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Mardi 3 juin 2003

**Standing committee on
estimates**

Ministry of Finance

**Comité permanent des
budgets des dépenses**

Ministère des Finances

Chair: Gerard Kennedy
Clerk: Trevor Day

Président : Gerard Kennedy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON ESTIMATES

COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Tuesday 3 June 2003

Mardi 3 juin 2003

The committee met at 1531 in room 151.

MINISTRY OF FINANCE

The Vice-Chair (Mr Curling): We'll commence the review of estimates with the Minister of Finance. I'll just read a couple of things that we should be guided by. We will begin with an up to 30-minute statement by the minister, followed by 30 minutes for the official opposition, 30 minutes for the third party and then another 30 minutes for the government or for the minister to use to reply. Thereafter, the remaining approximately three hours will be apportioned among the three parties in 20-minute blocks.

The vote will be 1201.

The minister, the Honourable Janet Ecker, is appearing. Madam Minister, you have 30 minutes.

Hon Janet Ecker (Minister of Finance): Thank you very much, Mr Chair, to you and to the committee members, for this opportunity to address you as part of the process.

As members know, the estimates for the Ministry of Finance provide the details of our operating and capital expenditures for the 2003-04 fiscal year. They constitute our formal request to the Legislature for spending authority to implement key programs and services.

The estimates are the result of a rigorous business planning process. They were approved by cabinet following a comprehensive review of the ministry's annual and multi-year business plans. They were carefully developed to identify the resources required to implement the government's ongoing priorities and commitments.

In addition to the business plan decisions, estimates also include funding allocations for a number of high-priority initiatives.

Today, I will be presenting an overview of our economic plan to create jobs and growth, to maintain fiscal discipline in the province's finances and to improve the management of taxpayers' money.

The economic plan we've been following is working. We're seeing more than a million new jobs which have been created in Ontario since 1995. This year we will have achieved the fifth balanced budget. We've paid down \$5 billion in debt. We've introduced 225 tax cuts for both individuals and our business community, 17 of them introduced in this year's budget.

I'm going to be identifying some of the key issues we will address going forward as we continue to support job creation, productivity and competitiveness in our economy.

The Ontario that our government inherited in 1995 was in very serious trouble economically. The economy had virtually flatlined. Real per capita GDP had actually declined between 1990 and 1995. Unemployment was high. We were losing jobs to other provinces and to the United States. Public spending and the provincial debt were out of control. Ontario was facing a potential deficit of over \$11 billion, and the provincial debt was growing by \$1 million every hour. Taxes had been rising steadily during the previous decade, driving Ontario investment and job creation to lower-tax jurisdictions. We were becoming uncompetitive with our trading partners. Excessive government regulation and red tape were stifling investment and innovation.

Since 1995, we've been pursuing a very deliberate plan to place Ontario on a different path of growth and prosperity and to keep it there, to keep it on the right track. We've introduced a new set of fundamentals to the fiscal and economic management of the province to do that.

We've taken control of the finances through cutting waste and prudent fiscal management. This has resulted in, as I said, balanced budgets and reduced debt. We focused public spending on key priorities and introduced disciplined management to ensure the most efficient and effective delivery of government programs and services. We've cut taxes to raise personal incomes, to make our province more competitive with our trading partners and to support investment and job creation. We've cleared away unnecessary regulations that were weakening investor and employer confidence and that were crippling investment and initiative.

To date, we have eliminated more than 2,000 outdated regulations. We've introduced balanced and innovative regulatory approaches across the government and improved regulatory protections in a number of areas such as clean water and clean air. A sound regulatory system can do much to promote confidence, efficiency, competitiveness and growth while protecting our health, our safety, the environment and other vital public interests.

We have also implemented measures to increase transparency and accountability of the government's economic reporting, and no doubt the members have noticed

that the estimates book this year looks slightly different from those in previous years.

On April 1 this year, the government spending authority and appropriation control has moved to the accrual basis of accounting. This brings the estimates in line with the provincial budget and public accounts and significantly increases accountability to taxpayers. We made key investments in priority areas to meet the needs of a growing population, to improve the quality of life of our citizens, to build opportunity and to support economic growth.

We have achieved these results by listening to the people of Ontario and by moving forward with a sound plan. For that reason, this year's pre-budget consultations, for example, were on a larger scale than had occurred before. I travelled to 17 communities. I talked with more than 1,300 people across the province seeking their views and their advice. We received more than 450 pre-budget submissions, all of this coming from representatives of groups as wide and diverse as our education sector, our agriculture sector, social services, the business community, the non-profit sector—a wide array of opinions.

The budget reflects the priorities we heard and that we set based on the advice we received, priorities such as continuing tax cuts to create jobs; increasing government accountability for the dollars that we spend; maintaining our focus on priorities such as health care, education, families, strong, safe communities, and preserving prudent fiscal management of the province's finances.

Balancing a budget is a difficult task and it requires a government to consider many competing priorities. However, prudent planning, and being prepared to make difficult decisions actually allowed us to balance the budget in the last mandate ahead of schedule and keep it balanced. This is our fifth consecutive balanced budget, and no other government has balanced five straight budgets in Ontario since 1908. Just as important, we have achieved our commitment to pay down the debt by \$5 billion.

We've all witnessed recently the uncertainty that was in the Middle East that seems to have eased, but we're seeing the impact of SARS affecting Toronto and other communities in Ontario. We've put in place the right fundamentals to help the provincial economy recover from such unexpected events. And while it's still too early to tell what long-term impact SARS will have on our economy, now more than ever is the time to stick to an economic plan that works. The foundation of the strong economic fundamentals we have put in place will help Toronto and Ontario recover much more quickly.

We've announced \$720 million worth of measures to support the health care sector and our front-line employees following the outbreak of SARS. We are also providing aid for the tourism sector, which was something that was announced by my colleagues. In the meantime, the federal government has announced just \$10 million for tourism marketing to help Toronto through this very difficult time, and we do believe they need to be

there for this city, this region, this province with provincial dollars and municipal dollars to help this region recover.

If all levels of government do act together to make these programs work, we will be able to weather the storm and recover quickly from the negative effects of SARS, just as Ontario did after 9/11. Be assured that we will do whatever we can, whatever it takes, to help Toronto and those other communities affected by SARS to recover from this setback.

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This year's budget once again demonstrates that we are listening and that we are focusing on the needs of the individuals we heard from during our pre-budget consultations. For example, one of the most important priorities we heard about from people was, of course, health care—the top priority for most Ontarians and, indeed, Canadians. We're responding with a \$27.6-billion investment in health care operating expenditures and \$504 million for capital expenditures.

People told us they also wanted us to focus on education. That's the second—most important issue for most individuals in Ontario. So this coming year we will be investing \$15.3 billion in our public education system. That is the highest level of investment that has occurred in Ontario's history.

We also heard that people want us to continue focusing on tax relief, and we're responding there as well. We are completing our commitment to the 20% reduction in personal income tax by January 1, 2004. This is going to provide about \$900 million in additional tax relief for individuals.

We're also proposing to eliminate the surtax for people earning less than \$75,000 per year on January 1, 2005, and to reduce job-killing capital tax rates by 10% on January 1, 2004. In addition, improvements to the Ontario tax reduction program mean that 700,000 modest-income individuals no longer have to pay Ontario income tax. In virtually every budget, we have removed more modest-income Ontarians from the obligation of paying Ontario income tax.

People have told us they want us to continue managing our finances in a prudent manner, and we are responding to that as well. We've said we will identify and eliminate \$500 million in government waste. We recognize there is much more work that needs to be done, and we are prepared to continue doing that.

In our consultations, people also told us that they want us to continue to support our families, and we have been responding in that area as well. We've proposed a new \$450-million program of tax relief for seniors, the Ontario home property tax relief for seniors program. We estimate that this program would provide an average net saving of approximately \$475 annually for 945,000 senior households. That would be for renters or owners.

Also, to help friends and relatives struggling with the challenge of caring for aged and dependent family members, we've proposed that the value of Ontario tax credits for caregivers be increased and extended to

include infirm spouses and more infirm dependent relatives who are actually living in their own homes.

In addition, tax assistance for individuals with disabilities would be increased to provide greater recognition of their circumstances. This increased tax support would provide annual benefits of \$50 million to about 165,000 family caregivers and people with disabilities, providing average savings of about \$300 each.

I can assure you that we will continue to focus on the priorities of the people of Ontario, continue investing in those priorities and continue to listen to and hear the concerns of Ontarians as we move forward.

Our government recognizes the importance of being accountable to the people of Ontario by spending their tax dollars wisely. Our tight discipline in the management of taxpayer resources has played a key role in Ontario's turnaround, and I'd like to highlight a number of those initiatives.

Throughout the past eight years, as I've said, we've focused on the priorities that mean the most to our citizens, while finding savings in non-essential programs and more efficient operations. The result has been that, excluding the priority areas of health care and education, real program spending per person has been reduced by close to 30% since we took office.

We are taking several initiatives to support better planning, to make government more transparent and to improve our accounting practices and enhance accountability. For example, we delivered the budget before the start of the fiscal year, something that our funding partners—

Laughter.

Hon Mrs Ecker: The Liberals laugh, but it's something that our funding partners have asked governments to do for many years. I know they may not think it's important to listen to these concerns of our funding partners, but we do.

We've committed to three-year base funding for hospitals, school boards, colleges and universities to try to provide a more stable and sustainable funding base for them, while recognizing that the government and our partners will need to work together to manage the risks, improve service and enhance accountability.

Based on experience that we have seen in other jurisdictions, and as recent events have reminded us, it will be important that multi-year base funding arrangements strike a balance between providing increased stability and retaining the appropriate flexibility to respond to changes in economic circumstances and strategic priorities. This spring's budget has taken further steps in this direction.

To help ensure the efficient and effective use of taxpayers' money and a more accountable government, we are implementing measures to help improve the government's accounting and budgetary processes.

In addition, we are beginning to depreciate, for example, tangible capital assets in the same way that business does. Reporting capital assets in the same way businesses do helps us to determine the true cost of services. We're also replacing the many cash-based

accounting systems across the government with IFIS, the Integrated Financial Information System.

I know the processes that government follows are not exactly riveting for taxpayers, but they are very, very important steps to allow us to continue to be accountable and to manage the money in the best way possible. I think the financial information system is going to provide all ministries with tools for better planning and more accountability, which is a good thing.

As I said, all of these measures will lead to increased transparency in government operations and more accountability to taxpayers in our stewardship of their tax dollars.

Another important aspect of good management is ensuring that tax revenues are collected both efficiently and effectively, and as the members here will know, the Provincial Auditor had expressed some concerns about the ministry's ability to do this. I'm pleased to advise the members of the committee that we have taken his concerns and recommendations very, very seriously. We've commenced the implementation of a new action plan to ensure that when it comes to the corporate sector, our tax revenues are collected in a timely fashion—one of the principles we will observe is that all those who owe tax should pay tax—and that all corporations which are required to file Ontario tax returns and what are called Exempt from Filing declarations fulfill their responsibilities by filing these documents as required.

In February, under our plan to improve tax compliance, we announced that we will actually be cancelling the charters of companies that consistently are not filing tax returns or other declarations as they should. To that effect, notices have been sent to all corporations in Ontario which have not filed their returns and other declarations. Those notices have requested them to immediately file the required documents and remit any outstanding tax payments that may be owing.

If companies are not complying with those notices to file, we have the ability to cancel charters, and the implications of that—they're quite significant if that were to occur—would include, for example, the forfeiture of corporate assets to the crown, the loss of limited liability and insurance coverage, the inability to claim tax losses, a number of steps that would be lost if we were indeed to take away the charter of corporations that do not pay tax. It's a serious step, but I think that in this case the principle of what we are trying to achieve is very important.

The government also requires corporations that file tax returns late and have taxes due to pay a penalty of up to 17% on the outstanding balance, which can escalate to 50% for repeat late filers. In addition, directors of corporations may be prosecuted for failure to file and fined \$200 per day. So there are some significant penalties in place here.

