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Mercredi 23 juin 2004

**Standing committee on
estimates**

Ministry of Finance

**Comité permanent des
budgets des dépenses**

Ministère des Finances

Chair: Cameron Jackson
Clerk: Trevor Day

Président : Cameron Jackson
Greffier : Trevor Day

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 23 June 2004

Mercredi 23 juin 2004

The committee met at 1549 in room 151.

MINISTRY OF FINANCE

Clerk of the Committee (Mr Trevor Day): Members, it is my duty to elect an Acting Chair. Do we have a nomination?

Ms Caroline Di Cocco (Sarnia-Lambton): Is it normally not the case that the opposition chairs this committee?

Mr John R. Baird (Nepean-Carleton): Unfortunately, the Chair is not here. I would be happy to, but I'm not a subbed-in member.

Ms Di Cocco: I would like to nominate Mr Prue.

Mr Michael Prue (Beaches-East York): I don't mind doing it for half an hour, but I do have a lot of questions I want to ask, which I can't do from there.

Ms Di Cocco: Mr Jackson is expected to come, is he not?

Clerk of the Committee: Yes, I believe so.

Mr Prue: All right. I'll do it until he gets here.

Clerk of the Committee: Any further nominations? Seeing none, Mr Prue, would you please take the chair?

The Acting Chair (Mr Michael Prue): Pursuant to the rules that were agreed upon yesterday, we'll turn first to the official opposition for 15 minutes of questioning.

Mr Baird: I wanted to get back, Minister, to how much Paul Martin's campaign manager and his firm, Earncliffe, were paid to assist you with preparing the budget.

Hon Greg Sorbara (Minister of Finance): You want to get back to that?

Mr Baird: I want to know how much they were paid.

Hon Mr Sorbara: I think the letter we submitted to the committee—and you have a copy of that—answers the questions you raised yesterday. I'll reiterate that the Ministry of Finance did not have a contract with Earncliffe, with David Herle or with Elly Alboim. It has an agency of record agreement with Decima and—

Mr Baird: Minister, I understand this individual, Mr Herle, was contacted by a member of the media and he said he can't release how much he charged in his invoices. Do you not think that the taxpayers of Ontario are entitled to know how much Paul Martin's campaign manager and campaign team were paid to advise to help prepare this budget?

Hon Mr Sorbara: Once again I'll tell my friend from Nepean-Carleton that we had no contractual arrangement with them. It was the subject of a subcontract with a company called Veraxis and Decima Research. I simply have no information about that commercial relationship, so I can't give you a figure.

Mr Baird: You and your ministry have no information whatsoever, of any kind, with respect to the firm—and I understand Veraxis is an arm of Earncliffe or a related firm that is co-located in their Ottawa offices. Is it your contention that you have no idea whatsoever how much this firm, which you lauded so much yesterday, was paid?

Hon Mr Sorbara: It is my submission to you, sir, that there is a commercial relationship between Decima Research and Veraxis, and I have no information as to that commercial relationship.

Mr Baird: That's not my question.

Hon Mr Sorbara: Our agency of record relationship is with Decima Research.

Mr Baird: I'd like to ask the Deputy Minister a question. Deputy, do you have any information with respect to how much Veraxis communications or Earncliffe, David Herle, Elly Alboim, received for their work with respect to the preparation of this budget? I'm not asking you to give it to me, in this question; I'm asking if you have any information whatsoever, of any kind, related to this transaction.

Mr Colin Andersen: As the minister says, that's a commercial arrangement between those two parties, so we're not actually privy to that information. The contract with Decima is for services that are according to the vendor of record and according to the prices subject to that.

Mr Baird: I'm wanting to ask a very specific question, and you're couching your terms. I respect your professionalism in wanting to do this and understand why you're answering the question in that fashion. This committee is here to provide oversight with respect to the tax dollars that are spent. Do any of your officials have any information with respect to how much David Herle, Veraxis communications, Earncliffe and Elly Alboim received for their work on this budget? Do you have any information of any kind to know whether it's \$1,000, \$10,000, \$20,000, \$1 million?

Mr Andersen: The only information we have is with our direct relationship with Decima, and the

arrangements that were there that were all done according to Management Board directives under the procurement guidelines with the vendor of record. There are set prices for particular services, and then it's up to the firms to figure out how to do that. It's not unusual for firms that we contract with to enter into further subcontracting arrangements if they want to bring in particular expertise in particular areas.

Mr Baird: Can I ask you this question: Did any official at the Ministry of Finance or within the minister's office or the minister himself ever, in any way, shape or form provide any direction to Decima, the agency vendor of record—one of the agency vendors of record—that they were to subcontract work to Paul Martin's campaign manager, Veraxis, Earncliffe or Elly Alboim?

Mr Andersen: As the minister said yesterday, there was a discussion with the firm about using some of those people, because they have established expertise in doing pre-budget marketing and research. As far as I'm aware, there was no further discussion with regard to actual payment and all of the rest of it, because that would be up to Decima.

Mr Baird: You're choosing your words very carefully. I respect that you are well known within the public service; you're well known around Queen's Park for being one of the most intelligent, one of the most capable public servants. I think taxpayers are very fortunate to have your skills and expertise at work for them.

This committee is a government oversight committee. We are entitled to answers to questions. It may not be a politically palatable answer, but I would like to know what direction was provided to Decima by anyone associated with the Ministry of Finance with respect to subcontracting work with Veraxis, with Earncliffe, with David Herle or with Elly Alboim.

Hon Mr Sorbara: Mr Chair, if I might, I think we have answered that question.

Mr Baird: No, you haven't answered the question.

Hon Mr Sorbara: OK, then let us try it again for my friend, who did not want to accept yesterday's answer.

Mr Baird: You didn't give me an answer yesterday. You said you'd get back to me.

The Chair (Mr Cameron Jackson): Mr Baird, the question has been asked. The minister has been recognized. I'd like him to give you an answer. If you wish to repeat the question, you have the right to do that. If the minister wants to repeat his answer, he has the right to do that as well.

Hon Mr Sorbara: Based on the expertise of Veraxis and the principals of that firm in areas outside of the realm of politics—that is, in their professional capacity for firms not associated with any political party, not associated with any form of politics—based on their research and expertise, there was a direction that the—

Mr Baird: By whom?

Hon Mr Sorbara: By my office. There was a direction from my office that they be canvassed as to their willingness to do pre-budget research as confidential advice to the minister.

Mr Baird: So your office, a partisan arm of the government—your Liberal office, your office staff, who are partisan political staffers who do honourable work—directed Decima to hire someone. That's correct?

Hon Mr Sorbara: I simply gave you an answer that you seem not to want to accept.

Mr Baird: Is that correct? I want to make sure I'm quoting you exactly correctly, Minister.

Hon Mr Sorbara: Well, if you wanted to quote me exactly, get a copy of the transcript and read me back my words.

Mr Baird: I'm asking you: Your office directed Decima to hire Veraxis, Earncliffe, David Herle or Elly Alboim. Is that correct?

Hon Mr Sorbara: Well, let's take a step back—

Mr Baird: No, Minister.

Hon Mr Sorbara: —for the benefit of the members of this committee, Mr Chair.

The Chair: The minister is answering.

Hon Mr Sorbara: Let's take a step back. My friend knows that every administration in Ontario since at least the days of Floyd Laughren—at the time, Treasurer of the province of Ontario—undertakes very specific research in anticipation of a budget. I can tell you that in each case through eight years of public administration under the Conservative administration and through five years under the New Democratic administration, ministers have chosen specific entities to do pre-budget research. Those choices are almost invariably made by the minister and his staff in co-operation with the staff of the ministry, including the deputy minister and those involved in communications etc.

So in accordance with those procedures, well established in the province of Ontario and in the Ministry of Finance, we made a choice of a researcher, and we made that choice based on their expertise, not in the area of politics and budget-making but in other areas of work, because we were very familiar with their expertise in those other areas.

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Mr Baird: Could you give me a specific example of that expertise outside of the political realm?

Hon Mr Sorbara: I could give you several.

Mr Baird: Could you give me one?

Hon Mr Sorbara: You know what? I'm not here to—

Mr Baird: You can't give me one?

Hon Mr Sorbara: Yes, I can.

Mr Baird: Then give me one.

Hon Mr Sorbara: OK, I'll provide several in due course.

Mr Baird: You cannot give me a single—you say you hired this firm for their established expertise outside of the political realm, that it's well known, and you sit here before this committee and cannot tell us one single thing that this group of political hacks has ever done. You can't name a single thing as to what they've done. Is that not the fact?

Hon Mr Sorbara: Mr Chairman, my friend's language is unacceptable. One such client is none other than

the Canadian Institute of Chartered Accountants, which has had significant work done by these researchers. For my friend to carry on this line of questioning I find totally unacceptable. The quality of his language when he describes professional people well known in the Canadian public research sector as hacks is unacceptable, and I don't—

Mr Baird: I'm trying to establish what their credentials were.

The Chair: One speaker at a time, please.

Mr Baird: You're the one covering this up, Minister. You're the one who is refusing to tell taxpayers, before they vote on June 28, how much Paul Martin's campaign team was paid to help you break your promises, to help you cut health care and to help you raise taxes. You're the Minister of Finance, you control an \$80-billion budget, and I would apologize to you if you take offence with the opposition representing—on this side of the table, sir, we represent 55% of the people in Ontario. We are entitled to ask questions, and I think taxpayers are entitled to honest, upfront answers. Your continuing refusal to answer this question is nothing short of outrageous.

I have a question for the deputy. I'd like to know how much Decima was paid for their work on the pre-budget, during the budget and post-budget.

Mr Andersen: We haven't received all of the final invoices.

Mr Baird: How much did you authorize your ministry?

Mr Andersen: They're being paid exactly according to the established pricing guidelines that are there under the vendor record.

Mr Baird: How much did you authorize them to pay?

Mr Andersen: I don't actually know those amounts. Some of that was in the works before I arrived in the ministry.

Mr Baird: Do you have any idea? They had an open-ended contract to spend as much money as they wanted? If the bill was \$3 million, would that surprise you?

Mr Andersen: Of course it would.

Mr Baird: I don't know. I mean, you have no idea? You contracted these folks to do work. You're the deputy minister ultimately accountable under the public administration act for the financing of this, and you have no idea how much these people were to be paid?

Hon Mr Sorbara: Mr Chairman, if I might just intervene here and undertake to provide this committee—

Mr Baird: That undertaking is meaningless.

