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Wednesday 7 November 2001

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Mercredi 7 novembre 2001

**Standing committee on
estimates**

Ministry of Economic
Development and Trade

**Comité permanent des
budgets des dépenses**

Ministère du Développement
économique et du Commerce

Chair: Gerard Kennedy
Clerk: Susan Sourial

Président : Gerard Kennedy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 7 November 2001

Mercredi 7 novembre 2001

*The committee met at 1605 in room 228.*MINISTRY OF ECONOMIC DEVELOPMENT
AND TRADE

Clerk of the Committee (Ms Susan Sourial): I'd like to call this meeting to order. Honourable members, in the absence of a Chair and a Vice-Chair, I'd like to call upon you to elect an Acting Chair. Are there any nominations?

Mr Wayne Wettlaufer (Kitchener Centre): I'd like to move that Mr Peters be substituted as Acting Chair today.

Clerk of the Committee: Mr Wettlaufer has moved Mr Peters. Are there any further nominations?

Mr Frank Klees (Oak Ridges): I'd like to nominate Wayne Wettlaufer.

Mr Wettlaufer: I decline.

Mr Klees: Do you decline?

Mr Wettlaufer: I decline.

Mr Klees: Then I'll nominate John O'Toole.

Mr John O'Toole (Durham): I move that nominations be closed. Mr Peters is more than up to the task.

Clerk of the Committee: Seeing no further nominations, Mr Peters.

The Acting Chair (Mr Steve Peters): I call the meeting to order. Minister, welcome today to the standing committee on estimates. The floor is yours for a half-hour or as long as you require.

Hon Robert W. Runciman (Minister of Economic Development and Trade): I welcome the opportunity to appear before the standing committee on estimates. This is the first time I have appeared to testify before the standing committee. I did serve as a member a number of years ago.

Since our government was first elected six years ago, Ontario's business community has enjoyed an unparalleled period of economic growth. More than 824,000 net new jobs have been created, take-home pay is up 20% and more than 600,000 people have left welfare.

The Harris government has helped foster this prosperity in a number of ways. By cutting taxes, balancing the budget three years running, eliminating red tape and through other measures, our government has created a business environment in which Ontario firms can compete successfully with companies around the world. We have built a solid economic foundation to help us ride out the periodic ups and downs of global economic cycles.

We developed our economic strategy through consultations with business owners, community leaders and others and we continue to consult with the people of Ontario.

The global slowdown has had an impact on Ontario. Jobs have been lost and some business owners have become hesitant to invest in job-creating expansions. In the House yesterday, Finance Minister Jim Flaherty noted that private sector forecasters have revised their predictions and now expect Ontario's economy to grow by only 1.1% this year and 1.3% next year. Originally, predictions were 2.3% this year and 3.6% next year. Minister Flaherty added, "Although private sector forecasters expect Ontario's growth to pick up in mid-2002 and accelerate to 4.3% in 2003, we know that serious economic and financial challenges lie ahead."

Though we face these challenges, rest assured, our government will stay the course. We will not return to the high-spending, high-taxing policies of previous governments. Despite the slowdown, Ontario will have a balanced budget again this fiscal year, the fourth year in a row. Some \$300 million will be used from a \$1-billion reserve that we prudently set aside for such contingencies.

Also yesterday, as was announced earlier, Minister Flaherty tabled legislation to accelerate planned tax cuts by three months. Under this proposed bill, effective October 1 of this year, the general corporate tax rate is cut from 14% to 12.5%, the manufacturing and processing rate is cut to 11% and the small business rate is cut to 6%. Additionally, a \$5-million deduction from taxable paid-up capital—this is the first step in eliminating capital tax—has been made available. These measures will spur the economy and maintain our global competitiveness.

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The decision to advance these measures was triggered by the aftershocks of the tragic events in the United States on September 11. As we all know, our economy is closely linked to that of the United States. Ontario's trade with our southern neighbour is phenomenal, representing 48% of Ontario's economy. It accounts for 93% of our exports, 1.5 million jobs and \$210 billion in US export business. Ontario's two-way trade with the border states of Michigan, Minnesota and New York totalled almost \$140 billion last year, and continued access to this

market is critical to the future economic success of our great province.

Since the tragedies in New York, Washington and Pennsylvania, there's been increased understanding of the importance of our trading relationship with the United States. There's also a growing awareness of the threat posed to our economy if our American friends do not have confidence in Canada's ability to protect our border from undesirables.

Improved traffic flow across international border crossings was an issue recognized and addressed by the Harris government well before September 11. The New York-Ontario summit held in June of this year considered this issue at length and the report from that gathering, we hope—every indication has been given from New York state that we will be prepared to release that report later this month.

The American tragedies have cast US-Canada border crossings in a different light. We no longer have been focusing solely on issues like infrastructure and pre-clearance. Instead, those issues, those concerns, to some degree fell to the sidelines. The American people and their governments shifted their focus, I think quite understandably, to security—the security of their people, their institutions, their way of life and their borders.

Our government, under the leadership of Premier Harris, along with US Ambassador Paul Cellucci, called for a North American security perimeter in order to protect Canadian access to the US market. Our Premier and Ambassador Cellucci have since been joined by Premiers across Canada, business leaders and everyday Canadians in the call for this critical security measure. Last week here in Toronto, our government sponsored an industry leaders' round table on border issues that identified critical border issues. At that meeting, there was a very strong consensus on the need for a North American security perimeter. There were many ideas for improving security while at the same time allowing the essential free flow of goods, services and people across the US-Canada border. Our government rejects suggestions that a North American security perimeter would somehow impinge on Canada's sovereignty, and we've suggested NORAD as an example under which Canada and the United States have worked together for years to defend the skies of North America.

In addition to the border issues, last June's successful New York-Ontario economic summit dealt with other important topics. Cross-border working groups were formed in the areas of tourism, transportation and photonics. We also established a Niagara bi-national region economic round table.

Of course, in any trade relationship as large and complex as that between Ontario and the United States, there occasionally are disagreements. Recently, the Canada-US softwood lumber dispute has been re-ignited. Our government is committed to helping our forest products industry defend its right to access the US market. Ontario's forest industry, with shipments of more than \$2 billion, provides direct employment to 20,000

people and supports tens of thousands of additional indirect jobs. The economies of over 40 communities, mostly in northern Ontario, rely significantly on forest industry operations.

In 1996, over the vigorous objections of Ontario, the Canadian federal government entered into the softwood lumber agreement with the United States, the five-year agreement which expired in March of this year. Some lumber producers in the United States now allege that provincial and federal governments subsidize Canada's softwood lumber industry, and they claim that results in injury to US softwood lumber producers. The Ontario government and our lumber industry reject these allegations. We do not subsidize our forest product producers.

We opposed the softwood lumber agreement and we oppose any new export control, forest management or any other kind of deal with the United States. We strongly believe that Canada must protect its NAFTA and WTO rights and work to eliminate any countervailing duties imposed by the United States. On August 10 of this year, I issued a press release opposing the US's preliminary duty determination of 19.3%, and again in a release issued on September 27, I rejected a call for a 15% export tax on softwood lumber which was proposed by Doman Industries of British Columbia. This week, I sent an open letter to Pierre Pettigrew, Minister of International Trade, saying that if a second track of discussions on this issue is to succeed, Ottawa must not eliminate Ontario's choice to continue to seek a litigated solution if, as we suspect, these discussions prove fruitless. Agreeing to managed trade in softwood lumber invites similar actions by the United States in other sectors or industries such as steel or other wood products. This goes against the concept of a fair and competitive marketplace that Ontario supports.

We are also working with steel producers to help protect their rights to fair market access. The steel industry in Ontario and throughout North America is under a serious competitive threat from low-priced imports. However, Canadian steel is not the cause of the current difficulties in the United States steel market.

We—meaning both the people and the government of Ontario—have worked hard to improve the global competitiveness of our businesses and our communities and we must defend those gains. We must also seek constantly to improve our competitive position.

My parliamentary assistant, Ted Chudleigh, is completing his report on competitiveness issues facing two key sectors, construction and chemicals, and also access to capital issues faced by Ontario emerging growth firms. Mr Chudleigh held dozens of meetings across the province with industry associations and business leaders, and also attended meetings with the best-in-class sectors from competing US jurisdictions. These consultations will help us refine our competitiveness strategies. They also will provide input to the work of the newly established Task Force on Competitiveness, Productivity and Economic Progress. Roger Martin, who is the dean of the Joseph Rotman school of business at the

University of Toronto, is chairing this independent task force. Roger is broadly recognized as one of Canada's leading experts in this field. The main role of the task force is to measure and monitor Ontario's competitiveness, report the results to the public and make suggestions for action to government, businesses, industries and institutions.