These measures are part of the government's ongoing efforts to improve the integrity of the tax system. In recent years, for example, these steps have included the creation of a new compliance unit and the hiring of addi-

tional staff to enforce compliance. So there have been a number of steps that have been taken to ensure that all of those who owe tax, whether individuals or our business community, do indeed pay that tax—everyone pays their fair share. Because if they're not paying tax, it's not money they're robbing from the government; it's money they're robbing from other taxpayers.

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Because of the discipline, as I mentioned before, that we've brought to public spending, because of the tax relief that we've provided to individuals and our businesses, especially small business, because of the resulting economic growth, our provincial tax revenues have actually increased by \$16 billion since 1995. This money has enabled us to reduce debt and to invest in the priority programs that I mentioned, programs like health, like education, that support not only our economic prosperity but also the quality of life in our communities.

I mentioned our commitment to health care: the operating spending in the current fiscal year of \$27.6 billion, and that's an increase, I should note, of \$1.7 billion over last year. Our total health care spending, when you look back to 1994-95 when this started, is actually \$10 billion more than what it was in 1994-95, so a very significant increase in the investment while Ottawa is giving us only \$1.3 billion more than they did in 1994-95. Those investments have had a positive impact on communities across Ontario in many measurable ways.

We're improving access to diagnostic equipment: for example, MRI machines, an important diagnostic tool for our physicians and nurses. When we started in 1995-96, there were approximately 12 of these machines in Ontario; it's up to 42, and that's 30 more MRI machines benefiting patients all across the province.

A total of 20,000 new long-term-care beds are coming on stream, and an additional 16,000 beds are being renovated to bring them up to standard. Again, those are improvements that are happening in our communities across the province. For example, I and my colleague Dan Newman, the minister for long-term care, had the privilege of opening one of those facilities in Durham region, a great state-of-the-art facility that I think all of us would be quite comfortable having either ourselves or a family member living in. So not only are new long-term-care beds coming on stream, but also additional beds renovated to standard, older facilities to an appropriate standard.

The number of nurse practitioners is being doubled. We're focusing on northern and underserved areas. We've substantially increased our support for hospitals. As I said, we've committed \$3.3 billion to expand, modernize, build new hospitals. These commitments, for example, include three completely new hospitals being built in Thunder Bay, North Bay and West Parry Sound—very significant improvements. We've invested to increase access to dialysis services, cardiac care, cancer care.

As I said, we have increased the financing of health care significantly, but for Ontario and other provinces

across the country it is a challenge to do so. Again, just to look at the statistics to make the point, in 1995-96, health care operating spending was approximately a third of our total program spending, and in this fiscal year it's expected to be almost half of our program spending, so a significant increase. We all know the history of health care financing in Canada, but it bears repeating. Over time the federal government has reduced its share of health spending from its original 50% down to 18% in 1994-95, and further to today's level actually of only 14%. We've made up this shortfall, while addressing important priorities.

One of the areas where we are increasing investment, despite the pressure of health, is in public education, where we've increased from \$12.9 billion to \$15.3 billion in the upcoming school year. In 1995, we knew that public education again was in serious need of renewal and reform. We knew that our students were not getting what they needed to succeed and so, by investing in a new, more rigorous curriculum with higher standards, province-wide testing to chart our progress, improvement strategies that respond to test results, comprehensive standards for teachers' professional development and performance appraisal—through all these things—we have been raising student achievement and we're seeing that our students' test scores are moving up in year-over-year provincial comparisons and in national and international rankings.

We're also expanding our colleges and universities as part of our comprehensive plan to accommodate increased enrolment. We've made a historic \$2.6-billion investment to increase new student spaces by 135,000.

But it's not simply health and education; it's also helping Ontario's economy to be one of the top performing jurisdictions for innovation. We provided an estimated \$2 billion between 1997 and 2001, to encourage research excellence, commercialization and partnerships between industry and research institutions. For example, \$2 billion in support of innovation is expected to lever an additional \$4 billion in investments in our R&D industry. These investments are creating the innovative products and services of the future that will enable Ontario to succeed in the global economy.

We're also investing in infrastructure, and we've asked SuperBuild to achieve a target of investing at least \$20 billion in infrastructure over five years. We're up to \$15 billion so far. That's 4,000 capital projects for hospitals, highways, transit, universities, colleges and local community infrastructure—an incredibly important support for our communities.

Recognizing the key role that municipalities play in building economic growth in their communities, we have also introduced tax incentive zones to enable communities to break down barriers to growth by building on local competitive advantages. We have announced a tax incentive zone to encompass all of northern Ontario. These zones—there will be others coming—are designed to encourage both large and small businesses to invest and expand in small and rural communities. Eligible

businesses located in northern Ontario would not be required to pay provincial business education tax, capital tax or employer health tax. These tax incentives will be in place for about 10 years, beginning January 1, 2004.

We also launched this year the first-ever issue of tax-exempt bonds, the Ontario opportunity bonds. This is part of the substantial support for municipal infrastructure that we're providing. Ontario opportunity bonds are a key element of our Smart Growth plan, to ensure that as the province grows, all communities have modern and efficient infrastructure to maintain and improve quality of life in Ontario. The public response has been very positive. Sales have surpassed \$300 million, and we expect to announce the first set of loans to municipalities in the near future.

We have also made significant changes in our securities laws, to protect investors and create further growth and new jobs. Those will be very important as well.

Our government made a promise to restore opportunity and prosperity to Ontario. I am pleased to tell the members of this committee that the plan is working. Our economy is growing at a rate that is faster than all of the G7 countries, including the United States. In the past eight years, our economy has created over one million net new jobs. That's more than 46% of the jobs created in Canada since 1995, and I think it's important to recognize that all parts of Ontario are benefiting from these new jobs. This has helped approximately 627,000 people leave social assistance since 1995—another important benchmark.

Average family incomes in Ontario are rising dramatically. Two-parent families with children had an average after-tax income in 1995 of over \$57,000. A growing economy and tax cuts have raised this in real terms by 19% in 2000. Single-parent families saw a 33% increase in their real average after-tax income.

Regaining Ontario's ability to make important investments in key priorities did not happen by accident. Those investments are possible because the fundamentals of our economic plan have moved the economic performance of this province quite simply from worst to first.

How do we move forward to create more jobs, more opportunity, to keep building our competitiveness and productivity to secure future prosperity? How do we generate the revenues we need to meet growing public expectations for world-class public services? The short answer is by sticking with the plan, by continuing with the initiatives that set the stage for Ontario's turnaround: vigilant fiscal management, lower and more competitive taxes, balanced budgets, reduced debt and key investments in priority areas.

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Our tax and fiscal policies have helped Ontario recover from the 2001 economic downturn more quickly than other jurisdictions. Despite the weak economic performance of the US economy, job creation in Ontario has remained solid.

All of this points, though, to the need for continued caution and prudence in the management of our fiscal

plan. We've put in place some controls. Discretionary spending has been frozen to ensure we meet our goals this year. As we always do, we are continuing to make adjustments and reallocate to accommodate priorities within our resources.

We will not forget the lessons so painfully learned between 1985 and 1995: to keep focused on the fundamentals that restored confidence, investment and job creation to Ontario; lower and more competitive taxes; balanced budgets; less debt; sound fiscal management; and key investments. Our government will continue to focus on measures to ensure that Ontario can weather the challenges ahead. While global economic forces will always impact the provincial economy, our government will continue to ensure that sound fundamentals are in place to promote growth and prosperity.

Thank you very much, Mr Chair.

The Vice-Chair: You're right on time. Thank you very much.

Mr Phillips, you have 30 minutes.

Mr Gerry Phillips (Scarborough-Agincourt): Thank you, Minister, for being with us. I look forward to, I guess, at least two days of discussion with the minister on the ministry estimates. I'm going to spend my time asking questions, because I find that more helpful.

The public is kind of amazed that, after eight years of a government theoretically managing the finances well, the only way the books are balanced this year is through, among other things, selling off \$2.2 billion worth of key provincial assets. People kind of think of it as having to sell off your home to buy the groceries. So I want to start the questioning on the asset sales, to find out exactly what we are selling. I've asked this question in the Legislature, but I'll follow it up here.

When you sold the 407, I think the requests for proposals went out a year and a couple of months in advance. There was a long period between the time it was announced for sale and when it was actually closed. Now we've got less than 10 months before the end of the fiscal year. This is a cornerstone of your fiscal plan. People know where you're promising to spend the money, and I think they have every right to find out where you're planning to raise the money. So I wonder, Minister, if you might outline for us today how you plan to raise the \$2.2 billion in asset sales?

Hon Mrs Ecker: You want to go directly into questions, then?

Mr Phillips: Yes.

Hon Mrs Ecker: OK. First of all, as the honourable member will know, every year we review the public assets that we manage on behalf of taxpayers to ensure that they're well managed, to see if there are other options available to maximize the value for taxpayers. For example, last year two reviews were conducted on Hydro One and another one on the Province of Ontario Savings Office. In one case, as the Premier has said very publicly, with Hydro One, when we looked at what made the most sense for consumers and taxpayers, it was to have Hydro One remain in public hands.

When we looked and reviewed the Province of Ontario Savings Office, the decision was different because POSO was a service that had been started by government many, many years ago when banking services were not as readily available in some of our smaller communities. That service had not been able to expand. The base of customers accessing it was very small. In effect, we were running a sort of elite little banking service for a small group of people. We looked at that, and it's not the core business of government to be providing banking services to our citizens.

So through a competitive process, we had Desjardins Credit Union, a company that is well known in the credit union world and has done some very good things in many communities—it's a very good arrangement. Not only was there \$50 million worth of revenue to the government, but they are also making over \$100 million—I think it's \$150 million, if I recall—worth of investments in upgrading the services and technology. Virtually all of the staff is being retained. There are new services for those customers of the bank. So in that case, the decision was made to divest ourselves of POSO, the bank, and we indeed did that.

This year, we are continuing to review assets and, where it makes sense, we will make changes. If it does not make sense, if there's not a good business case to be made for doing that, we won't move forward with those changes.

Mr Phillips: Minister, that's an insulting answer to the public of Ontario. You just sort of ramble along when, in my opinion and I think the public's opinion, they have the right to know. This isn't Ernie Eves's private little company. They have the right to know what you're selling, and it's insulting not to give them the answer.

I'll give you another chance to do what you owe to the public. Can you tell us what you're planning to sell to raise \$2.2 billion over the next 10 months?

Hon Mrs Ecker: First of all, as the honourable member should well know, the sales and asset line in the budget has varied quite widely over many, many years. To first of all somehow assume that there has to be one asset sold for \$2 billion is not an accurate assumption. The other thing is that, yes, the public does have a right to know. If we're going to move forward and change the management or ownership or somehow restructure or do something with a particular asset, of course the public has the right to know that. But I don't think it is very helpful to sit here and speculate on decisions that may or may not be made before they're done.

As we said last year, we anticipated revenue from the sales and rental line, from assets and, as I said, both POSO and Hydro One were very publicly done, as they should be. We talked in the budget last year and again this year of some of the assets that we are reviewing. We're looking at some of the landholdings the government has, we're looking at the best way to provide the services through Teranet, and there may well be some other steps that the government takes. If and when the

business case is made, we will certainly be very open about what will occur. But, as the honourable member well knows, last year we did not move forward with one particular asset and on another one it made most sense to do that.

Mr Phillips: I'm very suspicious of this budget, and your answers don't help to alleviate that.

Because you refuse to answer the question, which I think is insulting to the public, I'll move on to my next question.

Hon Mrs Ecker: I know the honourable member may not agree with the answer and may not like the answer, but I do quite seriously reject his allegation that somehow or other this is insulting to the public. That's not the case. If there are indeed changes to be made in the management of a particular asset, that will certainly be made clear to the public, if there is a business case. If nothing is done, nothing will be done. Again, I don't think it's helpful to speculate on things that may or may not occur.

Mr Phillips: Well, you're asking people to buy that you've got \$2.2 billion of assets to sell and, frankly, until you produce some evidence of that, I don't accept it. That's probably the most gentlemanly way of putting it.