The Chair: Mr Baird, please, I would like to let the minister finish his answer for the record as to how he will provide a written undertaking to answer your questioning. That is what the minister's trying to put on the record. We're trying to maintain the House rules upstairs for conduct in this committee hearing. Really, Hansard can only cope with one speaker at a time, and I don't want to caution people again. I'll move the rotation. Allow people to finish their answers.

Mr Baird: Would anyone in the ministry—

The Chair: Mr Baird, I just said, I recognize the minister to put on the record, please, and then I will return the microphone to you.

Hon Mr Sorbara: I will provide our undertaking, Mr Chair. When the work that was provided through Decima, when all of those invoices are in, I undertake to provide full amounts and a full accounting to this committee and to these estimates hearings. We have quite some time to go yet. But I want to put on the record now that the contractual relationship was done within the strict letter and the full spirit of the contractual arrangements that we had with Decima Research. I can give every member of this committee absolute assurance that the amounts contracted for, when those bills are submitted, will be within the parameters of what is appropriate in the circumstances for that sort of thing.

The Chair: Thank you very much, Minister.

Mr Baird: I have a question for the communications director. Is the communications director from the Ministry of Finance here? Is there any member of the communications branch here?

The Chair: For the record, that was requested yesterday. Is there a problem?

Mr Baird: Is no one from the communications branch here?

Hon Mr Sorbara: Mr Chairman, questions can be directed to the deputy. If there is a member of the administration who is competent to answer that question, the deputy would be more than delighted to call that person to the podium to answer. May we have the question directed either to me or to the deputy?

Mr Baird: To the deputy: Is it the policy of the government of Ontario that when you contract work out to a third party, financial parameters be put on any work before you receive invoices?

Mr Andersen: Certainly, with regard to the level of services that are provided and the prices that are paid for those services, we get invoices for them and the firms have to demonstrate that they've delivered on those services. We go over the—

Mr Baird: Would there be a cap?

Mr Andersen: It depends on the nature of the services.

Mr Baird: Would there normally be a cap?

Mr Andersen: In most cases, yes.

Mr Baird: You're an experienced public servant in a wide variety of ministries. For communications services, would that always be the case? Most of the time, in a strong majority of the cases, would there be a hard cap?

Mr Andersen: I don't think you can give one blanket answer that applies to every single situation. It obviously depends upon the nature of the services that are being requested, the nature of the environment, what kind of work they're being asked to do. This was an arrangement with a firm that does a lot of pre-budget research for governments in Canada, and the firm Decima was acquired according to all of our procurement guidelines with regard to—

Mr Baird: All I want to know is how much Paul Martin's campaign manager was paid out of taxpayer dollars.

Mr Andersen: As we have said, we're not actually privy to that information because that's part of a sub-contracting arrangement between Decima and another level of firm. We contracted with Decima. It's up to them, based on the terms of the arrangement, how they actually deliver on that, and if they feel they need to engage some outside expertise to deliver on the services that we're contracting with them to deliver—

Mr Baird: But they didn't feel that way. The minister's office directed the contractor to subcontract work—political direction to flow taxpayer dollars to the Liberal campaign team in their other professional lives. I would think that if they were directed to do that by the minister's office, as the minister has clearly just stated, there would be some idea, some thought as to what that compensation would be. Or was Decima just to make this up themselves? And if they were to make it up themselves, why would they need any direction?

Mr Andersen: There are a number of elements to the contract. There are some of the usual professional services that are provided, there are market research surveys, focus groups and the like. It would be up to Decima to determine what—

Mr Baird: Have you seen those? Have you seen the results of those? Have you seen that market research that they conducted?

Mr Andersen: We've seen some of the feedback that they've provided. As we're saying, we don't have all of the documentation.

The Chair: Last question, Mr Baird.

Mr Baird: Would you share with the committee what you received from them?

Ms Di Cocco: On a point of order, Chair: I understand that yesterday we agreed to about 15 minutes, and it appears to me it's been about 22 minutes at this point.

The Chair: My clerk just advised me that Mr Baird is two minutes over, and before you said "Point of order," I said it was his last question. So you and I are on the same page.

Mr Baird: Do I get a last answer?

The Chair: You get a last answer, but not a last question.

Mr Baird: That was the last question.

Mr Andersen: As I said, we haven't received all of the final documentation on that. We are compiling all the various records with regard to that, and the minister has endeavoured to provide information on the contractual arrangements that would be a matter of public record eventually anyway. But we're more than happy to—

Mr Baird: I just wanted that put on the public record before Canadians voted.

The Chair: Mr Prue?

Mr Baird: This is a cover-up of unbelievable proportions. You would never have put up with this if it were the Conservative government.

The Chair: Mr Baird, please. I would recognize Mr Prue.

Mr Prue: First of all, I would like to thank the members of staff, the Ontario bureaucracy, for providing the conditions on federal transfers to me—very interesting. This document shows the interim 2003-04 federal transfers to be \$4.926 billion, and the plan for 2004-05 is \$5.452 billion, an increase of some \$526 million. Am I reading those numbers correctly?

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Mr Andersen: Yes, 2004-05 over the interim actuals from 2003-04.

Mr Prue: So there is an increase, then, of some \$526 million to the province from the federal government this year.

Mr Andersen: Yes, and that's money that is largely unconditional. Transfers from the federal government—

Mr Prue: Let me get to that in a minute. I just want to make sure I have the right numbers.

What does "unconditional" mean to the Ontario government? Can that be spent any way that the Ontario government wants or must it be related to health?

Mr Andersen: The transfer, according to the federal legislation under the CHST arrangement, is for health and social services. There have been political commitments in the past from the previous governments that any increments in that funding would be provided strictly for health.

Under the recent legislation, that CHST transfer has now been split into two, so on a going-forward basis, there is a Canada health transfer and a Canada social transfer. The reporting for that, from this point forward, will be split into the two component parts.

With regard to exactly how all of that gets allocated in the future, generally, the money goes into our consolidated revenue fund and then we can report on where it gets spent.

Mr Prue: I'm going to ask a hypothetical and probably ludicrous suggestion. If the federal government were to give you that money and a decision of cabinet was to restock a lake in northern Ontario with brown trout and spend \$1 million on that, could some of this money be spent on that?

Mr Andersen: It's a hypothetical question because it largely depends on whether or not there are any conditions attached to that money. As you know, the CHST is generally a subject of negotiation between all the Premiers and the Prime Minister. In the past, some of that money has had conditions attached to it for some fairly specific things, with targets and moving toward performance targets or issues that are sometimes fairly far out in the future. As long as provinces are generally spending money that's achieving or moving in that particular direction, it's determined to be fine. Because there is a mix of money that is unconditional, it really is up to individual jurisdictions to defend to their taxpayers exactly where that money went and why it was spent on those kinds of purposes.

With regard to health, there is a general understanding that much of the money that's been provided in the past, while there have been commitments to provide any increments of that money directly for incremental spending in health, there has been a long-standing position on the part of provinces that the share of federal money that is going toward health care is inadequate. Obviously, unless some of that money starts to go toward base or existing funding, the federal share will never actually increase.

Many other provinces are also in the same position that we're in, in that not all spending that contributes to the health and health care of people in the province is strictly just in the Ministry of Health, or whatever it's called in other provinces. Some of the examples that we've outlined before are ones that people see as directly health-care related, like mental health services, that quite often appear in community ministries and the like.

Other things, like clean water, clean air and those kinds of things, are well-established in the literature as things that are contributing toward the health of the population and that are necessary to reduce lost days of work—economic benefits both individually and collectively to society.

You can broaden that out even further, where many say that some of the most important determinants of health are actually income levels, education levels and attainment of post-secondary education. Poverty levels can contribute to that as well. So there are many socio-economic factors that can factor in as well.

Mr Prue: What I'm hearing you say is that this is so open-ended that any government could spend anything at all, literally, in almost every government program.

Mr Andersen: No, I don't agree with that.

Mr Prue: I'm trying to figure this out.

Mr Andersen: There are well established—

Mr Prue: You've included almost everything, from pollution controls, to water, to socio-economic, to redeployment of funds, to education. You've included all of those things. The only thing you haven't talked about is the brown trout in northern Ontario—the hypothetical question. There are no parameters put on this by the federal government at all?

Mr Andersen: No, that's not what I said. If you look at the chart, there are some areas where it is unconditional, recognizing that we have 13 different provinces and territories, each with their own particular mix of health care systems, and health status as well. In some cases, to contribute toward the health of their population, it's appropriate for some areas to put their money into education. In others, the absolutely most important thing they've been able to do is make sure they have clean drinking water in their systems. It's quite well established that, for public health purposes, one of the strongest contributors ever toward increasing the health status of the population is clean drinking water.

Mr Prue: Of the other 12 jurisdictions, are you aware of any that have spent this transfer money from the federal government on sewers, other than Ontario?

Mr Andersen: I'm not aware, but I wouldn't necessarily be aware of where absolutely everybody is putting their money. They all have to be accountable to their own populations, just as we are through the annual report and public accounts process where all of the sources of revenue that come into a province are allocated out. In some cases, some of that money is earmarked for very specific purposes. In some cases, like ours, it goes into the consolidated revenue fund, and then, on balance, the government of the day is held accountable for where it spends the money that comes in from all sources.

Mr Prue: Were there any discussions with your federal counterparts on this money going to non-traditional funding like the sewer pipe?

Mr Andersen: There have been discussions in the past with regards to where are the priorities for funding in the future. In each of the accords that have come up there have been lots of discussions about where are the priority areas toward contributing to a more sustainable health care system. We're not alone in this province or in this country with regard to seeing growing health care costs. There are many areas where funding is put and prioritized with regard to how to achieve both short-term and long-term health care sustainability. In some cases those are initiatives that have benefits far out into the future. They may have costs right now. Certainly, anti-smoking campaigns and the like are ones that yield health care benefits farther down the road. They can have some immediate impacts as well.

Again, I would say, yes, there are general discussions about the fact that the current share of money that's coming from the federal government to provinces is making it difficult to spend as much money as needs to be spent on some of those other areas that not only contribute to health care but contribute to a stronger economy. Education and post-secondary education are probably the best examples of that.

To sum up, I would say there have been numerous discussions about the fact that it's been very difficult over the past number of years on the CHST to say, "Yes, we will in fact be putting all of our money toward health care," recognizing that that means the other areas that are covered under that transfer, the social areas, don't get increases. Social services and post-secondary education can contribute to health as well.

