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ISSN 1181-6465

Legislative Assembly  
of Ontario

First Intersession, 38<sup>th</sup> Parliament

Assemblée législative  
de l'Ontario

Première intersession, 38<sup>e</sup> législature

## **Official Report of Debates (Hansard)**

**Monday 26 September 2005**

## **Journal des débats (Hansard)**

**Lundi 26 septembre 2005**

**Standing committee on  
estimates**

Ministry of Public Infrastructure  
Renewal

**Comité permanent des  
budgets des dépenses**

Ministère du Renouvellement de  
l'infrastructure publique

Chair: Cameron Jackson  
Clerk: Trevor Day

Président : Cameron Jackson  
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Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

## STANDING COMMITTEE ON ESTIMATES

## COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Monday 26 September 2005

Lundi 26 septembre 2005

*The committee met at 0914 in room 151.*

### SUBCOMMITTEE REPORT

**The Chair (Mr. Cameron Jackson):** Good morning. I'd like to call to order the standing committee on estimates. I'd like to welcome everyone. Before we begin our first ministry in rotation, as required by the direction from the House, we have a subcommittee report that needs to be approved. That document is in front of you.

For purposes of Hansard, the subcommittee report briefly states that the recommendations that were made by the subcommittee at their meeting of July 5 were that the committee meet from September 26 to 29 and from October 3 to 6, 2005, to consider the 2005-06 estimates of certain ministries, as authorized by the three party whips.

Further, that the meetings be held from 9 a.m. to 12 noon and from 12:30 till 4:00, and that the committee clerk, in consultation with the Chair, be authorized, prior to the adoption of the report of the subcommittee, to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

I need a mover, please. Mr. Levac. Seconded by Mr. McNeely. Thank you.

Any discussion? Seeing none, I call the question. All those in favour? Opposed, if any? It's carried.

There is one other matter that the subcommittee was to discuss. A memo was sent to each party whip and to every member of the committee dealing with the attendance of additional ministers during the course of a single ministry presentation. The estimates of an individual ministry sometimes have as many as three different ministers involved. I was hoping to get some consensus from the committee in terms of how we will order up the ministers for their attendance and their participation, and in particular how we best manage the half-hour time slot allocated for ministers. I will entertain a very brief discussion. I'm looking for direction. If not, we'll leave that up to the discretion of the Chair.

**Ms. Caroline Di Cocco (Sarnia-Lambton):** I believe we called up the Ministry of Citizenship. Mr. Colle is the new minister—I believe that it was citizenship, right?

**The Chair:** That is correct. I'll read right from the memo: "[D]uring the committee's consideration of the estimates of the Ministry of Citizenship and Immigration, questioning may arise that could require the attendance

of the minister responsible for seniors and the minister responsible for women's issues, whose estimates appear under the Ministry of Citizenship and Immigration."

The direction I'm seeking from the committee is the manner in which we will send an invitation to all three ministers. I want to make sure everyone is aware that we will be voting on those issues. We cannot separate those secretariats out from the main estimates. We will be called upon to vote on the estimates of the office responsible for seniors and we will be voting on the estimates of the office responsible for women's issues; therefore, we will ask the ministers to be in attendance. We will attempt to accommodate their time frame so they're not sitting here the entire time, but I can manage that as the Chair. Where I need direction is, I don't want three ministers sitting out there trying to determine how much of their half-hour they should be given.

**Ms. Di Cocco:** Would it be possible that the Minister of Citizenship, as scheduled, be here and have the discussion for the half hour, then if the committee has written questions or has questions particular to the minister responsible for women's issues or for seniors, then that person can be given, let's say, some time in the afternoon to attend? Would that be possible to arrange? That way you can get the crux of the matter with regard to citizenship in the morning.

**0920**

**The Chair:** We can accommodate the presence of additional ministers. I'm really looking for a ruling. We've had one precedent only, and that was that they divided the time evenly between the two. In my view, as the long-standing Chair of this committee, that may be difficult when you've got three or more ministers.

I'm sensing from your suggestion that we allow the lead minister to take his half-hour in rotation and then we attempt, for any sub-ministers who are involved in the estimates, to find time accommodation for when they can be before the committee to answer any questions. Is there agreement on that?

For the record, I have done this in the past: If there are no questions and their attendance is not required, I think it's inappropriate to make them and their staff sit here the whole time.

**Ms. Di Cocco:** I agree.

**The Chair:** OK. Then is there any suggestion counter to the proposal? Hearing none, that then becomes the direction for this committee. I will accept that as a

motion from Ms. Di Cocco, seconded by Mr. McNeely. Any further discussion? Seeing none, all in favour? Any opposed? Carried.

That concludes the subcommittee reports and the committee's preliminary business.

## MINISTRY OF PUBLIC INFRASTRUCTURE RENEWAL

**The Chair:** And now, live, I'd like to welcome the Honourable David Caplan, Minister of Public Infrastructure Renewal. Minister, you begin our estimates. You have seven hours. The first half-hour is yours. You have up to 30 minutes to make your presentation. We will then go in rotation. The official opposition will have up to 30 minutes, the third party will have up to 30 minutes and then you will have up to 30 minutes for a final closing commentary or response—I don't want to call it a rebuttal; I'd rather call it a response—and then the committee will complete its seven hours.

Minister, we're in your hands. Welcome.

**Hon. David Caplan (Minister of Public Infrastructure Renewal, Deputy Government House Leader):** Good morning, Mr. Chair and members of the committee. I'm delighted to be here. I'd also like to take the opportunity to introduce the gentleman seated to my left, Geoff Hare, Deputy Minister of Public Infrastructure Renewal. If required, we do have some staff members here. If you have technical questions requiring their specific expertise, they are here and available to committee members to provide answers.

I want to thank the committee for the opportunity to appear before you today. I will try to keep my remarks within the deadlines that you have set, Chair.

The function of this committee is oversight: You review spending by government ministries to ensure that we spend the public's money in the public interest. I want you to know that I fully support that endeavour. I believe in transparency and accountability in government, and my officials and I will do everything we can to answer your questions fully and frankly.

When the McGuinty government came to power two years ago, we saw ourselves, and Ontarians saw us, as agents of change. We came to office with the conviction that we needed to do government differently, that we needed to change the way that the public affairs of Ontarians are managed. One of the most important of those changes is a new way of looking at public spending and especially public investments in infrastructure projects.

We view our infrastructure investments as ways to achieve the specific economic and social objectives that people want: better roads and transit, better schools and educational opportunities, better health care, and a more successful and prosperous society. They are a means, not an end, but the means need attention.

I have spoken before about the urgent need to renew our public infrastructure. For many years, governments at all levels have neglected this critical element of our society, and that neglect is now apparent to all: Roads

and bridges are crumbling; universities and colleges are straining to accommodate the crush of new students; water and sewer systems need to be modernized; many of our hospitals and health care facilities are out of date and overcrowded; and we must also prepare now to accommodate the millions of new people who will settle in Ontario over the next quarter-century. It has become clear that the traditional methods of public infrastructure financing are not enough to meet these needs.

This is our fundamental premise: that infrastructure investments are a means to advance social and economic goals, not an end unto themselves, and that we have to find better, more efficient and more cost-effective ways to create and manage those investments.

We've spent the first two years of our mandate consulting and planning carefully and thoroughly how we will do that. Now we can begin to build on that foundation and implement those changes. We are at the beginning of a renaissance for public infrastructure in this province, at the point where our public facilities begin to be restored and our infrastructure begins to be renewed and expanded. I must say, Chair, that this is an exciting time. We've had many successes to celebrate and many more to come.

I want to spend my time this morning describing some of the initiatives we have begun in the Ministry of Public Infrastructure Renewal and some of the results we expect to see from those initiatives in the years ahead.

I want to begin by talking about three related issues: first, the growth we expect in Ontario and how we can properly accommodate it so that it serves us, and not the reverse; second, the specific infrastructure strategy we have developed to accommodate growth and repair past neglect of our public assets; and third, the mechanisms we are developing to manage our infrastructure investments for the greatest public benefit and, importantly, how we will pay for them.

Let me start by directing your attention to the question of economic and population growth and the steps we are taking to plan for it, accommodate it and benefit from it. Simply put, growth is important to us. It creates jobs, it fuels economic activity and it offers the prospect of a better life for our children and grandchildren. It does all of those things if it is properly managed. If it is not managed, it presents a threat to our quality of life: the threat of urban sprawl and unbearable congestion in areas where unmanaged growth occurs; the threat of economic stagnation and depopulation in areas where growth is urgently needed.

The government is dealing with those issues through the Places to Grow Act, which municipalities initially called for and the Legislature adopted earlier this year. The growth planning process embodied in the act encourages broader, more comprehensive planning that links land use decisions to future infrastructure needs. It gives us new mechanisms to deal with broader planning issues that often transcend the interests and the boundaries of individual municipalities, and it offers tremendous new economic advantages and business opportunities.

Between now and 2031, some 25 years from now, our population is expected to increase by more than four million people and our economy, it is estimated, will generate close to two million new jobs. We welcome these newcomers. They are the key to our economic success. But a very large proportion of them, more than 85%, will settle in this area we call the greater Golden Horseshoe. In fact, the greater Golden Horseshoe is one of the fastest-growing regions in North America.

Past governments treated this kind of rapid growth with a sort of laissez-faire neglect and, as a result, unplanned growth and urban sprawl determined the development of an entire region. We are literally paving over paradise. The problems with this ad hoc approach are now obvious: Traffic is gridlocked, air quality is getting worse, farmland and green space are vanishing, and public infrastructure is worn out and inadequate.

That is the nature of our challenge in southern Ontario, but in other parts of the province, many communities are experiencing the out-migration of their young people and a declining property tax base that makes it difficult to maintain necessary services. In these communities, the challenge is not to control growth but to stimulate more of it.

Chair and members of the committee, the Places to Grow Act is enabling legislation. It allows the province to create a growth plan for any specific region. Because the greater Golden Horseshoe is the area where the need for growth management is greatest, it is the area where the first, but certainly not the last, growth plan is being developed. We know from a wide variety of studies that low-density urban development and sprawl increase the cost of infrastructure and reduce the effectiveness of capital investments. We don't want that, and resources are so scarce we can't afford to do it. Growth planning will enhance our competitiveness and prosperity by ensuring we have the right infrastructure in the right places to encourage economic activity and create more and better jobs.

The advantages of these measures are becoming increasingly apparent to all. The Ontario Professional Planners Institute, the Urban Development Institute, the city of Toronto, the Ontario Smart Growth Network and even the Greater Toronto Home Builders' Association all believe, as one put it, that our draft growth plan for the greater Golden Horseshoe "is a landmark step toward ensuring the future prosperity of this region." So we are encouraged that our plans to accommodate growth and benefit from it are sound.

#### 0930

The next question, though, is: How will we implement those plans? How will we manage the physical infrastructure projects that make it real? That is the subject I wish to address next.

Earlier this spring, the Ministry of Public Infrastructure Renewal published ReNew Ontario, the government's plan for infrastructure investments over the next five years. There has never been anything quite like this in Ontario before. It is a strategic plan for investments in

public infrastructure worth \$30 billion by the year 2010, and it shows how we will co-ordinate our infrastructure investments with the government's and, indeed, the public's broader social and economic goals.

There was a time when the government of Ontario, like most governments, made decisions about capital projects year-by-year and piece-by-piece. We don't do that any more. When you consider public infrastructure projects to be a means to address social issues rather than as ends in themselves, you have to plan much more carefully and over a much longer period of time. Now we co-ordinate our investments across the whole of government and the broader public sector, and we plan our investments, not year-by-year but far into the future.

That's what the five-year infrastructure plan does. It provides the blueprint we will follow into the future. It coordinates virtually all major public sector investments in infrastructure. It directs the bulk of those investments in the areas that Ontarians say are the most important: health care, education and economic prosperity. And it encompasses both the need to restore the infrastructure that we have now and to build new facilities to accommodate future growth through a rational, coherent strategy—the first of its kind in the history of Ontario.

For example, we know that demands for health care will increase as our population becomes older. In the year 2000, 13% of Ontario's people were over 65; by 2025, it's estimated that 23% will be seniors. These citizens will need modern, effective care, and they will need modern facilities to be able to provide it. But our hospitals are also aging. They must be renovated, brought up to date, and expanded to accommodate growing case-loads, and new facilities must be built. So ReNew Ontario identifies \$5 billion of investments for health care. Some 105 health care projects will begin or be completed during the next five years.

Some of those projects have already been announced, and more will be announced in the coming weeks and months ahead. We are now moving forward with projects that have been stalled for years and, in some cases, stalled for decades. In Stratford, for example, we recently announced hospital funding under ReNew Ontario for the Stratford General Hospital. It will allow the community to complete a project that has been planned since 1989, in a hospital that is more than 50 years old.

People in every part of the province are benefiting from these ReNew Ontario investments, not just hospitals. We know that good infrastructure and, especially, good transportation systems are absolutely essential to sustain our economic prosperity. So ReNew Ontario provides for investments totalling \$11.4 billion in transit, highways, and border-crossing infrastructure.

Just three weeks ago, my colleague Transportation Minister Takhar announced one important component of our transportation investments: \$1.8 billion in funding for highway improvements in northern Ontario. Our northern transportation infrastructure plan identifies construction and enhancements for nearly 200 bridges and more than 2,000 kilometres of highway, as well as—at long last—a

firm plan, a realistic plan, to complete expansion of Highway 69 and Highway 11 to four lanes. One of our colleagues, the member from Nipissing, Monique Smith, told her hometown newspaper that the expansion had been promised when her father held the riding as the member for Nipissing, starting in 1965. That's 40 years ago. Improving these two highways has been the northern dream for two generations. Now, at last, it is happening, and ReNew Ontario is the vehicle that is making it happen.

We are seeing similar investments to get projects moving in education, where ReNew Ontario outlines investments of \$10.2 billion over a five-year period, and in the justice sector, where more than \$1 billion will be invested. And ReNew Ontario contains almost \$1 billion for initiatives to support clean water and the environment. These are strategic, long-term investments, and they have a long-term payoff. They translate into greater success for students, stronger communities, greater opportunities for working families, better jobs and economic growth for the entire province.

Members have been critical of the government for taking too long to plan our next steps and have complained because they have not seen shovels in the ground. But I would say to you, Mr. Chair, and to all members of this committee: The shovels are going in the ground now, and the planning has paid off in carefully chosen and well-thought-out projects that will produce real assets and real results.

It's one thing to plan; it's something else entirely to implement those plans and to manage the process in an effective, successful fashion. In general, all governments have an uneven record for common sense management of large-scale infrastructure projects. We have good intentions, always. But sometimes projects are late or over budget, or simply not appropriate—or all three. So we have developed an overarching set of principles to guide our infrastructure decisions, principles that protect the public interest and guarantee value for money. The result is a dramatic transformation of the process we use to plan, finance, procure and manage public infrastructure.

The details of this transformation have been published in a document called *Building a Better Tomorrow*. At PIR, we usually refer to it as "the framework." It is a set of policies and procedures that will govern every infrastructure project in which there is a substantial investment by the province. The effect is to transform an ad hoc, seat-of-the-pants way of doing business into a standardized process that is predictable, rational, coherent and fair. Instead of evaluating every suggested development in isolation, we now have a tool that will allow us to consider these proposals in comparison with other projects and in the context of the government's broader social objectives to create a society that is healthier, better educated and more prosperous.

Chair, I want to indicate that this is the actual document. It is located on the public infrastructure renewal ministry Web site. I encourage members of the com-

mittee and members of the public to please take a look at it.