My next question is, you've indicated that the spending on SARS will be, I gather, about \$850 million. Is that anticipated to be this fiscal year and, if it is this fiscal year, where would we find that money?

Hon Mrs Ecker: The majority of that is probably going to be spent this fiscal year. Some of those determinations are being made. Of course, there is information that we are obtaining from hospitals, from staff, that is going into this. Some of that may take time

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Second, we have also been very clear with the federal government. They have indicated that they are willing to be supportive of the expenditures that Ontario has made that are SARS-related. Those negotiations are not yet concluded, as well. So there are a number of questions and further information that will be coming forward to answer some of those questions.

I'd also like to go back to something that the honourable member said earlier. When you have a budget of over \$70 billion, there are many, many decisions that go into keeping that budget balanced, as we have done the last four years in a row. There is a track record, there is a commitment to keep the budget balanced. We're prepared to make the decisions that are required to do that, as we have in the past. I know the member is all fixated on one particular line, but that particular line in a \$70-billion budget is one small piece of a very large pie. There will be a number of decisions, as there always are, that go into making sure that this budget, as the previous four have been, is indeed balanced.

Mr Phillips: Let me pursue that then. I'll make the assumption that there's over \$800 million of expenses for SARS that were not anticipated in the budget. You've also built in another \$700 million of unidentified savings. You just put a number in there; you're going to find \$700 million of savings.

Normally, that number is \$200 million to \$300 million a year. Now, after eight years of what you purport to say is tight fiscal management, you've identified \$700 million that you're going to cut from somewhere. When you add up health and education, colleges and universities, and law and order, and take that out of the mix, a \$700-million cut is substantial and it's dramatically higher than any previous year. So you've got \$800 million for SARS and then another \$700 million of cost savings. Can you tell us today some of the ways you are going to save that \$700 million?

Hon Mrs Ecker: First of all, we are always looking for better efficiencies in how we provide government services. Sometimes some projects, for example, on the capital side, projects that one expects to be started or completed in a particular year, don't occur. So those are sometimes savings that are made. Sometimes programs underspend in certain areas; decisions are made by the government to focus on other areas. There are a number of decisions that go into finding savings. We're going to continue to do what we've always done, to look at the most effective and efficient way to provide services. Where there are new ways to do that, we will. Where there are ways to get out of a core business that the government doesn't have to be in, we certainly will, so that we can indeed find savings.

When you go out and ask the public—as we do on a regular basis consult the public—they always speak quite strongly about the need to continue to have steps to take misuse and abuse out of the system to make sure that government is using money as efficiently and effectively as it can. They know there are still problems there, that there are still savings that can be found. We agree, and we have a program review committee, as we announced in the budget last year, that is reviewing all programs, as they should, to achieve savings.

Mr Phillips: Sure, but you're making it up when you say \$700 million. It's like double what you've ever had before, and after eight years, and that's part of my suspicion about your budget.

You indicated last year that the reason you broke the Taxpayer Protection Act and delayed the tax cuts—you delayed \$1.5 billion of tax cuts—was, and I'm quoting here, "To meet the target of a fourth balanced budget, the government delayed scheduled reductions in a number of tax cuts." So you had legislated tax cuts planned and you just abandoned the Taxpayer Protection Act.

If you run into difficulty this year in balancing the budget, would you once again abandon the tax cuts and simply amend the Taxpayer Protection Act so you wouldn't have to proceed with them?

Hon Mrs Ecker: First of all, I reject the honourable member's characterization. The Taxpayer Protection Act is there to protect taxpayers from governments that may wish to increase taxes without asking the permission of the voters. That is still the case.

What happened after the events of 9/11, as we said very clearly last year, was that there was a need to make a number of very difficult decisions. We extended the

time period of some tax cuts, so they took a little longer to come into implementation or to be completed. We extended that out by one year. We also moved forward with other tax cuts in last year's budget.

Every budget that this government has brought down has had tax relief, because again, one of the things that helps an economy is to have competitive taxes, lower taxes. That's one of the reasons that we have the jobs and investment here. We are continuing to move forward with a program of tax relief, making sure that we are implementing it at an appropriate pace so that that tax relief can benefit the economy, as it has before.

Mr Phillips: I was just quoting your own document. It said, "How can the government justify breaking the Taxpayer Protection Act?" That was your answer in the document produced.

On page 50 of your briefing book, you indicate that the Ontario home property tax relief act will reimburse seniors for their full residential education property tax. Is that the intent of that piece of legislation?

Hon Mrs Ecker: It is the intent to have seniors benefit from being relieved of a portion of their property tax; it would be the education portion of their property tax. It would start July 1 this year, should the legislation be passed.

Mr Phillips: But that is the intent, to reimburse their full education property tax?

Hon Mrs Ecker: The full year would be next year, so in the first year it would only be—

Mr Phillips: But 100% of it.

Hon Mrs Ecker: That's the intent, yes.

Mr Phillips: So there is no cap on it? It doesn't cap at, say, "You'll only get back \$1,000," or something like that?

Hon Mrs Ecker: It is the full education portion.

Mr Phillips: So if I own—which I don't—a \$1-million home, I would get \$3,335 back?

Hon Mrs Ecker: It depends on your individual tax situation. If you own a \$190,000 home—

Mr Phillips: No, I said, if I own a \$1-million home—

Hon Mrs Ecker:—you would get tax relief, and the majority of senior citizens are living on modest incomes. Even though a senior citizen may well live in a house, they may have been in that house for 30, 40 or 50 years—

Mr Phillips: I know. But I've interpreted your comment right that you get the full residential education property tax back, regardless of value?

Hon Mrs Ecker: Most seniors we meet and see in our travels very much need additional tax relief. So this program is designed to indeed do that for those seniors, and to recognize the contribution they have made to the economy.

Mr Phillips: I understand that. I just want to be sure I've got it technically right. You do get the full residential education property tax back?

Hon Mrs Ecker: Yes, the educational portion.

Mr Phillips: Regardless of value.

Hon Mrs Ecker: Mr Phillips, as you well know, many seniors, as I've said, may well live in a house.

They've been there for 50 years. That house may have appreciated in value, but their income may not have. I think—

Mr Phillips: I understand. I just want to make sure that I've got it right.

Hon Mrs Ecker: I think it's an important point to make, because those seniors are not—and they will certainly tell you—wealthy by any stretch of the imagination.

Mr Phillips: I understand. Just as long as I've got it technically right that there is no cap on it, I appreciate that answer.

Again, just so I understand it, each senior makes an application annually, the application then is processed and a cheque is sent back. I gather there are about a million applications, if I'm not mistaken. What size of staff have you anticipated to deal with that?

Hon Mrs Ecker: As you know, the Ministry of Finance currently has staff who are in the process of doing precisely that kind of activity.

Mr Phillips: No, I didn't know that.

Hon Mrs Ecker: They deal with both individuals and companies on a regular basis in terms of the collection of tax or application for various programs that may be in existence. This would be another program similar to these.

I think it's important that obviously detailed planning is not occurring until the legislation has passed. We wouldn't want to presume the judgment of the Legislature.

Mr Phillips: With all due respect, as they always say, you want us to pass this legislation. You're going to process a million applications, and it looks comparatively complex. You're then going to send out a million cheques. I'd just like to have some idea of what you've anticipated is the cost of doing it. You've designed the program. This is how you want the program to work. If I take you at your word, as they say, that you manage this stuff well, you must have asked, "How many staff do we need to deal with this?" I just want to get some idea, in your estimates book here, what you have estimated as the cost of managing that program annually.

1620

Hon Mrs Ecker: We can certainly provide you with further details on that, but I think it's important to recognize that, as we do with any budget initiative where there is a new program that is brought in place, it is done, first of all, within the existing civil service framework whenever possible. There may well need to be an additional official or officials to deal with a particular program, and those judgments are made as we implement these programs. We'll certainly be prepared to provide you with any further information on that.

Mr Phillips: That would be very helpful. I would have thought you'd have it today, because I gather it is a million applications—check me if I'm wrong here—and it is the plan to send them back a cheque.

Hon Mrs Ecker: We deal with literally millions of taxpayers on a regular basis in the ministry.

Mr Phillips: I understand this may not seem like much to you, but—

Hon Mrs Ecker: No, that's not what I said, but we would certainly be prepared to provide additional information for you as it becomes available.

Mr Phillips: I'll just make sure I've got it right: there is no cap on it and it is a rebate program that requires an annual application. Renters, I gather, have to get from their landlord a form that says, "I have paid on your behalf X tax." Have I got this right so far?

Hon Mrs Ecker: It is an application-based program. I must say that we would be quite prepared for Ottawa to do what they've done in the past—but it's sometimes very difficult to arrange these things with them—where they actually allow things to be done on the income tax form. That is always something, as we seek to negotiate better tax collection agreements with Ottawa, that might be possible as well.

Mr Phillips: Minister, are you saying your legislation assumes this is going to be handled through the Income Tax Act?

Hon Mrs Ecker: No.

Mr Phillips: How could Ottawa handle it, then, if your legislation is written in a way that requires people to apply here?

Hon Mrs Ecker: This legislation certainly has an application process, because that's the most effective way to do that in the short and near term. For example, one of the things we've found when we provided tax relief before was that through the municipal property tax system, very few taxpayers actually saw it, because municipalities actually moved in to the tax room. In order to provide additional property tax relief, we felt an application-based program in the near term was the best way to do that. So that is indeed what the legislation says.

Mr Phillips: But you've just said to us that you think maybe the Income Tax Act might be better to do it. Why in the world have you got a piece of legislation before us that assumes the application form?

Hon Mrs Ecker: Because of the success we've had with Ottawa in terms of trying to get them to make changes on the income tax form. To have things done in that fashion can sometimes take, in some cases, not only months but longer than that.

Mr Phillips: So you tried this, but they wouldn't cooperate?

Hon Mrs Ecker: No, not on this one. Certainly the best and most effective way to provide this relief to seniors was to do it through an application-based program. It's very clear what the benefit is to seniors. It is an effective way to provide additional tax relief to those seniors, and that's indeed what we are doing.

Mr Phillips: Good. I look forward to your cost estimate to the committee. I am honestly amazed that we have this piece of legislation before the House and you and the staff can't tell us the cost of it.

Hon Mrs Ecker: Mr Chair, on the other hand, this is the same party—if we had come out here and said, "OK, here are our plans, here are the job ads, here's the

Management Board submission,” he would be the first one to sit here and say, “Aha, they’re not abiding by the will of the Legislature. They’re presuming the will of the Legislature.” We know they like to have it both ways, but in this case we have put a very important concept initiative out for seniors to provide them with tax relief. We will be administering this program, as we administer other programs in finance, in the most cost-effective manner. We’re quite happy to provide the honourable member with further details that may well be available to this date. Again, as more details become available, we’ll be quite happy to provide them to the honourable member.

Mr Phillips: My background is business, as they say, and I’d never launch a program without having some idea of what the cost is.

Hon Mrs Ecker: Certainly that work has been done by staff. But again, as you well know, the process for implementing programs here in this government has been to have ministries put together plans in place. Those plans go to Management Board and are reviewed. There may well be other cost-effective ways to deliver those plans. That work is being done, as it should be, for implementing this program like it is for any other program.

Mr Phillips: I’d love to see the cost.

On your organization chart—it’s page 3, I think—you show the private-public partnerships and Hydro One project. What is the Hydro One project?

Dr Bob Christie: This is the—

The Vice-Chair: Identify yourself, please.

Dr Christie: Oh, I’m sorry. I’m Bob Christie. I’m the deputy minister.

This is under the Ontario SuperBuild Corp. There are two units. The unit of infrastructure strategies and communications deals with all of the capital planning process, the approvals, the business planning for capital etc. The other unit deals with all of the public-private—

Mr Phillips: Just the Hydro One project. What is that? I’m just trying to get an idea of what that is.

Dr Christie: Perhaps I could ask David Lindsay, but my understanding of that is that this is the formal name of the unit. The government, of course, has announced that it will not be selling Hydro One. But this unit as a whole deals with all public-private partnerships, and the name is a residual from prior to that.