The establishment of the task force was announced last April in the throne speech, but the need for it was first identified in the Road Map to Prosperity. The Road Map to Prosperity was the product of the largest and broadest consultation process in the history of Ontario. In town hall meetings and forums across the province, we sought out and heard the views of business owners, workers, community leaders and others. They told us about the kinds of jobs they want for themselves and their children, the kinds of products they want to make and sell to the world and the kinds of strong communities they want to live in. They also told us how we should act: through partnerships with business, communities and academia. They recognized that job creation and economic growth is the responsibility of us all, not just the provincial government.

On another issue, the Ministry of Economic Development and Trade has reshaped how it does business to provide seamless services, from head office through its network of field offices across Ontario.

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Before I go into details about the progress we are making, I would like to take this opportunity to pay a brief tribute to a man whose guiding hand helped shape the programs I will be describing.

My good friend—I think it's safe to say our good friend—the late Al Palladini was the Minister of Economic Development and Trade while many of these initiatives were being developed. Al was a remarkable man. His business sense, his love of community and his compassion for working people in Ontario guided his thoughts and decisions. These programs are part of his legacy, and their success is, in a small way, a tribute to a wonderful individual.

One of the cornerstones of the Road Map to Prosperity was its recognition of the profound ties Ontario has with the global economy and its recommendation that we pursue an even stronger global orientation.

Ontario's global strategy is a major initiative announced by Minister Palladini last December. It's designed to support job creation in Ontario by boosting our province's profile in key global centres, attracting international investment and increasing exports. The theme is, "Working globally to create jobs locally."

The global strategy has three components: the international investment strategy, the trade strategy and the international marketing centres. Foreign and domestic business investment creates jobs, stimulates exports and keeps our technologies competitive. Every \$1 billion of investment creates approximately 8,200 new jobs. Some 75% of all manufactured exports are directly attributable to direct foreign investment.

In this era when investment and jobs flow easily across borders, the international competition for foreign investment is fierce. It's estimated that globally 1,200 jurisdictions are aggressively marketing themselves. Many of them have multi-million dollar advertising campaigns and generous financial incentives.

The Market Ontario program is our response to global competition for investment dollars. It was launched in November 1996 with an annual budget of \$17.8 million. Since its launch, through Market Ontario we have successfully completed 175 investment cases, producing \$4.2 billion in new investments, equating to more than 31,000 jobs for Ontarians.

Last year, Market Ontario received additional funding of \$17.5 million over four years. This supports an expansion of the program in key international markets, including the US, the United Kingdom, Germany and Japan. This year, Market Ontario received more resources and France was added as a target market.

Our investment strategy employs eight in-market business development consultants; three in Europe, one in Japan and four in the United States. They conduct corporate calls and generate investment leads. We intend to add three more consultants.

In June I met with business leaders and officials in France and Germany to point out the benefits of investing in our province. During the current economic conditions, we also need to encourage domestic investment by multinational corporations. As a result, we have shifted some marketing resources from international markets to the domestic market and we are developing a domestic marketing program to retain investment here at home.

A second component of our global strategy focuses on exports. As I mentioned earlier, Ontario has become a major trading economy. Between 1996 and 2000, Ontario's exports grew by 45%. Increases in net exports over the past four years were responsible for 20% of Ontario's economic growth. More exports mean more jobs. Each additional \$1 billion of Ontario exports translates into approximately 10,000 new jobs in Ontario and generates \$74 million in provincial tax revenue.

Our new international trade strategy, led by Ontario Exports Inc, expands support for small- and medium-sized exporters in key non-US markets and will expand Ontario's market share in targeted international markets.

I am pleased to report on the growing success of our exports in Europe. Ontario exports to Europe totalled \$7 billion in 2000. That represents a 9.7% growth over the previous year. During the first four months of this year, Ontario exports to Europe reached over \$2.4 billion, and that's a further increase of 8.9% over the same period in the previous year.

Ontario Exports Inc provides a range of programs and services that help Ontario companies, particularly small- and medium-sized enterprises, build their export capabilities, encourage export market expansion and diversification and provide commercial advocacy at home and abroad.

In addition, programs such as the Ontario Global Traders Awards—I know many of you have participated in award ceremonies over the years. We also have Ontario trade day seminars, which we hold in communities across Ontario, and Team Ontario trade missions abroad, which help to showcase Ontario's products and services and foster a more pervasive global mindset among Ontario-based small- and medium-sized enterprises.

Last year, for example, Ontario Exports worked directly with 472 firms, resulting in \$803 million in incremental export sales. During the same period, they also hosted 75 seminars with 2,772 firms participating and sponsored or participated in 50 trade shows and missions involving 558 Ontario companies.

Our \$20-million, four-year trade strategy is also designed to bolster in-market support for Ontario companies in foreign countries and introduces a number of technology-enabled export initiative, including virtual trade missions and an enhanced Web site.

The final component of our global strategy is the establishment of five international marketing centres. International marketing centres will co-locate Ontario senior officials in Canadian diplomatic missions abroad, in Shanghai, New York City, Munich, Tokyo, and London. The five marketing centres will be focal points for building Ontario's profile in key international markets and for supporting our trade and investment agendas.

We are not alone in this approach. Alberta is currently negotiating co-location in the Canadian embassy in Mexico City and in fact plans to co-locate in Munich at the same time we're doing it; and, in Shanghai, Quebec is already co-located in the Canadian mission.

To date, we have signed two memoranda of understanding with the Canadian government for co-locations in the Canadian consulates general in Shanghai and New York City, and we are currently negotiating similar agreements for the consulate in Munich.

We have also selected, through open competitions, three Ontario representatives for assignment to Shanghai, New York and Munich, and we're in the process of selecting a representative for Tokyo.

A second major strategy identified in the Road Map to Prosperity was the pressing need to increase the number of workers in Ontario with strategic skills. Ontario industry is facing a critical shortage of skilled people, particularly in the manufacturing and construction trades, and we have to close this gap.

Our strategic skills investment program, launched in 1998 and expanded in 1999, has made significant progress in addressing critical skill shortages. This program is a \$130-million program which provides start-up funding for business-led training partnerships that increase the numbers of people with critical skills. To date, the program has invested \$62 million with \$176 million leveraged from project partners in 38 innovative and collaborative business and education training projects—projects chosen on a competitive basis from 211 submissions.

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Our business and training partners represent over 475 companies and 95 business organizations; some 60 colleges, universities and private training educators; and 45 community and economic clusters across Ontario.

In July of this year, we announced four new strategic skills investment projects that will receive \$8.2 million from the Ontario government. An additional \$19.5 million will be provided by business and education partners.

For example, we are supporting phase two of the development of the Centre for Advanced Microelectronics Technology at George Brown College of Applied Arts and Technology in Toronto, and we are supporting the expansion of the James Burgess Metal Trades Training Centre of St Clair College of Applied Arts and Technology in Wallaceburg.

We are also looking overseas to help find the skilled workers Ontario needs to grow and become more competitive. I am pleased to report that we have made significant progress on changes to the federal immigrant investor program on processing times, marketing and commissions. Although the recent terrorist attacks will increase scrutiny in this area, there is no doubt immigration will continue to be a key ingredient to Ontario's continued economic success.

The Road Map to Prosperity also recognized that small business is the backbone of Ontario's economy. Last month was Salute to Small Business Month. It's an annual celebration of the contributions small business makes to Ontario.

Since 1995, 827,100 new jobs have been created in Ontario, and small business is responsible for more than half of them. Our government will cut the small business tax rate in half by 2005. We will expand the number of firms benefiting from Ontario's small business tax rate and allow self-regulated professionals the option of incorporating.

In June, we launched a strategy designed to meet the growing needs of Ontario's small business community. Measures outlined in the Small Business Enterprise Centres—A Strategy for Ontario include converting small business self-help offices to small business enterprise centres. We will expand the network to 42 centres to fill in the geographic gaps across Ontario and set up a small business advisory council to co-ordinate research, eliminate duplication and enhance customer service standards across the network.

We also recognize that small business is a key component of the new e-business economy. Our government is launching a number of e-business initiatives that will help small business to grow, including an e-business primer and an e-commerce export guide.

Leading growth firms represent 2% of all small- and medium-sized enterprises in Ontario. That 2% creates 35% of all new jobs. Two weeks ago, our ministry co-sponsored an Innovators Alliance dinner, a forum that allowed presidents and CEOs of Ontario's leading growth firms to share ideas and experiences. At that event, I was pleased to release our ministry's Dynamics

of Growth report. It's a unique study that demonstrates how leading growth firms have helped propel Ontario's economy and provided many Ontarians with jobs and opportunity.

The Acting Chair: You have a little over a minute left, Minister.