The basis of the framework is a set of five principles that govern all infrastructure projects where the province has a significant interest. These are the principles:

(1) Protection of the public interest: Each project we invest in is intended to benefit the people of Ontario and to contribute to the well-being of people in the community. Everyone involved in the project must agree that it is the public interest which comes first.

(2) Value for money: Regardless of the method of financing it, the people of Ontario will ultimately pay for every project. So all decisions affecting the facility, from its design and construction to its ongoing operation, must reflect the fundamental principle of value for money. Investments must be cost-effective, optimize risk allocation and be completed on time and within budget.

(3) Appropriate public ownership and control: Appropriate public control and ownership of public assets must be preserved. In particular, public assets in the hospital, water and sewer, and public school sectors will always be publicly owned.

#### 0940

(4) Accountability: Public infrastructure initiatives should have clear lines of responsibility and accountability; rigorous and transparent reporting; and clear, objective performance measures.

(5) Fair, transparent and efficient processes: All public infrastructure initiatives must have efficient and fair bidding processes and be subject to audit as required by the Auditor General of Ontario. All relevant project documents shall be available to the public.

Those principles ensure that the projects we undertake will serve the public interest. They will also guide the most important question we face: How will we pay for the infrastructure we need?

I want to talk now about how we're going to finance these infrastructure projects and about the process we have developed to protect the public interest. We call these alternative financing and procurement strategies, or AFP.

Before I begin, I want to establish the context in which our investment decisions are being made. Let me start with the massive infrastructure deficit we face here in Ontario in 2005. First, let me outline some recent estimates of the need for investment in public infrastructure, not just Ontario government estimates but those of agencies directly involved in building infrastructure and providing public services.

At the municipal level, for example, estimates of the municipal infrastructure deficit range from \$1 billion to \$4 billion per year over the next five to 10 years, according to the Municipal Finance Officers' Association of Ontario. The Municipal Roads Coalition estimates that Ontario municipalities need to double their annual investment in roads to \$3 billion per year to address the backlog in municipal road repairs. The Ontario Good Roads Association estimated in 2002 that municipal road and bridge investment needs are \$5.75 billion.

Provincial highways also require investment. The Federal-Provincial Task Force on Urban Transportation estimates that provincial highways need an investment of approximately \$18 billion over the next 10 years.

We must also invest in public transit, of course. In February 2004, the Canadian Urban Transit Association estimated that Ontario needs to invest \$10 billion in public transit for the period from 2004 to 2008, a third of that just to return existing assets to a state of good repair or for infrastructure renewal needs.

We also have to invest in education. The Rae review recommends that we need to invest \$0.5 billion per year for the next 10 years—\$5 billion in total—in post-secondary institutions. The investment we need for elementary and secondary schools to fix decaying facilities and build new schools is also an urgent policy priority. In 2004, the Good Places to Learn initiative, undertaken by my colleague education minister Gerard Kennedy, estimated that between \$5 billion and \$9 billion will be required for repair and rehabilitation of Ontario's schools.

Of course, we must repair our water and wastewater resources. The expert panel we appointed to advise on that issue estimates the need for water and wastewater investment over the next 15 years will be from \$30 billion to \$40 billion. Our best forecast of the need is \$34 billion, including \$11 billion in deferred maintenance and \$9 billion for growth.

Finally there is health care, the subject of most of the discussion about alternative financing methods. In their 2003 technical study, *Capital Planning and Investment in Ontario's Hospitals*, the Ontario Hospital Association estimated that between \$7 billion and \$9 billion is required over the next three years to meet the needs of an aging population, program growth, hospital renewal and investment in equipment.

I think, Mr. Chair, you can catch my drift. To paraphrase a departed federal politician, "A billion here, a billion there; pretty soon you're talking real money." We—and by "we" I mean the entire public sector, at a variety of levels—need to invest massive amounts of money in public infrastructure, and we need to begin those investments immediately. What we are ultimately talking about is maintaining the quality of life that makes Ontario literally the best jurisdiction in the world to live in.

Simply put, state-of-the-art health care cannot be delivered in antiquated hospitals, modern justice cannot be dispensed in dusty courthouses, a speedy economy is slowed by potholes and congestion, and the brightest minds cannot be illuminated in dingy classrooms. Our best estimate of the need is more than \$100 billion over the next 30 years. I have come to believe, that estimate is low—perhaps extremely low.

There are two points I want to make about this. First, the present government did not create this enormous infrastructure deficit in the 723 days we have been in office. It took years—in fact, decades—of disinterest, neglect and dereliction before we got to this point. Now the need for investment is not only larger than this government can manage alone; it is greater than any govern-

ment can manage alone. Second, the solution to fixing this problem is not to use the very same methods that got us into this situation in the first place. That is why we are using alternative financing and procurement strategies, or AFP, to start clawing our way out of the massive infrastructure deficit we find ourselves in. This deficit is as threatening to our economy and to the quality of our lives as any sizable budgetary deficit, and for that reason alone we, as a government, are committed to slaying both the budget and the infrastructure deficit beasts that threaten the real way our quality of life is enhanced.

Our AFP strategies are based on a framework of principles that will, above all, ensure that the public interest is protected. Working cooperatively and in partnership with municipal and federal governments and the private sector, AFP strategies leverage the strength of working collectively toward the same common good, such as:

- negotiating cost-share agreements such as COMRIF, the Canada-Ontario Municipal Rural Infrastructure Fund, with government partners to build critical infrastructure in rural areas in northern Ontario;

- providing low-cost loans to municipalities through loan pools such as OSIFA, the Ontario Strategic Infrastructure Financing Authority, to assist communities to get on with the job of rebuilding the province; and

- leveraging private sector financing and expertise in project management to deliver larger scale infrastructure projects on time and on budget.

A diversity of AFP strategies are being used to tackle a broad range of infrastructure challenges. Let me give you a few concrete examples.

The province has partnered with the federal and municipal governments to deliver a gas tax rebate to fund local transit infrastructure. After years of being starved, public transit systems in Ottawa, York region, Kitchener-Waterloo and Toronto, just to name a few, are being revitalized. When people move efficiently, the economy moves, and when people move on public transit, the environment benefits.

Another example: The Toronto waterfront, long a site of political turf wars and dulled by petty bickering, is finally being polished into the crown jewel that it aspires to be. Based on a partnership with the city of Toronto, the federal government and the Toronto Waterfront Revitalization Corporation, the waterfront is finally moving from years of planning to years of building. We've been working hard to resolve the stubborn governance issues that have delayed progress for so long, and I believe we can begin to talk about real progress. A memorandum of understanding has now been signed that clearly defines the roles and responsibilities of each organization in the west Don lands revitalization process. We will also be proposing amendments to the Toronto Waterfront Revitalization Corporation Act in the fall legislative session. If passed by the Legislature, they will make it easier for the corporation to move forward with waterfront projects.

All three levels of government have now agreed to a 10-year business plan which provides a comprehensive

waterfront-wide revitalization strategy. We are making progress, not as quickly as we would like but not as slowly as in the past. Bit by bit, the Toronto waterfront is beginning to become what it has always had the potential to be: a source of pride for the city and an engine of economic growth for us all.

We have also established a water strategy expert panel to recommend the best ways to work with municipalities and the water sector to replace the pipes and sewers that provide us with clean water and sanitation. The tragedy of Walkerton taught us an important lesson, and the expert panel has done the homework. The province's water systems need at least \$30 billion worth of investment over the next 15 years to ensure that every Ontarian has access to safe, reliable, affordable and clean water. We are currently reviewing the recommendations of the panel and are preparing to respond with a series of policy initiatives that will see the province's infrastructure—long out of sight and out of mind—renewed. As stewards of the public trust, we—the province, municipalities, the water sector—can do no less than this. Water is the very essence of life, and perhaps because of the fact that we have taken it for granted, Walkerton taught us that there is more to water than simply turning on a faucet. We will ensure that the lessons of that tragedy are not forgotten.

**0950**

Of course, health care: Some of the most exciting advances in infrastructure are currently happening in our hospitals. We have launched the single biggest expansion of public hospitals in well over a generation. Over the next five years, \$5 billion will be invested in hospital infrastructure, kick-starting a long-overdue renewal of public health facilities in this province.

With the average age of hospitals in the province over 40 years old, the need for investment exceeds the capacity of any single order of government to build the facilities we need in a timely fashion, using traditional methods. We are faced with the choice, then, of delaying construction or changing the method we use to finance, procure and oversee public infrastructure. For us, there was no choice.

Health care is one of our most cherished public services, and we will do the right thing and the responsible thing and invest in hospitals and in communities. In short, we have launched a renaissance in health infrastructure that will ensure that Ontarians have continued access to modern health care and publicly owned, publicly controlled and publicly accountable hospitals.

A few weeks ago, I had the privilege of accompanying Premier McGuinty to Sault Ste. Marie, where we announced the approval of a 289-bed community hospital. This hospital will be built using one of our AFP strategies. In this instance, we will work with the private sector consortium, the hospital board and the local community to turn a long-held dream of a new hospital in Sault Ste. Marie into a reality.

The private sector consortium will raise the money, build the facility and turn it over to the hospital board, which will then pay for it over a period of years in

exactly the same way as millions of Ontarians pay the mortgage on their homes. The private sector consortium will also be responsible for ensuring that the hospital is well maintained over the long term.

This alternative financing arrangement will not affect public ownership of the hospital. It will not result in a displacement of the workers, because there is no change in the hospital's labour agreements, and the project will be completed on time and on budget. If it isn't, the private sector will pay, not the hospital or the government.

The people who run the hospital, the people who will work in it and the people it will serve are delighted at the prospect of finally getting the care they need. One of the physicians, Dr. David Walde, the head of oncology, told his local newspaper—he didn't say this to us; he said it to the community—that my colleague the Minister of Health, George Smitherman, deserved a medal for finally pushing this project through. Dr. Walde had wished the Minister of Health were there so that he could say that to his face. Well, Minister Smitherman couldn't be in Sault Ste. Marie that day because on that day he was at Sick Kids Hospital here in Toronto, announcing the approval of another hospital project.

We cannot allow ourselves to be put in the position of choosing between providing adequate health care facilities for sick children in Toronto or the people of Sault Ste. Marie. Simply put, we have to do both. It isn't a choice between building with traditional financing or building with alternative financing. It is a choice between building now or not building for many years to come. I am convinced that building now is the right choice, the right thing to do.

I began my remarks by promising to honour your deadlines. I'm afraid I've allowed my enthusiasm to carry me slightly over time. So I will stop now. I am eager to hear what the committee members have to say and to respond to your questions. Thank you very much.

**The Chair:** Very well. Thank you, Minister. Your time was almost perfect.

Mr. O'Toole, you can lead off with half an hour.

**Mr. John O'Toole (Durham):** Thank you, Minister, for appearing before the committee. I'm always puzzled about how governments take time to develop different terminology for the same thing, technically. I commend in many ways what you're doing: sort of following along the template developed under the SuperBuild model, which was integrating the capital expenditures on behalf of the people of Ontario. It took you a little time to distance yourself from the name, but basically it's the same function, and that's a compliment to you. Imitation is always flattering, really.

A couple of things: I have difficulty trusting anything that your government says, ultimately. Without being too harsh, the continual looking in the rear-view mirror while you should really be looking forward is somewhat problematic. Yes, two years for reviewing capital needs is certainly very important, but the AFP, alternative financing and procurement: That's kind of an interesting turn of events there. If you look at it, on page 31, would you

suggest, in your response when I'm finished, that that's basically—what you promised during the election is that there would be no private, and now it turns out that it's all private.

I, for one, understand how that financing aspect works, to some extent anyway; I wouldn't profess to have total expertise at all. But I have seen that they raise the money somewhere. The government has no money. Basically, it borrows it from someone and pays it back, as you've described, in a mortgage. It's good to see that you're finally being honest about that. I can remember my time on council, and many other members here as well. Mr. Rinaldi actually was mayor of a municipality. He worked with the commerce grants and other grants that built infrastructure, whether it was water and sewer, roads, bridges or other kinds of projects that they determined that in their priorities were important. But now I'm seeing it in the hospital sector and the health care sector. I guess the thing is to be honest and say you've broken a promise. That's fine; we understand that. That's your legacy, really. But at least now you've somehow changed—I think the NDP did an excellent job in terms of pressing you in the House to be honest about it. But I've seen it in other things, like your continual wrangling and wasting taxpayers' money on reviewing the 407 project. I personally don't use the 407, I find it expensive, but there is an alternative and that's the 401, and that's why I was late this morning. But there needs to be money spent there; that's for sure.

If I were to look at the commitment you're making—under SuperBuild I think it was \$20 billion. When we were dealing with the post-secondary, the double-cohort effect was the largest capital expansion of facilities at the post-secondary level in the history of Ontario. So if you're reflecting that we left this large deficit, if you want to look far enough back, you could almost start with David Peterson. In fact, you can start with your mother, Elinor Caplan—excuse me: Minister Caplan at the time. I remember being a councillor in the region of Durham and her announcing the expansion of the cancer centre back in, I believe, 1989. So we're all very familiar with it, and as long you say, "Looking in the rear, we should learn from the past to not repeat it in the future," we'll hold you to these very high standards.

The other thing, on the water part: I'm just wondering how that's going to work out, because in Durham we're in the midst of building a large sewage treatment plant and improving water services. But I'm also aware that in your legislative initiatives they're actually going to pass all this on through the bill. So now water will be safe, reliable and unaffordable. You mentioned in your proposal that it was a necessity of life. I couldn't agree more.

I've talked about the hospital sector and the clarification there and the private hospitals going forward. On the Peterborough hospital, I'd like to see how you're going to complete that without it being a P3, as well as a few other ones that I could mention. But also in the school system itself, I want to know specifically, in my riding: Is the University of Ontario Institute of Technology, a very

ambitious capital plan, going to have access to some of this post-secondary money that you said is, I think, half a billion a year? I will leave that as a statement right now and ask if you'd like to respond specifically in the health care sector. But keep in mind that there's the capital that you're committing to.

I know when we went through the Health Services Restructuring Commission, looking at the reorganizing of all the hospitals, I think some 230 hospitals in the province, as well as the new medical school that's soon to be announced by you but was started by us—which is good; we need it. We need that infrastructure for training.

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The big problem, though, in all this was that the operational budget at those facilities doubles in many cases. I think at Lakeridge it's around \$200 million, and I think it goes to about \$400 million when it's fully operational. In all the hospitals, with the new technology, the furnishings, the MRIs, the CT scans, all these various e-health initiatives, there are huge price tag issues on the operational side. You're running a deficit now, because really your inability not just to keep your promise—I don't know where the \$2.5 billion, \$3 billion in health tax is actually going. We've had that session in the House and no one seems to know, including the government, except that it's going into a larger deficit. With all the capital, do you see a larger impact on the operating budget? That's sort of question two.

Then your commitment to public transit: I've suggested in Bill 137 a more direct method of supporting and encouraging the use of public transit to address the gridlock that I encountered this morning, and maybe other members did too.

I don't think I've been too harsh, Minister. I do appreciate your being here. I leave the people listening and reading this transcript with this: Why should they trust anything that the McGuinty government says? Most of the stuff is pushed beyond the next election, in 2007; most of it is 2008-09 stuff; like, "Trust us again"—"trust" is the key word here—"and we'll get it to you just in time. Now, it won't be just the same. It'll be private. We're calling it AFP, but it's private." That will be in hospitals, in schools, in universities, in bridges, and that's absolutely everything you criticized when you were the opposition.

You can respond now. I think I'll just stop there, because it's a bit of a rant. You've got a bit of time left.