Mr David Lindsay: That’s correct. The unit has been established since SuperBuild was created.

The Vice-Chair: Identify yourself, please.

Mr Lindsay: David Lindsay from Ontario SuperBuild Corp, Mr Chair.

The unit was established as a public-private partnerships unit when SuperBuild was created in December 1999. When the government decided it wanted to engage in the Hydro One transaction, that additional responsibility was nested under that unit, so the title of the position was changed at that time. As you know, the Premier and the government publicly announced they were not proceeding with that transaction, but the name of the position remains.

Mr Phillips: Wow. I hope nobody’s on staff for that. I don’t understand why, in an up-to-date organization chart, the Hydro One project is still on there. I’m suggesting that it looks suspicious.

Mr Lindsay: Are you asking me if it looks suspicious?

Mr Phillips: No, I’m telling you it looks suspicious. I’m asking you why it’s still on there.

Mr Lindsay: Because it hasn’t been changed.

Mr Phillips: OK.

Interjection: It still exists, right?

Mr Phillips: Yes. That sounds suspicious. It caught my eye that we have somebody there who thinks they’re in charge of the Hydro One project.

Mr Lindsay: There is currently no activity taking place at SuperBuild dealing with the disposal of Hydro One. However, there are documents and papers that are being prepared for the public accounts and making sure those materials get wound down. So their staff is still closing down the files, if your question is, what are they doing?

1630

Mr Phillips: The minister mentioned paying down the debt. I’m looking at the debt from when the new government came in, in 1995. It looks to me like it was \$90.7 billion, and it looks like it’s \$111.7 billion currently. Am I looking at the wrong numbers here?

Hon Mrs Ecker: Sorry? Pardon?

Mr Phillips: You mentioned that you paid down the debt.

Hon Mrs Ecker: I said we paid down \$5 billion on the debt.

Mr Phillips: My recollection was that you got elected in 1995 and the debt then was \$90.7 billion. My understanding, in looking at the table here—

Hon Mrs Ecker: If you want to add in the NDP’s fiscal year and their debt, yes, you can make that calculation, but what we have done—

Mr Phillips: No, I don’t want to add that in.

Hon Mrs Ecker: But that’s what you’re doing when you do it. In our fiscal year, 1995-96, the debt was \$101 billion, as you can see from the chart.

Mr Phillips: No, Minister, actually you’re wrong. The debt when 1995-96 started was \$90.7 billion. I accept that 1995-96 was your first fiscal year, but the debt when you started was \$90.7 billion, and it’s \$111.7 billion now. Am I correct?

Dr Christie: The figures here relate to March 31 of the year, so it is as at the end of the year, just for the purposes of—

Mr Phillips: I understand all of that.

Hon Mrs Ecker: In 1994-95, March 31, the last time I checked, we weren’t in government at that time, Mr Phillips.

Mr Phillips: That’s right, and the debt was \$90.7 billion.

Hon Mrs Ecker: That’s when the NDP was there, and so they said, but there was an \$11-billion deficit projected, as you know, when we came in and put out the

numbers. As you'll see, from 1995-96, the correct figures are out as to what that debt position was. As we said, we were going to balance the books by the end of the first mandate. We actually did it a year ahead, as the figures also show.

Mr Phillips: I calculate that on March 31, 1995, three months before you took over, the debt was \$90.7 billion and it's \$111 billion now. It's up \$21 billion.

Hon Mrs Ecker: Actually, it's interesting that you're defending the NDP's accounting practices. I think that's a record, that the Liberals are defending the NDP's accounting practices.

The Vice-Chair: Thank you very much.

Mr Hampton, you have 30 minutes.

Mr Phillips: I never even said that.

Interjection.

Hon Mrs Ecker: No, it's actually rather accurate, I think, Mr Gerretsen.

Mr Phillips: I don't think so. When you took over in 1995—

The Vice-Chair: Let's not encroach on Mr Hampton's time.

Mr Howard Hampton (Kenora-Rainy River): Minister, numerous banks, credit rating facilities and independent economists have stated that your 2002-03 budget isn't really balanced because you will have to sell off up to \$2.2 billion in public assets to pay for this year's operating expenses. In fact, the Dominion Bond Rating Service in particular refuses to accept this as a legitimate public accounting procedure and states in a recent report that the Ontario budget is really \$1.8 billion in deficit. How do you respond to these kinds of critics?

Hon Mrs Ecker: The bond rating agencies calculate things on a different basis. Secondly, it's not the first time they have raised issues around budgets. They have predicted problems before. Those problems did not occur. We have balanced the budget four times, and we plan to do that again this year for a fifth consecutive time, because it is our commitment to do so.

Mr Hampton: You're simply saying they're wrong?

Hon Mrs Ecker: We have laid out a plan to balance the budget this year, as we have four times before. There are a number of decisions that go into balancing any budget. There is no one step, one decision, one thing that does that. It requires a consistent process over the course of a year. It is not the first time that bond rating agencies—for example, DBRS back in 1997 said they didn't think we were going to be able to balance our budget by 2000-01 because we had tax relief. We indeed did that. We eliminated the deficit and balanced the budget a year earlier than projected, in 1999-2000. So it's not the first time they've raised an issue and I suspect that for governments in the future it won't be the last time they raise issues. At the end of the day, we are prepared to make the decisions that are required to do what we said we would do, as we have before.

Mr Hampton: Your budget assumes Ontario will experience 3% growth in real GDP in 2003. But due to SARS and continued weakness in the American econ-

omy, most recent economic forecasts predict Ontario's growth at about 2%. What would be the fiscal impact on the Ontario budget of a 1% shortfall in economic growth, as now seems likely?

Hon Mrs Ecker: As the honourable member probably is aware, we base our growth forecasts on a consensus from the private sector forecasters. We monitor that, because obviously that changes from quarter to quarter during the course of a year. We quite anticipate that there might well be changes. We factor those into the decisions and the steps we take. The other thing is that economic growth can depend, in terms of the impact on the budget, on what kind of growth, where, when and how it affects different parts of the economy, for example. A lot of things can go into how that affects the province's bottom line at the end of the day. I'm sure the deputy could provide some additional details and technical information about how that is done.

Dr Christie: In terms of the private sector forecasters, we monitor them on a regular basis. Their views will change continually through the year, but the budget forecasts attempt to be somewhat cautious in terms of the sort of economic outlook that is used. I think that at budget time the private sector forecast was a little bit over 3%, and we used a little bit under the private sector forecast.

I think there's a good deal of uncertainty around the impact of SARs. Clearly the short-term impact of what's happened with SARS has been negative, and we've seen the sectors where that has had a big impact. What I don't think people know yet is what the recovery from that will be like. I think that is the question.

The forecasts for the Ontario economy that we have continuing to come out continue to be reasonably strong. There's a good deal of underlying strength in the Ontario economy as a whole in terms of consumption and other sectors. We continue to monitor the private sector forecasters as their views develop.

Mr Hampton: I agree with you that many of the private sector forecasters five and six months ago were predicting 3% growth. But when you look at those same forecasters today, they are predicting something in the order of 2% growth. My question is simple: if they're right, if the growth is not 3% but 2% on GDP, what does that mean in terms of the budget? How much money do you lose? You introduced the technical aspect. You must have done some calculations as to what that means for you in terms of millions of dollars of lost income.

Hon Mrs Ecker: First of all, the private sector forecasters' current average is 2.8% for 2003, with 3.5% anticipated in 2004. Secondly, the actual impact on the province's bottom line depends very much sometimes on how it hits the economy. It may well impact some areas more than others, and that can have a bearing on how it impacts on the actual revenues that go into the province. But 1% growth can have an impact—and again it depends on how it occurs—of somewhere in the \$600-million range.

Mr Hampton: It's a simple question.

Hon Mrs Ecker: I just answered it, Mr Hampton.

Mr Hampton: If economic growth is not 3%, it's 2%, you must have done some relatively routine calculations about what that means in terms of loss of tax revenue. It's a basic question. It's like, what's two and two?

Hon Mrs Ecker: First of all, those figures are in the budget papers. What I am saying to the honourable member—and I just answered this question. He was busy talking to a staffer, and I understand he may not have heard me say that. But the other thing is that the actual impact at the end of the day may well vary, depending on how it hits the economy. If you turn to page 27 of your budget papers, you can actually see it. As I said, it's somewhere in the neighbourhood of \$600 million—a full percentage point.

1640

Mr Hampton: So if we are faced with 2% growth in the economy rather than 3%, it means a loss on average of about \$620 million: in other words, \$620 million more that you'd have to make up. Is that right?

Hon Mrs Ecker: Well, again, it would depend. As I said, it depends on how it would actually hit our revenues. That is a forecast, an estimate, and so 1% in general is what it's considered to be.

Mr Hampton: Gee, why do I have to ask five questions to get that simple answer?

Let me ask you this: given the projections from the United States that the American economy is not doing well, and the projections that the Canadian dollar is actually appreciating in value as compared to the American dollar—and that has real repercussions for a number of our export industries—and given the projections that SARS is going to have a negative impact on the economy of Canada's largest city, Toronto, have you done some estimates as to: will it be \$620 million more that you'll have to find, will it be \$550 million, will it be \$400 million?

I would think, if you were being prudent—and you say you're being prudent—you should have done some of those estimates by now. What are they?

Dr Christie: The way in which we monitor and manage these matters is to pay very close attention to the monthly information that comes in through retail sales tax, employer health tax. I think we found over time that one of the most reliable barometers of the performance of the economy is the actual revenue generation through the particular taxes we collect. There are obviously some lags in getting that information. To date we have seen some of the signals, but we have not seen anything material.

One of the parts of the planning that we do is to have in place—and this was originally recommended by the financial review commission back in 1995—a reserve, which is now at \$1 billion, whose purpose is to provide some protection against adverse events in the economy. So there's some protection built in there through the use of the reserve.

Mr Hampton: Again, I just want to ask you a simple question. I read the headlines. I know, for example, that in the part of Ontario I know best, northern Ontario,

sawmill after sawmill is shutting down—200 workers here, 300 workers there. Most of the sawmills, and there are several, don't believe they will make any money this year. A paper mill in Sturgeon Falls shut down—160 workers. A number of other paper mills shut down. Falconbridge has announced they're shutting down their refinery this summer for at least three months, possibly five months—something to do with high electricity prices—and laying off 500 workers. You must have some estimates of how much this is going to offset both economic growth figures and your revenue figures.

You've said to me you're being very prudent. I'll accept that for now. Well, show me how prudent you are. You must have some sense: is this going to be a \$620-million loss of revenue, a \$500-million loss, a \$400-million loss? What do your projections show at this point?

Hon Mrs Ecker: First, one of the things, as the honourable member well knows, is that the Ministry of Finance does report on a regular basis through quarterly reports and the economic forecasts in the fall. We will continue to do that.

Deputy, did you have anything more to add?

Dr Christie: I think the only thing I would add is that there is a lot of uncertainty right now, and I think that most forecasters are trying to be aware of that uncertainty. There are a lot of outcomes, which is why we are paying particularly close attention to the revenue flows so that we can get as accurate an idea as we can of what is really going on, as opposed to what's really conjecture, I think, in terms of what the longer-term impact of this will be. Nobody knows what the longer-term impact—three months, six months—of the current state of affairs will be. We're looking at it and monitoring it very closely, and we will be reporting on it, as the minister described.

Mr Hampton: But page 27 of the budget says that a 1% decline in GDP will likely translate into a \$620-million loss in revenue.

Dr Christie: That's correct.

Mr Hampton: Last week—I want to return to some of the issues that Mr Phillips covered—the Premier announced \$720 million in new funding to combat SARS.

I want to ask you this question, Minister: is this \$720 million on top of the \$27.6 billion in health care spending detailed in the 2003 budget?

Hon Mrs Ecker: Again, as we said, some of that money will be spent this fiscal year. Some of it, depending on the information that we're getting in, may take a little longer to be spent, but that is additional health spending.

Mr Hampton: So that's on top of the \$27.6 billion.

Hon Mrs Ecker: Yes.