Mr Prue: I'll change the direction just a little bit. I never did find out about my brown trout, though. I really am curious about that.

In the year 2005-06 there appears, as I was questioning yesterday, to be only a \$600-million increase in spending. The minister answered that in part.

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I'd like to go into just what you're getting from the federal government. My reading is that you're going to get from the federal government another \$800 million in federal health transfers anticipated next year. As well, you're going to make about another \$800 million over the \$1.6 million that you're getting from the health tax. That's another \$1.6 billion, and yet expenditures are only

going up to an anticipated \$600 million. There's \$1 billion there. What's happening to that \$1 billion?

Mr Andersen: A couple of general remarks: For one, as you'll see in the budget documents, we've provided a fairly detailed reporting on Ministry of Health spending over the next number of years, and as the budget documents also talk about, in the fall we're going to be putting out more detailed plans on the rest of the ministries. So in many cases, some of the information you're asking about will be available in the fall.

With regard to how much we are actually going to be getting from the federal government, it depends on the outcome of the federal election and the determination with regard to what's going to be put in for health care over the coming years.

Mr Prue: The anticipation at this time—and I realize the vagaries of an election that's taking place next week—the idea, everything that is contained in the documents, everything that people understand, is that we can expect \$0.8 billion next year in additional money from the federal government as it stands today, and as it stands today we can expect another \$0.8 billion from the health care tax, and yet health care is only going up \$0.6 billion. I'm trying to anticipate, is your anticipation of the budget for the year 2005-06—where's that other \$1 billion going to? Is it going to other departments, other than health, or is it staying in health?

Mr Andersen: As I said before, I think we have a pretty good idea of the incremental revenues that are going to be coming from the health premium. I wouldn't want to presume as to exactly how much money is going to be available from the federal government in the future. We are increasing spending on health care, as outlined in the expenditure envelopes that are there, and that is specifically for the Ministry of Health. There are other parts of the government where there are expenditures, programs that are related to health care as well, and we're in the stages of sorting out those details so that they can be announced, again, on a multi-year basis in the fall, which is, I would remind people, actually in more detail than has been done in the past on a four-year basis.

Mr Prue: I just want to be sure, though, that part or all of this \$1 billion may go into non-traditional health care, everything from sewer pipes to children's services to mental health issues—things that have not traditionally been included in the envelope.

Hon Mr Sorbara: If I might interject there and reiterate that the Ontario health premium is going to be spent on health care in the province. I just want to invite my friend to work from the base year of 2003-04. From that base year, the increments in health care, over the course of our four-year plan, overall will be funded by the Ontario health premium.

In addition to that, we will have additional revenues, perhaps, from the national government, depending upon the results of the election. We obviously are hopeful that the commitments the Liberal Party has made are the kinds of commitments that are honoured. Mr Martin has already given some indication of the levels of support he

would be giving to the provinces. If we can realize those commitments, that will assist us down the road. Much of that funding probably would be subject to specific conditions: investments in, for example, primary care reform, or diagnostic equipment, as has been the case in the past.

I know that my friend has been looking for a way to jig the numbers so that it looks like we're raising revenues from a health care premium for money that is not going into health. That's simply not the case.

Mr Prue: That's what I'm worried about.

Hon Mr Sorbara: I know it's an interesting debate and that we should have a whole crew of accountants and actuaries in here and all that stuff. But I'll concede to you, Mr Prue, that as we raise these additional revenues and allocate them to health care, it does take pressure off other areas of public administration. It gives us somewhat more to spend on education; it allows us to increase social assistance benefits; and it allows us to increase by 3% what we give to the people who look to the Ontario disability support program.

You can make the argument in the sense that, "You're raising that money and you're spending it on health care, but that really frees up other money to spend on other things the government is doing." To that extent, I will concede that you are absolutely right.

The Chair: That's a wonderful note to transfer to Mr Arthurs for the next round of questions.

Mr Wayne Arthurs (Pickering-Ajax-Uxbridge): It's a pleasure to be here as part of the estimates committee for the first time around, Minister. I must say your presentation yesterday was very helpful, and I think very valuable. Given the nature of the rotations, members on the government side—our chance to question will be somewhat limited. That's the way the numbers work. I've appreciated yesterday's and today's comments and Mr Prue's insightful questions, as he's looked at it carefully, and your capacity and willingness to respond to those.

There's been reference made, Minister, to June 28. I'm going to ask you a little bit about what I think is part of a new deal. I'm specifically looking at the briefing book providing strategic priorities. I know you mentioned this yesterday, but I think it's worth repeating and expanding upon. Among the partners we have in government is another order of government, and that's municipalities, I think referenced on page 3 in your document. Municipalities' leaders, like us, are accountable to both residential and business taxpayers. Their relationship with the previous government, might I say charitably, was strained at best. You could characterize it that way.

Hon Mr Sorbara: You would know, as a former mayor.

Mr Arthurs: I would say it in a charitable fashion.

How does this particular budget and the four-year plan under the results-based planning process assist municipalities in dealing with what they see going forward in the context of the current fiscal year, the next fiscal year, and certainly planning the balance of their terms over a

three-year term of office? Can it be characterized in part as maybe our part of a new deal for municipalities and that, clearly, our federal partners need to engage in that process as well?

Hon Mr Sorbara: I appreciate this question. Just to note for the record, Mr Chair: the member for Pickering-Ajax-Uxbridge is a former mayor of Pickering and would have had some first-hand experience of that relationship, strained as it was sometimes, with municipalities.

I just want to put a couple of thoughts on the record and then I'm going to ask my deputy to get into some more detail about how this dynamic relationship will change. He of course will be free to call whomever he chooses from the ministry to speak to it.

When I went around the province, talking about what we were attempting to accomplish in this budget, I really set out five things that people should understand about the budget. First is that we are in the midst of a transformation of health care. The second is historic investments in education. The third is to redefine and reshape the relationship between communities large and small, and municipalities large and small, across the province, and the provincial government—not that everything was always absolutely bad; but having come to these responsibilities, the impact of downloading, of increased cost pressures on municipalities and of the increased anticipation of residents in cities large and small for a higher quality of service, had sent the system toward the breaking point of viability.

All members here remember the kind of rhetoric that went on between mayors of big cities like Toronto and Ottawa and the provincial government. The relationship had really broken down. What average people did not realize was that that same—and I use the big word—dysfunctionality was also apparent, and sometimes in an even starker way, with small municipalities, who didn't have the revenue to repair bridges, so that their transportation infrastructure was about to collapse.

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Now, the budget sets us on a new course. I'm going to turn it over to the deputy to provide a little bit more detail. He may want to call one or two others to speak to the issue, because it is quite an important one.

Mr Arthurs: Mr Chair, just in the event that the deputy begins to run low on time, if you or the clerk could advise with a couple of minutes left, because Ms Broten has a quick question.

The Chair: Right.

Mr Arthurs: If we run short with the deputy's comments, in the final two or three minutes, will you just advise us?

The Chair: We have lots of time, but the deputy heard you talk about the need to get several questions in in this round. Please proceed, Deputy.

Hon Mr Sorbara: He's more concise in his language than I am.

Mr Andersen: The government has announced that it's going to begin a dialogue with municipal leaders on a wide variety of fronts, and that's going to start this

summer. The Ministry of Finance has already announced a number of initiatives that can help municipalities with some of the issues that they're dealing with, and some of those tools have already been put in place.

A number of the other tools are ones that have been announced in the budget, some of which will be starting this October and will be phased in over a period of time. Here, I'm thinking of a commitment to dedicate two cents of our existing provincial gas tax to municipalities. That will go for public transit, beginning with one cent in October 2004. One of the things that is going to be discussed with the municipalities is the distribution formula for that, because we would like to hear their input, which would obviously be guided by the particular pressures that they're facing.

Another significant reform that we're undertaking is that we're going to move to assume 75% of the cost of public health by 2007. Again, that's going to be phased in. Right now, we're in a 50-50 sharing relationship. The government has been working through a number of issues, based on our ability to respond to the SARS crisis and some of the other public health issues that are underway.

Part of that discussion is also going to look at the mechanisms for how the GTA municipalities share some of their costs of transit and transformation, in recognition of the fact that there's an increasing integration as the populations move between centres for work and other purposes.

We've been working with AMO, the Association of Municipalities of Ontario, with regard to an MOU. The intent is actually to introduce legislation to enshrine that MOU in the Municipal Act. So that will be another part of the discussion.

We've also been working with the federal government as well to establish a working group at all levels of government to look at the issues to help municipalities be more fiscally sustainable as well as autonomous in their decision-making and, at the same time, accountable to the taxpayer, who is essentially the same person for all three levels of government.

As part of those discussions, as the minister said, municipalities across Ontario are in different situations. Some of them have different fiscal capacities. Some of them have different needs that may or may not have been met over the last period of time. A clear example of that is varying infrastructure requirements across the province. The government has talked about the fact that it's going to be putting in place a 10-year capital plan and growth management plan for the Golden Horseshoe area as well and some mechanisms to help with reducing gridlock in the GTA, which obviously involves discussions with more than one municipality. There have been some commitments, on the part of the province, to provide some money for the TTC, to expand GO Transit and also to do some work in Ottawa and Waterloo, with regard to doing some technical studies and assessments.

We've been working with the federal government on the Canada-Ontario municipal rural infrastructure fund,

which is to help small towns deal with some of the problems they have improving water quality, sewage treatment, waste management and the like, including what the minister was referring to earlier with regard to roads and bridges.

One area that this ministry is particularly going to be involved in over the next while is the creation of the Ontario Strategic Infrastructure Financing Authority. In many cases, not all of the municipalities have necessarily been borrowing money to address some of their needs, for a variety of reasons. In some cases, it's expensive for them to do that, if they are a small municipality. Some of them are debt-averse and prefer a pay-as-you-go method. In some cases, we have institutional investors like pension plans and the like that would really be interested in investing in infrastructure in Ontario, and in Canada for that matter, but don't have an appropriate mechanism to enter into, where they don't have to have a project-by-project relationship with individual municipalities.

We're putting in place OSIFA to help provide efficient and affordable financing for—

The Vice-Chair (Mr John O'Toole): I'd just like to advise that there's five minutes left in the time.

Mr Andersen: Just to finish off on that quickly, we've got a number of arrangements that have also been put into place with regard to flexibility in managing property tax. Some of those have rolled out over the next little while with the idea of increasing the number of municipal options that municipalities have in front of them. We can come back on that point more specifically.

