan to create jobs, to initiate job growth for the benefit of creating greater prosperity overall.

**Mr. Michael Harris:** I think Mr. Duncan at the time raised some alarm bells by calling it a ticking time bomb, predominantly because of the interest payments that we're currently paying annually. I mean, if you look at what it costs Ontarians to service our debt every year, \$11 billion, in fact, would be the third-largest ministry if it was its own ministry. That's money we're taking away from investing in our health care, education, infrastructure—all because we're accumulating more and more debt. In fact, we're on a crash course of reaching a \$12-billion deficit next year. We need to spend less time celebrating a rounding error and more time developing a real plan.

So my question to you is, when can we expect a real plan that includes actual fiscal reform?

**Hon. Charles Sousa:** You have made a number of assertions here that are deliberately assessing the degree of debt without looking at the other side of the equation, and that's dangerous to do. It's dangerous because it doesn't paint the entire picture of what is happening here.

I'm going to ask the deputy to interject. He has before us actual results; it's the budget plan, analyzing the overall interest on debt, which, you should note, hasn't increased year over year in actual dollars.

Go ahead, Deputy.

**Mr. Steve Orsini:** I referenced this earlier, and I didn't have the public accounts versions of our interest on debt.

The 2012 budget had forecast interest on debt to be \$10.6 billion. The actual, signed off by the Auditor General, ended up being \$10.3 billion because of the lower deficit as a result of the measures that the government brought in.

On page 11 of public accounts, it breaks down those areas where spending was lower compared to the 2012 budget.

**Mr. Rick Nicholls:** Okay. Thank you very much.

Minister, a TD report issued this summer compared the economic outlook of the Canadian provinces. It stated that Ontario had the most acute fiscal challenges. We have the longest deficit elimination timetable and a negative watch from Standard and Poor's. The TD report goes on to state that "much of the heavy lifting on fiscal restoration remains."

My question is, when does your government plan on taking this issue seriously, and what steps do you plan on taking to achieve fiscal balance?

**Hon. Charles Sousa:** TD and a number of the other economists are part of my economic advisory table. I seek their input and I look to their analysis in terms of what it is that we are doing.

We have projections going forward in terms of our ability to generate revenue, and we have a number of programs to constrain our expenses and control our costs. I've just released the public accounts of this province, highlighting the achievements relative to those very plans, and relative to what you've just expressed. The fact of the matter is that Ontario, while we have deliberately stated that we're going to come to balance by 2017-18—not as quickly as some of the other provinces said that they would do so, but the other provinces haven't achieved the results that they said they would, and yet we have. In fact, we've exceeded them.

But we are still being practical, because we recognize that in order for us to tackle and eliminate the deficit in an appropriate manner, we need to give the appropriate time. We will do what's necessary to provide the contingencies and the reserves, we'll continue to do what's necessary to even reduce our expenses further, and we'll try to always achieve better results, but we have to be practical and prudent in our plans going forward.

As a result of those initiatives, the very rating agencies that you have just talked about continue to rate us AA, on the most part. They continue to monitor the achievements that the province has been able to make to beat those targets. So for the most part, Ontario is being well received in regard to what we say we're going to do. While others may wish to do better, we are saying what we can actually do, and that's how we're proceeding.

**Mr. Rick Nicholls:** Well, when we talk about revenues and we talk about expenses, I notice over on page 109 in your budget book that in actual fact, revenues for 2013-14 have gone up somewhat, but total expenses have gone up even more.

I guess my question is, when revenues are in most cases declining and expenses are increasing, what goes? What goes? Or is the Liberal plan simply to just add to the provincial debt? What's your criteria for determining what will go?

1710

**Hon. Charles Sousa:** It's interesting, because I just released today what actually did occur.

This budget is a forecast of some of the initiatives that we have going forward. Expenses are actually stabilizing over the next number of years. We've identified them. Revenue is the challenge. You're right. We recognize that the global market has actually been more constrained than was initially anticipated. The TD Bank and others have identified that as well.

What we've done is lowered our anticipated revenue ability. We actually took the steps to be more cautious about our ability to grow our revenue base because of the constraints around the world, but that didn't stop us, and it doesn't stop us, from taking the measures necessary to control and limit the degree of debt—we have expenses. As a result, we've achieved negative spending which, as I've said, hasn't occurred in over a decade, especially program spending. Program spending has fallen even more dramatically than total spending overall.