Mr Hampton: So if most of it were spent this year, that would be, in fact, a health budget of \$28.32 billion. Is that right?

Hon Mrs Ecker: Certainly, that estimate might well be accurate at the end of the day.

Mr Hampton: You referred earlier to the fact that you also, in this budget, project that you need to find \$700 million in savings.

Hon Mrs Ecker: We do have a savings target.

Mr Hampton: I'm just trying to add up some numbers here. You admit in the budget that you have projected asset sales approaching \$2.2 billion. If the forecasters are right, and we actually see a 1% decline in projected economic growth, that's another \$620 million. Then there's the \$720 million in new health care spending. Then there's \$700 million in savings. It looks like, in fact, you've got a \$4-billion question you have to answer.

You tell us you're prudent. Can you tell us how you're going to deal with that potential \$4 billion of new expenditures, asset sales or loss of revenue? You must be thinking about that.

Hon Mrs Ecker: Well, as we always do as we go through a fiscal year, we know there will need to be in-year changes, as there always are. We are prepared to make those in-year changes this year, as we have before, in order to balance the budget. I guess I would also ask the honourable member what SARS initiative he would prefer that the government not do.

Mr Hampton: I'm not suggesting any of those things. It looks as if you've got a pretty significant problem here. You say you're prudent. Well, if you're prudent, you must be thinking about how you would possibly address this. What would it be?

Hon Mrs Ecker: I appreciate the honourable member's concern for balanced budgets. It might have been helpful if his government had been a little more concerned about them. We came into office in 1995 and faced an \$11-billion deficit. That is what we were dealing with. We have turned the corner, brought that deficit down to zero, balanced the budget four years in a row, and intend to balance it again this year.

There's no question it's going to involve some very, very difficult decisions, as it always does. There is no easy path to keeping a budget in balance. We are prepared to make those tough decisions and to reallocate from within as we need to to find savings, as we have before and as we will again, to make sure that at the end of the day we are addressing priorities like SARS, for example, and balancing the budget.

1650

Mr Hampton: Again, this is your budget where you say you're projecting \$2.2 billion in asset sales. You say you're projecting \$700 million in reductions; ie, savings. You say there has to be another \$720 million found for SARS. You admit in your budget document that if economic growth falls 1% short of what you initially projected, that's another \$620 million. Actually, when I do the numbers, it works out to \$4.24 billion. Don't you think the public of Ontario deserves a response as to how you think you're going to find \$4.24 billion? You are, after all, three months into the budget year.

Hon Mrs Ecker: The honourable member can play what-ifs as long as he wants. At the end of the day, decisions are and will be made, as they have been in the

past, to ensure the budget stays balanced. As the honourable member well knows, we had an asset sale figure in last year's budget, and that number was not realized for a number of valid reasons. The budget was balanced at the end of the day. We will continue to do that, because it is important that that be done.

Mr Hampton: I'll repeat the question. By your own numbers, you say—

Hon Mrs Ecker: By your speculation.

Mr Hampton: By your own numbers, you say \$2.2 billion in asset sales. You say \$720 million in new expenditures to fight SARS. You say \$700 million in further savings must be found in the budget. That's not my speculation; those are your figures. The only thing I ask that you think about is that all the economic forecasters, or most of them, are now saying it's not going to be 3% growth; it's likely going to be more in the nature of 2% growth. Your budget says that would mean a loss of revenue of \$620 million. If you add up those figures, which come from your budget and the Premier's announcement, it comes to \$4.24 billion that you need to find. I'm asking you, where is that money going to come from?

Hon Mrs Ecker: You're making a lot of assumptions, Mr Hampton.

Mr Hampton: No, those are in your budget.

Hon Mrs Ecker: Well, no.

Mr Hampton: Those numbers are in your budget.

Hon Mrs Ecker: No. The honourable member is assuming certain things will or will not happen and he is then basing his calculations on that. Every budget is a series of revenue forecasts and expenditure forecasts. As we go through the fiscal year, we will make adjustments as required to keep the budget balanced at the end of the year, as we have four times before. I appreciate his advice, but it's a little difficult to take mathematical advice from someone, with all due respect, who was part of a government that ran up the biggest debt in the history of the province.

Mr Hampton: Minister, these are your numbers; they're not mine. They come out of your budget. Your budget says you're projecting asset sales of \$2.2 billion. Your budget says you need to find a further \$700 million in savings. Your budget says that if economic growth is off by 1%, that's another \$620 million you have to find. Your Premier says a further \$720 million for SARS. Just adding up the numbers from your budget and from your Premier, it comes to \$4.24 billion.

I'm simply asking you, what assets would you sell to realize that? What cuts are you going to make? They're your numbers. What's your answer?

Hon Mrs Ecker: Because you can sit there and put a number on—

Mr Hampton: They're your numbers; they're not mine.

Hon Mrs Ecker: Mr Chair, if you'd like me to answer the question, I can certainly answer the question.

Every budget provides estimates. Every budget requires in-year decisions. This budget will be no different, and as decisions are made, they will be communicated.

We have put new investments in health care, new investments in our public education system, investments that the honourable member still continues to stand up publicly on a regular basis and say are not enough. We have made expenditure reductions in government in the last several years to keep the budget balanced. All of those reductions, every one, are things the honourable member and his party and the Liberal Party have objected to. Every savings strategy we've put in place, they have objected to. Every spending increase we've put in place, they say is not enough. Every step we take to encourage and support economic growth to make sure we can recover from things like SARS, as we recovered from the events of 9/11—all of those steps—they have objected to. The record of their government was very different from the record of our government, of bringing debt down to zero, balancing the budget and continuing to do that.

Mr Hampton: Minister, again, you project asset sales of \$2.2 billion. What are you going to sell? Are you going to sell Hydro One? Are you going to sell the LCBO? Are you going to sell off another highway? Are you going to sell off some hospitals and lease them back? What are you projecting in terms of asset sales to realize \$2.2 billion? I suppose I should ask you, what are you going to do in asset sales to approach \$4.24 billion, since when you add up all the numbers, that's the bigger picture?

Hon Mrs Ecker: The honourable member can scare-monger all he likes. As he should know, we had a figure of sales and rentals of approximately \$2.4 billion last year. The budget was balanced at the end of the day. We did not, to use his words, "sell an asset" for \$2.4 billion. I think it is a tad mischievous to say that that is the be-all and end-all of the fiscal picture. At the end of the day, a number of decisions will be made, as they are always made, in the budget to keep it balanced.

We have done that. We're the government that's brought back balanced budgets to Ontario, and we need to continue with that record because that's one of the reasons we've had the economic growth; the million new jobs we've seen created in Ontario; and a growth rate, despite the challenges, that has been stronger than that of many of our trading partners. We need to continue with this economic plan because it is a plan that has worked and needs to continue to work for economic growth in Ontario.

Mr Hampton: Last year, you projected asset sales in excess of \$2 billion as well, and last year you said you were going to meet that through selling off Hydro One.

Hon Mrs Ecker: No, we didn't.

Mr Hampton: I believe at the time your government was very clear that you thought you could get \$2 billion for Hydro One.

Hon Mrs Ecker: No, we never—we did not go out the door. Originally, Premier Harris had talked about issuing a sale of shares through Hydro One. Premier Eves changed that, did not agree with that decision and felt that taxpayers were better protected, that the objectives we wanted for Hydro One, increasing investment and

making sure we had the services we need from the transmission corridor were better accomplished through public ownership of Hydro One. I know the media was full of all kinds of helpful little sources running around saying, "Well, the government's saying this. The government's saying that," but we did not set out any goal for the sale of Hydro One.

Mr Hampton: We'll take that as your answer now. We'll have a chance to come back to that.

I just want to ask you a couple of simple questions. Are you saying Hydro One is not for sale and no part of Hydro One is for sale?

Hon Mrs Ecker: As we've said, Hydro One remains in public ownership. The Premier has been very clear that he thinks it should stay in public ownership.

Mr Hampton: I'm simply asking you a yes-or-no question. Is Hydro One for sale?

Hon Mrs Ecker: Hydro One is going to stay in public ownership.

Mr Hampton: Is any part of Hydro One for sale?

Hon Mrs Ecker: Hydro One is going to stay in public ownership.

Mr Hampton: Is any part of Hydro One for sale?

Hon Mrs Ecker: Hydro one is an entity that is in public ownership, and it is going to stay in public ownership.

Mr Hampton: Is any part of Hydro One for sale, any share of Hydro One for sale, any portion of—

Hon Mrs Ecker: There are no shares of Hydro One, so they are not for sale, no.

Mr Hampton: Is any portion of Hydro One for sale?

Hon Mrs Ecker: Hydro One is going to stay in public ownership. I know the honourable member is trying to play political games here and say, "Oh, gee, maybe they might want to make this change. Let's get them to rule out any change that might ever be made to Hydro One that might actually help benefit the electricity consumers of this province."

We've made it clear it's to stay in public ownership. We've also made it clear that what we want to do with the entire electricity sector—our goal here—is to have more supply, to make sure consumers, and particularly our small business community, have the electricity they need.

Mr Hampton: I'm still looking for that yes or no answer.

Hon Mrs Ecker: I know the honourable member likes to play political games with this. I've given him an answer. It's the Premier's commitment, and I think that answer is quite appropriate.

1700

Mr Hampton: Is any part of Hydro One being considered for a, shall we say, private-public partnership?

Hon Mrs Ecker: I'm not on the board of Hydro One, so I don't know what plans the board may or may not be making. It's very clear for them that public ownership is where Hydro One is to stay. I've answered the question.

Mr Hampton: Is any part of Hydro One being considered for a public-private partnership: yes or no?

You're the minister. You're supposed to be accountable. You're telling us how prudent you are.

Hon Mrs Ecker: I'm not aware of any plans to change the Premier's commitment that Hydro One stay in public ownership. I've answered this question. He can keep repeating it as many times as he wants and I will keep answering it.

Mr Hampton: So you're not aware of any plans at this time?

Hon Mrs Ecker: As I said, Hydro One is going to stay in public ownership. I'm not of aware of any plan that is going to change the Premier's commitment.

Mr Hampton: LCBO: any plans to sell off the Liquor Control Board of Ontario?

Hon Mrs Ecker: I don't think that anyone is advocating selling off the LCBO.

Mr Hampton: Any suggestion that the LCBO may be up for some kind of public-private partnership as a way of finding your \$2.2 billion in asset sales?

Hon Mrs Ecker: Again, I'm not on the board of the LCBO. If they have particular proposals they want to make to the government, I'm sure they will. As we've said, at the end of the day we review all our public assets on a regular basis to see if there are changes that need to be made to maximize the value for taxpayers; for example, to protect consumers better. It would have to be a business case if we were to make any change in any particular asset. That is certainly something the Premier and I have said.

We're not selling things to balance budgets. We would change the management or the structure or something about a particular asset if there was a strong business case, if it made better taxpayer sense to make that change. That has been our position. It was last year and it remains our position this year.

I'd be quite happy to go through for Mr Hampton that we reviewed Hydro One last year and it stayed in public ownership. We reviewed the Province of Ontario Savings Office. Again, it made better sense on a whole range of different indicators to divest ourselves of POSO to the Desjardins Credit Union. We have additional investments and new services for consumers; we have job protection; we have maintained services in communities. It made better sense to do it that way. It was a good business case, and so we moved forward with it. That remains the way we will continue to review and look at public assets.

Mr Hampton: It sounds like anything is for sale.

Hon Mrs Ecker: That's not what I said.

The Vice-Chair: You're into your 30 minutes of response, Madam Minister. You can proceed or share the rest of your time with your colleagues.

Mr Frank Mazzilli (London-Fanshawe): One thing I want to talk about is the seniors' tax credit. On the first day after the budget, I had four seniors call my constituency office on this matter. At the time, although I took it very seriously, I had to think about it for a while. This is one of the largest single tax decreases that quite frankly any government has come up with. It's not phased in; it's

now and it's the full amount, and I think it's worth talking about.