Last but not least, we do have some programs that are aimed at helping out the north. We've got some new northern Ontario grow bonds and a Grow North investor program that we'll be rolling out over the next period of time.

Finally, on OSIFA, we have actually started the application process with municipalities, and so we're going out and talking to them about that.

Mr Arthurs: Deputy Minister, just very quickly, I think the opportunities on the pension funding from the standpoint of the overall financial strategy shouldn't be lost at all, particularly in the infrastructure and also the conservation initiatives that the government will be undertaking.

Finally, as you have your discussions with the municipalities on the whole transit initiative, I'm glad to hear that that consultation will occur. I would be concerned in regard to how we're going to get to determination on whether it's a ridership or population base, so I'm looking forward to the input of municipalities on that particular consideration.

The Vice-Chair: Ms Broten.

Ms Laurel C. Broten (Etobicoke-Lakeshore): Chair, I want to raise a concern with respect to the conduct of questioning before the committee. I would have hoped that the Chair would have been here. It's such a significant concern that I am prepared to take a bit of our time to question the witnesses.

I want to thank Mr Prue for his demeanour before the committee, and I don't want to take away an opposition member's time to question witnesses, because that is certainly a large part of the reason that we have this committee. But I do want to point out that although opposition members have every right to ask any question they want, they have a corresponding obligation, and that obligation is to listen to the answers being given, whether or not they agree with or like those answers. Certainly, if we were sitting in a courtroom, the conduct that we saw earlier today would not have been acceptable.

I want to put that concern on the record. I think we need to conduct ourselves with a certain level of decorum, and that decorum was not observed earlier today. I wanted to raise that concern.

The Vice-Chair: Thank you for your comments, Ms Broten.

We still have a couple of minutes left, if there's an outstanding question from the government caucus. Mr McNeely.

Ms Di Cocco: Thank you—

The Vice-Chair: Ms Di Cocco, were you first? I recognized Mr McNeely first.

Ms Di Cocco: I'm sorry.

Mr Phil McNeely (Ottawa-Orléans): I just thought that this would follow through. I have something from the Consulting Engineers of Ontario. That's where I come from. There's a statement here, and I'm glad to see we're addressing it under the undertaking to review major provincial assets, on page 3, in strategic priorities—that this lack of sustained investment in infrastructure renewal has resulted in out-of-control infrastructure debt estimated in Canada at \$57 billion and \$20 billion in Ontario alone.

It says that this accumulated infrastructure deficit represents a significant debt. We've never considered it as debt in our financial statements, but I think that's coming out more. I'm just wondering, is that part of looking at the lack of infrastructure maintenance as being a debt? Are we getting to that stage of saying we must maintain our existing infrastructure?

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Hon Mr Sorbara: It's a good question, because we don't account for it in that way in our financial statements. So, for example, when we build a new provincial asset, the way in which the Public Service Accounting Board now requires us to account for that is very similar to the private sector. It's identified as a capital asset, and every year a depreciation amount is expensed. We do that for all assets directly related to government expenditures. We don't do that when we make capital grants to municipalities or universities. That is still done by way of an amount that, although it's going into a capital asset, is expensed as an in-year expense.

But Mr McNeely has a larger concern, Mr Chairman, and that is the deficit in infrastructure that Ontario and, frankly, all of Canada are confronting. This is a vast land, and although its vastness brings great riches and great wealth, the challenges of infrastructure today are as

imposing as when the last spike was put in the national railroad back in 1885. It was a challenge for the national government, it nearly bankrupted the national government, and we face those same sorts of challenges.

Perhaps if we have time, I'll just ask Rob Siddall, the provincial controller, to speak to how we account for our assets, but I just wanted to put on the record and confirm that the engineers have it right when they identify the vast amount of work that needs to be done in repair, maintenance and upgrading of existing assets. Even more daunting is the next generation of assets that we have to build: the new public transit systems, the new highways, the roads that will take us into the territory in the province in the far north, north of 50, and will help us develop those resources. Is Rob here?

The Acting Chair: The time is totally expired, but we need to hear from you. So if you could just keep it very brief.

Mr Rob Siddall: I think the member brings out an important point about the province's accounting as it currently exists in Ontario and in all other jurisdictions across Canada, which is to say we are based on a historic-cost model, which gives us an estimate of the current value of our assets based on their original historic costs in terms of what useful life we have left in the province's assets. It doesn't deal with the issue of the cost of replacing those assets in future years. This is something that the Canadian Institute of Chartered Accountants has been looking at, not just for the private sector but also for the public sector, in terms of seeing if there is additional disclosure that could either be in annual reports or in the financial statements of a company or of the government. It is something the public needs to see, in terms of having additional information on the condition of the assets that a province has or that a company has or that another jurisdiction has.

The Chair: Thank you very much for the question and the answer. Mr O'Toole?

Mr John O'Toole (Durham): I just really have a couple of attempts to understand the difference between—this may seem technical, but it's helpful for us as fairly new members to this whole process of accrual-based accounting versus the old modified cash basis. It's quite different. In fact, if I look year over year, it's difficult for me, as a non-accountant, to really understand the difference, specifically in the capital side. If you could just give a brief explanation for all members—I mean it respectfully and there's no treachery in the question—to understand the difference between accrual-based accounting and modified cash: how, for instance, major capital expenditures will show up in-year, and how do they get spread over a number of years, because they're capital assets? If you could just give us a quick 101, it's helpful, because year over year, it's impossible to really make a lot of sense out of it.

Hon Mr Sorbara: I'm going to ask Rob Siddall to speak more about that. But I'm glad my friend has asked the question, because one of my concerns is that the financial information that we provide to ordinary

Ontarians be in a form that they can understand so they can see, in a relatively simple and straightforward way, where the money is going and what we're spending it on. That's the political objective. On the other hand, there is the pressure from organizations like the Public Sector Accounting Board to adopt certain forms of reporting results. There are generally accepted accounting principles, as they are applied to the public sector. So there's that dynamic tension, and I don't want to speak any more about it other than to say that and turn it over to Rob.

Mr Siddall: I'd be happy to talk about the issue. Obviously, it's something that's very close to me.

Hon Mr Sorbara: He actually knows about it.

Mr Siddall: It's something that I'm enthusiastic to talk about.

Again, just quickly, because the member asked for a "101," I'd like to just go back to who sets, or helps in the process of setting, the accounting policies for the province of Ontario and for all jurisdictions in Canada. The minister has referred to that group, the Public Sector Accounting Board, which is a subgroup within the Canadian Institute of Chartered Accountants. The people who are on that board and who set those standards for all governments in Canada include representation from the federal government, provincial governments across Canada and also municipal governments. There is also representation from academics from the accounting sector, and there is representation from some of the CA firms that we would commonly refer to as being on Bay Street.

The process of PSAB really didn't start until 1981. Up until that point in time, provinces basically set their own accounting policies and there were no standards or consistency across Canada. It wasn't until the institute took it upon themselves to set up a standard-setting body that we actually did even have standards in Ontario.

The reason I bring this up is that since 1981 there have been significant changes in those standards. That's partially because of the amount of work required to set standards in Canada and to make sure they are generally accepted among the preparers and the auditors in advance of implementing them into the province's books. Some of the significant changes that have occurred from 1981 include such things as what is in the government reporting entity. The province, at one point in its history, had the reporting entity restricted to the consolidated revenue fund. As we currently speak, it's sitting at the consolidated revenue fund and those agencies that are controlled by the government and includes such items as Hydro One, Ontario Power Generation, LCBO etc.

The other key change that has happened since 1981—and again it has happened in steps—is the move to accrual accounting. At the simplest stage, accrual accounting is, if you go out and have lunch and you put it on your Visa, you could say that, on a cash basis, it's not an expenditure until you actually pay out that Visa payment. But most of us know that once you put it on your Visa, you're going to have to make that payment when that Visa bill comes due, so the accrual accounting

has that you accrue that amount when you actually receive that benefit. In the case of a lunch, it's when you actually receive the benefit of eating that lunch.

The other aspect of accrual accounting that really didn't come into play until about three years ago was the move to full accrual accounting. From 1993-94, based on the recommendation of the then-Provincial Auditor, Erik Peters, who asked us to move to PSAB recommendations, the recommendations at that point in time were referred to as "modified accrual," which meant that we accrued all those items that were owed during a year, but we did not treat capital in the same manner. Capital was treated as an expenditure when the asset was either constructed or acquired. It wasn't until, I think, 1992-93 that we moved to what is full accrual accounting. That was based on—

Mr O'Toole: What was the year? I just want to clarify that. I think that year was a little later than 1992.

Hon Mr Sorbara: It was 2002.

Mr O'Toole: Yes, it was 2002.

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Mr Siddall: And that was based on PSAB and others at that point in time taking another look at the recommendations in this area and saying that the capital assets that are owned by the province should be put on the balance sheet as an investment and should be charged to operations, as they are used in the delivery of public service.

So what we have now, as a result of accepting those recommendations and including them in the province's financial statements, is that those assets are now reflected, including the opening balance that we had—because the province had a mass of assets that still had useful service life and had to be recorded as an opening item or an opening investment in the province's books—and any additions or deletions that we've had to those assets since that time.

Mr O'Toole: It might be helpful to just stop there. I understand the transfer of capital. The only thing I'm wondering is, you said on a purely cash basis, if you're dealing with the operating side of the budget, you would be incurring the benefit, and you incur the expense at that time, because even though it's paid for some time later or through some other—but in capital, how do you show that? Do you show that like it's life expectancy? What kind of basis do you show the—is it the whole amount or is it some partial use of that consumable capital item?

Mr Siddall: What we will do is, when we actually expend the money to acquire or construct the asset, that full amount will go on the balance sheet of the province. Each year, as that asset is used up in the delivery of service, and the calculation of that asset's usage is based on a judgment call by engineers and accountants and other professionals as to how long that asset will actually be useful in terms of delivery of public service—

Mr O'Toole: It's sort of like its depreciated value is an expenditure for that year?

Mr Siddall: Yes, exactly.

Mr O'Toole: But you still have an asset book value.

Mr Siddall: You still have an asset book value, and you have in the notes to the financial statements an accumulated depreciation against that asset.

Mr O'Toole: For instance, if you look at the infrastructure renewal that everyone—I think governments for the last decade have been aware of the deterioration or condition of assets. It's not new. In fact, I think the Health Services Restructuring Commission was kind of an outcome of a baseline study that was done by the NDP that resulted in the Health Services Restructuring Commission looking at the 230 hospitals and saying, "Hey, we've got this problem here."