Hon Mr Runciman: Our government is also committed to helping our youngest entrepreneurs achieve their dreams. This year, we launched a four-year, \$15-million youth entrepreneurship strategy. We have three excellent programs as part of that strategy: Summer Company, My Company and future entrepreneurs. Summer Company has had tremendous success. We attracted 350 applicants within a month of being launched, and 192 students started summer businesses in this pilot year.

These programs are providing young entrepreneurs with the knowledge and tools they need to launch their own small businesses. The strategy will also raise awareness among students, their parents and the public at large about the importance of entrepreneurship as a career option.

All of these programs—our support for entrepreneurs of all ages, our investments to close the critical shortage of skilled workers and our global strategy—are successful because they are based on strong partnerships between our government and our partners from the private and public sectors.

The Acting Chair: Thank you very much, Minister, for your presentation. You have provided us copies so we can all finish reading your speech. We will start first with the official opposition.

Mr Monte Kwinter (York Centre): I am delighted to be here, and I want to congratulate the minister on his assumption of the role of Minister of Economic Development and Trade. I'm sure you all know it's a role that I filled for three years, from 1987 to 1990.

I'm also delighted that the estimates committee has deemed it desirable to hear from this ministry. It's taken some time. In the last few years, you just haven't been here and the main reason—and it's sad to say—is that the ministry isn't perceived to be a particularly significant player in the things that are going on as far as the estimates are concerned. The big-ticket items like health, education and community and social services are where the money is, and that's where people like to talk. I'm reminded of Willie Sutton, when he was asked why he robbed banks, he said, "Because that's where the money is." It's the same sort of situation.

When we get to discuss the estimates of economic development and trade, it is very difficult for a variety of reasons. The budget has dropped dramatically. To give you an example, the operating expenditures from 1997 to 1998 were \$138 million; from 1998 to 1999, \$87 million; from 1999 to 2000, \$92 million; from 2000 to 2001, \$81 million. It's relatively small change in the business of government, so why bother even discussing it? It's of no consequence when you stack it up against health care, education and some of the other big-ticket items.

On the other hand, economic development and trade is absolutely critical, because we are in fact one of the most trade-dependent jurisdictions in the world. Just to put it in context, for every dollar that an Ontarian has, between 40 and 45 cents is there because of trade. In the United States it's somewhere between 10 and 12 cents. So because of the huge internal market the United States enjoys, we have a situation where there is a real currency for protectionism. "Who cares what's happening in the world? Let's close our borders and make sure that we're OK, and we don't have to worry too much about our trade balances and things of that kind."

On the other hand, we, in turn, are absolutely and critically dependent on what happens to our neighbours to the south, because without them and without their buying power, we are in big trouble.

I don't want to state what has been relatively obvious in the years that I've been here. I'm not terribly partisan; I'm not trying to promote one political ideology over another. One of the last acts I performed as Minister of Industry, Trade and Technology, as it was then known, was to share the opening of the Chrysler van plant in Windsor with Lee Iacocca. At that opening, when the first van came off the line, he said that the employment benefit package represented more money in every automobile than the steel did. The reason these vans were being built in Ontario was because of our health care program, our differential in wages and the quality of our labour, so we had all of these competitive advantages. Plus, the most incredible competitive advantage we had was that many of the plants we have in southwestern Ontario are closer to the major markets than the plants in the United States. We're actually closer and, when we're into this new era of just-in-time delivery, it makes eminent sense, both economically and geographically, to put the production into Ontario.

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I was a little disappointed in your statement, Minister, in that there was not one single mention of the automotive industry, when you consider that, without a play on words, the automotive sector is the engine and the motor that drive the economy of Ontario. There was not a single mention of the automotive sector.

I think that's important, because the automotive sector is going through an incredible transformation and we have to watch it like a hawk. When I tell you "like a hawk," we have situations that are potentially developing that could create some major economic problems for Ontario.

For years, the General Motors plant in Ste Thérèse, Quebec, was hanging by a string, and the only reason it was allowed to hang was because of the politics of arbitrarily shutting down the only automotive assembly facility in Quebec. If you close that down, what does that do to the separatists? They say, "Oh, look what happens. When they're going to close a plant, who do they pick on? They pick on us." What happened was that General Motors bit the bullet and kept pouring money in, trying to build certain cars there, but to no avail, and finally they

just couldn't take it any more and they shut it down. That was kept alive artificially. It never made any sense economically, certainly for the last three decades, but politically it was important to do it. I want to recount this because I think it's critical to understand.

When the Ford Motor Co was competing to build a van and paint plant in Oakville, they were competing with St Louis, Missouri. This is intercompany competition. The president of Ford came to see me and said, "Mr Minister, we are competing with St Louis, Missouri. We haven't got a hope unless we have some government support. The Ford Motor Co doesn't need government support per se, but the problem is, in order to be competitive, we have to put in infrastructure and training. That's going to cost us \$102 million that our sister plant in St Louis, Missouri, does not have to put in. As a result of that, if we can't go in on a level playing field, we haven't got a hope of getting that facility."

It was important to have that facility. It wasn't just because it was going to be a facility where the spinoffs were going to be great; it was to make sure that plant was anchored so that when the predicted crunch came—there was a huge overcapacity in the automotive sector—that plant could be shut down, because it's easier to shut down a plant in Ontario where you don't get the same political flack that you do if you shut down a plant in Dearborn, Michigan. By putting in this particular facility, it was felt that it would anchor the plant.

They said, "We need \$102 million from the government and we will put in our bid. If we get it, you've got to come up with the money, and if we don't get it, you don't, but without it, we haven't got a hope." I said, "It's a deal." They said, "Surely you don't have the authority to make that kind of a decision," and I said, "I know I don't, but I know what I can sell." I went in to see the Premier, I told him what it was and he said, "Let's go for it."

We went for it, we got it and the facility was put in. All of the spinoffs, all of the parts manufacturers, everything that went on were fabulous, great. Yet, even today, that plant is in peril. When you listen to the automotive people, when you listen to the analysts and when the Ford Motor Co takes a look at where they have to constrain and where they have to really do things, Oakville keeps coming up on the horizon. That is an incredible problem.

When I spoke to the minister, Bill Saunderson, and asked him if, under this government, they would have done that, he said, "No way. They take their chances. If the Ford Motor Co can't do it, too bad. That's not our role. Our role is not to pick winners and losers; our role is to provide a business climate for these companies to survive."

The whole reason I'm telling that story—and it goes to the crunch of what we're talking about—is that unless a government is prepared to be more than just a cheerleader—and with all due respect, I followed your statement, and a lot of what's in there is really round tables and studies and things that are happening and "Let's look

at this, let's look at that and let's come up with strategies." But there isn't someone who's coming to the table and saying, "Let's make this work. If it makes business sense"—and that doesn't necessarily mean just business sense for a business—"for us to invest, then why don't we invest, because that will guarantee that the prosperity we keep talking about is going to be there."

It's frustrating to me when I talk to business people who say, "You have to understand, everything goes to the bottom line," which gets me to another area when we talk about tax reductions and tax cuts for companies. People want a level playing field; they don't necessarily want you to be the cheapest. I hear comments from the government side when we say, "You've got over \$2 billion in promised corporate tax cuts. Why don't you forgo that?" and they say, "Oh, you want to raise taxes." No one is saying you should raise taxes. We're already 25% below our competition in the United States. Any additional amount of money, contrary to what you may think or may be told, is going to the bottom line, to the shareholders, many of whom don't even live in North America, let alone Canada or the United States.

There is no attraction where people are racing to the bottom. Yes, if your taxes are out of whack, you won't even get the first look. People will say, "Why would I invest there? Their taxes are ridiculous." But if they look at it and say, "Well, taxes are not an issue. They're already 25% below anything that's out there. Let's take a look at quality of life, education, health care, environment, infrastructure, government. What kind of an environment is there, because our employees have got to live there." It's not going to attract somebody who is being transferred from somewhere in South Bend, Indiana, moving to Toronto or Ottawa or Kitchener. They're not going to say, "Well, that's a great place because corporate taxes are really lower there than anywhere else in North America." That is not the attraction. The attraction is, "Wow, that's a good place for me to take my kids. They're going to have good schools, good health care, good environment. I'm going to be able to breathe the air, drink the water. That's a great place, and I'm close by to where the family is, with good communications back and forth." So I think that's something we really have to look into.

I want to just cover a few other areas. One of them has to do with a statement that the minister made last week in the House about the initiative of the government to deal with the border. I am delighted to see—whether it's perceived that way maybe just by me—that you've softened your stand a little bit on sovereignty versus security, because my reading of your statement when you delivered it was that you were prepared to sacrifice sovereignty for security. If you recall when I responded to you, I said that these things are not mutually exclusive. You don't have to necessarily surrender sovereignty just to get security. I see that in your statement you have tempered it somewhat, and I applaud you for that, if that in fact is the interpretation.