One of the complaints that we get from seniors, as you alluded to in your opening statement, is that sure, they purchased a house and they've paid for it. Then, at some point they're left on a fixed income but the expenses never go down—you know, the heat, the hydro and the property taxes. Those things are always constants and year over year they go up. They've paid for their home, they're mortgage-free, yet the expenses never go down. Somehow they're forced to sell their homes and move into some other type of accommodation, not because they couldn't purchase the house but because the month-to-month expenses just keep going on. I applaud the \$450 million, or somewhere near \$500 per person, but the vast majority would be, I suspect, a little bit higher than the average.

If you look at a \$200,000 home, what are the ranges in property taxes through the province? Do you or your officials have any of those numbers so that we can give a general direction to my constituents and some others?

Hon Mrs Ecker: I'll see if we have someone from our property tax division who could provide further information on that, Mr Mazzilli.

Ms Nancy Naylor: I'm Nancy Naylor. I'm with the Ministry of Finance. I believe your question was—

Mr Mazzilli: Assuming one of our constituents, a senior, has a home with an average value of \$200,000, which would be reasonable—we'll start with that number and maybe work backwards—where would property taxes on that type of home range in this province?

Ms Naylor: For \$200,000, the rate for the residential education tax as of this year—and I would note that it has been lowered three times since 1998, and the minister did lower it this year—it is 0.335%. So for a \$200,000 house, that would be \$670.

Mr Mazzilli: That's \$670 for a home like that.

Ms Naylor: Right.

Mr Mazzilli: Many seniors have chosen to sell their homes. Perhaps they do not want to cut the lawn, or they want to go to Florida in the winter. They've chosen to rent a condominium. Do you think that the vast majority of new condominiums would be paying \$2,000 per unit? Is there a range in condominiums?

Ms Naylor: In education property taxes?

Mr Mazzilli: No, \$2,000 on the overall property tax per unit on a rental accommodation. Would that be a fair number?

Ms Naylor: Yes. Generally on a residence, as a rule of thumb, we see a total property tax bill, including the municipal side and the education side, between 1% and 1.5%. So, for a \$200,000 condominium, a \$2,000 total property tax bill, of which the education tax would be \$670, would be a reasonable assumption.

Mr Mazzilli: So whether a senior lives in rented accommodation—the value would be \$200,000—or owns it, they would qualify for this.

Let's just talk about structure. The Liberals will come up with any excuse not to give a tax reduction. I can

remember through the hydro rebate the argument was, “you can’t send out the \$75 because, my God, it’s going to cost 32 cents or whatever to mail it out. “You can’t do it.” I just want to know from a tax department, because business is very complicated nowadays. But certainly there’s input, and these types of formulas are not very hard. Would they be computer-driven within your ministry?

Ms Naylor: For property tax?

Mr Mazzilli: To send out cheques or rebates. This isn’t one individual going over each one and going “0.335” and writing out a cheque. There’s obviously a computer formula that would do this en masse.

Ms Naylor: For the most part, any services would be based on a system, yes, with appropriate audits and administrative controls. That’s correct.

Mr Mazzilli: Would it be complicated for a department to process—what is it—a million applications?

Mr Norm Miller (Parry Sound-Muskoka): About 975,000.

Mr Mazzilli: About 975,000?

Ms Naylor: Our tax revenue division administers a number of programs very efficiently, and certainly some of the thinking that is going into anticipating that this will be a requirement is based on the idea that we would use the most efficient technology to deliver that type of program.

Mr Mazzilli: OK. There’s just one other thing, and this property tax issue certainly needs to be spoken about further in our communities. But I want to get it down to the estimates. The estimates on carrying the debt that was built up over a period of time in this province: is there an estimate on the interest rate that we’re paying on the debt? Are there assumptions made in this document?

1710

Dr Christie: We make assumptions with respect to any new borrowing that we have to do. Let me be clear: borrowing that’s done is not new debt, it’s not an increase in debt generally, but we are refinancing maturing debt in substantial amounts. We certainly make assumptions about the interest rate at which that will occur. We have computer records etc and computer-based modelling of our current debt structure, so we know what we’re going to be paying on all of our current debt. We look at the interest rates that we’d be dealing with in terms of any debt that’s being refinanced and rolling over.

Mr Mazzilli: So you’re saying it’s all not renewed in one fiscal year.

Dr Christie: No.

Mr Mazzilli: You hedge it over a period of time.

The one that is coming up—is there any likelihood that the provincial government could be paying less than what you’ve assumed?

Dr Christie: Normally when we make assumptions about interest rates, we do try to be cautious in terms of what we’ll be paying. Certainly you can see that in last year’s results, where public debt interest ended the year at significantly less than we had planned for in the budget. We do try to be cautious when we deal with that.

But in the spirit of caution, I would say that we would continue to look at that and be hopeful.

Mr Mazzilli: And I would want you to keep looking at it with caution.

Certainly a number of months ago a survey of the Bank of Canada, it looked like, in my humble opinion, had jumped the gun a little bit, perhaps raised interest rates—I’ll leave that discussion for others. You would have to make your assumptions in that that’s the direction, and obviously assuming a prudent manner, a bit higher. Now that that trend seems to be back on the downward spiral, what would half a point on the portion that is coming up—what difference could that mean to the treasury?

Dr Christie: I think, and I’ll be confirmed on this, one percentage point is about \$100 million on public debt interest.

Interjection.

Dr Christie: Eighty million. So half a point would be about \$40 million.

Mr Mazzilli: That’s very good.

Minister, you certainly got a lot of questions about the SARS outbreak. I certainly commend the Premier and the Minister of Health and yourself for responding very quickly. Some \$800 million has been committed, and the negotiations are not finished with Ottawa. At the end of the day, what would you expect the federal government would come through with for this province for SARS?

Hon Mrs Ecker: Just before I get to that question, I’ll answer your other one. In 2002-03 we saved over \$300 million on public debt interest just because we were able to refinance and get maturing debt at a better rate. So there was over \$300 million of savings just on that change alone. So that’s something that—

Mr Mazzilli: And that was my point. Obviously as a minister and as a ministry, you’ve planned in a very prudent manner where you don’t underestimate it and spend money.

Hon Mrs Ecker: The goal of the Ontario Financing Authority is constantly to look for the best deal for taxpayers. They have had some good success, as I said—over \$300 million in savings for taxpayers because of that, and they will continue to do that. As I said, they have been successful in the past and probably will continue to be successful.

I’m sorry, your other question was?

Mr Mazzilli: It was on the spending on SARS.

Hon Mrs Ecker: Oh yes, Ottawa.

Mr Mazzilli: I commend the Premier for making the decisions and not getting bogged down between the different levels of government. Is there any expectation from our province that Ottawa will come through with a portion of that money?

Hon Mrs Ecker: Even federal Liberal MPs have been calling on Ottawa to get its act together a little more aggressively on helping Toronto with the impact that it’s having.

There are different kinds of federal-provincial cost-sharing programs. It would depend. Those negotiations

are going on now. It could be as high as 90% that the federal government would pay for something of this magnitude. It could be 50%. It depends. Obviously, we are advocating on behalf of Ontario taxpayers to obtain as much of a provincial share as possible. Given the fact that this is health care spending, where they've gone from 50-50 down to, I think, 17 cents last year. It's 14 cents this coming year—a 14% share, as opposed to 50-50. I think expecting them to do something above 50%, maybe as high—as I said, some programs go as high as 90%. It's not unrealistic for us to expect that from Ottawa. Whether we get it remains to be seen, but as I said, we've been advocating for it. Even federal Liberal members are publicly advocating for it. They have been quite critical of their government, because their government is not doing what Ontario has been prepared to do to help the community here in Toronto and surrounding regions recover from SARS.

Mr Ted Chudleigh (Halton): Minister, I just wanted to confirm with you that Hydro One is going to stay under public ownership.

Hon Mrs Ecker: I can answer the question again, if you'd like.

Mr Chudleigh: Thank you very much. Your riding and my riding form the east and west bookends, if you will, of the GTA. Pretty well everything in between us has a tremendous amount of traffic. Certainly, during some periods of the day, it's absolute gridlock, especially if there's been an accident or something. I wonder if you could comment on what the government plans on spending in this coming fiscal year toward trying to improve this situation, not only this year but into the future as well, to come to terms with the amount of transportation we have in the economic hub of the province.

Hon Mrs Ecker: Yes. As the budget outlined, there are some significant investments that we are making in transportation, both transit and highway. For example, we have a \$1-billion commitment to our highway system that we are continuing to move forward. I don't hear the rustle of papers behind me for someone to be looking in the budget for the breakdown of the different transportation projects that we are moving forward with, but we have a \$3-billion commitment for transit. We are moving forward the announcements that we made, the expansions in GO Transit, in bus transit, in helping different regions. We've had some very innovative, creative proposals that have come forward from different regions to have combined, if you will, Smart Growth transportation projects to move forward with.

There have been some announcements. There will be further announcements on highway expansions, specific GO Transit expansions. As you know, we've already helped the TTC with a \$60-million investment for them to help with safety issues. We will be continuing to move forward with those investments.

Mr Chudleigh: Thank you very much. We look forward to those.

I believe Mr Miller has a question.

Mr Miller: I have a question to do with small business in my riding of Parry Sound-Muskoka. Small business is critical to the economy. About 80% of business is small business. What plans are there in the budget in terms of the corporate tax policy for small business?

Hon Mrs Ecker: Before I get to small business, I'll just pick up on Mr Chudleigh.

This year alone, we're investing \$350 million in transit. That includes expanding GO Transit rail and bus service, supporting the new rapid transit projects in York region, Toronto, Ottawa and other municipalities across Ontario. That piece of it is \$156 million. Full funding for GO Transit's state-of-good-repair costs—that's approximately a \$123-million investment. An ongoing municipal transit renewal program in 2003—that will be \$80 million flowing to 43 municipalities to help them renew and improve their local bus fleets. I mentioned the investment for TTC. That is all part of a \$3-billion transit investment over 10 years.

1720

In terms of small business, there are a couple of important steps we've taken for small business. First of all, we've brought down the employer health tax for them, reduced the rate and also increased the threshold at which it applies. We are bringing down the small business income tax rate. It was at 9.5%; we will be going down to 4% by 2005. We've been staging that. That's been coming down. We've stabilized and had reductions in some of the WSIB costs they had. Not only have we removed some of the unnecessary red tape and regulations they have dealt with, but we also have a small business advisory committee that works with the Ministry of Finance and helps give us advice on how to help make our small businesses more successful. Actually, just to be precise, we've increased the number of firms that benefit from the small business tax rate as well. So not only have we brought down the rate, but we've also made sure that more firms can benefit from that lower rate. By 2005 they will be for firms with up to \$400,000 of taxable income. That will mean more than 125,000 small businesses will benefit from this reduction plan. I think it's fair to say we've also eliminated the capital tax for 70,000 small businesses.

Small businesses are quite simply the backbone of the economy. Between 1995 and 2002, small and medium-sized businesses have created over 470,000 new jobs. That's more than half the private sector job creation in Ontario. So that's an important part of economic growth and one of the reasons we've focussed so much effort on them.

Mr Miller: I think these tax reductions are very important. Coming from small business myself, I know that when tax reductions, of corporate tax in particular, have occurred, most small businesses tend to reinvest that money in their businesses to make them more efficient and hopefully generate more money for themselves and for the taxpayers.

I have one question to do with the small business corporate tax rate. I know we in Ontario have been

reducing that rate. Has the federal government reduced their corporate tax rate for small business?

Hon Mrs Ecker: They have had some reductions as well, but we have a much more aggressive program here in Ontario in terms of bringing down both our personal and business taxes. It is actually a very strong record of tax reduction, in total over \$16 billion of tax relief for our individuals and the business community. It's one of the reasons we have the growth and the million new jobs in Ontario. I'd be quite happy to bring one of our tax officials up here—I don't know if Tom or his officials are here—to talk about how we compare with the federal government in terms of their tax reductions.

Mr Miller: I seem to recall that I used to pay around a 23% or 24% combined tax rate. I'm not aware of there being a federal tax reduction. I know the Ontario government has greatly reduced the tax rate, and it's very significant for small business.