We've taken those steps. We're measuring net debt to GDP to ensure that we're on the right trajectory, and the

auditor has stated in an unqualified analysis that our results have been achieved and surpassed.

**Mr. Rick Nicholls:** In other words—

**The Vice-Chair (Mr. Taras Natyshak):** You've got 30 seconds, Mr. Nicholls.

**Mr. Rick Nicholls:** Oh, all right. Thank you. So then just very quickly—because what I've been hearing and seeing is a lot of additional spending by the government in terms of programs and, to me, it's nice-to-have versus need-to-have. How would you respond to that with regard to the essential programs versus the nice-to-haves where the spending's still—

**Hon. Charles Sousa:** I disagree with the premise of your question. It's not a nice-to-have, it's a need-to-have. We need to invest in our young people. We need to invest in skills. We need to invest in infrastructure. We need to invest in those very stimulus packages that will promote greater dividends to make us competitive. As a result of those investments, job growth has increased by 689,000 net new jobs since 2003, 477,000 net new jobs since the recession, many of them—almost 80% of them—are full-time. We have new manufacturing sectors coming our way; 180% return of those jobs relative to any—and that surpasses any other jurisdictions around the globe.

While there have been one-time factors that we've identified and made clear, we do not stop in those initiatives that are going to promote that growth. We cannot stop in stimulating job growth and packages that will give us even greater benefit—

**The Vice-Chair (Mr. Taras Natyshak):** Thank you, Minister.

**Hon. Charles Sousa:** So we will continue to do just that.

**The Vice-Chair (Mr. Taras Natyshak):** Thank you, Mr. Nicholls.

We'll move to the NDP: Ms. Fife.

**Ms. Catherine Fife:** You've cautioned this committee several times on the kind of questions we're asking and you've said that we're fortunate to have this information, when really this is the potential of a minority government, and the only way that we can have a shared responsibility around financial planning, if you will, is to actually have the information. I think that's the nature of the questions. I just don't understand why you're cautioning committee members in the nature of our questions and actually the content of our questions.

**Hon. Charles Sousa:** I can clarify why.

**Ms. Catherine Fife:** Please do.

**Hon. Charles Sousa:** Because you're making reference to certain conversations that were never meant to be public. You're making reference to discussions between officials that—I do not want them to be guarded. I do not want our officials to find themselves constrained to give me advice because of fear that they may have to now have these discussions made public, and I certainly don't want some of the confidential discussions that are being made with proponents to also be expressed. That is my concern.

So when you preface a question by suggesting something that is only in an analysis or an opinion, you're then suggesting possibly that there is greater risk than there may actually be. I just want us to be clear: We're taking decisions—

**Ms. Catherine Fife:** Minister, I think that when people are employed by the government to give educated financial analysis to politicians, those opinions should count.

To that end, though, you talked at length this morning about the strength and powers of FSCO. When was the last time the minister under your office did an operational review of FSCO?

**Hon. Charles Sousa:** We're having ongoing discussions with FSCO. We are deliberating with FSCO now as it relates to auto insurance, and we are continuing on an ongoing basis to have reviews of our agencies and those bodies that oversee the work that we do—and the work that they do, for that matter.

**Ms. Catherine Fife:** When was the last time you did an operational review of Metrolinx? As you well know, some issues have come up over the summer around a lack of process around sponsorship deals that were signed through Metrolinx. They are tasked with a great responsibility in rolling out transportation recommendations that are either listened to or not listened to, depending on the day of the week. I wondered, have you done a cost analysis of Metrolinx, aside from the statement that's in the budget? I know you're going to point to the page again, but have you done a cost analysis? I mean, as the Minister of Finance, you must have had some red flags raised over the summer when there was a lack of process around signing sponsorship deals.

**Hon. Charles Sousa:** There is ongoing analysis that we do. We're always trying to improve accountability, especially agency accountability. We've taken a number of steps, even through the Drummond recommendations and the analysis that he provided us. You're right in that we have identified that clearly in our last budget.