The other thing I took exception to then, and I do now—and I see you’ve repeated it again—is that you talk about “The American tragedies have cast US-Canada border crossings in a different light. We were no longer focusing solely on issues like infrastructure and pre-clearance. Instead, those issues, those concerns, those priorities fell to the sidelines.”

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I take very strong exception to that. Again, I don’t think those are mutually exclusive positions. It is absolutely critical at this stage, when not only are there advocates of perimeter North America, there are even more advocates in the United States about Fortress USA, saying, “We can no longer, ever, be in a position where the ability of the United States to maintain its economy, to maintain its security, is going to be dependent on some outside jurisdiction or outside entity.” There’s a real feeling—all you have to do is read the international media, the business magazines—that “We have to be absolutely self-sufficient.” And when I say “we,” the United States. “We have to make sure that all of our suppliers, all of our just-in-time delivery is not going to be impeded by what happens at the border,” and not only just the Canadian border but also the Mexican border. The feeling is, “Let’s make sure we are self-contained, self-sufficient.” That’s a huge challenge for us, because if that ever happens, we have a problem.

You should know—and I’m sure many of you do know, including the minister—that we were here during the free trade debate. The free trade debate, for those of you who may not have really followed that closely at the time, was an initiative of the Canadian government, of Prime Minister Brian Mulroney. He was the guy who started it, and he started it for a very simple reason: the United States was again going through this self-examination of “Let us become isolationist. Let us close our borders so we don’t have to worry about these guys who are dumping stuff into our market. Let us make sure that we don’t have to worry about that.”

The whole idea behind the free trade agreement was to ensure that the market that Canadians enjoy in the United States would remain open. That’s why, if you’ll recall at the time, Simon Reisman—like him or hate him, he’s a really nasty guy, but notwithstanding that, a very competent guy—went down and spent two years negotiating a free trade agreement. He came back, called the Prime Minister and said, “Mr Prime Minister, there’s no deal. We cannot make a deal.” The Prime Minister called the Premier; the Premier called me and said, “There’s no deal.” That weekend, Pat Carney and Mike Wilson went down to Washington, came back and had a deal. It was unbelievable. Here Simon Reisman had worked for two years and couldn’t make a deal. He’s the guy who initially negotiated the Auto Pact. He came back, no deal. They made the deal. Why? They put energy on the table, they put the Auto Pact on the table and they put water on the table. So, literally, they gave the store away and they came back with a deal. Now, I happen to be someone who thinks that long term, overall, on balance, it was a

good deal. It was a good deal for Canada because it really ensured our access to that market, which brings me to another point.

On December 8, 2000, an announcement was made by then-Minister Al Palladini—and I want to join in acknowledging what a great job Minister Palladini did. Without being derogatory, he was a car salesman. He knew how to sell. It was a pleasure to talk to him. He would come across the floor, sit beside me and say, “What to you think about this? What do you think about that?” and we’d talk about it. As I say, he was a salesman, and I think a salesman is what we need in that position. I think it’s something that is obvious.

On December 8, 2000, which is almost a year ago, he made an announcement saying, “The Ontario government has quietly announced plans to reopen five international trade offices worldwide,” and he went on to give exactly the same report that Minister Runciman just gave us. That’s a year later, with exactly the same words, “We’re planning to do this, we’re negotiating this, we’re doing that.” At the time, these offices were going to open up early in the new year, which was early this year, and now I’m sure the target for some of them may be early next year. I just feel there are lots of announcements but there’s not a lot of activity.

My major concern—and this is something where, in many cases, I seem to be at odds with a lot of people—is that when you take a look at the absolute dominance in the trade figures of our American business, it absolutely dwarfs our total combined other business. In any business that depends on sales, you play to your strength; you don’t play to your weakness. Here you have 90% of your trade, of your business, in the United States and 10% somewhere else. What does the announcement talk about? They’re going to open up all these offices in Shanghai and Tokyo and all these other places, which is great. It gives you great bragging rights. I loved it when I was the minister and we had 17 different trade offices, and I’d rattle them all off. But when it came to the crunch, the only ones that really mattered, from a bottom line point of view, were our six offices in the United States. We had ones in New York, Chicago, Boston, Dallas, Atlanta and Los Angeles. That’s where the business is, and it’s easy to do business. You don’t have to worry about language differences. You don’t have to worry about time differences, pretty well. You don’t have to worry about cultural differences. Far more important, and this is the key—we used to have a saying in the ministry, and I don’t know whether they still do or not, that you got your BA in trade in the United States, you got your MA in trade in the European market and you got your PhD in the Oriental market. That really reflected the degrees of difficulty in accessing those markets.

First of all, let’s backtrack. With all due respect, the multinationals and the major TSE companies that are Canadian—and there aren’t a lot of them, other than Nortel, Bombardier and a few others—don’t need your help. They can help you, but they don’t really need your help. If they had to depend on us to do their business,

with all due respect, they'd be in big trouble. They don't need us.

The people who need us and whom we need are the small businessmen: the guys who are innovative, who have got a product that can really be marketed if they have the know-how. What you do is you go to some small businessman and you say, "Have you ever thought about going into the United States? There's a huge market there." He'll say, "Well, I really don't know how to do it. I've never thought about it. I've got enough just to look after my Canadian business." We used to have these programs. You can take him to Buffalo, take him through the process, show him how to do it, get everything going, and it's easy. He goes in for the day, comes back, stays at home at night, sees his wife and his kids, and he's doing business. You try to take that person to Europe or to Shanghai to do business, when he hasn't done any business in the United States, has done no export business, and all it is is a trip: "I'm going to go. I've never been there before. Let's go and do it." But the amount of business that comes out of those contacts is minuscule.

It used to drive me crazy, and it still drives me crazy, when the federal government, in conjunction with the provinces, has these Team Canada missions. Anybody who knows anything about business knows that if you think you can go on a four- or five-day trip to China and sign a \$3-million or \$2-billion deal and come home and say, "That was a great trip. I signed this deal," that's absurd. Those deals don't happen that way. They're negotiated over months, and sometimes over years. What happens, for political reasons, is they're all gathered up, they're all put into a great package, and when the politicians arrive they announce, "This mission is fabulous. Look what we did. We signed up \$5 billion worth of business in five days." If you can do that, man, keep those guys on the road 365 days a year, because we have a chance to really boom. It just doesn't work that way. To do any kind of business, as I said, it takes a long, long time.

1700

If I had any recommendation to make it is that sure, it's important, for a variety of reasons. Some of them are political, because we have certain ethnic communities that really feel we should be reaching out into their particular homelands, because there is opportunity—I have no question about that—but where we should be concentrating our efforts is where our business is, because I think that's important.

My colleague would like to ask a question, but I really wanted to read into the record an article that appeared in *BusinessWeek* this week, dated November 12. I'll just read a little bit of it.

"September 11 was a turning point for the US economy. But the terrorists also landed a body blow in Canadian towns whose prosperity has long hinged on easy cross-border travel.

"Now, with tightened security and wait times at crossings unpredictable, cross-border workers are quitting

their jobs, and stores and restaurants that counted on Americans taking advantage of the weak Canadian dollar are hurting badly. Border retail stores report sales down as much as 50%.

"Windsor, Ont, just across from Detroit, 'is dying on the vine,' says Richard Blouse, president of the Detroit Chamber of Commerce. About 7.5 million day-trippers cross the Detroit River into Windsor each year, but traffic is now at half pre-attack levels. A crossing that used to take a few minutes now can take hours. 'If things are going to bounce back, it's going to take a very long time,' says a spokesman at the large Windsor casino, which laid off 762 employees." Another statement is, "The Niagara region, too, finds business down 25%, says Carolyn Bones, president of Canada's Niagara Chamber of Commerce. 'We've tended not to think about the fact that there is a border,' she says. They're certainly thinking about it now."

The point I'm making is that we are so susceptible to what is happening in the United States. Unless we tend our garden there, we're going to have a problem. With that, my colleague has a couple of questions.

Mr Dwight Duncan (Windsor-St Clair): Minister, first of all, I apologize. I wasn't here for your full statement, but I did want to ask a couple of questions specific to the Windsor border. Let me begin by saying that I appreciate the efforts of the government to date with respect to the issues that have confronted my community, but I have two very specific issues that are of provincial mandate.

First of all, you'll be aware that the Huron Church Road corridor was downloaded to the city of Windsor, I believe in 1996-97. The city of Windsor, through a resolution of its council, as well as informal entreaties to your colleagues over the course of the last four years, has asked the province as a first step if they will upload the maintenance of that particular road. You'll know that subsequent to September 11, the mayor of Windsor communicated with the office of emergency measures and indicated that to the Windsor border crossing there are no direct links to provincial King's highways at that border. My first question is, will you undertake to upload that highway as a first immediate step?