Hon Mrs Ecker: John, do you want to go ahead?

Mr John Whitehead: The Ontario tax rates have been reduced more dramatically than the federal rates. There have been some changes in the federal policy.

Mr Miller: The federal rate was about 15%, was it not, at one point?

Mr Whitehead: I believe, and we can confirm it, it varies depending on the sector; for example, manufacturing and processing versus other sectors. In general, Ontario's rates have been reduced much more dramatically.

Mr Miller: I have one question to do with insurance. Insurance costs in lots of different areas have been increasing recently. I happened to receive a letter from a constituent who is in a small business in the Dunchurch area. They are a restaurant, and I guess they serve alcohol as well. In their letter they're telling me their insurance rate for this year is increasing significantly, from \$1,965 for their \$231,000 building, up to their price for this year, \$6,300. So it's a very significant increase. I realize a lot of the increases in the insurance industry are beyond our control, but is there anything the Ontario government is doing to try to mitigate the increases that small businesses are affected by in the insurance business?

Hon Mrs Ecker: The entire insurance industry around the world has been facing some significant challenges with investment returns. What has been happening with the markets has certainly hit; the increase in claims for insurers that offer liability insurance; poor underwriting results; and diminishing investment returns, as I said. There has been a significant tightening of the reinsurance market, so they are having difficulty obtaining reinsurance for their regular business.

Through the Financial Services Commission of Ontario, FSCO, we're monitoring the availability of liability insurance in the marketplace. We are taking appropriate steps to try and encourage and make sure that is there, encouraging businesses, for example, to work with their insurance representatives to identify ways to control their commercial liability and their insurance costs.

On the auto insurance side, we've actually put in place legislation and are working with all of those involved: health care, those who advocate on behalf of accident victims, the insurance companies, brokers, lawyers etc, to put in place regulations that will help manage those costs, to drive fraud out of the system, and to try and make sure that consumers have faster and more timely access to treatment through different changes. So there are a number of steps we're taking there as well. We're taking steps to try to assist our communities to deal with it.

Mr Miller: Is there a provincial sales tax on insurance, and also, is there GST on insurance?

Hon Mrs Ecker: Thank you for reminding me, Mr Miller. We are also reducing the RST on auto insurance premiums. Auto insurance, as you know, is a mandatory service, so we felt one of the ways to help support consumers in purchasing that was to reduce the retail sales tax. It is down now to, I believe, approximately 1%, and that will be down to zero; I believe within the next year that will occur. That's one of the other tax reductions we've been bringing down over time.

Mr Miller: Thank you.

Mr John O'Toole (Durham): How much time is left?

The Vice-Chair: You've got about four minutes.

Mr O'Toole: I want to make a bit of a statement. I have listened very anxiously each year as the budget has been balanced. Last year I understand we had a \$1-billion reserve fund that was eventually rolled over and put into paying off the accumulated debt, which to my understanding amounted to \$5 billion since we took office, probably since 1998. I'd like you to confirm how much we've actually paid down, because that sometimes—on the other side, there is still a sense that there's a growing debt, and the growing debt part would probably be some of the electrical market issues. We've probably accumulated some additional debt there.

I'm sort of wondering about the question Mr Phillips always brings up, and this is probably the proper forum. As I recall, in the previous year's budget we also showed, in sales and other assets on the revenue side, some of the activities there, but at the end of the day I don't think we sold a tremendous amount. The Province of Ontario Savings Office was sold. But we ended up with a balanced budget and we also rolled over \$1 billion into paying down another \$1 billion on debt.

They relentlessly ask the same question. It's rather dreary. It's unimaginative that they can't think of some other questions to ask. I have every confidence that the revenues are, again, just that, they're forecasts, and that we will have a balanced budget, as you've committed to, and this government's brand is a balanced budget. I'm not so confident looking forward that that's the Liberal plan. I think their plan basically is to have a quick deficit. Mostly in the papers I read now they have a shortfall already of about \$2 billion just looking at how they intend to go forward.

To be fair, what other assets might be considered? I'm being open here on this. Maybe it's not even a scheduled question in the true sense. Things like Teranet are an

asset; it's got value. I was in that ministry for a while. These have all been things that are on the record. I would only say, Minister, it's important for me—what things would be considered or do you have remaining as a government decision at the appropriate time and place to commit to a balanced budget, but also reviewing those assets? I think the best way to frame the question is this: in previous years under previous governments, have there been sales of assets that have contributed to the revenue side of their statement?

1730

Hon Mrs Ecker: First of all, I think—

The Vice-Chair: Having asked the question, you've answered it, and the time has run out.

Mr O'Toole: No, that's a fair question, I think.

Hon Mrs Ecker: Save that thought for the next time.

Mr Hampton: You're supposed to leave time for the answer.

The Vice-Chair: Order. The rotation starts at 20 minutes, and the opposition has it.

Mr Phillips: I could be helpful to Mr O'Toole: there was one, the 407, which ripped off the poor users. People in your area are going to be paying \$4,000 a year in tolls as a result of it when the highway gets there. That's why we're so worried about these asset sales, because, believe me, the 407 users were completely ripped off in a deal that made the owner rich. The people who bought it found that 30 months later it was worth four times what they paid for it. It's the most lucrative toll road in the world and the only one with no controls on the tolls, although we're told there were. So, yes, Mr Eves has sold assets before—the 407—and it's an enormous problem. My question is—

Mr O'Toole: Dalton is going to cancel that, is he?

Mr Phillips: You had your chance, you see, and you'll have your chance later.

We've been adding up the risks in the budget this year. There's \$850 million of new money for SARS. There's \$800 million of unidentified savings. You just said, "We're going to find \$800 million of savings," but you haven't identified any of them. The normal savings is \$200 million, so that's four times what you normally have. There are \$2.2 billion of unidentified asset sales—you won't tell us any of those—and risk of an economic slowdown, \$600 million.

There's another \$770 million of federal money—to make sure I've got this accurately—that only comes if the federal government runs a significant surplus. I believe it has to run a \$6-billion surplus for the province to get the \$770 million. If it runs a \$4-billion surplus, the province gets nothing. In these times of economic uncertainty, what assurance do we have that that \$770 million is going to be available?

Hon Mrs Ecker: I think one of things that's important to recognize is that in May 1994, when Premier Harris put forward the Common Sense Revolution that promised to balance the books, pay down the debt, provide tax relief and create jobs in this province, the Liberal Party and the NDP said it couldn't be done, and indeed it has

been and is being done. They are yet again saying it can't be done, and we appreciate their advice. When you look at the record they had when they were in power, they left the taxpayers of Ontario a legacy of \$1 billion more an hour going into debt. That is the situation we have been dealing with and have remedied and will continue to move forward with, as we should.

This budget, as previous budgets—

Mr Phillips: Can you give me some kind of answer on the \$770 million you're expecting from the federal government? Where does that stand now, and what assurance have you that you're going to get it?

Hon Mrs Ecker: We have continued to advocate to Ottawa on behalf of Ontario patients, consumers and taxpayers that they need to ante up their share. We appreciate that they did increase funding last year. They promised to increase funding again this year. There's a strong expectation that Ottawa will continue to support the provinces on health care. It's not only Ontario that is facing a challenge on health care spending. We've seen that other provinces, in tabling their budgets this year, have had to dip into reserves and increase taxes in order to meet the health challenge. Ontario has increased health spending, but we need Ottawa to be there to help us, not only in health in general but also for the SARS—

Mr Phillips: But, Minister, I have it right, don't I, that the federal government has to run a \$6-billion surplus for you to get the \$770 million? I simply want to know from you, have you talked to the federal government recently? How realistic is the \$770 million? Is it right that we are assuming it in our finances, because it's highly unusual that we would book \$770 million on the basis of the federal government exceeding its normal projected surplus. Can we assume that you have checked recently and that the \$770 million is still forthcoming?

Hon Mrs Ecker: The deputy is—

Dr Christie: On the point of whether there is a sort of critical level of the federal surplus, it's our understanding that the condition, if you like, surrounding the extra investment by the federal government was that the federal Minister of Finance, in January, as the fiscal year comes to a close, would make the determination whether they had the fiscal flexibility.

Mr Phillips: But don't I have it right? It says right in their budget that it would be their first \$2 billion in excess of the \$4 billion. I simply want to know, because we're adding up the risks associated with this budget, and we've come to \$4.2 billion, and here's another \$770 million, which gets us up to a \$5-billion risk. I want to know, how certain are we that \$770 million is going to be forthcoming, recognizing the federal government has to run a \$6-billion surplus.

Dr Christie: I think the trend of recent years has been for substantial underestimation of the federal surplus. Given that track record, there is a reasonable likelihood of that being available. As I understand it, the current fiscal monitor shows about a \$13.5-billion federal surplus last year before year-end spending. Obviously their final results will be different from that, but it's part of the

pattern of very cautious estimates on the part of the federal government of how large their surplus will be, with the actual results tending to be substantially larger.

Hon Mrs Ecker: Premier Eves, as Premier Harris before him, is continuing to advocate very strongly. There have been conversations with the federal government about the support for health care. They need to do more for all the provinces.

Mr Phillips: But minister, the commitment was that if the surplus is more than \$4 billion, the provinces would get the first \$2 billion. I just find speculative, to put it charitably, the \$770 million in the budget.

Hon Mrs Ecker: Mr Phillips, we would certainly welcome the Liberal Party here at Queen's Park advocating on behalf of Ontario patients as Premier Eves has, as Premier Harris has, as other Premiers have across the country. If he's saying that Ottawa is not going to do its share on health care—

Mr Phillips: I didn't say that at all. I said they made a commitment to you that you would get a portion of the \$2 billion incrementally and I'm just wondering why you put it in the budget, that's all.

Hon Mrs Ecker: —if he thinks that's acceptable, I think we have to continue to push and we will continue to push. I think the honourable member's party could be quite helpful in carrying the message to their federal Liberal cousins about the need in all provinces, not just Ontario, for increased health expenditure by Ottawa.

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Mr John Gerretsen (Kingston and the Islands): The bottom line is this: there's about \$5 billion there of expenditures, of sales, of revenues that may or may not be there in total. That's roughly somewhere between 7% to 8% of the total budget. A lot of municipalities used to do this. If you wanted to balance your budget, you just threw a figure in there at the last minute and said, "Okay, sale of assets." It sounds to me like you've done exactly the same thing. I would like to get back to Mr O'Toole's question. That was the best question I've heard him ask here in the last eight years. What do you have on your list that you may possibly want to sell? We've heard about POSO, and you got \$35 million, \$40 million or \$45 million for that. I've forgotten the exact figure.

Hon Mrs Ecker: Actually we got a \$170-million investment for taxpayers and services in the community.

Mr Gerretsen: OK, so that's \$170 million. You've talked about POSO. Whatever the number is, it is. What are you going to sell for \$2.2 billion? Give me a list of some of the assets you're thinking of selling. That's the question he asked, and I assume you are going to answer your own backbencher's question.

Hon Mrs Ecker: First of all, every budget has forecasts on the revenue side and the expenditure side. This budget is no different.

Mr Gerretsen: OK, thank you very much.

Hon Mrs Ecker: Just a second. You asked a question. Let me finish it. Every budget—your budgets did, the NDP budgets did and our government's budget does. It is a series of forecasts, as it is every year. You recognize

when you do that that there may well be in-year changes. We've made changes before to keep the budget balanced; we will do so again. I think it's also fair to say, when you look at the sales and rental line, that figure has—for example, it was \$2 billion in 1999-2000. It was \$637 million in 2000-01. It's gone down to \$300 million. It's gone back up. That particular line varies quite significantly from year to year.

Mr Gerretsen: I realize all that. You've put in \$2.2 billion. You must have some idea as to what you want to sell this year, especially if it was only \$600 million last year. What's it going to be this year?

Hon Mrs Ecker: First of all, I don't think it's appropriate to speculate. We talked in the budget, for example, about Teranet. We've talked about some of the land the province has. We've talked about some of those initiatives. As we said, we review every public asset on a regular basis. We will continue to do that. But if you're going to make changes, a government needs to do due diligence. You don't walk out the door and say, "Gee, you know, we're thinking of maybe waving a magic wand and doing this or doing that," without proper policy work done.