We also have some other kind of statistical—you know, aging population things and new health delivery models. I remember when I looked at that, I was just wondering how, specifically in health care—because it's a huge issue from my perspective, and not even the politics, because when Sinclair filed his report, I think he looked at about \$1.2 billion or something to refurbish the asset base in health. The deputy would know that, because I think he was in health, or at least I did meet with him there.

When I saw some of the financial reporting, it's more like a \$7-billion problem to replace the capital. It's a huge chunk. In health alone—I'm just looking at the one part; I mean, we could talk about the whole municipal infrastructure deterioration—a long-term care issue of 10 years of never doing anything. I don't even mean the politics of it. Is there any kind of capital forecast estimate on infrastructure renewal, sector by sector or ministry by ministry or for the whole province of Ontario? We've got the bridge issue. We've got the transportation issue.

Wait a minute here. If it's \$7 billion for health care, let alone the whole agricultural renewal and clean water and source water protection—wait a minute here. The people of Ontario are going to pay it, either directly or indirectly. Is there a number, by sector or a total estimate, a glassy-eyed crystal ball look at that capital accrual thing that's looking us in the face?

Mr Siddall: I'm aware that certain sectors have asked and had research done on what we commonly refer to as the infrastructure deficit in their sector, but I have not seen anything that pulls it all together.

I will come back to the other point. Even if you take a look at what we now have in terms of the assets that are owned by the province and are showing up on the province's balance sheet, which is land, buildings and highway infrastructure, what you have on that balance sheet is the historic cost of those assets when they were acquired or purchased, sometimes as early as 20 to 30 years previously. So that number does not provide an adequate estimate of the replacement cost of the highways of Ontario, for example.

Mr O'Toole: I just put it on the table. I only have five minutes left and I'd love to have a conversation. Maybe I could ask for a briefing on it.

Mr Andersen: On that point, that's one of the reasons the Ministry of Public Infrastructure Renewal has actually been created in the first place: to have a look at that.

The government is developing a 10-year plan, the first steps of which are having an assessment of the state of the infrastructure. With regard to helping guide future investment decisions, part of it is determining the state of what's there. As Rob says, it varies in different sectors with regard to the actual quality of that infrastructure, and in many cases the quality of the information that's available on the state of that infrastructure varies quite dramatically as well.

Mr O'Toole: It's actually a very interesting topic, and I'm just going to leave it there. If there's information available on that forecasting for capital, by sector or by total, I'd be happy to have it filed with the committee. I'll tell you why. If I move to any one of the sectors—and I'm going to briefly touch on electricity, because it's huge. We know it's about a \$40-billion hole in the ground that somebody's looking at over the next 20 years, big time. It's more than that, actually, because new and evolving technology is the issue. So I just think we have a plan coming forward with Bill 100 which will look at setting up a structure to capitalize all that need for the future, but also how the government, in policy, will determine that capital infrastructure, what it will look like: nuclear, coal, whatever.

If you look in the current accounting documents, there are some depreciation numbers occurring there. Part of it is the writing off of coal plants right now, in in-years, so that creates a problem in-year. Those are all accounting principles. I just want to limit it. You can respond to that, but I have a real question. That was more of an educational one. I'll probably need more time to get educated, but hopefully over the next 20-some hours I'll get some of that.

I'm going to ask specifically a question that is a political question, more to the minister, I suppose, and this is done in a non-confrontational manner. You and your parliamentary assistant, Mike Colle, and your staff in the ministry—and I commend you; some accessibility there—have been dealing with the very small issue of the recreational tax on trailers. There was a regulation when it was proclaimed and there's a current new regulation, stepping back from the retroactivity issue, on how to collect that revenue. That retroactivity and taxation is a huge issue. Whom do you get it from? Is it customers? Stuff like that.

My question is—it's more than that. Are you prepared to really try and solve that problem? It's small, but we're talking about ordinary Ontarians of all political stripes. It's not even politics. They aren't, in a formal sense, organized like some of the more sophisticated interest groups. We have a multi-sector coalition that has done some work. They've worked with municipalities. I understand there's no perfect answer to any question. Do you think you can find a solution, some of which may be as simple as a 2004 moratorium, going into 2005, and everybody knows the rules? Any response to that?

Hon Mr Sorbara: I appreciate the question because it was one of those issues—small to some, large to those

who are directly involved—that came to us almost within days of our government being sworn in.

Can I spend 10 seconds, though, on the energy thing that you ended with? You're right about the magnitude of the job of building our energy capacity for the future. The difference between our capital requirements in energy and other capital requirements such as, let's say, a new high school, a new hospital or a new community health care facility, is that our design for the electricity sector is that we are going to be charging the real cost of energy through the hybrid system. So we have that source of revenue, and the real challenge in energy is to get on with the building of new capacity to replace capacity that is, with each passing day, getting closer to the point of full retirement. We've made the commitment on the coal-fired generating plants. We're going to get out of coal by the end of 2007, so we've got to replace that capacity. The good news is that the minister's plans are taking all of that into consideration, and the new structure for regulating price will provide the revenue to pay for the new capacity.

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Let's go to the trailers: The short answer is, yes, I think we can solve the problem. I don't want to put on the table right now what the solution should be, but we took out the retroactivity. Mike Colle, who's doing an absolutely splendid job working alongside me in his capacity as parliamentary assistant, has taken on this business of creating a better Municipal Property Assessment Corp—MPAC, as we all know it. He's working with the MPAC people. He's working with ministry officials. This is a sensitive point for a number of landowners who provide spaces for trailers—some of them semi-permanent, some of them weekly, some of them daily—and we're going to get this darn thing figured out. I want to assure my friend from Durham of that.

The Chair: We have reached our full—

Mr O'Toole: Can I have one minute?

The Chair: No. We don't even have a minute, I'm afraid, but you will get another rotation. In fact, you may even get two of them.

Mr Colle?

Mr Prue: Mr Colle's not here.

The Chair: I'm sorry. Mr Prue.

Mr Prue: I don't know how you can confuse us. I have a moustache; he does not. If it's any consolation, when we were both at Metro, people said the same thing, so I've grown used to it over the years.

If I can explore three areas in the next 15 minutes. The first one is the issue of pensions, which I believe falls under finances. The pension benefits guarantee fund only guarantees pensions up to \$1,000 a month. There seems to have been no change in this current budget—I don't think one was anticipated—but we see the whole problem of the Stelco workers, as an example. That pension guarantee hasn't changed since the 1980s.

Is there any work being done by the finance department to upgrade this? I don't think people can live

on pensions that are only guaranteed to \$1,000 a month any more.

Mr O'Toole: We're the only province with a pension benefit guarantee.

Hon Mr Sorbara: Mr O'Toole points out that we are the only province. I think—and I'm just hoping that ministry officials will correct me if I'm wrong—that the national government does have a—

Interjection.

Hon Mr Sorbara: That's what I said, it does not have a pension guarantee fund. But the federal government in the US does have a similar pension benefit guarantee fund. Do you want us to answer that first, and then go on to your other issues?

Mr Prue: You can answer whether or not you have any plans to change it. If you don't, I think the answer's pretty short.

Hon Mr Sorbara: We have plans to look at the Pension Benefits Act, which is a major piece of legislation. The Tories tried to bring in some reform to the act in the final year of their administration. They got very badly burned on that.

I think the parameters of guarantee in the pension benefit guarantee fund are very well known to those whose pensions are insured by the fund. There has not been a hue and cry to increase the level of guarantee.

You should know—you probably do know—that the fund is very much like an insurance system in that it is self-financed through contributions and assessments made to pension funds. They pay in and collectively insure the benefits that are provided. The level of guarantee is limited, as you point out. There are no current plans to reassess the level of guarantee.

Mr Prue: I'm disappointed. I was hoping there would be. If the banks can raise theirs for deposit insurance from \$60,000 to \$100,000, if even Lotto 6/49 can charge two bucks and give twice the prize, I think the days of \$1,000 guarantees on a pension are long past.

Hon Mr Sorbara: I just want to tell Mr Prue that the request to enhance the level of that guarantee would have to come from the entities, the pension funds that are actually insured. Most pension funds right now are under some pressure, given low interest rates and the activity of national and international stock markets. Most funds are not looking to spend more in terms of an insurance premium paid to the pension benefit guarantee fund to enhance the level of benefit.

Mr Prue: I realize that, but do you not think that the government has a place to make sure that people's expectations, their life work, is protected a little bit more than it is being protected today?

Hon Mr Sorbara: I want to reiterate, the government does not finance the pension benefit guarantee fund. It's a fund that is self-financing in that the premiums paid by pension funds determine the liquidity of the fund. It would have to come from those pension plans and, by extension, those members asking their pension funds to enhance the benefits. We haven't had that sort of request.

Mr Prue: The second area I would like to explore has to do with the Balanced Budget Act. You referred to that

about halfway through your opening statement. You talked about the Balanced Budget Act being replaced.

Hon Mr Sorbara: That's right.

Mr Prue: My first question has to do with Bill 83. Was that the number of the one that just recently passed, the budget act?

Hon Mr Sorbara: I think that's the right one, the budget measures number 1. Is that what it was called? Something like that.

Mr Prue: Bill 83. There was a very small provision that was almost impossible for any layperson to understand. It said that your budget was not included in the Balanced Budget Act because it was going to be passed in the calendar year 2004. It was going to first or third reading—however it was worded.

My question is, first of all, do you believe that the Balanced Budget Act is a bad act that needs replacement?

Hon Mr Sorbara: I think I actually addressed that in the budget speech, or else in commentary thereafter. I think the Balanced Budget Act as it existed when we took office had some lofty objectives, but had very crude methods of trying to meet those objectives. In other words, the overall objective of governments living within the means provided from the revenue base is very important, but the problem with the Balanced Budget Act is that its rather crude mechanism was to require governments every year to present a balanced budget. That requirement doesn't accord with the natural ebbs and flows of the economic cycle and the periodic pressures that are placed on governments as large and as complex as this government in Ontario. For example, the last budget presented by the Progressive Conservative Party when they were in office "appeared" to be a balanced budget. The reason why it appeared to be a balanced budget is because there was a plug in it by way of a line item that said "We're going to sell public assets and that will result in \$2 billion in revenue and with that \$2 billion, we'll balance the budget."

We could have actually done that this year as well; then we would have presented a balanced budget. This year we presented a somewhat more transparent budget. We don't include any asset sales that would bring us to balance, but had we taken that step, we simply could have said in the budget that I presented: "Asset sales: \$2.2 billion. Voilà, we have a balanced budget."