My second question is again related to provincial jurisdiction, the maintenance of the road itself, the condition of the road. You'll be aware that there are 14 traffic lights commencing at the Ambassador Bridge and stretching to the Howard Avenue intersection with Highway 3 and the 401. Those are the only 14 traffic lights, as I understand it, that exist between roughly Montreal and El Paso, Texas, along the NAFTA corridor. I believe the last time there was major upgrading of that road was in the late 1980s by the Peterson government. Frankly, I feel that our government's decision at the time was not adequate. They didn't anticipate the growth in truck traffic. We anticipate at least one other border crossing that will need significant investment. Will your government undertake to be a partner in the development of that traffic corridor, whether it be straight on Huron

Church Road itself or if it will involve the E.C. Rowe Expressway and a new link at some place around Lauzon Parkway to the 401? I would appreciate hearing your views on those two issues.

Hon Mr Runciman: As the member knows, I'm not the Minister of Transportation in terms of taking back the responsibility for that stretch of road. I can tell you, in an informal way, that I've been part of conversations where that has arisen as a possibility. I met with Mr Mancini to talk about that route several months ago and I certainly recognize the concerns. I met with the trucking industry, which has expressed similar concerns.

We recently made a decision to communicate more directly with the municipality itself in terms of their priority-setting process for infrastructure programs where that particular roadway was not part of the priorities established by the municipality. So we have gone back to them in terms of the SuperBuild Millennium Partnerships program, for example, and asked them to reconsider their priorities in terms of where they would like those capital investment dollars to be directed. Certainly, from our ministry's perspective, that's an area that we think should be a clear priority. We're getting signals from the federal government as well that they recognize this and they may be quite willing to play a role there in upgrading that stretch of road and eliminating 14 traffic lights.

The Acting Chair: That concludes the time available to the loyal opposition. We now move to the third party.

Mr Tony Martin (Sault Ste Marie): I believe the way it works here this afternoon, just for my own edification, is that we get to put some comments and questions and then the minister gets to wrap up after. Is that correct?

The Acting Chair: That's correct. You have 30 minutes available to you, and you can speak; you can ask questions of the minister or ministry staff. There would have to be a decision made by the minister to perhaps—

Mr Martin: So I could put some questions on the record and then after I'm done you can respond to as many or as few as you want. OK. I've got some questions and I'll lay them out for you as I go along.

Just to start off on a bit of a theme, our view is that economic development budgets have been cut and there has been a lack of foresight. Ontario's capital spending is at a 20-year low, and that's dangerous. Specifically, your ministry has wiped out the capital budget for economic development and trade. The question is, how can you defend this, and are there plans underway to change the policy of non-funding?

Your ministry budget figure for operating expenditures has gone down from \$332 million in 1995-96 to \$99 million in 2000-01. Your total ministry budget has been cut from \$445 million in 1995-96 to \$99 million in 2000-01. You've cut \$346 million from the budget since 1995-96. Your ministry is a shell of what it once was. That doesn't leave a lot of room for creative economic development initiatives. The question I have is, how do you defend that?

In tough economic times, the government that I was part of made tough decisions to save and create jobs and support Ontario's industries. We considered economic development an investment, spending \$366 million in 1992-93 and raising that budget every year thereafter. In those days, there was also a capital budget for economic development. The NDP government worked with industry, focusing on building up specific sectors in the economy, such as auto parts, tourism, aerospace or forestry. We had a sector partnership fund. We had a loan and loan guarantee program. We helped young businesses get off the ground. Question: what has been the advice from your ministry in handling distressed communities and sectors during this economic downturn, especially in light of the fact that many of the proactive initiatives taken by the NDP have been abandoned by your government?

Historically there have been a number of weaknesses in the microeconomic business environment that afflict much of the provincial economy. Weak government policy with respect to specialized education and training, a poor record in public and private sector research and development, and corporate financing gaps have hindered the movement of Ontario firms to more sophisticated ways of competing. In addition, since 1995 Ontario has witnessed a serious underinvestment in basic primary, secondary and post-secondary education, a dramatic decline in investment in physical infrastructure and the abandonment of many of the traditional investment attraction practices that characterized the 1975 to 1995 period, and a sharp reduction in the funding of workplace-based skills development programs. The question is, what is your ministry's plan to address these key issues?

Ontario must improve all elements of its school-to-work system. This includes a revamping and expansion of the apprenticeship system as well as improvements in other youth-oriented employment and training programs. These are key to economic development. What is your ministry's plan to address these key issues?

1710

Ontario must improve its programs in workplace-based skills training and other specialized skills upgrading, particularly those oriented toward specific sectors of the economy. What is your ministry's plan to address these issues?

Ontario must increase publicly funded university research and research done directly in government labs and other public institutions such as teaching hospitals. These are key to smart economic development. What is your ministry's plan to address these issues?

Ontario must make improvements in its firm-level attraction and retention strategies. Particular attention should be placed on being far more proactive and systematic in dealing with restructuring situations such as the restructuring currently underway at Algoma Steel. What is the ministry's plan to address these issues?

Ontario must be much more proactive in encouraging cluster development and sectoral upgrading. From forest

products to auto to telecommunications, Ontario must be far more aggressive in identifying key sectors on which our future prosperity will be based, and it must develop and implement coherent strategies to excel in these areas. What is your ministry's plan to address these issues?

Ontario must be active in creating new vehicles for early stage risk financing of knowledge-based companies. What's your plan there?

Ontario must significantly increase strategic public investments in physical infrastructure: broadband, roads, regional rail, urban public transit, basic municipal and environmental infrastructure. What's the ministry's plan to deal with this, beyond SuperBuild?

SuperBuild: one of the major flaws of the SuperBuild program is that the criteria are often too difficult for many communities to meet. Finding private partners to match funding can be a challenge at the best of times, let alone during an economic slump. Has the ministry given any consideration to this problem in recessionary times?

Even those communities whose applications for SuperBuild money meet the criteria are finding the money is not flowing. In fact, this government is holding up a lot of really good projects that could be creating jobs to ward off recession. Many of those projects would have the dual effect of contributing to the health, safety or attractiveness of a community. How many SuperBuild projects promised for this year are out the door? How many are still waiting for funding, and what's the hold-up?

We are asking for a community-by-community report on all of the SuperBuild portfolios for this year, with specific breakdowns for OSTAR and the sports, culture and tourism partnerships and millennium fund applications. How much money has been promised? How much money has been spent this year to date and year by year, breaking it down in those specific areas, since SuperBuild began?

Many projects were promised, even announced, under OSTAR, but the funding is not there yet. We have a community just down the road from Sault Ste Marie, Iron Bridge, that has had a boil-water order on for at least two years now. They are still waiting for an announcement on their OSTAR.

The city of greater Sudbury is trying to get money flowing for a SuperBuild project that would provide full treatment, including filtration, at its David Street water treatment plant. The city has gone again with a detailed design for the upgrade of this facility and is anxious to get going. Most of the contract documents are ready to tender, but the city can't proceed due to lack of funding for the project. The city applied for SuperBuild funds, and the province has indicated it will devote \$15 million, but final approval continues to be delayed. In a letter to the Ministry of the Environment dated August 30, 2001, J.P. Graham, the city's plants engineer, warned, "With these delays, we now face winter construction. The difficulties arising from work at this time make it impossible to complete the construction of this project by December 31, 2002, as required by Ontario drinking

water regulation 459/00." The city is forced to ask for an extension in order to complete the necessary upgrade. Mr Graham wrote, "We are very disappointed about the delay of this work. We look forward to your support in securing the necessary funding to commence this work." Two months later, the city is still waiting for the funds to flow. Our question is, what's the holdup? How will this affect the drinking water regulation?

Just to give you a few other examples of the problems being created by the slow response and difficulty with OSTAR and SuperBuild, your government has released a flurry of news releases announcing SuperBuild funding that would allow communities to upgrade their water and sewage facilities, but the money doesn't appear to be flowing. We're having trouble finding a single community that applied for OSTAR money to fix its water and sewage systems that has actually received the SuperBuild money announced. For example: Sioux Lookout water treatment plant funding, still waiting; Red Lake water treatment plant, still waiting and there are boil-water orders; Hamilton hasn't received its \$45 million yet; Windsor hasn't received its money; Ottawa was told it would get \$70 million, but no money yet.

The township of Severn was supposed to get money, but it's not there yet, even though the government sent out a press release August 31, 2001, announcing construction of a communal water and sewage system that was expected to begin this fall.

Waterloo is waiting for its money. They say the process is long and frustrating and are hoping to hear any day now. They wanted it to be in the ground this fall. London has seen no money. They have projects ready to go but are waiting for approval. The government sent out a news release announcing SuperBuild funding for Thunder Bay on June 14, 2001. They're still waiting.