It's not just with FSCO, OLG and all the others that we do—even in the energy sector as well, and Service-Ontario and other items that we've reviewed.

To your point specifically, I'll ask the deputy to respond.

**Mr. Steve Orsini:** Just to maybe add a few more points to the minister's comments. I will refer to the budget because it is an important policy statement from the government: page 143, about improving accountability. There is work going on. There always has been work going on in terms of how to improve accountability among all parts of government. Procurement is always an area that the government is strengthening and ensuring proper oversight of. There are other elements that each ministry goes through in terms of attestations, in terms of complying with internal rules about how parts of the system operate, how they report back to government, signing memorandums of understanding and agreements to ensure there's a clear exchange of financial information. There are a lot of different pieces. It's quite

complex. What the budget sets out is another redoubling of efforts to ensure that there are stronger systems in place on accountability measurements with our agency. That's work that is under way right now.

**Ms. Catherine Fife:** Can I assume that you've also done that with Infrastructure Ontario? It's the same protocol for reviewing and analyzing the profits and also the operational piece of Infrastructure Ontario?

**Mr. Steve Orsini:** Under the Ministry of Government Services—and they're better positioned to answer this question—there are requirements that all agencies have to follow, and there are standards in terms of procurement, in terms of operations and in terms of reporting that they need to follow. Those rules are reviewed on a regular basis.

**Ms. Catherine Fife:** On an annual basis?

**Mr. Steve Orsini:** On a regular basis.

**Ms. Catherine Fife:** On a regular basis. Okay.

**Mr. Steve Orsini:** And the budget announced another look in terms of agency accountability.

**Ms. Catherine Fife:** So you track those agencies through the budget process. But you don't do, for instance, a systems review to make sure that, for instance, MOUs are actually signed off?

**Mr. Steve Orsini:** There are internal reviews. The Ministry of Government Services is better positioned—they do track memorandums of understanding. There are internal audit functions that also provide regular internal audits of various agencies.

**Ms. Catherine Fife:** Okay, thank you. Speaking of agencies, with regard to the Ontario lottery group, when you net out the transition costs, how much will the government save by cancelling the SARP? We're well into the transition plan with the Slots at Racetracks Program. Do you have an assessment? You must have, actually, because it has been now a full year, some idea of the net transition costs around the SARP.

**Hon. Charles Sousa:** Yes, we have identified, and I think that was made clear, the amount by which the SARP was subsidizing the industry. We've taken into consideration the horse racing industry, the horse breeding industry and the dynamic economic benefit of that industry. We have the three-member panel looking and reviewing and providing recommendations as to what we should do to continue to support the industry, while at the same time reducing some of the costs that were going not directly to the horse racing industry but to others, which didn't provide net benefit to the economy, nor was it being reinvested in the industry.

That review is now under way. I think we can provide some of those numbers to you.

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**Ms. Catherine Fife:** That review was supposed to be happening over the summer, right? But now it's just recently started?

**Hon. Charles Sousa:** No, that review has been ongoing.

Go ahead.

**Mr. Steve Orsini:** Just on that, the minister referenced the three-person panel that's consulting with the industry. The Slots at Racetracks Program ended, and that resulted in a \$340-million reduction. What the government has done is it has provided transitional support, and that money over the next three years—I think it's to the tune of about \$60 million. As the industry comes back with a new plan on how they're going to ensure a more sustainable, vibrant horse racing industry, the panel is providing advice to government on how best to support the industry while at the same time ensuring that it better meets the demands in the marketplace.

What we've seen over the years is that because of demographics, wagering was declining, and there wasn't a strong industry voice to promote horse racing. That's one of the panel's objectives: ensure a vibrant industry, better integrated with the whole OLG modernization. That review is under way and will be reporting back shortly.

**Ms. Catherine Fife:** So you'll have the net transition costs at some point, the final numbers.

**Hon. Charles Sousa:** Oh, yes.

**Ms. Catherine Fife:** The minister mentioned that he had some economic analysis of the fallout of it. Do you factor in job losses in that equation? Because many jobs were lost when the revenue-sharing was pulled from the horse racing industry.