**The Chair:** I'm seeking clarification. You have up to 30 minutes. You've taken about seven or eight—

**Mr. O'Toole:** Seven or eight, and I'm letting the minister respond to a couple of these questions.

**The Chair:** You wish to engage the minister in dialogue—

**Mr. O'Toole:** Yes, absolutely.

**The Chair:** —and then that'll end in 30 minutes and then I'll recognize Mr.—

**Mr. O'Toole:** Yes, because I can't babble on here.

**The Chair:** Minister, you've been invited to respond early.

**Hon. Mr. Caplan:** How much time do I have, Chair? There are so many inaccuracies and fallacies that the member mentioned that it's going to take me a while to unravel them.

**Mr. O'Toole:** We could have a dialogue here.

**Hon. Mr. Caplan:** Excuse me; I'm talking to the Chair. How much time? Do I have the remaining 20 minutes?

**Mr. O'Toole:** No.

**Hon. Mr. Caplan:** I believe that's how it should work.

**Mr. O'Toole:** I'll clarify this.

**Hon. Mr. Caplan:** Chair? The member is waiving the balance of his time, and I can respond.

**Mr. O'Toole:** No, I'm not waiving my time.

**The Chair:** No, he's not waiving his time; he's engaging you in a dialogue. If you wish to, I will—

**Hon. Mr. Caplan:** I'm very happy to, Chair.

Mr. O'Toole, you made several points which I certainly refute and will rebut, many quite strongly. It's hard to do it in order, because there was a rather rambling nature to the comments that were made. So I will try to, as best I can. I know that both myself and the deputy made notes on many of the things.

I think you started off by saying, sir, that it's simply the same as the past practice but just different terminology. I could not disagree with you more. In the case of, say, health care, the previous government was building private hospitals in Brampton and Ottawa. As then-opposition leader and now-Premier McGuinty very clearly stated, "We will make those hospitals. We will bring them back into the public realm." I want to tell you as forcefully and directly as I possibly can that that is precisely what is happening. Where the previous government was building private hospitals, we've taken the two that were formerly private; they are now public. All of the hospitals which we're building now or in the future are going to be public hospitals.

So the terminology is not simply different but there other elements. For example, the government of the day—your government, sir—insisted on very heavy secrecy provisions, confidentiality clauses; absolutely shunned any kind of oversight. I again refer you to the Building a Better Tomorrow document. I would suggest and recommend that you or your staff or any member of this committee take a look at it, where we outline an accountability framework where third parties like the Auditor General will be able to, as is their legislative mandate, render a public value-for-money opinion; where we call for having process and oversight and fairness commissioners look at the process and not have any unfair or secretive dealings. We will have process commissioners issue public reports about how we lived up to those principles.

You referenced Highway 407 in your comments. Interestingly enough, it was the NDP government that P3'd Highway 407 and then your government came along later and completely gave up government control of a critical asset, disadvantaging literally millions of

Ontarians. Under AFP, that relinquishing of public control would not be allowed.

You also said that the template was essentially SuperBuild. Again, I think that is incorrect and inaccurate. I believe you called for half of your investment—\$10 billion—to be public and half to be private. I believe your government was about 10% successful in its desire, if that. So I don't think that even the template was correct. There was no principal framework; there was no long-term plan. I don't think the financing strategies that the former SuperBuild used were ever publicly discussed. There was no open public debate like we are now having.

The other thing you made mention of was water. Correct me if I'm wrong, Mr. O'Toole—and Chair, I stand to be corrected—I believe it was your government that introduced the Sustainable Water and Sewage Systems Act and the services investment act. I believe that was your government. I'll go back and check the Hansard, but I believe you are on record as voting for that particular measure. So your comments seem very out of step with the actions and effect of your own legislative record.

You also made mention of the Health Services Restructuring Commission. The Health Services Restructuring Commission had placed a total amount of \$2 billion on a number of projects throughout the entire province of Ontario. I hope you would acknowledge that your government had committed to completing the Health Services Restructuring Commission orders by the year 2003, prior to the last election. I can tell you that your government, through SuperBuild or through your rather ineffectual health policies, was not able to do that.

I think that really highlights the need for why change is required, why an AFP framework, guided by five fundamental principles—public interest, paramount; value for money; accountability; ownership and control; and fair, open, efficient and transparent processes—is required, why a number of different financing strategies would be required. In the final analysis—and I think they were very well-meaning plans. Whether it was the Davis government, the Peterson government, the Rae government, the Harris-Eves government or even well before that, the intentions have always been good, but the results have not followed the intentions. That's why, in order to achieve a different and better result than we had previously, a new methodology is required for planning, for financing, for project management and oversight. I think that's one of the fundamental and key differences between the former approach of the HSRC directives and our APF.

I think you talked as well about operational budgets. I regret that I can't give you a lot of insight. I know that you will be calling other ministries, and I would certainly encourage you to talk about the operating funds that will be required. This is one of the factors that we have quite significantly changed from the operating procedure previously, where there was an uncoordinated aspect and element of capital financing, capital investment and operating decisions. What we've tried to do—and I fully

acknowledge that this has eluded governments for a long, long time—is to link those in a much better and more effective manner. Should you have an opportunity to be here to question some of my colleague ministers as they come forward, you might wish to question them as to the linkage between the operations side and the capital side.

You made two other references. One was to a bill that you introduced, Bill 137. I'm afraid I don't have much information to share with you, so I'll have to await your advice and guidance on that. Of course, it is in the hands of the Legislature to determine what they wish to do.

You talked about the provincial deficit. Yes, it is true that the previous government claimed—in fact, one month prior to the 2003 vote—in financial statements coming from the Ministry of Finance that the books of the province of Ontario were in balance. I say, that has proven to be completely erroneous. A former Ontario Auditor General, Erik Peters, did a full accounting of Ontario's fiscal position. In fact, we weren't in balance; we were \$6 billion in deficit. That was a legacy bequeathed by your government, by your term in office, I think by the reckless fiscal policies that you and your colleagues—certainly Premiers Harris and Eves, the cabinets and of course the caucus of which you were a member—introduced, which brought a lot of hardship to the province of Ontario. Not only were you adding to the debt, but we were crowding out necessary investments required in education, in health care, in infrastructure, in the environment, in water—in a whole host of areas.

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So yes, we have chosen the responsible course of action. Finance Minister Sorbara, under the leadership of Premier McGuinty, is whittling down your deficit and bringing Ontario's books back into fiscal balance, but at the same time bringing the investment strategies to improve health care, to deal with wait times and establish benchmarks to make sure that Ontarians receive timely care when they need it and where they need it; to improve education, to make sure we lower class sizes, as my colleague Minister Kennedy is doing; and to have the foundations of a prosperous economy by making investments in infrastructure and by supporting—as I hope you would acknowledge, certainly as a member out in Durham—the important automotive strategy introduced by my colleague Minister Cordiano. We are not solely focused on debt and deficit but on critical public investments that will lead the way to prosperity and to improved public services, which unfortunately were undermined and badly damaged during the previous nine years.

I hope I've been able to comprehensively address your comments point by point, and I look forward to another exchange with you, sir.

**Mr. O'Toole:** Thank you very much, Minister. You weren't too bad, really. You're still going to the old rhetoric, unfortunately, of looking to the past. During that process of who did what and all the rest of it in terms of some of the decisions that were made back then, Gerry Phillips, Monte Kwinter and others from this side par-

ticipated during these same debates, because I was on the same committee. Mr. Phillips, to his credit—he probably should be the finance minister—basically identified that there was a shortfall. If you looked at our numbers, you could argue with some of the strategies to exit from that, but one was to deal with current assets, to deal with what was an operational deficit. I guess Mr. Peters and others—I hope there's a value-for-money audit and I hope it's received by the government.

But you made promises; that's the problem. You made promises, with someone as wise and sage-like as Mr. Phillips and Mr. Kwinter, both ministers now, saying there was a problem. I can remember that corny ad during the election, where the opposition leader at that time, McGuinty, was leaning up against a lamppost kind of thing. It may have even been raining; I don't know. He was saying, "I won't raise your taxes, but I won't lower them either," and he had that sheepish smile. Do you remember that ad? It was kind of a focus ad in terms of, "We won't raise your taxes." The very first thing you did was raise taxes about \$2 billion or \$3 billion and increase spending beyond your own ability to be reasonable.

That's what we're dealing with. You're dealing with the economy and you're dealing with quality of life. You said that in the opening of your statement. Your charge for infrastructure is mostly on the capital side and long-term, patient investment—much of which will be raised privately, you've admitted today; however you call it, David, it's the same deal—in 40 years or 30 years, whatever these contracts are.

Are these contracts public and open now? Can I get you to table those contracts today? If you say you're accountable and transparent, please provide for all members of this committee those contracts. Even during question period, in the earlier part of the year—I think Howard will probably pick up on this theme; at least I hope he will—there was some dispute as to what that really was. When do we get it back? Who pays for the maintenance? Do we owe them some exit-strategy money, or are there inflationary clauses built in for their cost of capital and other contingencies that may be built into those projects?

Let's just deal with the GTA-905 hospitals. Probably about a third of the population is serviced by those hospitals. Those hospitals are all struggling not just for new facilities, but for the new operating budgets that go along with them. You know they're saying in their formal reports that there's a huge deficit. Are you saying that all these needs are going to be satisfied?

That's in the context of another promise. Again, how can you trust anything that McGuinty says? The nurses of Ontario, the ONA, have an advertising project now, spending a great deal of money, all of which is, to some extent, public money, I suppose. But the 8,000 nurses you promised: You may have these buildings—and Gerard Kennedy and George Smitherman will be walking around with a big pair of scissors opening these things, I suppose, around election time—but there are no nurses in them. Nobody's getting any treatment.

My wife is a teacher, and there are not 20 kids in her class. This is a bunch of bunk. You're phasing it in, you're rolling it in. It comes down to trust, Minister. You have, I feel, a lot of pressure on you to diminish and devalue what previous governments have done. You've gone back as far as Frances Lankin, who actually started the restructuring of hospitals. I was on the region's health and social services committee in Durham at the time, and they had the capacity study—I think it was called the acute care study—looking at hospitals. So don't just act like you're the white knight riding in here and solving all problems, because the truth is that history will prove that what you're doing, to some extent, is completing much of the hard work done by the public civil service, and you're trying to devalue and demean the efforts of other governments.

Whether it's the service investment act on water and sewer—you're the government now. I know gas is costing more, I know insurance is costing more, I know municipal taxes are going up, I know that electricity is probably going to go up 25% or 30%. We're paying more and getting less; that's the current legacy. In fact, I can't trust anything you say, plus I'm paying more and getting less. I'm paying a health tax, which is coming down to \$700, \$800 or \$900 per person; working families and couples are probably paying \$2,000 a year more in tax. You name one thing that they're getting better; name one thing. Not the courts or the classrooms; I've told you, all that's a lot of talk.

*Laughter.*

**Mr. O'Toole:** No, it's all talk. I can tell you, in my own community there's outrage about the deficit for a multi-site hospital in Durham, the Lakeridge Health Corp. They have an operating deficit, David, of around \$20 million. You can extrapolate that across the GTA report on hospitals; I'm sure you're familiar with that. You've got the ONA telling us that they're short on your promise of 8,000 nurses. You should start with a clean sheet here and just for once be honest with the people of Ontario and say you can't do it. You made promises you can't keep in almost every sector.

I'm convinced that the investments in the economy, in terms of creating opportunities—in fact, some of the declines that I see coming are going to cause you even more problems as you get into 2006-07. You see inflationary pressures coming on stream.

I've asked you specifically here to table for the committee these contracts on the P3 projects so that we can have a third-party, clear, transparent and accountable process to evaluate what the McGuinty government is telling us once more. If I'm to learn from history at all, it would be that they'd say anything—basically anything. There are no holds barred there.

I wish you luck, because I live in Ontario too. There's no government of any stripe that wouldn't want to make Ontario a better place to live, work and raise their family. You have no higher-order principles. Your ethics and your trustworthiness are somewhat suspect. A lot of these promises are much like what I see in Ottawa: They're put off; they're poll-sensitive.

I also want you to sit here today—this is the second real question. The Peterborough Regional Health Centre: I'd like you to report to the committee; you're in charge of all capital. When will it be announced, and under what conditions will it be announced?

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*Interjection.*

**Mr. O'Toole:** No—it's been announced.

*Interjection.*

**Mr. O'Toole:** Baloney. Where's the money?

*Interjection.*

**Mr. O'Toole:** I've been there because my mother-in-law has been in that hospital for a week and a half. She's 86 years old, broke her hip, and it's the other hip this time. Last year it was the previous hip. But my point is, I think you had a bit of pressure in the House on that particular site. You made a flurry of announcements and they put the crane up, but there's a fence around it; there's nothing happening.

**Mr. Lou Rinaldi (Northumberland):** They're working.

**Mr. O'Toole:** "They're working." Mr. Rinaldi is very interested in that as well.

Northumberland hospital has its operational budget problems as well. It's a beautiful hospital, built under our government.

Through the Chair, perhaps I'll share a bit of my time with Mr. Rinaldi, because Doug Galt was responsible for getting the Northumberland hospital and the Thunder Bay Regional Health Centre. As well, the medical teaching facility in Sault Ste. Marie and Thunder Bay was our government. So don't stand on your white horse and claim victory on all aspects of what you've done.

**Mr. Rinaldi:** You closed three.

**Mr. O'Toole:** I didn't recall those hospitals that you're talking about, Port Hope and Cobourg—there were long-term consultations on consolidating those facilities. Yes, governments are charged with making difficult but necessary decisions. I think right now there has been a lot of talk, a lot of studies. You've referred to three or four reports, and you've said that members could look up this report on AFP or—I have it written down here; I'll get a copy of it. What was the name of it here? I'm using the time, because I don't want to give—

**Hon. Mr. Caplan:** I'd be happy, Mr. Chair, to have a copy delivered to Mr. O'Toole right now.

**Mr. O'Toole:** Excellent. For all members, because I'm sure your own caucus haven't seen it either.

**Hon. Mr. Caplan:** No, they took an interest.

**Mr. O'Toole:** They have. It's committed reading over the summer, I'm sure.

This is the final thing. I am concerned that, with an aging population, 23% of the population by 2025 will be over 65. That's pretty significant. I am familiar with the long-term-care facilities in my riding, the great expansion: 20,000 new long-term-care beds were completed, and renovations to existing sites, during our term.

I was just with a couple of the long-term operators this past week. You've frozen the per diems there. The oper-

ational costs are starting to run into you, as I said, and they will in nurses, they will in teachers, they will in all these things in the public sector. Much needed, much valued; I'm not being critical. I'm saying these will be pressures such that you'll have to grow the economy faster than you're growing your operational budget. What is your plan to expand the facilities and the services that our aging and frail population are getting today? What is your plan? What evidence do I have that there is part of a plan there to enhance the programs that are being offered?

I'm told that you've frozen the per diem, and the pressures on them for operational, of course, are wages and benefits for personal support workers, nursing assistants as well as RNs. I should, in fairness, leave you a couple of minutes to respond to those couple of questions that I've had. I do say these things respectfully, because I live in Ontario, as my constituents do, and we want improved services and quality of life.

**The Chair:** Thank you very much, Mr. O'Toole. According to our clock, I am now recognizing Mr. Hampton for his 30 minutes.

**Mr. Howard Hampton (Kenora–Rainy River):** Mr. Chair, I'd like some guidance from you. I really don't want to give a speech. It seems to me that there a number of issues that need to be explored here, so I would prefer to just ask some questions, and the minister can choose to answer them or not answer them.

**The Chair:** I will be guided by—the minister's response cannot really be much longer than the question, if there's a large preamble to it. I will move that forward so that we don't get two questions answered in the half-hour.

**Mr. Hampton:** I appreciate that.

Minister, you've announced a five-year, \$30-billion infrastructure program. How much of that will be what you call alternative financing model or alternative procurement model, or what I call private financing?