Mr Prue: Is it your intention to bring this legislation forward before the next budget?

Hon Mr Sorbara: Yes. In fact, you may have missed it, but we did introduce at budget time a new act called the Fiscal Transparency and Accountability Act. It will replace the Balanced Budget Act. I think it does a better job of holding this government and future governments to account in two areas: the quality of the information that we report to the public and to the Legislature, that's the first point. The second is the timeliness and the regularity of the reporting.

If you want more information on exactly how it's going to work, I would just point out that Gabe Sékaly is at the table. He's the associate deputy minister for fiscal

and financial policy and he knows more about this stuff than anyone else on the face of the earth.

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Mr Prue: Then enlighten me.

Mr Gabriel Sékaly: As the minister said, he did table Bill 84, the Fiscal Transparency and Accountability Act. I think one has to go back to the rationale of why these pieces of legislation are in place and take a look at how you can provide information to the public that is relevant and can help them understand how government spends their money and the results that government gets from the spending of taxpayers' money.

One of things that was highlighted in Mr Peters' report in October was the need for improving accountability through transparency. If you look at research from around the world in terms of fiscal targets that governments set in legislation that is set out by governments, those kinds of studies talk about the fact that numerical targets are not enough, that you need to have transparency. That is the most important attribute in defining fiscal rules, because if you only have numerical targets, it increases the incentive for creativity and non-transparent accounting.

The Fiscal Transparency and Accountability Act is very rigorous in terms of laying out the amounts of information and the detail of information that governments are now going to have to put forward in their budget, in their quarterly finances, in their mid-year review. We have legislated in this piece of legislation, should the Legislature pass it, that the quarterly finances have to be put out 45 days after the end of the quarter; that our mid-year review has to be put out 45 days after the middle of the year, so by November 15; that we have to provide at least three years of information in terms of the fiscal plan; that we have to talk about risks, a comprehensive discussion of risks, in terms of the budget, and in this year's budget we started to do that; and that we have to integrate the priorities of government, talk about the results of the money, not only the money itself.

The legislation also talks about the fact that governments, once in their mandate, in the second year of their mandate, should put out a long-term report, a 20-year report that looks at trends and demographics and infrastructure in a number of different areas so that the population is then aware of what governments in general are facing. Such reports are used around the world to look at, for example, issues like electricity. If we had a report that talked about what is the view for Ontario in terms of the electricity market for the next 20 years; for the next the 20 years in terms of human resources—for example, the health sector. We always talk about a lack of nurses and doctors, and if governments are able to put out those kinds of things, then we can plan better to meet the demands of society. Those are some of the aspects of the legislation.

Another aspect of it is a pre-election report, that prior to an election the government would put out a pre-election report, which would be reviewed by the Provincial Auditor for its veracity. Therefore, everybody would be

on the same level playing field as to the understanding of the province's books. It would be reviewed by the Provincial Auditor, as he does the public accounts right now. So he would opine on that. Those are some of the aspects in this legislation.

I have to say we did look at jurisdictions around the world; we looked at the OECD in terms of their best practices and the IMF. They have codes of fiscal discipline and codes of best practice that we looked at in putting together this piece of legislation. As this legislation goes forward and gets approved by the Legislature, we obviously will be adhering to it and putting out more information to yourselves, as the representatives of the people, as well as to the people of Ontario so they understand how their money is spent, where it's spent and what results they get from it. We can talk about how many billions of dollars we're spending in this area or in that area, but if it doesn't have a result for people in terms of better health care or better education, it doesn't really mean much to the people.

Mr Prue: Do I have time?

The Chair: One minute.

Mr Prue: My last question, then, is related to your paper, again, today: How much money has the government saved as a result of the public sector hiring freeze last year? The answer is, the interim outlook says the total expense for 2003-04 was down by \$681 million. That surprised me. That's an enormous amount of money.

Hon Mr Sorbara: Yes, but let's be clear. This is not all as a result of a hiring freeze.

Mr Prue: It sets it up, but this is an enormous amount of money. It's a hiring freeze, a discretionary spending freeze, program delays and program implementation and other things. That's a huge percentage—not a huge, but it is a large percentage—of the budget, at least 1%.

Hon Mr Sorbara: It would be about 1% of overall expenditures for the year, and I'll let Gabe talk to it more. This is not inconsistent with history in Ontario. Gabe will expand on that.

Mr Sékaly: I think, if we turn to page 55 of the budget paper itself, \$372 million of that is delays in capital projects. So there were delays in capital projects in terms of construction delays, delays in reaching agreements with some of our municipal partners.

There was about \$270 million of interest savings. We actually had a better year in terms of our interest expense through wise money management.

The total program expense was \$36 million lower than the November projection. So most of those savings related to staffing are probably included in that program spending. But we can't tell you exactly, because it would be basically trying to assume how many people one would have hired that one did not hire, and then trying to calculate that, which is a very cumbersome exercise. I don't even know if one could actually come to an exact number on that.

All we're saying is that there was a saving, in-year, of \$680 million from a variety of sources. Included in that

was the expenditure, the hiring freeze, the delay in hiring, and some of the other mechanisms that the government put in place. There were additional costs that we did give to some of our transfer partners, like the hospitals' in-year. So there are some expense increases and some decreases.

Ms Di Cocco: I'd like to focus on something that I find actually very interesting: a new way of sort of managing, if you want, the affairs of the province. It's all part and parcel of what I call transformation of how government is managing its affairs.

One of the issues that has always perplexed me is the fact that, although governments can spend a lot of extra money into whatever—I believe that in 2000 and 2001, 2003, 2004, program spending actually increased by 22% in this province—that didn't necessarily reflect in the public's eye that they were getting more for their money. There has been a tradition, I believe, in how government does its business, that you either put more money in, and then it's considered that you're just spending away dollars, or that fiscal responsibility is considered to be just cutting the programs.

I know there has to be a more balanced approach, because there's a complexity of factors that come into play when it comes to the way government manages its money. I'm interested in the results-based planning approach that is a huge exercise that this government is going through. I would like some, if you want, commentary about the results-based planning that the government is proceeding upon.

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Hon Mr Sorbara: I want to thank Ms Di Cocco for the question. This is an area as well where I'm going to ask our associate deputy minister to bring you some details. But if I could just provide some introductory remarks, this is, I hope, the beginning of a transformation of some significance in the way in which we do business in Ontario. I hope the new standards and new approaches that we develop will become a model for governments right across North America. My objective is that we become leaders in public administration and the new approach to determining priorities and the results that we want to achieve.

Let me be clear: This is not to say that previous governments were completely out to lunch on managing expenditures etc. We are just trying to move the yardsticks, because we are entering an era where we are going to have significant cost pressures in the program and expense area, we're going to have continuing pressures on funding infrastructure, and our capacity to generate new revenues is going to be very limited indeed. So we have to start changing the way in which we do business.

There is some commentary in the budget papers on what we call results-based budgeting, and that's the umbrella, that's the clarion call that is the direction to every single ministry in government to adapt its way of doing business. I guess Gabe would be the most appropriate person to give you details as to how it works.

Mr Sékaly: As the minister stated, in the budget papers, starting on page 168, there is, as he called it, a

clarion call in terms of beginning budgeting for results. I think this comes from a feeling that, as I said earlier, it's not really the amount of money that's spent that should be the measure of success, but it is what you get out of it in terms of results. Some jurisdictions around the world have started down this path. You can look at Oregon or Washington state or the UK, and we have examples in Sweden etc, where they have started down this road that looks at and focuses on a few fundamental, key areas in term of the role of government and tries to measure and then come up with measures for that.

For example, if we look at one of the fundamental areas in terms of healthier Ontarians, how do we measure healthier Ontarians and what does the government do in terms of helping people become healthier? We have that as our objective and we then develop measures that would indicate whether Ontarians are getting healthier. One of the measures is to reduce waiting times.

It's the same thing on education, a more educated population and student success, and one of the measures is how students do on tests.

You have to make sure also that people understand that when we talk about these things, there are a lot of societal impacts as well. It's not only government that can do everything; there are societal impacts. For example, a healthier Ontarian: The government can do and have all sorts of things in terms of health care, but if I don't go on a diet or exercise etc, I'm not going to become healthier. So there are personal responsibilities as well. You have to take that into consideration when you develop the kinds of measures that are put out there in terms of measuring how governments are doing. You have to understand the underlying data in terms of that information, and it takes time to build this kind of data. But once this is out there and people understand, it gives everybody a common understanding of how taxpayers' money is being spent and the actual results. It focuses government on then looking at its programs and looking at what it does to ensure there is a tie-in between those programs and the end result that the government and the people are looking for.

So it's a different type of approach, but it's one that is starting to be used in other jurisdictions. We looked at them and we came up with a process, a made-in-Ontario one, to deal with the circumstances here in Ontario, because there are some pitfalls that one has to watch out for.

We were talking to somebody from Minnesota who came in to talk to us about some of these things. Surprisingly to me, they have a lot of people from other jurisdictions, who move to Minnesota from other countries or from other states. When they looked at the result in terms of test scores, they had some blips in that. They started digging into the data and what they found was that for the measure of how good a school system is in terms of that test data, you have to look at the kids who have been in the school system in Minnesota for at least three years. If you just got there and you got tested, it's not an indication of whether or not the school system

is doing what it should be doing. So again, data is very important and you have to understand what it means as you develop these systems. There are pitfalls, and people should understand that when we start talking about this.

But it is, as the minister said, something that is innovative and will, I believe, provide people in Ontario with how we are doing, how government spends their money, and a better way of targeting and allocating resources. It really sets out the clear priorities and the outcomes that have to be measured. It allows us to integrate those results in our planning process and in our budgetary process to allocate the funds. In terms of accountability, it allows us to report back to people in Ontario through various documents, either the budget or other reports, on an ongoing basis on how it's going.

Ms Di Cocco: Ms Broten also has a question. I just want to make one last comment. Would the \$6-billion quasi-deficit be an obstacle to achieving those results, possibly? I just see that as a bit of, if you want to call it that, a fly in the ointment, that \$6-billion deficit. But anyway, Ms Broten does want to ask a question.

The Vice-Chair: Five minutes, Ms Broten.

Ms Broten: I want to ask about the economic forecasts on which the budget was based. Certainly, if our economic forecasts are inaccurate, we won't, with all the best-laid plans, meet our objectives at the end of the day. How was the determination made as to what forecasts we were going to base our, for the first time ever, four-year plan on going forward? Are we on track?