Secondly, you said we couldn't do it last year; we did. You said we couldn't do it the year before that; we did. You said you couldn't do it the year before that; the government did. We will continue to take the necessary steps to bring the budget into balance, because it should be. That is something we will continue to do. There is no one line or one step that is ever going to balance a budget for you. That's just not the way it happens. It might well be in your view, but that is not the way budgets are balanced, nor will it be.

Mr Gerretsen: I find it passing strange that during an election year, you can come up with all sorts of notions as to what you may want to sell, like the LCBO one year, and there were other things another year. Here you're not willing to discuss at all what some of the sales might be for \$2.2 billion. We're not talking about \$300 million; we're not talking about \$400 million or \$600 million; we're talking about three times that amount. In any event, I find that a 7% variation in this is a rather large amount.

Let me ask you something about the property tax credit. I'm not talking about the seniors' tax credit. Is the property tax credit that people apply for in their income tax going to stay in place the way it currently is in every respect, or are there going to be changes in that?

Hon Mrs Ecker: On what? Sorry.

Mr Gerretsen: The property tax credit on the income tax form.

Hon Mrs Ecker: It stays the same.

Mr Gerretsen: It stays the same? Are you not going to make any kind of different allocation with respect to the education portion of the property taxes?

Hon Mrs Ecker: You go ahead.

Dr Christie: The property and sales tax credit is a credit for what people pay in property tax, so if they have been refunded their education property tax, they wouldn't be double-claiming it, if that's your question.

Mr Gerretsen: So that portion of what they're getting back in the education seniors' property tax credit they obviously cannot use as part of the property tax claim with respect to the tax credit on the income tax form.

Dr Christie: It depends on the individual circumstance, but obviously no senior will get less than they would have in the absence of the new credit, and everyone will receive directly the full amount of their education property tax.

Hon Mrs Ecker: Just to be clear, it's being designed so there will not be double-dipping, but at the same time every senior will receive a benefit—renter or owner.

Mr Gerretsen: OK. I'd like to ask some questions about SuperBuild. How much is there in the actual budget of SuperBuild that will be expended this year? You made the general statement that so far \$15 billion has been expended out of the \$20 billion over a five-year period. How much is included this year? According to the estimates here, unless it's contained somewhere else, I can only see about—is it on page 129? How much is there in the capital budget for SuperBuild this fiscal year?

Hon Mrs Ecker: I think David Lindsay would be quite prepared to go into further detail for you, Mr Gerretsen, but the gross capital expenditure for the government will be over \$3 billion this year. It's in the budget as that, and as you quite well know, SuperBuild functions much like Management Board. It is a coordinating body, a planning body. It helps make sure that capital expenditures are planned out years ahead and done according to the strategic plan the government has laid out. So there is no separate, special capital pot that SuperBuild sits on. It is capital expenditures that are flowed through the ministries, as detailed in our budget papers. I don't know, David, if you want to elaborate on that.

Mr Lindsay: I can if the committee would like me to. Basically the list of capital expenditures by ministry is what is published in the budget. The total expenditures add up to the \$3 billion, including all of the partnership funding, millennium partnership, OSTAR, SETP—those are matched dollars, federal and provincial—and then all of the ministry expenditures add up to our total capital line that's published in the budget every year.

Mr Gerretsen: So it's about \$3 billion this year all told.

Can you tell me how much it cost to put this insert in Maclean's magazine a few weeks ago?

Hon Mrs Ecker: It works out to approximately—David is just getting further details—as I recall, about 50 cents per copy. One of the things we believe is very important is that we are communicating to taxpayers what programs like SuperBuild are doing so that they can judge for themselves whether they think these expenditures are appropriate. I believe this is our third annual report on SuperBuild. We have produced a report that we have distributed fairly widely because we think it's something—as I've said, we've done this now three years—

Mr Gerretsen: It cost you 50 cents a copy, but what did it cost you as an insert to put it into Maclean's?

Hon Mrs Ecker: David is just looking that up. It may or may not be part of that. I'm not sure. That may be part of the distribution cost.

Mr Lindsay: That's all included.

Hon Mrs Ecker: Yes, 50 cents per copy is the entire cost.

Mr Lindsay: It's \$35,000.

Mr Phillips: The revenue forecast for next year is \$73.4 billion. If you take out of this year's forecast the one-time things, that \$73.4 billion is about an 8.5% increase. How did you arrive at that \$73.4 billion revenue forecast?

Dr Christie: The revenue forecast for 2004?

Mr Phillips: Yes, 2004-05.

Dr Christie: The revenue forecast for 2004 was arrived at at more of an aggregate level, looking at the growth of the economy, which is expected to improve next year.

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The Vice-Chair: You've got about two more minutes.

Mr Phillips: That's helpful if we can get the aggregates that led to the \$73.4 billion, how you built up to the \$73.4. Can the committee get that piece of paper?

Dr Christie: I think by and large they are published in the budget, but we can put them—

Mr Phillips: I only see one number in the budget. I don't see your assumptions on how you built the tax revenue up.

Dr Christie: That's why I say it's at the aggregate level. It's not sort of detailed tax level by tax.

Mr Phillips: Minister, can you give us a more detailed calculation on that?

Hon Mrs Ecker: The revenue forecasts have been made in this budget as they have been in previous budgets.

Mr Phillips: Pardon me?

Hon Mrs Ecker: The revenue forecasts in this budget have been laid out in the budget papers as they have been in the past, and will continue to be.

Mr Phillips: But I'm asking you to provide the public with some more detail on how you got to what I regard as a questionable number. Can you provide the public with some more detail on how you arrived at the \$73.4 billion number? Will you or will you not?

Hon Mrs Ecker: As the deputy said, it is done in the aggregate. It is based on forecasts in terms of anticipated growth and revenue. That is the same as we've done before, and we've done it again this time. The numbers are laid out in the budget papers. I think that information is appropriately presented.

Mr Phillips: Well, it isn't appropriate. It is one number. First, I'd say that I'm increasingly concerned about your numbers this year. We've indicated a \$5-billion concern to you today. Frankly, the explanation you've given has not comforted many of us. You won't tell us where the asset sales are. You acknowledge the federal

government has to run a \$6-billion surplus to get \$770 million. You haven't identified—

Hon Mrs Ecker: With all due respect, let's not put things on the record that are inaccurate.

The Vice-Chair: Let's not take away Mr Hampton's time.

Mr Phillips: Is that not the case, that they have to run a \$6-billion surplus?

The Vice-Chair: We've got about 10 minutes, Mr Hampton, before the bells rings.

Mr Hampton: I'd like the deputy to answer Mr Phillips's question.

Dr Christie: It's our understanding that it's at the determination of the federal Minister of Finance.

Mr Phillips: But they spell it out in their budget that they have to run a \$6-billion surplus in order to pay it. Is that not correct?

Dr Christie: If you're referring to their contingency reserve and their prudence reserve, which they put in at the start of the year, then that's the way they do their planning. As I understand it, it is at the discretion of the federal Minister of Finance.

Mr Phillips: Sorry, but with all due respect, if you look at their budget, they say it would be in excess of \$4 billion, and the first \$2 billion in excess. That's what their budget says. Perhaps we might get clarification on that from the minister. Is that the case or not the case? Just let us know.

Mr Hampton: Minister, a couple of weeks ago the federal Superintendent of Financial Institutions stated that 60 of the 370 defined benefit pension plans the federal government regulates were on a "watch list" and were suffering from very serious underfunding problems. Your ministry is directly responsible for the regulation of 2,800 defined benefit pension plans in Ontario. I believe it's common knowledge that those plans are being rocked by the same three-year slide in the stock markets that are threatening federally regulated pension plans. Do you know how many of the 2,800 defined benefit pension plans regulated by your ministry are in some financial trouble?

Hon Mrs Ecker: First of all, FSCO takes a risk-based approach to how they monitor different pension funds, so there's not an official public watch list like Ottawa. As you may have seen, the Ottawa superintendent has received some public criticism for the statements and the approach they took. FSCO does have a risk-based assessment of plans. When action needs to be taken, they take action on it.

Mr Hampton: Do you know how many pension plans in Ontario are, shall we say, in a riskier situation now?

Hon Mrs Ecker: We can certainly seek to get further information from FSCO on that. I don't know how Ottawa does it, but there's not a kind of an official public list. They go after plans that they think have problems to make sure they're meeting the requirements that are in the law to protect the pension benefits.

Mr Hampton: What's perhaps most interesting about the federal superintendent's remarks on pensions was that

he made it clear the health of Canadian pension plans in many cases had deteriorated to the point where it could no longer be "business as usual" for pension regulators. In particular, he believes that simply following up on valuation reports that are submitted every three years is a completely inadequate approach to regulation in the present environment. He has taken a far more aggressive approach to pension regulation in recent months.

Minister, in light of the recent deterioration in the health of Ontario pension plans, what new initiatives have you taken to deal with what many in the pension industry are calling a crisis?

Hon Mrs Ecker: First of all, FSCO has increased its watchfulness, if you will, in terms of funds. There's no question the majority of pension funds are experiencing difficulties because of investment returns. The law is very clear that if there are gaps in plans, the defined benefit plans, the employers are on the hook to replace those gaps. There are laws and rules around how that is done and the time framing and reporting. FSCO has been meeting with pension funds and taking action where they think there needs to be action taken to make sure those plans are indeed protected.

Again, as you know, we have a pension benefits guarantee fund in Ontario. We're the only province that does have that. That is another additional protection for members of defined benefit pension plans.

Mr Hampton: So can you tell us how many Ontario regulated pension plans are on a risky footing at this point in time?

Hon Mrs Ecker: Mr Hampton, we can certainly—I don't know if someone is actually here from the regulator to answer that question in more detail. As I said, it's a risk-based approach. There isn't sort of an official public list that one puts out. Mr Davies is here, I think, from the financial services regulatory commission to provide further details on that for you.

Mr Hampton: I'm not really interested in names. I'm more interested in numbers.

Interjection: I thought Bryan was here.

Hon Mrs Ecker: Bryan was here. We can certainly get more information on that from the regulator if you like, Mr Chair, to the committee.

Mr Hampton: One of the new initiatives the federal pension regulator has implemented is called stress testing. It's done on an annual basis and involves a majority of federally regulated plans. The federal regulator says that given the downturn in the stock markets since many of the evaluations were done, essentially stress testing estimates the likely impact on pension plans of changes in key variables such as investment returns and interest rates and helps to identify problem plans much earlier on. Have you initiated or implemented anything like the stress testing that the federal regulator has now implemented?

Hon Mrs Ecker: Again, we'll let the official from FSCO here answer the question. If he does not have the answer, we can get that back to you. But what I have asked FSCO to do is to be more vigilant, to look at steps

that we may need to take to ensure that we are being watchful, and if there are recommendations about further policy changes or things like the federal government has instituted, they are certainly free to institute those and recommend them to the government. I have had briefings with them to ensure that they are indeed taking the steps they need to take.

I mentioned earlier what's been happening with stock markets and mutual funds. One of the steps that we did take last year was to put in place legislation to protect investors, to bring in the securities market. We've been working closely with the regulator, in this case the Ontario Securities Commission, and with the Canadian Public Accountancy Board to put in place better reporting for companies in general about their pension obligations and the impact that has on the bottom line. If there are further steps that we need to take, we are certainly prepared to take them.

Mr Hampton: Will you produce, for the next sitting, whatever information you have on the number of provincially regulated pension plans which appear to be in trouble?

The Vice-Chair: Sorry, but at this time the bells are ringing. I'm not quite sure; I think there is a 30-minute bell.

You are 10 minutes into your time, Mr Hampton, so when we resume tomorrow—

Mr Hampton: Can the minister answer the last question? They say they do have numbers. Can they produce them for the next sitting?

The Vice-Chair: It's a five-minute bell, so I can't allow her to answer now. We stand adjourned until tomorrow after routine proceedings. You have 10 more minutes at that time.

The committee adjourned at 1801.

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