**Hon. Mr. Caplan:** We estimate between \$2.3 billion and \$2.5 billion over the course of five years.

**Mr. Hampton:** From \$2.3 billion to \$2.5 billion?

**Hon. Mr. Caplan:** That's our estimate.

**Mr. Hampton:** You don't know at this point?

**Hon. Mr. Caplan:** I'm not sure what you're—

**Mr. Hampton:** For most people in Ontario, \$200 million is a significant amount of money. You don't know—

**Hon. Mr. Caplan:** We have a competitive tendering process. We will know the exact dollar figures when those competitive tenders are answered by the consortia that will be bidding upon it. We provide a range as our best estimate at this point, but I want to acknowledge that we're hoping, and our goal is, to achieve the best value for money for Ontario taxpayers. We want to have a degree of competitive tension where you have one proponent or another who will be—just like you would, for example. Perhaps you're doing some work on your home and you want to replace your roof. You might get one or two—you would get more than one. You would get two or three or four estimates from different contractors. You

might have a range in mind of what you want to pay. We certainly want to be at the lowest amount of money but, ultimately, the most important thing for us is to deliver the infrastructure project and get the best value for money.

**Mr. Hampton:** Can you tell us, in what areas will you be using the P3 model? We've already heard of hospitals. What other areas: courthouses?

**Hon. Mr. Caplan:** I want to be very clear: We're not using the P3 model. The P3 model was introduced in Ontario by the New Democratic Party and by your government. In fact, there were several projects that were P3'd. I would like to, if I might, quote your former colleague Mr. Farnan, who in 1994 in Hansard spoke about this at great length:

"This international model is used everywhere—in Germany, the USA and many other parts of the world. By allowing partnerships with the private sector and changing the way we build highways, we are positioning our industries to be the world leaders and at the same time we are getting the job done faster and we are saving the taxpayers a lot of money."

He went on, "Using our method of constructing Highway 407, we will create 20,000 jobs now, when they are most needed, save the taxpayers \$300 million, encourage private sector partnerships and encourage innovation and competition. We will build a much-needed highway 22 years faster. Lastly, but most importantly, we will help Ontario's design and construction industry catch up with the rest of the world to build large-scale projects like Highway 407 in an innovative and effective manner."

So P3s in fact were introduced by your government. You were Attorney General at the time. I would hope you would recognize that. The Conservative Party also used P3 methodology. We reject the NDP P3 and the Tory P3 arrangement—ours is different—because your Highway 407 was eventually sold off and complete public control was lost. We call for public control remaining in all cases, and ownership in all cases, of hospitals, schools and waters. We call for project oversight and third-party validation. In fact, we call for the use of AFP in the strategies for large-scale projects, certainly health care, and also in the justice sector and the transportation sector. Those will be the areas where we believe AFP will come into play. But I want to stress—

**The Chair:** Thank you, Minister. You've answered the question.

**Mr. Hampton:** Just to be clear: You're looking at private financing of hospitals, private financing of courthouses and private financing of some transportation projects?

**Hon. Mr. Caplan:** We believe that those are the types of projects where AFP strategies are most effective.

**Mr. Hampton:** Can you be more specific? In terms of transportation projects' private financing, are you talking about highways? Are you talking about public transit systems? What kinds of transportation projects will you consider private financing for?

**Hon. Mr. Caplan:** I can tell you that the ReNew Ontario plan does not contemplate private sector financ-

ing for any of the highway or transit projects that we are supporting.

**Mr. Hampton:** But it would—

**Hon. Mr. Caplan:** Your question was, what types of projects would work under an AFP type of framework, and I've indicated that to you: large-scale-type projects. Under the ones that we are supporting in ReNew Ontario, we contemplate none of them through AFP arrangements.

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**Mr. Hampton:** So now we're down to hospitals, which will be subject to private financing schemes, courthouses subject to private financing schemes—anything else?

**Hon. Mr. Caplan:** I believe that I've already answered that question.

**Mr. Hampton:** I'm just asking you again: anything else outside of hospitals and courthouses? Yes or no?

**Hon. Mr. Caplan:** Those are the ones that we contemplated in ReNew Ontario.

**Mr. Hampton:** Are you contemplating any private financing schemes outside of ReNew Ontario?

**Hon. Mr. Caplan:** I don't believe so; no. Although municipalities or the federal government may wish to.

**Mr. Hampton:** OK. So we should not expect—

**Hon. Mr. Caplan:** We should not expect—I'm sorry?

**Mr. Hampton:** We'll leave it for now. We can come back to that.

**Hon. Mr. Caplan:** OK.

**Mr. Hampton:** It's my understanding that the McGuinty government will contract with private sector consortiums to build these hospital and courthouse projects. What kinds of businesses will participate in this private financing, private construction and, we're told, also private property management? Can you just give me an idea? Is that pretty much it: a private financing agent, a private construction company, a private property management company? Is that pretty well it, or will it be broader?

**Hon. Mr. Caplan:** The consortium would have legal advisers. Certainly they would also have engineering teams that would be part of what they would do, in addition to the ones you've mentioned.

**Mr. Hampton:** So legal consultants—

**Hon. Mr. Caplan:** Legal consultants, engineering consultants, the various groups that would be involved in delivering a capital project.

**Mr. Hampton:** One of the issues that's been raised, particularly with respect to private-financing hospitals, is that services like maintenance, housekeeping, cleaning, laundry, food services, record-keeping, all of that clerical support work, would also be part of the private consortium. Is that also in contemplation, or are you ruling that out?

**Hon. Mr. Caplan:** Right now a hospital board, for example, could engage any of those services that you mentioned, should they so choose. We don't anticipate a change to the prohibition or to the allowing of hospital boards. They can get involved in whatever kinds of

arrangements they feel are appropriate for their circumstances. I want to be very clear about this.

This is one of the big differences between the Tory/NDP P3 approach and AFP. Especially the Conservatives used this as a backdoor method in order to impose these types of arrangements on a hospital corporation. The NDP similarly tried—or, I believe would have contemplated, I should say—imposing certain measures on other parties.

In fact, AFP does not move in this direction. We leave those matters simply, appropriately, to hospital boards in this case, as the case may be. They are entirely free, currently and in the future, to engage in whatever those arrangements for those types of services that you mentioned they feel are appropriate, not because of a capital financing model.

**Mr. Hampton:** So it is entirely conceivable that things like the ongoing physical maintenance of the building, the ongoing caretaking and cleaning, the ongoing laundry services, food services and even record-keeping in the hospital could be part of this kind of private financing consortium; this could all be part of a private financing alternative infrastructure approach.

**Hon. Mr. Caplan:** The answer—and I want to be very clear—is that one has nothing to do with the other. Currently, hospital boards or others are entirely able to enter into those kinds of ancillary services if they so wish. If they wish to include it as part of a bill, they would certainly be eligible to do so. We will not prohibit, nor will we force, that upon anybody else.

What we're interested in is the capital finance where, unfortunately, there has been a lack of investment which has gone into these kinds of public facilities. In fact, the working conditions of the people who are working in hospitals are threatened. We feel that it is a responsibility to try to improve not only the working conditions but also the opportunities to provide modern care facilities for residents in Ontario. Those services are paramount to us, but in order to make sure they are not only adequate but excellent, we believe we need updated, expanded, up-graded facilities to be able to do so. The operational side you referred to, Mr. Hampton, has nothing to do with the capital delivery and the capital financing method.

**Mr. Hampton:** Suppose you were going to build a new hospital or a new school and you needed to procure some land. Would the procurement of land conceivably be part of the private financing/private consortium/alternative infrastructure deal?

**Hon. Mr. Caplan:** It might be. It would depend on the individual project that was contemplated. There might be a site already. Site selection may be a part of what we would ask others to bring with them. There are a number of different arrangements in that regard.

**Mr. Hampton:** Who will own the land? It's a simple question: If I'm a private consortium and I go out and buy the land for the construction of a hospital or the construction of a courthouse, who will own the land?

**Hon. Mr. Caplan:** It would certainly depend. We are insistent that, in the case of health care, there would be

public ownership; in the case of schools, they retain public ownership; in the case of water and wastewater, there would be public ownership. For the others, I would cite the example of College Park here in the city of Toronto, where we lease courthouse space owned by a private sector consortium.

In fact, I want to quote to you former Attorney General Howard Hampton back in October 1991: “As well, Metro Toronto presents, in the long term, some interesting possibilities for partnership with private developers. For example, it might be possible to construct courts and to construct commercial space and to construct housing in co-operation with a private developer.” What we’re doing is certainly consistent with those comments.

**Mr. Hampton:** I’m more interested in the issue, again, of who will own the land. I think what I hear you saying is that you may actually have a facility where the land is owned by a private consortium.

**Hon. Mr. Caplan:** I think I’ve answered the question, Mr. Chair.

**Mr. Hampton:** Yes or no? Can a private consortium own the land that a hospital or a courthouse is on?

**Hon. Mr. Caplan:** I think I just said that things will be viewed on a case-by-case basis. In the case of hospitals, schools and water, they will always be in public ownership. In the case of a courthouse, that need not be the case. I think I can’t be any more clear than that.

**Mr. Hampton:** Now that you’ve raised the issue of water projects and school projects, are you saying they could also be the subject of private financing?

**Hon. Mr. Caplan:** I think they are already the subject of private financing.

**The Chair:** So the answer is yes.

**Hon. Mr. Caplan:** Yes.

**The Chair:** Thank you.

**Mr. Hampton:** Just to be clear—because I think I heard you say that a private consortium could own the land—could you conceivably have a situation where a private consortium would own the land but the hospital, in terms of the language, would be publicly owned?

**Hon. Mr. Caplan:** I don’t believe I said that, Mr. Hampton. I’m not really sure what part of my answer you didn’t understand.

**Mr. Hampton:** Well, I think what you said is that there won’t be any hard-and-fast rule. If a private consortium can go out and procure the land or a private consortium can come to the project with land, the land will not necessarily be publicly owned.

**Hon. Mr. Caplan:** I think I said that for hospitals and schools and for water, it will always be publicly owned.

**Mr. Hampton:** So the land will be publicly owned.

**Hon. Mr. Caplan:** That would be our intent.

**Mr. Hampton:** In some of these projects, part of the private financing could actually be paying for the land as well.

**Hon. Mr. Caplan:** Potentially, yes.

**Mr. Hampton:** OK. I just want to be clear: When you have a hospital that you call public, and we’ll let you go down that road for a while, would the ownership of the

land—I’m talking about legal instruments here. Would the legal instrument dealing with the land and the legal instrument actually dealing with the hospital structure be the same?

**Hon. Mr. Caplan:** I would certainly ask a lawyer. I really can’t provide an answer.

**1040**

**Mr. Hampton:** Let me give you an example. I’m sure you’re aware of condominium ownership, where a private corporation owns the land but, under the magic of our legal system, I own the actual condominium unit. What you have is two separate legal instruments. One instrument would be registered, whether at land titles or the registry office, saying, “Corporation X owns the land,” but another title would be registered saying that I own the unit. I’m asking you, would it all be one and the same legal instrument, or would you have different legal instruments, one dealing with land and another with the actual ownership of the building?

**Hon. Mr. Caplan:** I’m going to ask our legal counsel. I’ll have legal counsel provide you with a legal answer.

**The Chair:** Please introduce yourself for the record.

**Ms. Victoria Vidal-Ribas:** I’d be delighted, Mr. Chair. My name is Victoria Vidal-Ribas. I’m the ministry’s legal director.

In answer to Mr. Hampton’s question, it depends on the specifics of each arrangement and how the project is put together. Following up on the minister, the ownership of the land would certainly be as the minister has indicated and the contractual arrangements would be those that support the minister’s policy objective that is appropriate in each case.

**Mr. Hampton:** But what I think I heard the minister say is that you could have projects where the land would be privately owned.

**Ms. Vidal-Ribas:** And there may be a long-term lease arrangement, like a 99-year lease arrangement. The intent, as I understand the minister’s comment, is that public interest in the projects be maintained through the use of the land, and that can be accomplished in many ways.

**Mr. Hampton:** So that we’re clear now, you could conceivably have private ownership of land with a McGuinty-government-defined public hospital. You could have that.

**Ms. Vidal-Ribas:** You can have private ownership of land with a long-term arrangement so that the public interest in the hospital is maintained.

**Mr. Hampton:** OK. That’s good. That’s all I want to know.

I just want to ask a couple of other things. When you were talking about private financing consortia for building hospitals, you could conceivably be talking about the private consortia acquiring the land—private consortia financing the purchase of the land—and financing construction of the hospital. As we know, there are many other aspects of hospitals. One would be engineering. Would that be private consortia? Just to be clear, would engineering also be a private consortia?

**Hon. Mr. Caplan:** I would anticipate that—  
*Interjection.*

**Hon. Mr. Caplan:** Hold on; if you ask me a question, give me a chance to answer. I would anticipate, as I said, that legal, engineering, potentially architecture partners, other people involved in the design and construction would certainly be involved with consortia to be able to deliver that piece of infrastructure.

**Mr. Hampton:** OK. As I understand it, the way this would all be paid for is that the Ministry of Health, perhaps in association with your ministry, perhaps together—in any case, the government would annually flow money to the “non-profit” hospital, which in turn would flow the money to the private consortium to pay for the financing costs, perhaps the land costs, the construction costs, the ongoing maintenance costs and, of course, profits. Is that right?

**Hon. Mr. Caplan:** The government would flow the money to the hospital corporation to pay for whatever the contractual obligation was. Whatever is built in there, my assumption is that, yes, a private sector entity would build in profits for it.

**Mr. Hampton:** Sure. So the financing costs, construction costs, ongoing maintenance costs and profits. What I’m told is that whenever you get into capital projects where you have a fair amount of capital tied up, and here conceivably you could have money tied up in land, construction costs, legal costs, financing costs and design costs—we have hundreds of millions of dollars tied up in capital like this—the private sector will want at least a 15% profit. Capital, in that sense, in all these services, does not come cheap. The consortia will want at least a 15% profit on the money.

**Hon. Mr. Caplan:** Where do you come up with that figure? Did you make it up or can you substantiate that?

**Mr. Hampton:** In my case—

**Hon. Mr. Caplan:** No, you’re putting a matter of fact in front of the committee—

**The Chair:** Minister, he’s trying to put a question.

**Hon. Mr. Caplan:** OK, my apologies.

**Mr. Hampton:** That’s what I’m told. Do you have different information?

**Hon. Mr. Caplan:** I must say, Mr. Chair, I’m asking the member to substantiate that kind of figure. Told by whom? You could have been—

**Mr. Hampton:** If you just—

**Hon. Mr. Caplan:** You could have been—

**Mr. Hampton:** Do you have a different figure?

**The Chair:** One at a time.

**Hon. Mr. Caplan:** You could have been told by somebody else. I’ve heard a lot of figures come out which I don’t think can be substantiated. I find it very hard to comment on something when I don’t know the source. I’m very interested and I would follow up on it. Provide me the source where you get your information and I will provide you with an answer.

**Mr. Hampton:** Do you have a different figure? Ten per cent? Five per cent? Do you have a different figure?

**Hon. Mr. Caplan:** I’m not going to get involved in some kind of Price Is Right guessing game. The member is making a statement of fact, and I’m asking for that to be substantiated.

**Mr. Hampton:** The ministry must have somebody here who has done some estimate of financial costs. Do you or do you not? You’re telling the people of Ontario that this is a great deal. Can you tell the people what kind of profit levels the private sector consortium would want for private financing, private design, private construction, perhaps private ownership of the land, perhaps private delivery of a number of other services associated with the hospital, plus their profit on capital? Do you have an estimate?