Then just a follow-up question, if you can: How has the financial community reacted to our forecasting?

Hon Mr Sorbara: It's an extremely important question. I was fascinated, when I assumed my responsibilities, at the depth of capacity that this government has in terms of understanding the nature of the Ontario economy, the various factors that can impact a forecast, and how important it was to make forecasts that are reliable. If, for example, we are one percentage point off in our forecast of economic growth, that has an impact of about \$600 million in terms of revenue, one way or the other.

To answer the specifics of your question, I'm inviting Phil Howell, who is the assistant deputy minister and chief economist for the office of economic policy within the ministry. He really does understand this stuff, mercifully.

The Chair: Welcome, Mr Howell.

Mr Phil Howell: Thank you. As the minister said, it's clearly very important, as part of the fiscal planning process, to have a good grasp of where the economy is headed because of the impact that it has—on revenues, but in a number of ways.

Within finance, we have a number of people who are involved in monitoring and forecasting the economy. In determining the forecast, it's generated in-house by ourselves, as part of our fiscal planning process. We are, of course, conscious of what other forecasters are saying. We certainly pay very close attention to all the major forecasters, be they banks, university forecasters or think

tanks like the Conference Board of Canada, and spend a considerable amount of time talking to economists outside of government, as well as monitoring and tracking their own forecasts. As well, we closely monitor the performance of not just the Ontario economy but the Canadian economy, the US economy and so on, because clearly what happens in Ontario depends to a considerable extent on what happens elsewhere in Canada and certainly in the United States, our largest trading partner.

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As we undertake the forecasting program—and we're constantly updating it and integrating new data as it becomes available—we do ensure that we're being cautious. That's a conscious choice on our part. That prudence is reflected in a number of ways. One of the most evident—and it's outlined in the budget papers—is to be a little more prudent than the prevailing consensus of forecasters who are out there. In this particular budget, we were a little more cautious than we have been in the past. That reflected the desire to ensure, as we move forward, that there weren't going to be any big surprises. Of course, you can't predict something like SARS. You can't anticipate that kind of shock. There is always a risk that that would happen. Consequently, when we translate our forecast on the economy into a revenue forecast—the two are very closely linked—we also add in a reserve factor to account for unexpected changes.

One thing we did this year, as part of going out four years, was not only to include the reserve, which has been done in the past, but to increase the amount of that reserve as we go further out, reflecting the fact that the risk that the forecast is wrong is greater the further out you go.

In terms of performance and what people thought about the economic forecast, the rating agencies recognized it as prudent and cautious, and certainly the response of banks and other people in the forecasting business was complementary in terms of providing four years of detailed assumptions. That was something that hasn't been done in the past. Also, I would say they were universally in agreement that it was a prudent and cautious forecast.

The Chair: Thank you very much. The time in this series is done. Unless Mr O'Toole is burning to hear the answer to Ms Broten's question, it's his question.

Mr O'Toole: Thank you. I appreciate that. A couple of comments, if I may indulge. This is all on the record. I like to send things out to my constituents so they're kept up to date on a fairly regular basis, and I was somewhat disappointed in the House yesterday. I asked a question of the Minister of Energy specifically about the rates. I'm looking at Hansard; I had to go up to get it. This ties back to the \$3.9 billion on the revenue side, and I do admire the forthrightness with which you answered the question yesterday. I want to point out for the record that I asked the minister if there would be another rate increase. I'm looking at page 3127 of Hansard, from Minister Duncan: "No, we're not raising the price again."

In respect to what Ms Broten said earlier—and I do indulge what she said and appreciate what she said—it’s that cynicism in the answer, when clearly you said in your own budget speech that the \$3.9 billion would eventually find its way into the rates. It’s in your speech. It’s those platitudes that become very frustrating when you’re in opposition and you have no resources. You have several staff and a whole bunch of money; we don’t have that. In defence of some of our outrageous manoeuvres—it’s that frustration—you really want to get the answer. I’m going to be sending Mr Sorbara’s answer out to my constituents, about 5,000 of them. So it is going.

The question I have around that is, when is the next tranche of electricity rate increases to be announced? Hopefully you’ll wait until September, after the election.

The Chair: Can I just say for the record that, in fact, unless it’s tied to this current minister’s budget—

Mr O’Toole: I just wondered if he might want to—because he was quite forthright yesterday that it would be in the rates some time. I’d just like to get a little more detail on that.

Hon Mr Sorbara: Mr Chair, I’m not particularly concerned about staying within the four corners of these estimates if some members want to indulge themselves in other lines of questioning, which is perfectly all right. I’m thrilled that you’re sending something out to your constituents in the form of Hansard. I hope you will include this answer as well.

Mr O’Toole: Oh, I will, for sure.

Hon Mr Sorbara: I’m going to ask Rob Siddall to come up and be available to you for questions on this very complex matter of—

Mr O’Toole: While he’s coming up, I just have a couple of little things. Maybe they can prepare some response to that.

Hon Mr Sorbara: No, no. I’m in the middle of an answer.

Mr O’Toole: OK. Sorry.

Hon Mr Sorbara: The Chair’s in the middle of a conversation, I’m in the middle of an answer and some people are in the middle of who knows what. Are we ready to go again? OK.

The Chair: Continue with your question.

Mr O’Toole: We’re on the answer part.

The Chair: Are you happy with the answer or would you like another question?

Mr O’Toole: Well, I do have a limited amount of time and a lot of questions.

Hon Mr Sorbara: You referred to what I said in my budget speech and the budget papers on the elimination of this liability arising from the non-utility generating assets and the below-market contracts that had been entered into with these entities by a variety of previous governments, going back, if memory serves me, to 1987 or 1988; so three administrations, three different political parties, all making deals that weren’t ultimately in the best interests of the province.

Mr O’Toole: Actually, that’s a satisfactory answer, because it will be part of the full debate: What is the new price of electricity? That’s the whole question. Nobody is going to invest five cents unless the price is six or seven cents or they get other tax policy concessions, period—no pension fund in the world.

Hon Mr Sorbara: I guess the point I wanted to make today, Mr O’Toole, is that, in a sense, my friend the Minister of Energy was right when he said we are not going to impose a rate increase based on this. What is going to happen is that under the new system introduced by him and provided for in the bill he introduced in the Legislature, it puts the authority to set hydro rates, electricity rates, with a newly empowered energy board. One of the factors the energy board will take into consideration is the additional expense that arises as a result of the elimination of these liabilities.

Do you want to spend more time on this? I’ll ask Rob to comment on it if you want.

Mr O’Toole: I’ll accept that answer for now, because I do follow the Ontario Energy Board rulings. To this point, it’s really been run by the government, technically. They have rate hearings and all this kind of stuff. Ontario Hydro used to just ignore them, basically, and the ministry would approve them. That’s what happened over the past. The NDP had seven increases in their short period of time.

I’ve watched it with interest, and it’s an interesting file. There’s no answer. When you get 4,000 phone calls from people whining about their electricity rates, and you are government, it’s like auto insurance rates: People begin to ask the question, “Who’s running the show?” They ask for politicians or elected people to take—and these are publicly essential and necessary, almost legislated. It’s like having a driver’s licence; you have to have electricity. So it’s price inelastic, technically. You’re going to buy the first 800 kilowatts you’re going to use, because you have to have them to live.

Hon Mr Sorbara: I think what you’re going to see is that we’re going to stick to our policies. We’re going to bring about a healthy system. A healthy electricity sector is absolutely critical to the strength of the Ontario economy. There will be some points where people will say, “Oh, my God, you shouldn’t have done that,” but we’re not going to do what’s happened in the past where as soon as the political pressure rises, a new policy is introduced. The minister has introduced the policy and we’re going to stick to it.

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The Chair: Minister, you did indicate that if he was satisfied with the answer, you’d wait for the next question. So I’d ask you to wait for the next question.

Hon Mr Sorbara: I’m not satisfied with my answer yet. I’m going to keep working at it until I am.

Mr O’Toole: I’m intrigued by the dialogue by all parties. Really, it’s quite an important public policy discussion. Just to get on the record as sort of appreciating the discussion, one I want to mention is—I don’t really need an answer, perhaps, if I’m completely wrong—

pensions. It's a huge issue, big time. The CGA has just issued a report. It's worth reading. It's extremely important, and again, I've watched that stuff very closely. One of the signals to look at is the unfunded liabilities.

But also, looking at your chief actuary or chief financial guy, Mr Howell, he would know that the discussion we had on that was trying to move the public persona from a defined benefit attitude to a defined contribution. If you achieve that, you'll have created a miracle, because that's almost a transformation from the entitlement society that we have all come to enjoy, and expect, I suppose. In that, there's a lot of money. GM just bought \$18 billion worth of bonds to pay its unfunded deficit in the pension plan. It is huge. If anybody really looks at it, it's a smoking problem.

Pension Benefits Act aside, it's—but I do encourage you in your round of discussion. I think there's a select committee that's going to look at financial harmonization or something this summer. I want to be on that committee, if I can, to learn more about it.

But I'm surprised. Somehow the models, the actuaries and that—the public sector pensions are underwritten by the government, or the taxpayer, technically, because they are the contributor; they're the employer. They've had the pension contribution holiday for about six years. Now that there is no real defined surplus, because the market is in the tank, they're having to pay back, and the municipalities' budget is 75% to 80% payroll. That's what the budget is: payroll. Of that, I think it's 9% of payroll for the pension contribution portion. They've been on a holiday for so long, like five to six years for OMERS, OPSEU, the whole deal.

This is a huge issue of shifting responsibility, or liability, into the general revenue fund. I have some views on that, and I think we should just cut the cheese, move to a defined contribution plan and hopefully pay attention to the market, otherwise there'll be a pension benefit for you—that's really the only possible way going into the future: to engage the public in the issue. There should be rules and disclosure and all that sort of stuff.

I just have one other thing I do want to mention here; it's sort of a question, though. One of the biggest issues in this budget, of course, is the health care budget, and I was very impressed, as I am probably one of the older members of the committee here, looking at the number of hip and knees and cataracts and all these things you're going to add. That isn't really the question I'm interested in.