Hanover: news release August 17, 2001; still waiting. The township of Tay: news release August 31, 2001; still waiting. Niagara on the Lake: news release August 16, 2001; still waiting;

In some areas of the SuperBuild program, the government is blaming the federal Liberals. For example, when the Premier was in Sault Ste Marie last Thursday and was asked about some of the SuperBuild money for the Soo, he blamed the federal Liberals for holding things up. But we don't see a high-profile campaign from the finance minister whipping the federal government for dragging its heels. What does it plan to do to get Ottawa moving? Are SuperBuild projects in jeopardy because of the economic downturn?

There are problems with the culture, sports and recreation projects. In fact there is evidence this government is dragging its heels enough on its own without the federal government. Under the SuperBuild program, communities were encouraged to apply for capital funding to improve culture, sports or recreation facilities. Starting that project this month could create thousands of local jobs, and by next summer communities could boast new facilities to attract tourists. The application deadline was April. Where's the money?

Communities don't even know if their applications have been approved yet. In fact, the program is so popular that the government isn't even guaranteeing communities that meet the criteria, strict as they are, that they will get their funding. Has the ministry made its decisions yet on these applications? When will that money flow? What will it do for those communities that meet the criteria but are rejected because the program is too popular? For example, there have been 18 applications from the Timmins-James Bay area alone, and there is still no response.

Along with fast-tracking SuperBuild projects, the province should also focus on new capital projects that would help municipalities fix problems while creating jobs. One of the criticisms of SuperBuild is that it simply isn't enough. For instance, Ken Mitchell, who sought a federal Progressive Conservative nomination in Hamilton in 1997, wrote last spring in the *Hamilton Spectator* about the "inadequacy of the SuperBuild fund to meet the province's needs." He said, "Hamilton's water and sewer funding requirements alone represent 22% of the provincial funds earmarked for SuperBuild," yet the fund is split between water and sewer infrastructure, colleges and universities, roads and highways, hospitals, cultural and recreation centres and high-technology enterprises. He said, "media releases last year focused on highway projects. This is why Ontario needs a special program—a dedicated fund—geared to rebuilding the province's sewer and water pipes, sewage treatment, water treatment facilities and pumping capacity." Has the ministry considered alternatives to SuperBuild?

Export concerns: 95% of Ontario's exports go to the US. As it stands, the health of Ontario's economy lives and dies with the health of the US economy. What is your ministry's plan to address our heavy reliance on the US economy and to diversify our export markets?

Retail concerns: the retail sector says it faces its worst year in a decade. Retail sales are down \$50 million by your own government's accounts. The retail and hospitality sector is warning that job layoffs will come. What is your ministry's plan to help this sector and prevent layoffs?

Steel dumping: in my own community, the steel industry is in trouble—Algoma Steel, Stelco in Hamilton. What is your ministry's plan to help this sector and prevent layoffs or closures? I know we've spoken in the House about that and indicated your very real concern, and I accept that. But the problem is, nothing is happening. The federal government isn't acting in an aggressive and proactive manner. You indicated to me that you were going to speak to them to try to push them. I'm wondering what kind of response you've had on that to date, because it's killing the steel industry.

1720

Softwood lumber: Tembec lumber announced yesterday that it's closing its Kirkland Lake mill. Jobs will be lost. It'll be devastating to that community. What is your ministry's plan to help the lumber sector, especially in

light of trade concerns, to prevent that sector from crumbling as the economy slides into possible recession?

The auto sector is crashing. Given the province's reliance on auto exports to the US, what is the ministry's plan to help this sector and prevent a collapse in the province's export program?

You've heard us on electricity deregulation. Are there any studies or consideration the ministry may have given to the electricity deregulation disasters in the US and Alberta, which we've been raising, especially any consideration to the impact of deregulation and privatization on economic development and business health in Ontario? Are there any documents out there that you've been looking at, which give you the confidence you have to be moving in the way you propose?

The standard of living in Ontario depends greatly on the productivity with which it organizes its human, capital and natural resources. If Ontario continues to underinvest in the inputs required to stimulate innovation and productivity, there will be considerable long-term damage done to the living standards of all Ontarians. What is your ministry's plan to address productivity levels?

The federal government promised an innovation agenda, but it appears that agenda will be the first to go as the economy slumps into recession. That's the wrong way to go. We need to position ourselves to create highly skilled workers poised for the future challenge of the global economy. I recognize that right now both the federal and provincial governments, for very legitimate reasons, are focusing on security issues. But you need to spend money in these other areas as well. The question is, what is your ministry's plan to address the innovation challenge? Is the ministry considering a broadband infrastructure development program like Alberta's?

We have some concerns about small business. According to a survey by the professional services firm Deloitte and Touche, 80% of family businesses in Canada are expected to change hands in the next 15 years as owners approach retirement. Has the ministry considered this problem, and is there a plan to address it? I think you and I have worked together very successfully to bring some limited regulation to the whole area of franchising. Almost 50% of small business done in the province right now is in that area. I think we need to take a further, closer look at that. I think of the difficulty Grand and Toy is facing, or a whole whack of small businesses, entrepreneurs investing their money and now recognizing that that investment isn't very secure. I think we need to be working together to try to develop a strategy to support a lot of those small businesses as they change hands, as they sell off, and to protect indigenous, locally owned and locally controlled interests in a way that speaks to some sustainable long-term viability in our small business sector.

A strong urban agenda: again, an urban strategy would require stronger government support for transportation, heritage protection, affordable housing, downtown

revitalization programs and brownfield redevelopment. What are the ministry's plans to address these issues?

Your government likes to portray itself as an administration dedicated to smart growth. But here's what the Christian Farmers Federation says about smart growth and rural Ontario: "In rural Ontario, this is hollow rhetoric. Consider the provincial policy statement under the Planning Act. It sets out the key provincial interests related to land use planning. First, under developing strong communities the policy states, 'Rural areas will generally be the focus of resource activity, resource-based recreational activity and other rural land uses.' That is a recipe for rural stagnation. It stifles economic opportunities for rural areas. Rural communities cannot be primarily dependent on resource and resource-related pursuits. These activities are a shrinking slice of the economic pie and are more likely than other productive initiatives to consume natural capital. Rural participation in a full range of economic uses makes smart sense. Second, the policy specifically allows cities and settlements to expand onto our best foodland as long as 'there are no reasonable alternatives which avoid prime agricultural areas.'" The question is, define "no reasonable alternatives."

The Christian Farmers Federation has told the Ministry of Municipal Affairs that the policy needs some big fixes if it is going to deliver smart growth to rural Ontario. Your ministry needs to address this because it affects economic development. Have you considered this? What's your plan to address the problems of rural Ontario?

How much time do I have left?

The Acting Chair: You have 10 minutes.

Mr Martin: Ten minutes? OK.

Mr Klees: At least time for a couple more questions.

Mr Martin: OK. I note that the minister is paying close attention and taking notes and doing his job—

Mr Klees: Absolutely.

Mr Martin:—and I'm only doing mine. I hope you appreciate that.

In my own jurisdiction, we're a community in some stress at the moment. I think you understand that, because we've had conversations, both across the floor and personally. Algoma Steel is struggling. You'll remember, because you were around, the leadership and the contribution the provincial government particularly made in the early 1990s to restructure at that point. There's some suggestion in southern Ontario and in some of the national media that that was a bailout. I'm here today to say to you that it was in no way a bailout. As a matter of fact, if there was any bailing out done, it was the workers bailing out that particular enterprise by giving up significant income so the company could be saved.

There are unique and creative and progressive ways for government to participate in restructuring major industries, particularly industries in stress. Given all the pressures on the steel industry at the moment, I would suggest that to you that even though we're thankful that you're there on the pension issue—and we really ap-

preciate that. It's very important; it's vital. As I speak to the steelworkers in particular who are in fact the only real voice our community has at that table, fighting on those issues that will affect our community directly, no matter what happens by way of outcome on this, they indicate to me that the role you're playing on the pension issue is crucial, and they appreciate it. But I also note from some of their fear that they wish you would play a bit of a wider role and be more active with them in challenging the note holders in terms of what they're asking for and the contribution they feel needs to be made.

You and I know, because we both come from industrial parts of the province, where the resource-based economy is still very much the heart and soul of how we make a living, and hopefully will continue to be a very important part of our future, that the major contribution by industries like steel on the side of the St Marys River to communities like Sault Ste Marie is by way of the salaries paid to workers, who then spend that money in the community by way of taxes paid on property and by way of goods and services bought from local businesses. Everything else, for the most part, is out of town. The note holders in this instance, where Algoma Steel is concerned, are mostly located in New York. Any contribution made to them—I know a contribution has to be made. I don't think we're being silly in Sault Ste Marie; we understand some of the realities here. But any contribution made at the expense of the workers and pensioners and small businesses in our community is a net loss to our community and to the province and, in fact, to the country. Right now, the only voice at the table fighting for those interests is the steelworkers.