**Hon. Charles Sousa:** Well, the whole point of this transition is to ensure and safeguard the industry and those very jobs, as well as the tertiary jobs that come from the industry. The Premier and others have recognized the importance of this industry, and that's why we want to make sure it stays vibrant. But the system, the way it was, was actually in massive decline, and it was being supplemented by the slots. That wasn't a sustainable model.

What we're trying to do is find a way to make the industry sustainable, make sure those who are actually facilitating and working in that industry are supported. That's why this transitional panel has come into existence and that's why some of the recommendations are being adopted. That's how we're going to find the OLG transformation to the benefit of all Ontarians.

We know that the system, the way it was, wasn't affording the best ability to compete, and it was cannibalizing its industry, with only certain individuals netting the major benefit of those slots, and they weren't reinvesting into the system and into the industry. So we want to make certain that that is corrected and will be in a more sustained manner.

**Ms. Catherine Fife:** I think that we completely disagree on what your definition of the sustainability is with regard to that industry, but I do think that it is important for us to get to the numbers at some point, if only just to learn, when you do have revenue-sharing agreements with certain industries, who benefits and what are the trickle-down economics of that.

I'm just going to switch gears now to move on to pensions. Does this government support the concept of a pooled registered pension plan, PRPP?

**Hon. Charles Sousa:** We have identified that in the budget as additional opportunities for Ontarians to have other avenues to retirement savings.

**Ms. Catherine Fife:** Is that a yes?

**Hon. Charles Sousa:** That's a yes.

**Ms. Catherine Fife:** Okay. What is the provincial role in implementing PRPPs, and would provincial legislation be required to implement the concept?

**Hon. Charles Sousa:** We identified this in the budget, and I'll ask the deputy to interject.

**Mr. Steve Orsini:** The provinces play a major role in setting out the regulatory and legislative framework for PRPPs. The federal government does, but only for those sectors that it is responsible for that may not have defined benefit plans. So Ontario's legislative regulatory structure would represent the bulk of activity within the province and does require legislation and supporting regulation.

**Ms. Catherine Fife:** What would that legislation consist of? How would it work?

**Mr. Steve Orsini:** It would do a number of things. Right now, individual employers would set up their own defined contribution plan. A PRPP, a pooled registered pension plan, would move the onus from the individual company to set up a defined contribution plan to some financial intermediary running it for them. That takes a big burden off of small businesses that want to provide a defined contribution plan or want to convert their group RRSPs into a defined contribution plan because some other organization would then run it for them. You need the legislative structure to allow that to happen.

One of the big barriers that prevented it in the past was the Income Tax Act, which wouldn't allow that to happen. The federal government has made that change. That clears a barrier to creating these PRPPs, and now the province is in the position of consulting on that before introducing legislation.

**Ms. Catherine Fife:** You mentioned, Deputy, that there would have to be a financial mediator to oversee this. Who would sponsor it? Would it be insurance? Would it be banks? What is your vision?

**Mr. Steve Orsini:** That's one of the things that we would need to consult on. One of the things the province is looking into is, who certifies that financial intermediary? Is it an insurance company? Is it a bank? Really, the federal government currently does a lot of the regulatory oversight for those types of institutions, so one of the questions is, do we just piggyback on those federal definitions? That's something that we want to consider before advising the government on the course of action that the government may want to take.

**Ms. Catherine Fife:** Okay. So in this vision for a new pension plan, would all those who do not have workplace insurance be automatically enrolled, or do you see people potentially opting out?

**Hon. Charles Sousa:** Well, this is just further innovation in pension activities. There's a slew of choices that are available. Certainly the PRPP is one of the initiatives that is being brought forward. It's intended just to make it easier for more Ontarians to have more choices and more

ability to do the savings. We've identified very clearly that we are intending to move ahead with the regulatory changes to target those eligible from all the employer pension plans. I'll read it to you: "The government will also develop a framework for single-employer, target benefit plans, including funding rules, plan governance, the timing of the necessary benefit reductions, permitted benefit improvements, and notice to members and retired members." So it's something that we have intentions of moving forward on. We can certainly get back to you as those decisions are concluded.

**Ms. Catherine Fife:** Do you have a timeline? You've put it in this budget. Are you doing consultation? Is it another expert panel?