You talked about education and about benchmarking or testing. Gabe, you mentioned the importance of having some measurable outcomes. I completely agree. It's a little harsh. It's tough language. Nothing is free. You know that. What I want to know is, are there any accurate forecasts of how long the waiting lists for those nine procedures are going to be reduced by? If it's four weeks today to get a heart, cardiac, whatever, what is it going to be in 2007? I don't care how many procedures there are. I want to tell my constituents, "Today you're waiting

four weeks for cataract. Next year it's going to be three weeks." Is that an acceptable time to wait? That's the question. By how much are you going to reduce these waiting times? Not how many procedures; I don't care about that. And is that acceptable?

Hon Mr Sorbara: So the question doesn't have anything to do with defined benefits or defined contributions.

Mr O'Toole: No. That was just a comment. If you want to get a copy of that, you'll find it interesting, because I've taken a course recently.

Hon Mr Sorbara: I'm going to comment on that and I'm going to ask the deputy to comment.

The Chair: Minister, first of all—

Mr O'Toole: We should maybe have our own hour together.

Hon Mr Sorbara: We could do it over coffee.

Mr O'Toole: Great.

The Chair: Mr O'Toole, we're all trying to be helpful to each other, but unless Mr O'Toole requests a response to his long discussion on pension protection—

Mr O'Toole: No, I didn't. I don't want an answer on that. I want one on health care.

The Chair: That's why I was interceding. If the minister is prepared to answer the question on health care, which I think was a perfect question for our next estimates—but if you feel you can respond, please do.

Hon Mr Sorbara: I simply wanted to confirm that his analysis of some of the issues in pension plans across Canada and North America is accurate, and I think he's wise to bring it up in these estimates.

I'm going to ask my deputy to comment very briefly on waiting times because I do believe the Chairman is bang on when he says it should be more appropriately the subject of the estimates of the Minister of Health.

Mr Andersen: Just one other quick thing: In light of your earlier question about capital accounting, we did want to table with committee members a document that the controllership area has put out. It's on our Web site but it's also a Ministry of Finance document.

Mr O'Toole: It was issued last year. I have a copy of it.

Mr Andersen: It gets at some of your earlier comments.

On the wait time issue, it actually varies with regard to the kind of procedure. In some cases there is relatively good information and in some cases there are existing bodies that are already doing some reporting on that. Cancer Care Ontario does reporting on wait times.

Mr O'Toole: Is CIHI a good source?

Mr Andersen: It depends. There has been work underway in western Canada. There's a western Canada wait-list project that's been trying to determine a number of things. There are not really good data collected. Even taking a step back from that, it can actually be difficult to determine how you define a wait time or even a wait-list. Does the clock start ticking from the time that a person has an ache or a pain? Does it start when they first discuss it with their general practitioner? Does it start when they've been referred to a specialist who actually

says they need the procedure? Does it start at a time when they're put on a centralized wait-list versus when they go on their own individual physician's wait-list?

What is recognized across the country is that there needs to be a better job of this. It has been raised in all of the health accord discussions in the last number of years, going back to at least 2000. That's one of the first things the Ministry of Health is actually working on: how to define that. But they also want to do it building on the work that's been done in other parts of the country.

Our cardiac care registry here in Ontario is recognized as one of the leaders in this kind of thing with regard to its registry. But there is a lot more to be done.

In our results-based budget, we have committed to reducing wait times for cancer, cardiac, cataract, some of the diagnostic services like MRI and CT, and joint replacement, like you say. It's going to be a challenge to get good, measurable data.

Mr Prue: How much time in total would I have? I know we have to finish this—for either—

The Chair: You would have the balance of the clock, which is about 13 minutes.

Mr Prue: OK. There are no other things that need to be done by the committee before we recess?

The Chair: No. What I need to do with the committee will take less than 20 seconds.

Mr Prue: All right; 13 minutes.

You were talking earlier about the forecast for the province: how revenues are going to increase, the forecast of the general economic condition. Has that been impacted in any way by the rise in oil prices, the cost of transportation? We're hearing that it is causing considerable grief to some manufacturers, to truckers, to others. Is that part of the calculation for this year?

Hon Mr Sorbara: Actually, if you go in detail into budget paper A, you'll find an analysis of risks that impact on the forecasts that we make. We mention the rising price of gas, the volatility of the Canadian dollar, the relationship between the Ontario economy and the US economy; we didn't mention political events like the election in the US, but a number of these are factored in.

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The economic forecasts that we use to generate the revenue numbers have all of these elements as part of the recipe. When you do this stuff, you use the very latest data that you have, but then you create a commentary that notes that gas prices, if they go up significantly, could have a negative impact on certain parts of the economy.

Mr Prue: That's what I'm asking. A month ago you may not have known the gas prices would remain high—you might have thought they were going up and then coming back down again—but you certainly know that now.

Hon Mr Sorbara: Why don't we invite Phil Howell up to the table, and he might speak to what he did with gas prices in terms of the forecast.

Mr Prue: What I want to hear from him is—you estimated a 2.3% growth in the economy for this year—

has the continuing problem with high gas prices impacted that assessment in any way?

Mr Howell: The first thing I note is that the price of gas is only one item that people and business—everyone—spend on. In and of itself, the amount of expenditure on gasoline, by either individuals or by business as a group, is relatively small. That doesn't mean if oil prices stay up near \$40 on a sustained basis that over time there wouldn't be a problem. We were assuming in the budget that oil prices would be around US\$34 this year.

It's true, prices are a bit above that at the moment, but there's a tremendous amount of capacity, and there are other things in the economy and flexibility that allow people to deal with the higher prices. It's true, as Mr O'Toole noted earlier in terms of inelastic demand, that in the very short term you don't have much choice over what you do. Over a period of time, with respect to gasoline prices, although we know they're volatile, we know that there will be supply increases. In the face of oil prices staying at \$40 on a sustained basis that will help put downward pressure on the prices. As well, over time people can opt to conserve in various ways or substitute spending from other areas toward purchases of gasoline.

In terms of the trucking industry, a lot of that is diesel fuel. It's considerably cheaper than the price of gasoline, but there's no question that the price of oil going up does have an impact on them.

As we noted earlier, obviously we don't forecast the day-to-day movement in gasoline prices or try to, but in the context of forecasting the overall economy, we know there are going to be a lot of other factors at play that will affect growth. In point of fact, the overall economic news, even the data that's come out since the budget on May 18, is beginning to point to growth perhaps being a little bit stronger than we had assumed. Certainly the Canadian data is pointing to that at the moment. If there are more people employed, if income levels are higher and so on, there's a mitigating effect on the price of one small commodity in people's consumer goods rising.

Hon Mr Sorbara: Just one further point on gasoline prices—

The Chair: If Mr Prue needs further clarification.

Mr Prue: I think he answered my question.

Hon Mr Sorbara: OK, I'll defer to Mr Prue. I know that he's short on time and long on commentary.

Mr Prue: I want to make sure I get all these questions in. The next question relates to housing. I listened to the budget, and it seemed like housing got pretty short shrift. In fact, it seemed to me—and you can correct me if my numbers are wrong—that there was only some \$18 million in new expenditures for housing in this particular budget.

The reason I'm asking the question today is that the Minister of Public Infrastructure Renewal stood up and proudly announced \$85 million. Can anybody elucidate as to whether in fact it's \$18 million worth of new funding or \$85 million?

Hon Mr Sorbara: I know that both the deputy and Gabe probably want to comment on that, so I'll turn to them. I want to give one brief, preliminary remark. The good news in Ontario is the vitality of the housing market. New home constructions continue to be at a very high level. Right across the province, availability is at a very high level. The availability of rental accommodations is at a very high level indeed. In fact, we are at historically high vacancy rates, and in most areas of Ontario rental accommodations have rents going down, not up, and landlords are, I am told, looking for opportunities to lure tenants with bonuses such as three months' free rent etc.

Mr Prue: I would grant all that, but there are hundreds of thousands of people on the waiting list for public housing.

Hon Mr Sorbara: You're not letting me get to the—

Mr Prue: That's the point I want you to get to.

Hon Mr Sorbara: We have the luxury of dedicating our resources to Ontario's most vulnerable people. In that category I include primarily women who are the victims of domestic violence and those who suffer from disabilities of one sort or another. We are going to be targeting the public resources that we spend for housing to those specific groups. We did, in fact, take the unusual step of eliminating the RHOSP program, which was some registered housing assistance for first-time homebuyers. We did that because the market didn't need that assistance and first-time homebuyers didn't need that assistance.

With that preamble, and our commitment to use public resources for supportive housing for those in the province who are most vulnerable, I'll turn it over to the deputy or Gabe to give you the specifics about the amounts in this budget.

Mr Andersen: I think what we're going to have to do is get back to you with regard to the specific numbers. Were those numbers you were speaking about multi-year numbers, or were they for this year—

Mr Prue: My understanding is, this \$18 million in new monies is to try to match some of the federal monies, but today there was a rather splashy announcement in the House by the minister which seems to be at odds. So I'm trying to find out which is the reality.

Mr Andersen: I didn't actually see the announcement, so I think we'll get back to you with reconciliation between the numbers that are here and in that statement.

The Chair: The Chair will recognize that as a legitimate question. It's been framed by research, and they will ensure that finance understands it.

Did you have another question for the record?

Mr Prue: Thank you, yes.

The Chair: We're pretty well at the time.

Mr Prue: Since I have one left, I'd like to go right to the national child—

Ms Di Cocco: On a point of order, Mr Chair: I believe that the committees have to have a special motion to sit after the House rises.

The Chair: Yes. The House hasn't risen yet, but more importantly, I did say that I would give the member at the end of his question an opportunity to put any final questions on the record since we may not be getting together again until October. The minister took a more fulsome response, and, with the indulgence of the committee, I'm asking Mr Prue to put succinctly his question on the record. There will be no time for an answer, but it will form a part of the minutes of your final—

Interjection.

The Chair: My only alternative is to give him more time when we return, and I'd rather he just put this question now.

Mr Prue: Thank you. I'll put the question and do not expect an answer today. The Liberals in the campaign promised that they would end the clawback of the national child benefit, and there was some movement in the budget, but it was very limited. My question to you is, do you anticipate following through on this plan within the mandate of your government, and if so, what expense will that cause to the treasury?

The Chair: That is on the record, and I'm sure the minister will be pleased to provide that.

I'm looking for a motion to adjourn after I tell you that at this moment the House leaders have not met to confirm if we will be returning. We have completed four hours and nine minutes of these estimates. There are three hours and 21 minutes remaining, for the record.

A motion to adjourn?

Mr O'Toole: I'd be happy to stay—

The Chair: Thank you. This meeting stands adjourned.

The committee adjourned at 1800.

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