I suggest that they're feeling kind of lonely and would like some help from you and from the federal government in that very important struggle. I think in your opening statement, you indicated that the difficulty with the steel industry isn't capacity; it's a worldwide restructuring and an issue of dumping that has killed the market in a significant way. We need to be, in my understanding of it, working with those industries to find ways to deal with some of that and to become more competitive.

1730

The Acting Chair: Five minutes, Mr Martin.

Mr Martin: I just put that on the table as something that you and I perhaps need to discuss further and by way of challenge from my community to you and to your government so that we might all at the end of the day continue to be winners in this. I said before, and I need to say it again, how much we appreciate your participation on the pension issue.

The other thing I wanted to talk to you about—actually there are a couple but I only have five minutes. I think it's really important, in northern Ontario particularly, for your government to be looking at—and perhaps using the northern Ontario heritage fund and working with your colleague in MNDM—a community adjustment fund or maybe a trade adjustment fund for small communities and medium-sized communities,

particularly in the north and rural Ontario that are being affected so dramatically by some of the changes because of the new trade regulations that have come into place over the last 10 or 15 years, that are really struggling to find ways to reinvest or invest in new technology to make sure that our resource-based industries are competitive and productive and to give us some opportunity to grab hold of some of the new stuff.

I mentioned earlier some of the comments regarding the rural economy and the Christian Farmers group, where they say they've got to be given opportunity, as well, to participate in some of the new economy that's out there and that's coming at us. Just to suggest and perhaps ask that you might look at a fund of some sort, a resource of some sort, to northern and rural Ontario to help communities and industries in stress adjust.

There's one other piece, and it's in the area of export. I know that you've laid out some of the things you're doing to try to increase and improve our export alternatives and how you're now into Europe in a significant way and working with the federal government to set up shop in some of those jurisdictions. We in Sault Ste Marie have taken on what I think is a rather courageous and innovative approach to doing this as well. We've gone into Ireland, one of the hottest economies at the moment in the world. We took 11 business folks over there in June 2000. This year, 2001, we had 23 business people come back, and 75 businesses from northern Ontario and the States met with them. There's ongoing contact trying to establish possibilities for some new investment. We're looking at taking up to 200 people back to Ireland next May. We're doing all of that on a shoestring. I spoke to Minister Palladini on a number of occasions before we went the first time, looking for some support and help and some recognition of this effort. I guess because it wasn't a priority at that time—and we needed to prove ourselves, and I think we have—we didn't get much support. As a matter of fact, I don't think we got any. There was some talk of \$5,000 at one point. I'm not sure if that cheque was ever written or ever got delivered.

Initially, when we met with Minister Palladini in the Soo—and it was members of the chamber of commerce and some of the business development people I was working with—

The Acting-Chair: One minute, Mr Martin.

Mr Martin: —there was a suggestion that what we were proposing was exciting and that the budget was modest. We still continue to operate on a fairly modest budget as we push this forward. I'm here today to ask for your support, to ask for a meeting, possibly, in the not-too-distant future to talk further about this to see if there is some interest and if there's some way that you and I and Sault Ste Marie and your government could work together to further this exciting and innovative approach to try to develop new export marketing links and to get into that economy: Ireland coming into Sault Ste Marie to access the North American market and Sault Ste Marie going into Ireland to access the European market.

Thank you very much for your patience and your understanding, and thanks to everybody else for theirs.

The Acting Chair: You might have about 30 seconds to answer all those questions.

Hon Mr Runciman: For his last comment, I want to thank Mr O'Martin for his contribution. I'll just say I'm quite pleased to have that meeting with you and see if there's some way either our ministry or perhaps northern development—or some other avenue where we can explore possibilities.

I'd like to respond to some of the other comments perhaps in our time. I don't know how our members feel.

The Acting Chair: The remaining time is yours, Minister, if you have any further remarks you want to make. I know there are some questions from the government side.

Hon Mr Runciman: I'll just take a few minutes. I'd just like to respond to a couple of things that were raised.

The Acting Chair: The time is yours.

Hon Mr Runciman: Mr Kwinter, whom I've known for many years and for whom I have a great deal of respect—he and I seem to follow one another around. He succeeded me as Minister of Consumer and Commercial Relations in 1985 and now I've succeeded him in this portfolio.

Mr Kwinter: There's still another election to go.

Hon Mr Runciman: That's right. It's coming. It's a question of who goes first.

Obviously, the ministry has changed substantially and its budget has changed substantially, but I don't think its priorities in terms of its role in government of enhancing economic prospects for the province have changed that dramatically.

You mention the auto industry and the auto sector, and I certainly agree with you in terms of its importance. I have only been in this role for a little over eight months, but certainly one of my first priorities was to meet with the auto sector officials. I travelled to Grand Rapids and, along with Minister Tobin and Deputy Prime Minister Gray, met with the North American president to discuss Chrysler's future in Ontario. I'm certainly concerned about those kinds of issues. Later, in the only foreign trip that I've made as minister, I travelled to Germany to DaimlerChrysler's head office, also to talk to them about future investment decisions and the future of their company in our province. I met with General Motors as well. We keep in constant contact through the ministry with the auto sector. During the September 11 to 17 period, we were in daily, if not hourly, contact with not just the auto sector but the auto parts sectors as well. We recognize the critical importance to our economy, and I don't want you to be misled by any lack of reference in my opening comments to that sector. It's clearly recognized as critical to our long-term economic well-being. Certainly the border issue is a major factor in terms of the future health of the just-in-time delivery issues.

You raised this issue in the House with respect to pre-clearance and other issues going by the wayside, and I

apologize if I wasn't as fulsome in my explanation as I could or should have been in that. I'm not talking about them permanently going by the wayside; I meant through that immediate period following September 11. I think there are still concerns and considerations—there's no question about that—but I think the overriding priority and concern is security and all of the other issues fall somewhere underneath the security question.

We sponsored a round table last week, as I mentioned in my comments. We hopefully will be issuing a report on that round table very shortly. We had the auto sector well represented at that round table and we devoted a portion of it to economic issues. We talked about things like pre-clearance. We talked about high-security drivers' licences. We talked about infrastructure, how we can speed up infrastructure projects to expedite cross-border traffic. We talked about a whole range of issues that I think you expressed concern about in the House. So they're certainly not off the table and they're part of this package in terms of addressing very significant, top-of-mind concerns of business leaders in Ontario—and not just in Ontario, because obviously Michigan, New York state and Ohio, the border states, have a significant interest in seeing this border move as freely as possible as well. We are New York state's and Michigan's biggest partner. We have the largest trading partnership in the world with Michigan in two-way trade. So obviously they have a role to play here.

1740

The Premier has called for an early meeting of the Great Lakes governors, which I assume Premier Landry will attend as well. We met with the Canadian Manufacturers and Exporters who also would like to hold a parallel business leaders' summit, on the same day and in the same city in the United States, with their American equivalent association to talk about business-specific concerns and issues and try to draw more public attention from the American public and the American political leaders in terms of what's happening in Canada.

There are a lot of misconceptions within the American public and within senior political leadership. We've heard comments made by Senator Dianne Feinstein from California and by Patrick Leahy of Vermont, which is on the Canadian border, expressing very serious concerns about the Canadian border and the threat it poses to the security of the United States. I think we have to do a much better job of getting down there and talking to our American friends about what we're doing here and how we're addressing these concerns so that we're obviously going to raise their comfort levels.

You talked about our focus with these new offices or co-locations. I have to tell you that I agree completely with you. As I said, I am still relatively new in this role, but I want to see us put more focus on the American market. I don't think we can take this market for granted. One of the things I have raised with my officials and with business folks as well over the past couple of months, talking about this issue, is the fact that Mexico, our NAFTA partner, is obviously aiming to take a good

chunk of that American market as well. If we sit back and assume that 93% or 94% is always going to be there and continue to grow, I think it's foolhardy to say the least.

My view is the same as yours. I want to see us put more emphasis into the United States. I'd like to see us opening more offices in the United States, either stand-alone offices or co-locations, and we're pursuing that right now.

I'm not sure, Monte, if there was anything else there that you raised that I should address. I wrote your quote down, which I think was quite accurate, "tend our US garden." Once again, I completely agree with you on that.

Mr Martin raised a whole bunch of issues, to say the least. I'm not sure that I can answer all of them, because they were over a range of ministries, really, although I certainly would like to see this ministry perhaps play a more active role than it has in the past in terms of commenting on all of these kinds of issues that have economic impacts on the province. We should be very carefully vetting all these initiatives so that our voice is clearly heard around the decision-making tables of government. That's something we're trying to improve upon right now.