**Hon. Charles Sousa:** Well, those pension reforms are currently under way. Even CPP enhancement is something that we've been asking for as well.

**Ms. Catherine Fife:** That was my question. So you do support an enhancement of CPP?

**Hon. Charles Sousa:** We've asked for that in our previous budgets, and we're certainly moving—when we speak with the federal government, that is another feature that should be promoted.

**Ms. Catherine Fife:** What kind of enhancement?

**Hon. Charles Sousa:** Well, there are a number of them, and I guess that's the whole definition of CPP enhancement. We can debate what that may mean. What's necessary, though, is for us to provide greater retirement benefits for citizens of the province in whatever form is determined. But those discussions are ongoing.

Did you want to add something?

**Mr. Steve Orsini:** There's a number of proposals; a number of outside groups have raised some proposals as well. The federal and provincial finance ministers are reviewing those options.

Without getting into a lot of details—and I apologize, one is in terms of the replacement rate. Right now, it's 25% of the average industrial wage, roughly. So the question is, is it 25% of that amount, or do you increase it to 35%? Or do you increase the average industrial wage to one and a half times the average industrial wage?

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Those options are being considered among outside groups, among federal and provincial finance officials. I think, typically, December of every year, when the federal finance minister calls those meetings together, would be the earliest opportunity to have that next discussion.

**Ms. Catherine Fife:** Okay, thank you.

Just one final question. You've made an announcement today, and you're projecting a smaller deficit. A lot of the numbers that you've come out with in the last year have been predicated on one-time savings. In particular, I'm interested to know about the \$1.1 billion in banked sick days. The Minister of Education often gets up and says that we've already saved \$1.1 billion in banked sick days, in retirement gratuities, in the grandfathering of health benefits. The \$1.1 billion that is often referenced, is that not predicated on a 40-year career process? I mean, \$1.1 billion, is that the realized savings from Bill

115 to September 2013? Can you give me some clarity on that number, please?

**Mr. Steve Orsini:** Okay, I might have to call for reinforcements on this one, because there are accounting rules. Because a decision is made that ends those retirement gratuities, there's ongoing savings each year. But then because you're not having a liability that builds up over time, you recognize the benefit in the year you make the decision.

**Ms. Catherine Fife:** So this is projected, \$1.1 billion—

**Hon. Charles Sousa:** No, it's the net present value of the savings that's going to be accrued to taxpayers—

**Ms. Catherine Fife:** Over how long?

**Hon. Charles Sousa:** —because this is the taxpayers' amount that we are contributing to that pension. As a result of the reduction in that amount, we take the net present value of that contribution stream and factor it in as of now. So that's a legitimate savings that we in the province are not going to have to make.

**Ms. Catherine Fife:** Does this factor in some of the changes that you've already made with regard to sick days?

**Mr. Steve Orsini:** I'll just read it out to you. Public accounts has updated the number from \$1.1 billion to \$1.3 billion from “reducing liabilities carried by school boards for sick-day banking and retirement gratuities.” So these are a recognized savings now because—

**Ms. Catherine Fife:** Because down the line you're going to be saving that money. People are not going to be using it.

**Mr. Steve Orsini:** You're not accruing those liabilities over time. Because you change it, it's crystalized at this time.

**The Vice-Chair (Mr. Taras Natyshak):** Thank you.

**Ms. Catherine Fife:** If those savings are realized—

**The Vice-Chair (Mr. Taras Natyshak):** Sorry, Ms. Fife, I have to cut you off. Time has run out.

**Ms. Catherine Fife:** That's too bad.

**The Vice-Chair (Mr. Taras Natyshak):** Over to the Liberals for 20 minutes.

**Mr. Steven Del Duca:** Twenty minutes. Thanks very much, Mr. Chair.

I wanted to begin this round of questioning by talking a little bit about the issue of fiscal accountability. I know you faced a lot of questions from the members from the PC caucus with respect to their storyline around debt and deficit issues. Earlier this week, yesterday in fact, we introduced the legislation around the position of the Financial Accountability Officer, which of course, is in keeping with the tradition of our government, going all the way back to our very first days in office post the 2003 election, when we introduced and passed the fiscal accountability act—which provided a level of disclosure and accountability around the province's books that, up until that point in time, we didn't have in the province of Ontario—so that going forward, future governments can no longer head into election campaigns, for example,

with massive hidden deficits that they lied to the people of Ontario about.