**Hon. Mr. Caplan:** I don’t believe that there is any generally held estimate, and that—

**Mr. Hampton:** Do you have an estimate or not?

**Hon. Mr. Caplan:** Everything would be looked at on a case-by-case basis. Quite frankly, it is for the consortia to decide what it is they would be seeking. What is in the public interest is the investment in the infrastructure, the construction of a state-of-the-art hospital to provide better and modern health care services, the construction and investment in transportation, borders, courthouses, schools, water. Those are the matters which concern us.

**Mr. Hampton:** So you’re telling the people of Ontario that this is going to be a very good deal for them, but you don’t have an estimate of what kind of profit, on top of all of these costs and services and money invested, that a private sector consortium will ask for. You’re telling people it’s a good deal, but you don’t know?

**Hon. Mr. Caplan:** Is there a question?

**Mr. Hampton:** Yes, there is. You’re telling people it’s a good deal, but you don’t have an estimate of the profit. So on a \$500-million hospital, you don’t know what profit that private sector consortium would ask for? You don’t know what their goal would be going into negotiations?

**Hon. Mr. Caplan:** The way this works is that my ministry will come up with a determination of what the costs will be, were we to deliver it through our traditional public sector model. That is the basis on which we will go out and enter into an arrangement with private sector consortia to be able to deliver on it. The private sector consortia must find their costs, their profit margin, whatever it is they’re looking for, and if their bid goes outside of the value-for-money benchmark, we would not proceed with it through the private sector arrangement. The public of Ontario is protected insofar as they get the infrastructure, and they get it within a range that we would be willing to pay for it through a public sector model.

The other thing that I would add, and one of the advantages of moving in the direction we are moving, is that we will be able to provide price certainty for the people of Ontario. In the models that have come before—and there are some very glaring examples where an initial amount was budgeted by the government of the day in order to deliver a particular piece of infrastructure. In fact, the cost overruns were so incredibly massive—this

is something which is well documented in Ontario and abroad—that there will be, as Mr. Farnan has said, cost savings, it is believed, accrued to the residents of Ontario. Not only will they get the infrastructure project, but they will also get it delivered on time and on budget.

1050

**Mr. Hampton:** Let me just be clear. You're prepared to do about \$2.5 billion of private financing and you don't have an estimate within the McGuinty government as to how much of that money will go to the profits demanded by these private sector consortia. You're telling people that this is a good deal and yet you don't know.

**Hon. Mr. Caplan:** I think I've answered the question.

**Mr. Hampton:** OK. You talk about cost certainty. I just want to refer you to a number of articles that have appeared in the *British Medical Journal*. This talks about private financing of British hospitals:

“Journalist George Monbiot reports that as costs for P3 hospitals” or private financing hospitals “balloon an average of 72% above initial projections, high costs for the infrastructure lead to cuts in clinical budgets. On average, the *British Medical Journal* reports, 26% of hospital beds have been cut in P3 hospitals. Staff has been reduced on average 30%, with 14% of doctors, 11% of nurses and 38% of support staff cut.”

This is the experience in Great Britain with some of the private financing hospitals. Have you checked into any of this?

**Hon. Mr. Caplan:** In fact, contrary to the opinions that were just rendered by the authority that you cite, the Auditor General in Britain has taken a look at traditional models of infrastructure finance and delivery and what they call their PFI method. In fact, of the ones that were studied by the Auditor General—a well-respected authority, I hope you would agree, Mr. Hampton—80% of the time the projects under PFI were delivered on time and on budget. Sorry, rather 88% of the time. Please forgive me.

They also compared and, by the way, looked at the traditional model of delivery or the traditional public works method. Seventy per cent of the time, according to the Auditor General in the UK, public infrastructure projects were delivered over budget or late. In fact, there was not only significant infrastructure investment but public value delivered to the people of the UK by using this finance method, this project management method, this infrastructure method, and I think that is well established by the UK auditor.

**Mr. Hampton:** I just want to read you a quote:

“Britain’s Auditor General and deputy controller recently called the accounting systems used to justify these schemes ‘pseudo-scientific mumbo-jumbo.’ He says the accounting exercise ‘becomes so complicated that no one, not even experts, really understand what’s going on.’”

Then of course we have the *British Medical Journal* saying for that these private financing hospitals, the costs “balloon an average of 72% above initial projections.” You don’t think that comments like that are a problem?

**Hon. Mr. Caplan:** What I think is a problem is the fact that in the traditional public works model we have some rather glaring examples. I really don’t want to get into isolating one community or another and picking on one individual project, but there are plenty that we can highlight and point to where there were massive cost overruns. In fact, here’s one of the real benefits of the method that we’re talking about: Through the risk transfer and the risk allocation model, we will assign that to the private sector consortia. If they go over budget, the public is protected and it will be the private sector consortia who will bear additional costs. So if there are additional costs to be borne, that is the history that we have in Ontario and internationally, but Ontario residents, Ontario taxpayers and, more importantly, the people in that community will be protected and will receive the infrastructure at the budgeted price they had agreed upon.

**Mr. Hampton:** You talk about the public being protected. One of the things that you acknowledge is that you could have private ownership of land. One of the problems in Britain is that for example, land sales is one of the ways that P3 financing of hospitals—it’s one of the ways they make money. Land deals turn on profit and questionable deals rather than public need. For example, Edinburgh’s private financing hospital: The hospital land was valued at C\$500 million; it was sold by the consortium to a subsidiary for a mere C\$25 million. The new private financing hospital was built on cheaper land—an old mine shaft that floods when it rains, forcing the rats that live there to the surface. So on rainy days when the mine floods, rats head to the surface for shelter. Rat traps have become a new fact of life for the hospital. This would all be called private financing or private sector efficiency, but I think you’d agree with me that it doesn’t make for very good health care. These kinds of examples don’t bother you, Minister?

**Hon. Mr. Caplan:** I think that any member can highlight whether the traditional public—

*Interjection.*

**Hon. Mr. Caplan:** Sorry, there was a question. I wanted to answer.

**The Chair:** Thank you. We’re just getting coordinated with our microphones.

Mr. Hampton, we’ve completed your segment.

Minister, you now have up to 30 minutes to use for responses, and the clock is ticking. Please proceed.

**Hon. Mr. Caplan:** I certainly want to thank the committee for the opportunity to be here. I want to acknowledge the points raised by my colleagues opposite, from both the official opposition and the third party.

The member of the official opposition tended to focus, I believe regrettably, on some overused rhetoric as opposed to substantively looking at a capital investment program which is long overdue.

I want to talk about ReNew Ontario. ReNew Ontario is a \$30-billion plan. Just so members of the committee will have a chance—it’s not a long document. I want to encourage members to take a look at the kind of work we’ve done. We outline and lay out the different chal-

lenges we have and the solutions to meet those kinds of challenges.

Our infrastructure deficit is enormous. Some have estimated it at a minimum of \$100 billion. I believe that cost estimate is quite a bit low and it may be considerably more dollars over a number of years. I think there's plenty of blame to go around, whether that's past governments of all political stripes or different levels of government. We have simply not made the kind of investments into the key public services that we wish to deliver.

The average age of our hospitals is 43 years, which means that many are reaching the end of their useful lives. They must be modernized and replaced. Many of our almost 4,000 elementary and almost 900 high schools were built in the 1920s. Problems such as leaky roofs, inefficient heating systems and mouldy classrooms mean that we have significant barriers to student success.

Highway 401 and many of our transportation routes are choked by gridlock. In fact, that takes an enormous toll on the useful life and on the life cycle of those roads.

Some of Ontario's jails and justice facilities were built in the 1880s. Many courthouses are over 75 years old. Many of those buildings don't have the capability and the capacity to meet the emerging requirements to deliver those important public services as we need them.

I want to say, and I want to be very clear, that governments of all stripes, of all histories and legacies in the province of Ontario have, with very good intentions, made significant moves and strides ahead to work and deal with this mounting infrastructure deficit challenge.

#### 1100

I recall—or at least one of my staff researched—back in the early 1990s, when the then NDP Finance Minister Floyd Laughren said to us in his budget that he would create the Capital Investment Plan Act. Under the Capital Investment Plan Act, and I quote the 1993 Ontario budget, “We are creating three special-purpose crown corporations to carry out investments in transportation, real estate and water and sewer services. The three crown corporations will work in partnership with municipalities and the private sector to plan and implement new investments” as soon as possible.

It goes on: “The corporations will play a major role in facilitating partnerships and joint ventures with private and public sector partners and in developing and accessing new revenue sources to support infrastructure improvements.”

It goes on and references a program that was called Jobs Ontario. I think you would remember that, Mr. Chair. It says, “We will encourage investments to be made in partnership with municipalities and the private sector.” The program “will build highways and transit systems, improve water quality and conservation methods, and expand telecommunication networks.”

So even as early as the 1990s, I would note, the government of the day recognized the need for capital investment and renewal, the need to expand facilities and the need to take on partnerships with other levels of gov-

ernment and with the private sector in order to fund those very necessary investments because of the mounting infrastructure challenge.

Here we are some 15 years later—I should note as well, and I want to be fair, that the previous government, the Harris-Eves government, did attempt, with very good intentions, some significant investments. They created a secretariat under the finance ministry to try, again, to get private sector investments—very similar between the previous governments. I want to be very clear where we agree and where we disagree. We agree on the need for investment and the need to find additional dollars because, as we all know, resources are always scarce. There are always enormous pressures, certainly, on the operating side, and the capital and ongoing maintenance gets pushed out and crowded out to future years. That's why it is the leadership of the McGuinty government to set a five-year plan for infrastructure, and not to be indiscriminate about it.

I think it's very important to begin to highlight and encourage what the key principles of the framework are, which I elaborated on earlier. The framework is a dramatic transformation of the process we use to plan, finance, procure and manage public infrastructure. The document is called Building a Better Tomorrow. It's a set of policies and procedures, and I think it's important that I elaborate on the five key principles once again.

First and foremost is protection of the public interest. Each project we invest in is intended to benefit the people of Ontario and to contribute to the well-being of people in the community. Everyone in the project must agree that the public interest comes first.

Second, value for money: Regardless of the method of financing, the people of Ontario will ultimately pay for every project, so all decisions affecting the facility, from its design and construction to its ongoing operation, must reflect the fundamental principle of value for money: Investment must be cost-effective, optimize risk and its allocation be completed on time and within budget.

Third, appropriate public control and ownership of public assets must be preserved. In particular—and this is where I want to really make sure that Mr. Hampton is very understanding in his questioning—public assets in hospitals, water and sewer, and public school sectors will always be publicly owned. Where we disagree—and I remember Mr. O'Toole raised in his comments the spectre of Highway 407, a P3 started under the NDP and sold off under the previous Conservatives in a fire sale to the private sector—a complete loss of control in the regulatory ability. According to that particular government—again, we do not agree and do not believe that the public control of assets should ever be allowed to wander. This is one of the major differences between the P3 approach of both the NDP and my Tory friends and our AFP.

But I want to continue. The fourth principle is accountability. Public infrastructure initiatives should have clear lines of responsibility and accountability, rigorous and transparent reporting, and clear, objective

performance measures. It's very interesting that when both political parties were in government, they did not have clear accountability. There was not public reporting and there was not oversight of these kinds of P3 projects, where AFP is significantly different. Here is another instance where we do have and have already begun to.

Mr. O'Toole asked in his earlier questioning, and I want to acknowledge—I have made a note of it. I've misplaced my note, Mr. Chair, but I'm sure I will find it in just a second. Here it is. Mr. O'Toole asked: Will the contracts be publicly available? The answer to that is yes, they will. There have been no contracts under AFP signed, but when there are, they will be made publicly available, and I want to provide members assurances of that.

The fifth element and fifth principle we adhere to under the Building a Better Tomorrow framework is a fair, transparent and efficient process. All public infrastructure initiatives must be efficient, have fair bidding processes and be subject to audit, as required by the Auditor General of Ontario. All relevant project documents shall be available to the public. Mr. Chair, you would know that quite recently the government went on a request for qualifications for a fairness overseer, for a commissioner to guide and oversee the process to ensure that the government is living up to its stated principles. That fairness commissioner's report too will be made public so that the people of Ontario will know that its government is not only living up to the letter but also to the spirit of the investment framework.

Those were some of the comments that the opposition party members made earlier that I wanted to have a chance to be able to talk about, to contrast with.

Mr. O'Toole said that the previous government was going to get involved in asset sales in order to balance the budget. That, in my opinion and in the opinion, I believe, of most Ontarians, is wholly inappropriate. I want to state and be very clear that Finance Minister Sorbara, in his last budget, did say that if there were a realization of revenues from assets, it would go to pay down the debt of Ontario, or, as it says, that infrastructure investment would be the first priority for any realization of those revenues. So if we realize anything, it would go back into the assets that the people of Ontario depend upon for the provision of important and vital public services.

I think that's a very differentiating point of view between Mr. O'Toole and the Conservatives and our government. Where they felt it was OK to, in essence, sell the kitchen furniture to buy groceries, we feel that is simply a mug's game, that by getting involved in that kind of arrangement, eventually you'll run out of assets to sell and you'll still have those cost pressures, which is why our government is imposing the rigour and discipline of bringing the finances in order, but at the same time—critically important—making the investments in health care, in education, in post-secondary, in environment and, yes, in infrastructure to be able to have the key enabler and the platform, not as a means but as an end to the means of improved public services.

Mr. O'Toole also raised Peterborough Regional Health Centre. I am very pleased to report to Mr. O'Toole that in fact the RFP did go out. Do we have a date on that, I ask the deputy?

*Interjection.*

**Hon. Mr. Caplan:** That's already out. In fact, it was awarded. I understand that Mr. O'Toole made a comment that there's a fence around it. I want all members to be assured that we take public safety as being very important, and we would not want any member of the public to venture on to those sites and to perhaps find some danger or find some injury.

**1110**

I want to assure the member that the tender has been awarded, the work is commencing, we're very excited, and the people of Peterborough region—and it's not just the city but the entire region—will have and enjoy a state-of-the-art regional health care facility of which they will be proud, but also where they and subsequent generations will receive high-quality health care services. That's been our dream, which has been long in coming, and it has been my colleague Minister Smitherman, under the leadership of Premier McGuinty, who has delivered that.

One of the comments I want to come back to that Mr. O'Toole raised was the GTA/905 Healthcare Alliance. They do raise some very good and significant points about the need for growth in an area like the 905 and the effect that has on health care, and we agree. Mr. O'Toole raised the question: Are all these needs going to be satisfied? The answer is, and I want to be very clear about this, yes, over time, but over the course of five years it is simply not possible. I want you to know it is because there is only so much construction capacity that currently exists in the province of Ontario. We could not physically undertake all of the projects that have been called for, that have been pent up over a number of decades. There are not enough people, there are not enough bonded construction companies and there is not enough capacity to do them all at once. That's why we have engaged in the strategic five-year move ahead, the proper phasing and sequencing, the proper cash flows to be in place in order to deliver what has been long promised, which has been a long-time aspiration but unfortunately has eluded successive governments. We are making a serious effort and we're going to make an over-\$5-billion dent in a very large pent-up health capital plan.

The member also asked—and I want to specifically address the comments that the members did raise—what is the plan for long-term care? The member would be aware that while, yes, we do reflect infrastructure investment that is found within operating streams, I do believe that the Minister of Health and Long-Term Care has been called before this committee, and questions like that of an operating nature are more appropriately put to the health minister. I would encourage the members of this committee to do that, to make sure that Minister Smitherman is able to provide some answers on the operating side. I regret that as the Minister of Infrastructure Renewal I

don't have detailed information for committee members as it relates to operational needs.