You talked about productivity. I don't think you were here when I said earlier that there is a real effort on our part, through the appointment of Roger Martin, dean of the Joseph Rotman school of business at the University of Toronto, through his task force, to look at all of these issues of productivity. We have a blue ribbon panel that was appointed two weeks ago, in an announcement that got virtually no public attention. I think it was the day after the Premier's announcement that he was resigning, so that seemed to dominate the news. I don't think too many people are aware of what we're doing in that area, but that is now underway. Mr Martin has been allocated resources and his task force has been appointed. They are going to be looking at a range of issues. You mentioned clusters, and that's one of the areas they're going to be taking a look at as well in terms of productivity.

Steel: one of the first things I did coming into this office was travel to Ottawa to meet with Mr Pettigrew, the international trade minister at the federal level, and I did discuss the steel issue with him, as well as softwood and a number of other issues that we share an interest in.

Two months ago now, I think it was, I met with the CEOs of all the major steel producers in Ontario, including Algoma, to talk about their concerns and the ways that we can assist them in joint efforts to improve the health of the industry. We're looking at travelling to Washington with a number of representatives of the industry to make sure that our case is being heard. I think there's a legitimate concern on the part of the industry with respect to the consistent findings of the federal tribunals in terms of dumping that the industry itself is finding significant fault with. Perhaps we can look at that and the system and make sure that their concerns are

heard in Ottawa, where those changes would have to occur.

The Soo: we obviously recognize the importance of Algoma to Sault Ste Marie and we are at the table. I think the proposal from the provincial government with respect to pensions is going to save the company something like \$20 million a year. We know that restructuring plan is before the courts. Part of the problem at the moment, I gather, is that the bondholders and the union stakeholders have not been—I believe Mr Stephen is looking for additional concessions and that's been the problem up to this point in time. The federal government has not, as I'm aware, come to the party. I think your federal counterpart should be playing a greater role in seeing if that can happen. Along with the Ministry of Northern Development and Mines, our ministry is looking at different ways that we can assist the community. We're also looking at, as you mentioned, the resource-dependent communities, the one-industry towns, and we're trying to come up with ways that we can assist them as well during difficult times. We're looking at pilots and programs which I can't get into at this stage because they are really very much at the discussion-and-policy-development level as of today.

You talked about SuperBuild and OSTAR announcements, and I think my colleagues are perhaps as aware of these announcements as I am. We're looking toward rolling out a lot of those announcements in the next few weeks. You're going to see a significant number of announcements in the next three, four, six weeks.

With respect to your asking about what we are going to do if the feds are not quick in responding in terms of their participation, my own view on that is that we go ahead and make the announcements. This is what the province is prepared to put toward this project and this is what the municipality is prepared to put toward the project. Now let's turn our heads east toward Ottawa and not continue to delay announcements like this if we're simply waiting for approvals or bargaining discussions with the federal government. These are the priorities of the municipalities, and the province agrees. Let's get on with it. I think you may see some of that happening. That's just my own prediction at this stage.

1750

Softwood: your colleague from Timmins raised this issue in the House last week and was suggesting that our government wasn't being supportive of the industry in Ontario. I just want to clear the air on that one. This is a letter dated November 5 and addressed to Pierre Pettigrew, from the Ontario Lumber Manufacturers' Association. It essentially says: "The OFIA strongly supports the position being taken by our provincial government, which was outlined in a recent letter sent to you by the Honourable Robert Runciman. In that letter, the Ontario government made it quite clear that it is vehemently opposed to any action by the Canadian government which would eliminate the choice of Ontario to negotiate its own agreement with the United States or to seek a litigated solution to the US complaint."

I'm not sure where your colleague was quoting someone from this association, but the formal position of the association is that they are in very strong agreement with our government. We have tried to work in close collaboration with the industry with respect to how we approach these softwood lumber issues.

I suspect I haven't touched on all your issues, Tony. I know we could get into capital budgets of the Ontario Development Corp or a wind-down of the Ontario Development Corp. Obviously you and the Liberal government had a different philosophy, and we could debate that until the cows come home. But we could also use examples like Orion Bus. There are a lot of horrific examples of taxpayers' dollars going into businesses and industries where, at the end of the day, the taxpayer paid a significant penalty.

We made a decision early on that we were not going to get into the business of picking winners and losers. We were going to make our best efforts to make sure we had one of the most attractive business climates in the world, so that it is well worth your while to come here, to stay here, to make the investments and create the jobs.

Over the past six years, I think the wisdom of that approach has been amply proven. Obviously we're going into more difficult times right now. Our view is that we've laid the groundwork to be able to cope with an economic slowdown in a much more effective way than we would have six or seven years ago. Time will tell if that proves to be the correct assessment, but I can tell you that the members of the government feel very strongly that we have done the right things and we're going to continue along that path.

Obviously no one at this point can predict the depth or length of the slowdown and what its impact is going to be, and obviously we're going to have to make some difficult decisions over the next few months, as the Minister of Finance indicated yesterday. This government has indicated over its six years in office that we continue to be prepared to make those tough decisions.

The Acting Chair: We've got about seven minutes left, and we have some votes that we're going to have to deal with as well.

Mr Frank Mazzilli (London-Fanshawe): Thank you, Minister. I certainly had the opportunity to listen to all sides, and I encourage you to keep to the policies that work, and that's by not subsidizing corporations.

The one thing I do want to address—this tax cut thing seems to come to the debate every day—is arguing, if you will, what works and what doesn't. At the end of the day, whether you're a private corporation or a government, if you can grow revenues from \$39 billion to some \$62 billion, I think you've been a successful government. We talk about this \$1.1 billion in tax cuts—some of them are going to be corporate losses that are going to be carried forward, and we know that. Yet we hear people talk about this as money you're taking out of a budget this year, which is not the fact. Some of them are going to be carried over for two or three years, but somehow

some people want to spend it today. So I encourage you to keep on with those types of policies in the future.

The one thing I continually hear about this sovereignty issue—I want to talk about monetary policy. I know your ministry tracks land registries and so on. I've read, right across the country—some of the coast having been bought by Americans. I'm wondering, whether it's real estate or shares in Canadian corporations in Ontario, how much sovereignty we have because of our low dollar. How much of our property, our assets, have been purchased by Americans because of our low dollar? Can you or any of your ministry officials say?

Hon Mr Runciman: I just want to say I agree with you. I think I've seen that issue raised, the sort of bogeyman of losing our sovereignty. But there seems to be very little concern about the loss. I saw a column recently in the Toronto Star, David Crane commenting on the loss of head offices moving out of Canada. He was expressing concern about these multinationals coming in and scooping up Canadian companies, especially Canadian energy companies, and then moving head offices out of Canada. I think it's a very legitimate, valid concern, which is currently being ignored at the federal level. Perhaps, as a provincial government, we should be saying more about this issue in terms of its impact on our sovereignty and our ability to make important, critical economic decisions in the future, and to have the independence to do that as a country.

I don't know if we have any data on that sort of thing. I'll refer to the deputy.

Ms Barbara Miller: One of the key issues identified by Roger Martin, Dean of the Rotman School of Business, is the dollar and the effect that may have on productivity. I expect, as he rolls out his recommendations, that that will be included.

Hon Mr Runciman: That won't be in terms of economic sovereignty. He'll be taking a look at the impact on productivity levels in Ontario, and he believes

it has a significant negative impact on improving productivity levels in this province and this country because we've had this low dollar policy in effect for almost a decade.

Mr Mazzilli: It would seem to me, just from reading some of the recent information around, that especially the smaller provinces' sovereignty has already been lost because much of the valuable land has been sold, and purchased by Americans. I know in our area, all the people who are buying cottage properties are Americans. A \$100,000 cottage becomes a \$50,000 weekend getaway. So when we talk about sovereignty, I certainly would like you to raise that issue.

Hon Mr Runciman: It would be a good question in the House perhaps.

The Acting Chair: We have some votes we have to take, so that's going to wrap up our time.

Minister, I want to thank you and your staff for being here today. I will take this opportunity from the chair to personally thank you for your efforts in ensuring that Sterling Truck remained in Ontario. I think that was important. It was an investment that was made a number of years ago, and we couldn't afford to lose it.

One last comment: of all the government ministries, this is the one ministry that should be non-partisan, because we all win with economic development, we truly do.

With that, we have four votes in front of us.

Mr O'Toole: Chair, can we bundle them together, please?

The Acting Chair: Shall votes 901 and 902 carry? In favour? Opposed? Carried.

Shall the estimates of the Ministry of Economic Development and Trade carry? Carried.

Shall I report the estimates of the Ministry of Economic Development and Trade to the House? Agreed.

Any further business? We stand adjourned.

The committee adjourned at 1759.

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