Minister, if I could ask you to speak a little bit with respect to what the role of the Financial Accountability Officer would be. If you could explain a little bit of that to us, that would be very helpful, I think.

**Hon. Charles Sousa:** Yes, and I appreciate the question. You're right in that, in 2004, we introduced a Fiscal Transparency and Accountability Act to ensure that there was integrity in the numbers that would be produced prior to an election, so that it was understood exactly where we stand. Of course, public accounts make it very clear where we stand today as we release things this afternoon.

Going forward, though—the Auditor General, of course, looks at this from a rear-view mirror. It's reviewed, assessed and determined as to what we've achieved.

The Financial Accountability Officer would be more forward-looking, and it builds upon that which we've now established as a precedent over the last number of years of trying to be more open and more transparent in the work we do. We, in fact, highlighted much of that in the budget, when we produced it last March.

Two days ago, we introduced the Financial Accountability Officer legislation, the bill, so that we can use him or her to facilitate and to provide even greater confidence to the people of Ontario of what those numbers mean. I welcome the opportunity in putting forward our budget, or our economic plan, in accordance with that officer, so that we all recognize that, when we talk about the out years especially, there's an understanding as to what it is that we're achieving and how we're going to get there, recognizing what we've done in terms of the scope and the projections by officials and by independent economists that we use in formulating the projections in the out years. Those are the most difficult to understand.

Now, the Financial Accountability Officer is also welcome in determining not only what we, as a government, are proposing in our budget, but also what we all may propose in our bills. So when a member decides to come forward with a private member's bill that has financial implications, well, it would be important for the Financial Accountability Officer to review and assess the impacts of what that is.

Or white papers, for example. Oftentimes you come out with—I've seen—outlandish proposals being put forward without real accountability with the financial numbers. Well, I think the Financial Accountability Officer should be called in to review that as well, so that the people of Ontario have access to information, and to be better informed.

When we look at the UK, when we look at Denmark, when we look at Australia, others that have incorporated a financial accountability officer or a function like it, the public are better informed and are able, then, to determine more effectively where it is we're going. In fact, Ontario is the only sub-national jurisdiction that I'm aware of that has incorporated this. Again, it provides

greater integrity and enables us to have greater confidence in terms of what it is that we're doing.

What I appreciate from this role is the forward-looking nature of that officer. The officer wouldn't be there to say yes or no to a proposal necessarily, but would be able to add input for the benefit of all members in making a decision as to what it is that we're doing, or what it is that someone else may be proposing in their bills.

**Mr. Steven Del Duca:** Thanks for that answer. Just to be clear on this point, though, to whom would the Financial Accountability Officer report?

**Hon. Charles Sousa:** The Financial Accountability Officer would report to the Legislative Assembly as an independent officer. They would provide independent analysis—upon the request, by the way, of any member or committee of the assembly.

The officer would be allowed, would be afforded, financial and economic information that is necessary in the performance of her or his mandate, so they would ask for and be able to obtain information that any member may have at hand.

That accountability officer would also report annually to the House in reporting of the mechanisms of this House, not just this government. It would be appointed by the Legislative Assembly. It doesn't report to the ministry or to the Premier. It would report to the Legislature.

The identification, the selection of that accountability officer will be done by way of an independent committee in the Legislature, including the Speaker of the House. They will determine, as we do with the Ombudsman as well as the Auditor General, in terms of remuneration and selection.

**Mr. Steven Del Duca:** Just to be clear, if I understood you correctly in the previous answer, as far as you know, Ontario is the only province in Canada that's proceeding with this kind of initiative.

**Hon. Charles Sousa:** Ontario is the only province in Canada that has a financial accountability officer. The only other government in Canada that has that is the Parliamentary Budget Officer by the federal government.

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**Mr. Steven Del Duca:** Okay, terrific. I just want to switch gears for a second and move away from the notion of the Fiscal Accountability Officer and talk a little bit about the importance of post-secondary education. If you can help provide the committee with a sense of what the government of Ontario is doing with respect to issues around access to post-secondary education, be it colleges, universities, apprenticeships, and talk a little bit about the importance of how that helps to provide a strong foundation for future economic growth, that would be helpful.