I want to come back again to some of the challenges and some of the solutions that we highlighted, challenges like improving delivery of public infrastructure. What Mr. Hampton raises, when he talks about cost estimates or budgets which were initially struck and were vastly exceeded under traditional procurement methods: That has been the case all too often, and that has a rather insidious effect, because if something goes vastly over budget, the public funds to finance it are simply taken from another project. In essence, cost overruns squeeze out other projects very much needed and, importantly, delivered. That's why some of the methodology that we're using, of alternative finance and procurement, of providing price certainty and delivery certainty, is so critically vital to the delivery not only in one sector or another but so that we don't begin to crowd out the necessary kinds of investments.

It wasn't raised, but one concern is, and I'm sure that one of the members of the opposition parties will raise it: Well, isn't this method of financing more expensive because your borrowing is going to be more? The suggestion is, "Perhaps just borrow everything because the government receives a much better rate." I cannot agree with that kind of statement. First of all, there is not an unlimited ability to borrow funds. I believe, for example, and I would like to quote former New Democratic Party Finance Minister Mr. Laughren in his budget of April 29, 1991, where he says: "The deficit is not an issue that is simply of concern to the bond markets and rating agencies. It is a concern of ordinary working people in Ontario, because they do not want an ever-increasing share of their hard-earned tax dollars going to pay the interest on a huge public debt."

In fact, during the years between 1990 and 1995, under the New Democratic Party, debt financing strategies were the course of the day, as opposed to the exception to the rule. The debt of the province, just in order of magnitude, the likes of which had never been seen—now, I understand there were some very difficult economic times, a severe recession, and that is understandable. I want you to understand the effect that had on the credit rating of Ontario: downgraded nine times by the three bond rating agencies that look at provincial credit ratings. Very interestingly, what happens when your credit rating goes down? Your cost of borrowing goes up. That's precisely what happened during those years between 1990 and 1995.

Today, over a decade later—in fact, quite some time later—we still live with the legacy of that debt. Public debt interest is the third-largest, almost the second-largest, budgetary line of the provincial budget, as it was introduced by Minister Sorbara this past spring. So, like former Finance Minister Laughren would remind us, the deficit is not an issue simply for bond markets and agencies, but it will crowd out an ever-increasing share of hard-earned tax dollars to pay the huge public debt interest.

I would go on and quote Mr. Laughren, two years later, in his May 19, 1993, budget: "Simply to let the debt increase each year at an accelerating rate would be irresponsible. Consumers would know that more and more of their incomes will be taxed away to pay the cost of public debt interest, not just this year, but long into the future."

That is why purely relying upon public debt issue to fund infrastructure is not an appropriate way to go, because as former Finance Minister Laughren so eloquently pointed out, we can't allow the important public services that Ontarians depend upon to be crowded out by ever-increasing debt issues. That's why it is very important. That's why our government has chosen to move in a combination of strategies to get the kind of investment—yes, we are going to use debt issue; yes, we're going to use the traditional public works methods as well; yes, we're going to partner with the federal government and municipal governments, whether for groundbreaking investments in public transit—a \$1-billion investment in GO Transit, \$1 billion into the Toronto Transit Commission into their state of good repair—or whether that's a transfer of gasoline tax to municipalities for investment in public infrastructure. We're going to find different ways, whether it's a low-cost loan pool, like in OSIFA, to be able to provide municipalities—and I'm told by the OSIFA staff that the last OSIFA issue was just marginally above the province's own debt issue rate. So, in fact the spreads are narrowing as we get better at it.

There are five or six solid strategies that we contemplate using under the framework for investment to make sure that we get the much-needed investment in Ontario's infrastructure, that we do it in a different and better way. There is a reason why. The reason is the improved public services, that the economy rest upon modern and efficient infrastructure.

I would point out that we currently have, and I note Mr. Hampton's concern about, private sector interests investing in infrastructure. One of those interests—in fact, a significant interest—is the public sector pension plans here in Ontario. Mr. Chair and members of this committee, you might be astounded to know that the Ontario teacher pension plan, that OMERS, the Ontario municipal employees' pension plan, is investing in infrastructure in the UK, in the United States, in Australia, in Europe, in other provinces in Canada. In fact, they are making sure that the public services are in place through the provision of modern and better infrastructure through their investments. In essence, the accumulated savings of the public pension plans in Ontario are being used to update, modernize and improve the provision of public services all over the world.

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Mr. Chair and members of the committee, I say that those accumulated savings ought to be used right here in Ontario to update and modernize and improve and expand and deliver better public services. For the life of me, I cannot understand why anyone would wish to deny Sault Ste. Marie residents or Niagara residents access to

state-of-the-art, modern, publicly owned medical facilities.

Mr. Speaker—Mr. Chair; I'm sorry. I've elevated you in status. We are having an election, I understand. I have, I think, outlined why the need is, how the methodology will work, what some of the differences are. I've been able, I believe, to pick up on some of the comments of both of the other parties, as they've mentioned them.

In health care, as I mentioned, a \$5-billion investment; in schools and universities—in our last budget, one of the most exciting elements was a renewed focus on investment in post-secondary education unlike we have seen in decades. This is investment which goes directly toward our future competitiveness and our ability to invest in our own people. In order to do that, we need access to state-of-the-art laboratory and other kinds of research equipment to attract the best and the brightest, but also simply the physical space and the working conditions for the people who will be in those colleges and universities. We are calling for an enormous investment in our elementary, secondary and post-secondary: \$10 billion over the course of the next five years.

Our highest priority is our borders. Because so much of our GDP and so much of our trade are dependent upon the fast, efficient and timely access of our critical border points, we are devoting considerable dollars to our borders, to public transit and the highways: almost \$11.5 billion by the year 2010.

We're investing, for the first time in a long, long time, in affordable housing. I had the very great pleasure of hosting here in the city of Toronto Joe Fontana, the federal Minister of Labour and Housing, and we signed the largest affordable housing agreement in Canadian history. In fact, we're already seeing the benefit of that much-needed affordable housing, I would say in contrast to the previous government, who unfortunately did not have as a priority the provision of affordable housing—through that agreement, 15,000 new affordable housing units; 5,000 housing allowances for very needy families. Those are the kinds of investments long overdue in this province, and ReNew Ontario is the vehicle that's going to get there.

The justice sector has been a real surprise to me, just the depth of need. The member from Durham, I believe, will be interested to know that in very short order we will be going out on the RFP for the Durham courthouse, a project which was announced by the Attorney General in the NDP government. So we are moving these kinds of projects which have lingered for over a decade, that really did not make much progress. We are moving. We are going to be able to provide Durham residents with access to timely justice in a consolidated facility in Durham region.

I did touch on water and clean water in my earlier remarks.

Mr. Chair, I think that's a good enough overview. I hope that I've addressed the questions and the concerns and the comments of the opposition members. I want to thank you for allowing me the opportunity.

**The Chair:** Thank you very much, Minister. Our researcher assigned to this committee has made note of a couple of requests from committee members. Did I understand you correctly to say that the Peterborough Regional Health Centre contract has been let?

**Hon. Mr. Caplan:** I believe it has. Yes, it has. I could get an—

**The Chair:** No, that's fine. We had a request for a copy of the contract.

**Hon. Mr. Caplan:** The hospital has it.

**The Chair:** That is the only one that is available at the moment?

**Hon. Mr. Caplan:** At the moment, yes.

**The Chair:** Thank you very much.

**Hon. Mr. Caplan:** We'll make that available.

**The Chair:** Would the committee allow me to ask one brief question?

**Mr. O'Toole:** No.

**Mr. Dave Levac (Brant):** Let it be noted that it was the Conservatives who said no.

**Mr. Rosario Marchese (Trinity-Spadina):** We generally don't do that, Chair.

**The Chair:** I know.

**Mr. Marchese:** Let's take our turns. Then we'll come back to you at the end.

**Hon. Mr. Caplan:** I'm in your hands, Mr. Chair.

**The Chair:** Minister, just one quick question that has to do with the nature of the contracts: Will they cover off such things that are internal to a hospital such as laundry service, landscaping, food service and all of those others, or have the potential to? If that is the case, are there any provisions being made to protect unionized workers in those circumstances, or is there a plan to deal with the transition? That's a simple question.

**Hon. Mr. Caplan:** I tried to be very clear in my response to Mr. Hampton, who was also asking this. So far as I'm aware, this is not an area that we are compelling hospitals to enter into these kinds of arrangements. Hospitals will have complete discretion, as they do now, to be able to enter into whatever arrangements they wish for laundry, caretaking, food services, maintenance, landscaping, all of those kinds of things. There is the discretionary ability of hospital boards currently, and that will continue into the future. If those elements are built into a contract because a hospital board wishes to go that way, those elements too will be part of the public disclosure and the public accountability. As far as the other elements that you ask about, that would have to be dealt with on whatever basis there was at the time related to the transitions or whatever. I don't have a concrete example to be able to illuminate that point.

**The Chair:** Thank you very much. We have approximately one half-hour left. We can do 10-minute rotations, or we can do 15-minute rotations and then after lunch begin the third party's. I'm in your hands.

**Mr. O'Toole:** Ten minutes is fine.

**The Chair:** Ten minutes is fine? Then we will begin with Mr. O'Toole. You have 10 minutes.

**Mr. O'Toole:** I just have one brief question. Thank you, Mr. Hardeman, for joining. He brought the estimates briefing book, which would have been helpful a little earlier. Just a quick question, and then I'll pass it over to Mr. Hardeman, who is the critic in this area. You've committed, according to your presentation, \$30 billion by the year 2010. Where would I find in the estimates votes the allocation for this year for that capital commitment?

**Hon. Mr. Caplan:** Remember, \$30 billion is over the course of five years. In fact, some of the infrastructure investment—remember, \$30 billion is a total investment. Some of it would be gasoline tax, for example, which was transferred to municipalities for investment in transit infrastructure, some of which is found in pupil accommodation grants to school boards—again, an investment in infrastructure—

**Mr. O'Toole:** So the actual—

**Hon. Mr. Caplan:** Please let me continue. The Good Places to Learn initiative, introduced by my colleague Minister Kennedy, a revenue stream used to lever additional dollars to be invested into infrastructure in school boards, is an element of the \$30-billion infrastructure plan. There are a number of different elements. I highlighted for you earlier any flow-through, so for example, an affordable housing program will flow through the province. That total investment in infrastructure as well is reflected in the \$30-billion figure.

**Mr. Ernie Hardeman (Oxford):** Just to go on with that, the amount of the investments, the \$5 billion that you've announced for health care, am I to understand from your answer, Minister, that the \$5 billion is over a period of time, and that's how much money is going to be spent as opposed to how much government money is going to be spent?

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**Hon. Mr. Caplan:** Five billion dollars is the government's level of investment in infrastructure over the course of the next five years.

**Mr. Hardeman:** That's the government's investment? That's going to be tax dollars invested?

**Hon. Mr. Caplan:** It is the total investment. It's coming from the government. We may pay it to the hospital corporation that would pay whatever contractual agreement, but what we will be paying for the health care investments that we're looking at over the course of the next five years is \$5 billion.

**Mr. Hardeman:** I just want to get it clear, because I heard the message—you mentioned, Minister, school funding. When I went home and talked to the people in the education system, they said, "Really, all the government announced was the school board's obligation to go out and borrow money to fix the schools," because there is so little government money that they're just authorized to go and borrow to match the spending. But that's not the case for the \$5 billion?

**Hon. Mr. Caplan:** You would be aware in the school board case that school boards have a facility right now through a common—I'm not as familiar with it because it does appear more in the operating side, and education is a

little bit different than other ministries when it comes to capital. My understanding of the way that it works is that the Ministry of Education—I will stand to be corrected—has provided a revenue stream for the course of the next 20 years to the school board financing authority. They said to the school board financing authority, "Lever that revenue stream"—and they've levered some \$4 billion—"for immediate investment," and that revenue stream will be available to pay that off over the course of the next 20 years. So it would be up to individual school boards, through their financing authority, to be able to distribute how that money would work.

On the health care side—and I believe this is where you're coming from—the way the funding would work is it will be a combination of a couple of different things: direct capital grants in a traditional sense—we have many of those ongoing and some that have happened previously—plus AFP arrangements where we would enter into a contractual obligation with private sector consortia to be able to design, build, finance, construct and maintain a hospital over a longer period of time.

**Mr. Hardeman:** Staying with the \$5 billion for health care—this isn't directly to the estimates briefing—you speak about how you're going to invest the \$5 billion into health care over five years and then you have your principles of how you're going to direct the money. I think you went to quite great length to explain the five principles: protection of public interest; value for money; appropriate public control and ownership; accountability; and fair, transparent and efficient processes.

My concern is—and maybe it's not for you as the minister to answer; maybe it's the Minister of Health—I don't see anything in there as to the fairness or the appropriateness of picking the projects prior to the process that you're referring to. Obviously we're looking at—in your announcement you have 105 projects—how they were picked. There are concerns in my community that they have much more to do with politics than they do with fair, transparent and efficient processes. I just wondered if you could answer that.

**Hon. Mr. Caplan:** I'm glad to see Mr. Marchese here. For example, we were at a wonderful announcement of the construction of a hospital in his riding. We were just in Kitchener and we have a wonderful new hospital in Elizabeth Witmer's riding, the member from Waterloo.

I want to assure you that the project selection—and you are quite correct. For policy reasons and how individual projects were determined, I can tell you generally, and it will be up to the Minister of Health to tell you individual ones. There were specific policy filters related to the transformation agenda and the wait-time strategies; related to renewal and the renewal needs and the age of buildings; related to the growth criteria and the kind of growth projections and experiences that we have; related to project readiness—some are more ready or on different tracks than others.

Also, and I think fairly, we wanted to recognize regional equity, so that we wouldn't do all of the hospitals in eastern Ontario to the exclusion of hospitals in

the southwest. We did feel that the health needs of all Ontarians were legitimate and timely, and that there was a need to be fair in the provision of health care capital dollars around the province so that northerners and southerners and folks in eastern and western Ontario too would be able to have access.

Then there were two other policy filters that our ministry put on. One was cash flow: How much money did we have available? How could we line up the cash and make it happen? Obviously our financing ability was very important.

The second one was the construction capacity. I tried to highlight that earlier in my rebuttal comment to the opposition's opener, and I highlight it this way: Really, for hospitals, in the entire province there are only five major construction firms at any one time. They can only take on so much work at any one time. In fact, our hope in developing a longer-term plan, a five-year plan, is to signal to others, whether it's domestically or internationally, that we have a significant building program in Ontario and we are very interested in building additional capacity to meet those needs.

We couldn't build a capital plan based on what we hope for in the future but rather on what we know now. We know that only a certain amount of work can be undertaken in any one year, completed and then new work taken on. We had to gauge the relative ability to deliver the 105 projects that you mentioned earlier. So that's how we approached it. I want to assure you and all committee members that those were the criteria we used when it came to deciding which hospitals, in what communities and how it was going to roll out. It was not, as you put it, politics that decided it.

**Mr. Hardeman:** Minister, you mentioned the fact that the readiness to proceed was one of the criteria.

**Hon. Mr. Caplan:** Yes.

**Mr. Hardeman:** Is that, "The closer they are to proceeding, the less likely they are to get the money, so we don't have to spend it"?

**Hon. Mr. Caplan:** No. That's a little facetious.

**Mr. Hardeman:** The one I'm referring to is—in fact, we can't get approval and \$12 million has already been spent. They're ready to go to tender but they can't get any commitment. I guess my question really goes to the comment you have in your presentation about Sault Ste. Marie. Why should people be deprived of quality health care if somebody is willing to put in the money and they'll pay it back over the next number of years? It would seem to me that, on a project that was ready, you would say, "OK, it's not your cash flow. You're going to borrow it all anyway." Why would you not proceed with a project that was that ready? I'm just trying to figure out how you're going to implement your program. It doesn't seem to work.