**Hon. Charles Sousa:** I appreciate the question because it is critical in terms of who we are as a province and how competitive we're going to become. The sectors of this province—be it in the trades, be it in financial institutions, be it in mining, be it in new manufacturing, be it in farming, for that matter—are asking and are looking for certain skills that aren't being nurtured to the

rate that we require. So they're looking at foreign markets to attract those skills from other parts of the world.

We must and need to continue to invest in those skills. Notwithstanding some of the calls by others to do across-the-board cuts and eliminate some of the very things that we're investing in, we've taken a strong stand in providing lower tuition rates at 30%. We're going to continue to provide for apprenticeship programs to entice more young people to those skills that are necessary. We're going to continue to find ways to legitimize and make those—those skills are marketable, and they have such a great degree of demand that many of those young people that are taking those courses are finding jobs almost immediately. So we need to ensure that we continue to invest in that area. Lower tuition rates is a program that we instituted that does cost the government money, but it also affords us greater prosperity in the long term.

We instituted a \$295-million youth jobs fund, again to help those young people get the skills they need with certain employers who can nurture them and provide those skills for the long-term benefit.

We have an entrepreneurship and innovation program for the youth there as well. In fact, I have young people on my economic advisory panel, and I'm so impressed with their ability to do and see things that normally we haven't been as attuned to. What I mean is, they don't look at borders as a barrier; they don't look at language as a barrier; they don't look at distance as a barrier; they don't look at currency as a barrier. What they look at is the ability to do business and attract those innovative ideas to promote their business. Some of them I have been working with have a great ability to mentor one another, and that mentorship program and that kind of activity is so powerful that we included that as part of our youth jobs program as well. If we're able to nurture and then leverage those partnerships, we find that we're able to even do more trade abroad.

That's another component of our six-point plan: the global market itself. So while Europe may find itself in a more constrained manner because of economic challenges, which has become evident, and their growth is not as extensive as we thought it would be, and while some of the Asian countries' growth is much higher than it is in Canada but lower than they anticipated, we have great potential still in emerging markets in South America, within our hemisphere. So let's look at those opportunities as well. We have certain skills and certain attractions in Ontario that are sought after. Some of those very markets are looking at Ontario for investment, and we want to be able to take advantage of those relationships and market ourselves to them. That's when we look at infrastructure projects that have been very successful in Ontario to enable us to go to those markets and do more construction there, for example, or find certain innovations in some technological advancements and use that to go to those markets.

But all of it is dependent upon us nurturing the talent, not so much the assembly line. It's more the talent. We

know that investment in the new manufacturing sectors and the new value-added innovations—that's what's going to make the difference, and that's what's going to be able to make the attraction of Ontario goods and supplies.

We will continue to nurture those trade initiatives—we have a number of them that are occurring in the coming year—and recognize that those relationships will matter, as well as investing in our skills, in our youth and in our programs that enable those skills to be filled.

**Mr. Steven Del Duca:** Terrific. Thanks very much. My colleague has—

**Mrs. Amrit Mangat:** Minister, my understanding is that you have been criss-crossing the province to undertake consultations when it comes to the jobs and growth plan. Can you share with the committee what kind of consultations you have been undertaking?

**Hon. Charles Sousa:** In developing the budget last spring, we did a number of pre-budget consultations. We had over 600,000 submissions come our way. In the consultations that the Standing Committee on Finance and Economic Affairs did, as well as myself in my capacity going around the province, all of us were able to obtain a number of ideas to enable us to prepare this budget.

But that's not where it ends. We know that it is a forecast and it is a budget, and it is always subject to change, so it's important for us to stay attuned to the realities of the marketplace. What we find in the consultations that we've been doing—and the Premier has been out doing her jobs and round-table discussions, and the Minister of Economic Development, Trade and Employment has also been out doing consultations.

I have now had the opportunity to go to Windsor, Belleville, Ottawa, Thunder Bay, Stratford, Cornwall—I'm losing sight now—Whitby and a number of other areas. We're making consultations in the north, in the southwest, in the southeast and, of course, in the GTA, GTHA and the Hamilton area, the Niagara area—I'll be there this week—Kitchener–Waterloo and London.

I've been working closely with the chambers of commerce across the province and businesses across the province, as well as stakeholders in the not-for-profit sector; that's the other, third tier in this equation. What I'm finding striking and common is the identification that there are gaps that are not being filled in those respective sectors in the way of skills. Everyone and every business—what matters more to them is having the minds and the abilities to get that job done, and from that comes a lot of other great things, including the ability to teach others to do the job.

That's why the apprenticeship program is so important in certain trades and certain sectors. It's why the mentorship program is important with the youth programs, and it's why, in certain companies and businesses, it's important for us to have and attract those appropriate skills, so that they can nurture and build upon the abilities of the company's programs.

Remember—and I said this earlier—that it is businesses, and small businesses especially, that create the jobs. When I'm out there talking to them, what they're looking for is not a handout from government. They're looking for the government to continue finding ways to reduce the barriers that hamper their growth. Right now, we have taken great strides in reducing those barriers, in promoting partnerships and in promoting incentives for those businesses to attract and build job growth.

We need to tackle and eliminate the deficit. That's a priority, and that's going to be instrumental in us having the ability to afford these programs and incentives, but they're intertwined. A priority has to be, in every decision that we make, does it help create a job in the private sector? If we make decisions that preclude that from occurring, then we're not doing justice to promoting economic growth.

As a result of the consultations that I have been having, I've compiled a number of great ideas that we can use in our fall economic statement going forward. There is untapped potential in many communities—in the rural communities, in the northern communities—that we still need to facilitate and to expand upon. There are certain commonalities in the things that I've learned during these consultations, but there are also some regional differences that we need to touch upon. Those things are being compiled and they'll be addressed in the economic update in the coming months.

**Mrs. Amrit Mangat:** During your consultations, did you hear something about poverty reduction as well, how we can reduce poverty?

**Hon. Charles Sousa:** There are certain areas of the province that have a much lower unemployment rate than others. There are certain areas of the province that have more need for social housing than others. There are certain areas of the province that have more social assistance requirements, especially in more populated urban centres, than they do in other areas. All of that is being addressed, and we've addressed some of that in our budget, as well, by the municipal uploads that we're doing and support systems through the Frances Lankin and Munir Sheikh report in terms of trying to find ways to put those people to work or facilitate social assistance programs, or restructuring them, to enable them to succeed.

**Mrs. Amrit Mangat:** So what is your action plan going forward?

**Hon. Charles Sousa:** There's a six-point plan that we've identified. It's on page 17 of the budget. It's Ontario's Economic Plan for Jobs and Growth. It talks about how to maintain a competitive business climate by way of maintaining our tax rates at an effective rate and also maintaining regulation at a point where we safeguard our environment and we safeguard our individuals, but we promote business.

There's also the idea of continuing to invest in modern infrastructure—in transit, roads, schools and hospitals. These are key foundations to a productive economy. There is, of course, the area of investing in a highly



skilled workforce. Investing in skills and education, as well as youth employment programs, will ensure that we have greater prosperity going forward, and it's essential in the work we do.

With that, there's also a fourth point about promoting entrepreneurship and innovation. We spoke a little bit about that already, but we know that is a key for businesses to not only succeed, but to be more competitive in narrowing the productivity gap.

A fifth point here is going global. Now, I don't say that flippantly. We have such a diverse population of languages and of cultures that we have an ability to nurture those partnerships and relationships everywhere around the globe. And if we can take advantage of that, we can have even greater success.

So as a result, we're doing a lot of work—

**The Vice-Chair (Mr. Taras Natyshak):** Thank you, Mr. Sousa. Thank you very much, Minister. I apologize for cutting you off, but we are out of time, and I believe we have consensus through the members to adjourn for the evening.

I want to thank you very much, Minister Sousa, Deputy Minister Orsini and your staff, for assisting us today here at estimates. We will see you again tomorrow at 3:45, or after routine proceedings, in room 151.

With that, if there is nothing else from committee members—very good—we'll adjourn the committee. Thank you.

*The committee adjourned at 1754.*





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