**Hon. Mr. Caplan:** It certainly does work. I want to assure you and all committee members that we've been working quite diligently to make sure that we come up with something realistic.

I think this is one of the—I want to be fair—legacy problems that we've had. There was a great deal of

expectation. The Health Services Restructuring Commission orders and plans originally costed out at \$2 billion, and, you would remember, Mr. Hardeman, to be completed by the end of 2003. There was no way that kind of deadline was even realistic, relative to the amount of projects. So in good faith, communities and hospital corporations went off and completed a lot of work. I regret that the government of the day knew full well that there were no finances available, there was no construction capacity available, there were not the other elements in place to deliver those projects. We did inherit that unfortunate situation. We are dealing with it and moving through those projects as best we can.

I should tell you that at \$5 billion and 105 health care capital projects, this is the single largest, in this period of time, investment in the history of Ontario in health care capital and infrastructure. I want all of the communities to know that we chose their criteria and we are working on the plan for the next several years after so that we can get to all of the communities. We believe that all Ontarians, whether they're in your community or my community or anywhere else, deserve access to state-of-the-art, excellent health care, and we're going to do what it takes to find the plan, the finances and the delivery that are going to provide it for them.

**The Chair:** Thank you very much, Mr. Hardeman. Mr. Marchese.

**Mr. Marchese:** Minister, a number of questions have arisen as a result of the comments you've made. Let me ask you to speak to the fairness of this particular question. I often hear Liberals commenting on the 1990-95 experience of the NDP. Would you say, in your own inimitable, unambiguous Liberal way, that New Democrats spent both too much and not enough? Is that a fair assessment of the way Liberals often speak of our time?

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**Hon. Mr. Caplan:** Fairly speaking, I think there are a lot of lessons to be learned, both internationally and at home, and that Mr. Laughren—and indeed, Mr. Hampton, yourself—you were all members of an executive that had to make some significant public policy choices about what it was you wanted to do about it.

**Mr. Marchese:** No, I understand that, Minister. I understand that.

**Hon. Mr. Caplan:** I'm trying to answer the question.

**Mr. Marchese:** But I don't need a whole background in context. I just—

**Hon. Mr. Caplan:** You've asked me a rather complex question about—

**Mr. Marchese:** No, it's very simple. I often hear Liberals say—

**Hon. Mr. Caplan:** Mr. Chairman, may I answer the question or not?

**Mr. Marchese:** Minister—

**The Chair:** Slow down.

**Hon. Mr. Caplan:** If you don't want an answer—

**Mr. Marchese:** I don't have much time. You see, I'm here for a brief time.

**Hon. Mr. Caplan:** I wish you were here longer.

**Mr. Marchese:** The question is this: You often say—

**Hon. Mr. Caplan:** May I answer the question, Mr. Chair?

**Mr. Marchese:** He's not answering my question and I don't have time, Chair.

**The Chair:** Minister, I will ask Mr. Marchese to reframe the question and keep it short, and you'll get a short answer.

**Mr. Marchese:** That's all right. I will make a statement, rather than asking a question. Otherwise, I'm not going to have time to ask my questions.

It is incredible how Liberals can claim that we created huge deficits that the Liberals would never create and that we didn't spend enough on health, social services and education. Presumably, if you had been there, we wouldn't have deficits and yet we would have increased services, just the way you made your promise that you wouldn't increase taxes but you would increase services. I love Liberals. So much for my question on that one.

**Hon. Mr. Caplan:** Is there a question?

**Mr. Marchese:** No, no. Thank you for the answer. Your answer was very good.

There's a \$30-billion infrastructure program. I might have missed it in my time here, but did you say \$2 billion to \$5 billion would be used under the acronym AFP, the most complex yet so efficient alternative financing model?

**Hon. Mr. Caplan:** No, I believe I said we estimate somewhere between 2.3 to 2.5.

**Mr. Marchese:** Billion.

**Hon. Mr. Caplan:** Billion; correct.

**Mr. Marchese:** I had you quoted earlier as saying, "Why would anybody object to better and more modern health care services?" You obviously believe this. Why not do the whole thing under this acronym AFP?

**Hon. Mr. Caplan:** That's an excellent question, and we do outline an answer in our Building a Better Tomorrow framework. There are in fact a number of strategies which ought to be brought to bear in order to plan, manage and finance the infrastructure in the province of Ontario. We think this is one component part.

The traditional element, whether it's through debt finance or through own-raised revenues, is a very legitimate means. Cost-shared arrangements with federal-provincial-municipal governments—

**Mr. Marchese:** So there are different ways, you're saying.

**Hon. Mr. Caplan:** May I finish my answer?

**The Chair:** All right, I'm going to interrupt all of you. I'm going to ask the table support to cut off one of the two mikes, so you're not going to be heard on Hansard, first of all. I'm going to put the mike on for the minister and I'm going to cut off Mr. Marchese's. Mr. Marchese, you can interject all you want; anything you say won't be covered. The same will apply to you, Minister.

**Hon. Mr. Caplan:** Fair enough.

**The Chair:** I was giving latitude while everybody was working well. Please, Minister, briefly respond and then I can recognize Mr. Marchese.

**Hon. Mr. Caplan:** There are a number of strategies which ought to be brought to bear: revenue streams like gasoline tax directly to municipalities and low-cost loan pools like CIFA. In fact, I think this is one of the differences between our AFP approach and the previous two governments, and I say this respectfully to Mr. Marchese. We don't believe employing one method or another is the right way to go, but a various and sundry combination of methods will get us what we want: investment in the infrastructure and improved public services. That's the approach we've taken.

**Mr. Marchese:** I'm still not clear on why it is that if you have a model that you're so proud of in terms of creating better, modern and efficient ways of doing things, you would have such a small, little, tiny portion of the \$30-billion infrastructure program.

**Hon. Mr. Caplan:** May I answer that?

**Mr. Marchese:** No, you already answered. Thank you.

The other question is, are the Brampton hospital and the Ottawa hospital P3s or AFPs?

**Hon. Mr. Caplan:** First of all, I would just say—

**The Chair:** No, I would ask you to answer the question. You've had your rebuttal period and I'd like you to answer the question.

**Hon. Mr. Caplan:** The Brampton and Ottawa hospitals were P3 hospitals under the previous government. They were, by the way, private hospitals. We have brought them back into the public realm, so they would not be what I would consider to be AFP hospitals. We hope to, and will, learn a great deal from the experience of the previous government in planning, financing and managing those and using that to further our understanding and make sure that we don't repeat the kinds of errors that the previous government made.

**Mr. Marchese:** So they're not P3s. But what are they, then, again? They're not P3s, or they were P3s and you fixed them? I'm not clear.

**The Chair:** Minister, I'm not clear, so I'm going to let you answer.

**Hon. Mr. Caplan:** They were P3 hospitals under the previous government. They were private hospitals which were being constructed. We have in fact brought those back into the public realm and made enhancements to the contracts that were entrenched.

**The Chair:** Just for the record, they're no longer P3 hospitals?

**Hon. Mr. Caplan:** They are P3 hospitals. They were P3 hospitals; we made changes to them.

**The Chair:** Perhaps we can seek a written response to that question. That would be more helpful and staff can support you.

**Mr. Marchese:** That might help. There are a number of groups, including the Ontario Health Coalition and others, that have been trying to get information in terms of what was contained in those deals. You're so proud of talking about "oversight, fair, transparent, efficient processes" and all that. Is there a reason why you can't help to facilitate the opening up of those contracts so that there's exposure?

**Hon. Mr. Caplan:** My understanding is that those contracts are the subject of a court proceeding. As a former member of the executive would know, I'm prevented by the sub judice rule from being able to discuss that particular matter because it is currently in front of the courts.

**Mr. Marchese:** OK. I understand the province is considering a new accrual accounting method for capital projects, such as hospitals built in the traditional public sector way, and that this will hit, presumably, the province's books over the expected life of a capital project. It seems to me that in terms of accounting, the only difference between the two approaches is that payments under the P3 approach would start on completion of the project instead of at the beginning of construction. Would that be the only difference between what you're contemplating in terms of your new accrual accounting methods versus what you're contemplating under your AFPs?

**Hon. Mr. Caplan:** Mr. Chair, I want to introduce Assistant Deputy Minister John McKendrick.

My understanding, just to be very clear, is that the accrual method was introduced by the previous government and is working its way through what they call PSAB, the Public Sector Accounting Board. I do not profess to be an accounting expert, so I'm going to allow Mr. McKendrick to reply to that question.

**Mr. John McKendrick:** The accounting rules have been changed so that the hospital financial statements will be consolidated on the province's financial statements. I think it's starting this fiscal year in the next public accounts that come out. What really matters in these transactions is whether or not you transfer risk. It's the risk transfer that drives the balance sheet treatment in terms of the hospital. If it's on the hospital's balance sheet, then it comes on to the province's balance sheet.

What is likely to happen is that if you transfer off the construction risks, then for the construction period it will not be on the hospital's balance sheet. If that's consolidated on the province's balance sheet, it won't be on the province's balance sheet then. But if, after that, it comes on the hospital's balance sheet, then it will also come on the province's balance sheet.

**Mr. Marchese:** So this new method of doing things doesn't affect anything except the risk factor. Is that my understanding?

**Mr. McKendrick:** No, I wouldn't say that, but I would say that the primary objective is to focus on the risk transfer. If you get the risk transfer, the balance sheet—

**Mr. Marchese:** Can you speak to the new accrual accounting method? Is that a positive thing for you, for the ministry, for the government? Why are you doing it?

**Mr. McKendrick:** That's really determined by the Minister of Finance. We just follow the rules.

**The Chair:** If I might, it was a system implemented because most other provinces have it; ours didn't. So we're being consistent across the nation.

**Mr. Marchese:** I understand that. My understanding, limited as it is in this field, is that once you have that,

you're basically paying for your construction or whatever it is over the longer period of time, as you would, presumably, under this new AFP. So if you're doing that, the only difference is starting to pay now versus starting to pay once the construction is over, so we're talking a year or two. It won't show in your books, necessarily. The only difference is that with the new system, you'll have a difference of a year or two in terms of when the money starts actually showing in your books as a debt to you as a government. If that is so, and if governments can borrow at a cheaper rate—which I think we all accept, including the Toronto Star editorial, which normally supports you very strongly—in general, it's effective, efficient and just as cheap for us to do this on our own rather than handing it over to the private sector. Would that not be true in your mind?

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**The Chair:** Thank you, Mr. Marchese. Minister, if you'd like to respond briefly, and then I'll recognize the governing party.

**Hon. Mr. Caplan:** There are several reasons, aside from solely questions of finance. One is to build a proper life cycle into our public buildings. This has been an area where the deferred maintenance on public buildings is enormous. If we can build in the proper maintenance of our buildings into the longer term, that would certainly be a benefit forward. If we can have, as Mr. McKendrick has said, proper risk allocation and transfer, as well as deliver things on time and on budget, that would be of enormous benefit, because, regrettably, the experience has been that major capital projects have gone over budget and over time and have crowded out other projects, regardless of financing method. Last but not least, I would say that project management and oversight is something we need to improve upon, that the suggestion, "Just do things the same way and you're going to achieve a different or better outcome"—I don't see how that logically could be met.

**Mr. Marchese:** Is it not possible for the government to have better oversight or better ways of handling the cost—

**The Chair:** Mr. Marchese, your time is up; I apologize. Ms. Di Cocco?

**Ms. Di Cocco:** I just have a couple of questions for the minister. First of all, the current infrastructure deficit, if you want to call it that, has taken a lot of years to accumulate. I call it perplexing as well. Over many years, particularly in 2002-03, there were many, many announcements made across the province. The same happened within my own community. Announcements were made, particularly for hospitals. It's common knowledge that the announcements were made and that dollars just weren't attached to those announcements, unfortunately, because the money wasn't there. I even heard the head of the OMA state that in discussion, saying this was probably one of the things that he himself felt was unacceptable, that you have these sorts of announcements made and heightened expectations because of those that were generated over many years. Because of these

heightened expectations, a lot of the communities expect that we have somehow a magic wand to be able to provide these projects ASAP or yesterday. I guess the question I have is, why are some of these projects going to take so long to get off the ground? That's the question.

**Hon. Mr. Caplan:** I think that's an excellent question, and a very germane one too. In my earlier comments I mentioned the relative construction capacity of the province of Ontario. This is not something that should really be treated lightly. We only have so much ability to deliver at any one time. In fact, you will have serious problems if you try to put too much out there. You'll begin to bid against yourself, essentially, for the workers who will build the projects, for the materials that will be used. What you would see is that your labour costs go up, your material costs go up and the delivery times go up, because the construction capacity is only so big.

It is regrettable that phony cheque presentations were made in certain communities, creating the expectation that work was going to commence and that finances were in place, leading folks locally to believe that all of these activities were going to ensue. It depends on the complexity of the nature of an individual project, but often-times, for complex ones, it can be two years or even three in the design-build element of it, from the time they first break ground until the time when you have occupancy. Obviously other ones, which are perhaps more modest, can be completed on a faster schedule, which is why we began some of our funding and financing at some of our earliest opportunities, and why we wanted to signal, with as much lead time as possible, to our partners in communities, in the health care sector and the justice sector what was going to be happening so that everybody could line up construction material, labour and finances in a timely fashion, not rushed to do it at the end. That's one of the reasons why AFP and ReNew Ontario are in fact so different from the approaches used by both previous governments.

**Ms. Di Cocco:** One of the questions I get a lot, having to do with capital projects, particularly ones that are, if you want, projects by government, is this whole notion—there's a perception that my constituents have, anyway, that when you had a government project in the past, and the publicly funded projects that had been, particularly, in some hospitals, the track record is not very good with on time and on budget. That is probably the biggest concern I hear with regard to government projects. Can you help me to understand what mechanisms we're going to put into place to make sure, as much as possible, that we have a better track record as we're building these projects across the province, that they do come in on time and on budget?

**Hon. Mr. Caplan:** Again, another question—the previous government had Michael Decter, a former deputy minister under the New Democratic Party, undertake a health care capital review. Mr. Decter's findings are in fact posted on my ministry Web site. I would encourage members to go and take a look at his report, because it was very illuminating. The problems he spoke

about are the ones that you mentioned here, and in fact are not unique to Ontario and not unique to any one stripe of government, but have been the practice for a good, long time.

Parts of the problems stem from a lack of good, solid, upfront planning at the very beginning stage. They didn't know what they wanted to deliver. They didn't know the public policy goal that they wanted to achieve. They didn't know the health care service, in this particular case—so things changed in the middle of the delivery of a capital project. As anybody in the construction sector will tell you, change orders are in fact where all of the cost escalations come from. One of the rigours that we're trying to bring in is much better upfront planning, much better budgeting upfront, knowing what we want to deliver.

This is a bit of our response to Mr. Decter and his health care capital team: We call for a business case analysis. For every infrastructure project we want to say, "How does this relate to the priorities that you set as the government, or that you set as a ministry, for what you want to deliver? What does that say? How does that work?"

After that, how do we bring the appropriate financing solution? As you indicated, or as I believe Mr. Marchese indicated, there are a variety of different ways you could finance, so how do you choose the right tool for the right job and match them up appropriately? Some might have a risk transfer mechanism, in this case transferring the risk of going over budget or over time to a private financial partner. This is something that has been used in other jurisdictions around the world. That's another way we're able to use to bring some of that discipline and some of that rigour.

Last but not least, we also call for an evaluation of capital projects from the time of initial planning to the actual financing methodology, to the procurement practice, to the delivery of it. We want to know what lessons are learned. What went right? What went wrong? How can we work to improve, and to come in at a much earlier stage, so that we can avoid some of those errors? Or, how can we replicate some of the successes? And there have been successes too.

There is a whole range of activities that we are recommending under the Building a Better Tomorrow framework that will work to alleviate that problem in particular.

**The Chair:** Thank you very much, Ms. Di Cocco. Thank you, Minister. This committee stands recessed until 12:30.

*The committee recessed from 1200 to 1237.*

**The Chair:** I'm pleased to reconvene the standing committee on estimates. We have the Honourable David Caplan, Minister of Public Infrastructure Renewal, with us. I'd like to do 15-minute rotations, and I'd like to begin with Mr. Hardeman.

**Mr. Hardeman:** Finally, I just wanted to quickly touch back on the comments we had earlier about how we prioritize individual health care projects as opposed to the overall policies of government.

As I listened to further discussions from other members asking questions, particularly Ms. Di Cocco from Sarnia-Lambton and your explanation about the readiness to proceed and the process they've gone through to make sure that everything was appropriately done, the planning, the functional plan review and all these other things that are done, my concern was that the hospital in my riding that I was referring to has all that completed—\$12 million of provincial money already spent putting infrastructure in the ground to build on, and still no word as to whether we're going to proceed.

Now, you suggested in your comments that that was part of the big picture of the hospitals that were approved in 2002-03 prior to an election, I guess inferring that there was some political connection to the approvals. I would point out that this hospital was approved in the year 2000. Then when we listened to the accounting discussion, my understanding is that that money would then have been in the budget in 2000 and every subsequent year until it was either used for something else or taken out of the budget. I just wanted to clarify that. I think that our hospital is much further along than some of the ones that are presently being approved and has gone through all the steps that you're suggesting need to be done.

One of the things I wanted to ask about is on page 6, going directly to the document. While the overall estimate is down by \$1.7 million, why are these estimates traditionally \$200 million over the actual expenditure, and why do you keep it that way? Why are the estimates higher? In 2004-05 the estimate was \$263.8 million, while the ministry only spent \$23.8 million. This expenditure is also in line with the 2004 actuals. Why not reduce the estimates and allocate the funding to priority programs? It seems that your numbers in certain areas are just kind of put in, that we can move them around as we see fit, or not spend them at all.

**Hon. Mr. Caplan:** I think that's an excellent question. Before I get to it I want to assure you, as I've said earlier on the selection criteria, that it was what it was and you will have an opportunity, as I understand it, through this committee, to talk to the Minister of Health. Related to the individual hospitals we have, I believe, announced 32 hospitals to date. There are more to come. We are meeting with individual hospital boards and are just going to have to ask for a little bit of patience as we move through that.

I want to introduce Jeanette Dias D'Souza, who is our CAO and ADM on the corporate services side, to specifically address your concern about the printed estimates and the variation that you've pointed out.

**Ms. Jeanette Dias D'Souza:** Thank you. I believe the question was along the lines of, why were the actuals of the ministry lower than one may have expected, given the number or the magnitude of the printed estimates?

**Mr. Hardeman:** Yes. We see continually, not just in these estimates but in others in the ministry, that we're underspending our estimates. Why is it that if we underspend it once, we not then look at that and find out why

that's happening and put it in perspective, put it in the right order, so that in fact we're actually projecting what we're going to spend? I'm a person who believes that a surplus in your budget is the same mistake as a deficit in the budget. They're both miscalculations, and I wonder why it is, if we're continually mistaking the miscalculations, that we wouldn't correct that.

**Ms. Dias D'Souza:** I have a two-part answer to respond. The Ministry of Public Infrastructure Renewal is one of the newer ministries. In essence, we had our own estimates for the first time in 2004-05, and as with new ministries, there's a lot of disentanglement that needs to occur etc. In some cases, we as a ministry are not up and running, in terms of our own internal costs, as quickly as one may expect of a ministry that has been in existence year upon year. The other part of my answer, I would point out, is a significant factor in adding to our total, is the large capital amounts that are sitting in our estimates, and those are very much funds available to address different priorities that come up that go through, for example, the capital process etc. We also have some new things that we're working on. It's very much there so that we have it available to us. As we proceed and mature as a ministry, we'll have a much better track record of what we can get through and do in a year.

**Mr. Hardeman:** Thank you. Also, on page 7, the operating expenses are dramatically under estimate. For 2004-05, the estimate was \$30.8 million, and the actual spending was \$16.2 million. If we're that far under one year, why would we not find someplace else to use that money, or not have it in there?

**Hon. Mr. Caplan:** I'm going to allow Jeanette to provide a full answer. Remember, our ministry was new, as she said. We had just been ramping up, trying to develop corporate services, all the things that we're supposed to do from the policy perspective and delivery perspective, so it does reflect that transitional period. I'll let Jeanette give you the specifics on why.

**Ms. Dias D'Souza:** Thank you, Minister. For similar reasons, including—the ramp-up of the new ministry would be, by and large, the main reason. However, I think part of your question also addressed the issue of using the money. I would point out that PIR, like all the other ministries, reports in quarterly forecasting to the Ministry of Finance. At any given time, a central body knows exactly how much we are forecasting to spend, so something that you may or may not wish to pursue with the Ministry of Finance is how they manage that. We would articulate, as we go through the year, through our quarterly forecasting, how much we anticipate spending. I think that may capture your comment about, could the money be reallocated or whatever.

**Mr. Hardeman:** I guess it does, but putting your comments and the minister's comments together, this is a new ministry—so what? We're starting from ground zero. But the minute you have something to compare it to, should we then not be making the adjustments so it doesn't become just a slush fund to put wherever the government decides, and it actually relates to the pro-

jected expenditures, which are going to be based in the coming year, on the past year? It just seems to me that as a new ministry, this is the one that would have the most need to look at what were the actuals, and how do we address that going into the future, rather than saying, "I know we only spent \$16 million last year, but we're still going to spend \$30 million this year."

**Hon. Mr. Caplan:** Maybe the deputy would like to—

**Mr. Geoff Hare:** We do go through a results-based planning process where we have to justify our budget. So we have to build from the bottom up. It isn't that it's maintained at a level. In fact, there have been a number of constraints that have been placed on ministry budgets across the government. It is our responsibility to make a convincing case, and we have been able to make a convincing case that we do have needs that call for a budget of this size, as Jeanette said.

As a start-up ministry, we spent much of 2004-05, and we are continuing to build the capacity to deliver on the \$30-billion ReNew Ontario commitment and our capacity internally to support the government's alternative financing procurement initiative. So that's the primary answer to those questions.

With respect to one large element of our budget, which is rather unique, in 2005-06 we have \$175 million in for a capital contingency fund. That's to provide flexibility in-year to deal with emergencies, situations that arise where there's a need to allocate funds where there may have been an underestimate of the cost of a particular project, for example. It is something that is at the discretion of treasury board of cabinet, which makes the decisions as to how to allocate that \$175 million.

Offsetting that but not shown in our ministry's estimates is a corresponding savings target for 2005-06 on the capital account of \$150 million. So we have to manage. It's a management tool that we have to manage effectively, and it is part of our role as a central agency for capital infrastructure.

**Mr. Hardeman:** Just so I understand it then, the \$30.8 million going down to \$16.2 million in 2004-05 is in fact because you didn't accomplish and didn't build up as fast as you had envisioned. So you didn't spend the money, but you're suggesting that you are going to build up that fast and will be at that level in this fiscal year. Is that right?

**Mr. Hare:** Yes, and that's the processes I referred to. It is the annual results-based planning process where you have to justify your budget and make a case for it. Year 2005-06 is really when we will come to a point where we will have capacity in place, capacity we need to have, as I said earlier, to support ReNew Ontario and the alternative financing and procurement initiative.

**Mr. Hardeman:** The problem still exists. This is the operating part of the ministry, not the capital part. I'm looking at the ministry of infrastructure. It's 50% wages and the other 50% to keep those folks in supplies to run.

Why, in the first full year of operation, would you not have ramped it up to a sufficient size to actually accomplish what it is you're doing and not have to double the

size of your ministry in the second year of your operation in order to achieve the capital investments that you're talking about? All the work that the minister referred to this morning, it would seem, was being done with an operating budget of \$16.2 million. How much more work is the ministry going to do in the next year to spend \$30 million? I'm having a little trouble understanding that.

**Mr. Hare:** We were probably, on average, in terms of staffing levels, 40% below our approved full-time equivalent level. So that explains a great deal, but if you don't have the staff in place to move forward with the initiatives, you aren't able to expend all of the funds.

There was also a process that was undertaken in late 2004-05 which reviewed all staffing levels across a number of ministries, including public infrastructure renewal, which took some time, which was another factor that delayed getting the staff in place as early as we had anticipated.

**Mr. Hardeman:** I won't dwell on this much longer, but you said that you are still well below the approved staffing levels. I guess my concern, being a boy from the country, is that I'm not as interested in the approved levels as the required levels. It seems to me, all the work that the minister said is being done—he never mentioned in his notes that he had not accomplished as much in the ministry as was necessary in the past year. Why is it that we need twice as much to accomplish the same thing that we've been doing? Is it only because we said we had the money, or is it actually required?

**1250**

**Mr. Hare:** We have moved from very much a focus on policy and planning—to very much a focus on developing the five-year ReNew Ontario plan, putting in place the policy framework for alternative financing procurement to major projects. In the Places to Grow area, the same thing; we're focusing on planning and policy. We are now moving fully into the implementation phase on all aspects of the ministry's responsibilities. It takes more people-power to be able to do that, so we have ramped up by, say, 30% to 40% to where we're very close to being at full staff complement and we are now applying those additional staff resources to focus on accomplishing the results that the government expects in each of our areas of responsibility.

**Mr. Hardeman:** OK. I'll turn it over to my colleague Mr. Flaherty.

**The Chair:** You have two minutes, Mr. Flaherty.

**Mr. Jim Flaherty (Whitby–Ajax):** Minister, I've had an opportunity to review your remarks. I take it now that you are in favour of creating partnerships with the private sector to build infrastructure in Ontario, as indeed you've done in this Sault Ste. Marie hospital announcement. Is that right?

**Hon. Mr. Caplan:** Mr. Flaherty, thank you for your question. We have described a range of activities, and in fact partnership with the private sector is one of those activities that, yes, we are supporting.

**Mr. Flaherty:** As you say in your speech, "The private sector consortium will also be responsible for ensur-

ing that the hospital is well maintained over the long term.” That’s on page 36 of your remarks. This is the Sault Ste. Marie hospital. What’s the profit margin for your private sector partner to do that?

**Hon. Mr. Caplan:** This question was asked earlier by Mr. Hampton. I explained to him then, and I’ll explain to you now, that profit margin is whatever the private sector would put in there. We developed what our public sector comparator is to it, and the private sector, through a competitive process, will figure out what they need to do to meet that figure. The margins are up to the individual proponents for what they feel is appropriate, but if it goes over what we are prepared to pay, we would not proceed with that kind of a project.

**Mr. Flaherty:** I’m sorry; is your answer that you do not know what the profit margin is for your private sector partner on the Sault Ste. Marie hospital deal? Is that what you’re telling the committee?

**Hon. Mr. Caplan:** The answer is that it is part of a competitive tendering process and the individual consortium will build in the relative costs on design, build, finance, construction, maintenance and every other cost.

**Mr. Flaherty:** You know the criticism, Minister, of these types of arrangements. It is said by many that government can always—people will say “always”—borrow money less expensively than the private sector can borrow money and that if you ask the private sector to engage in this kind of public-private partnership, which is what it is, then there is a cost that is incurred by the public sector partner, i.e., the people of Ontario, that would be higher than the financing costs that would be incurred by the government itself. That’s why I’m asking you about the profit margin. I think the people of Ontario are entitled to know what kind of deal you have negotiated.

**Hon. Mr. Caplan:** There has been no deal negotiated in the case of Sault Ste. Marie. It will go through a competitive tendering process, as should all of them. I would highlight that as one of the big differences between the NDP and the Conservative P3 approach and AFP: We call for much better accountability, process oversight. Certainly, the questions of ownership are different, because we believe in maintaining in public ownership hospitals, schools and water systems.

I would say a couple of things. You made a comment regarding the debt issue and how it’s different. Recently, in the province of Alberta, there was construction of a road through an alternative financing method. The difference between the government rate and the commercial rate was 49 basis points, or what translates into less than half of 1%. And remember, we’re talking about the government of Alberta, with the very best credit rating of all provinces in the Dominion of Canada.

So, the spread is actually not quite as large as some of the critics have wanted to suggest, certainly on the debt side, and that’s something we’re cognizant of.

**The Chair:** Thank you, Mr. Minister, and thank you, Mr. Flaherty.

Mr. Hampton, you have the floor for 15 minutes.

**Mr. Hampton:** I just want to ask you your own view. What, in your mind, are the benefits of private financing or alternative financing and procurement? You seem to be very excited about this. What are the benefits that you believe will occur from this?

**Hon. Mr. Caplan:** I think there are significant benefits. One of the benefits will be the allocation and transfer of risk, and so the protection of going over budget or not being delivered on time, which is a rather persistent problem that especially large-scale public infrastructure projects have seen. We’ll be able to develop price certainty and delivery certainty on behalf of the people of Ontario. I think that’s significant because when a project goes over budget, it crowds out other projects in the capital envelope. So in order to have a fully functioning plan, we need to develop that kind of cost certainty.

But there are other advantages as well. One of the other advantages is that we can build long-term maintenance and regard for it into a project. I would highlight the problem this way: Through successive governments, there is a lot of blame to go around, but we have an enormous deferred maintenance backlog and budget—whether it’s the province’s own assets or through municipalities, school boards, universities or hospitals—totalling into the tens of billions of dollars. If we can build in proper life-cycle practices and have regard for replacement of mechanical systems, roofs and windows, repairs, what have you, we certainly will not fall back into some of the traps and have poor conditions for the people who are working in those plants. More importantly, we will have better learning conditions for children and better conditions for people receiving vital medical services.

Aside from the financial aspect—and I guess this would be the third element of why this is particularly strong—it does, much like a mortgage concept, allow us to stretch out our dollars over time, as opposed to some of the traditional upfront capital grant public works models. That’s another element: We’re able to stretch out our dollars over time and, through cash flow, are able to fund them over time. I would say as well that that is inherently fair and equitable, because you have assets that have a lifetime and a lifespan of perhaps 25 or 30 years, or 40 years in the case of some of our public buildings. Why is it fair and equitable to ask people in 2005 to wholly foot the bill for a very expensive piece of public infrastructure that is going to be used for the course of the next 40 years? The fair way of proceeding is to make sure you stagger and schedule your payments over the lifetime, so the people who are using it will be helping to fund it.

Those are a variety of elements why I believe that using this methodology is appropriate in the limited application we call for.

**Mr. Hampton:** I just want to go through these one at a time. You talk about the allocation of risk, that the private financing partner or the private consortium, in your mind, would carry most of the risk. The second issue you raise, I think, is privatization of long-term maintenance. Is that what I hear you saying?

**Hon. Mr. Caplan:** No. It wouldn't necessarily. How that would take place and whether the regularly scheduled maintenance would be done could be built into a long-term contract. What has happened in the traditional public works model is that that's been up to the annual budgetary exercise. What has invariably happened, whether it's at the municipal, provincial or federal level, whether it's through a Liberal, Conservative or New Democratic government, is that those expenses have often been delayed or pushed into future years because public sector resources were very tight. Building that into the contract says nothing about privatizing it. All it does is talk about making sure we have due regard to and actual investment in it and that you in fact fund that as a part of the contract you would sign.

**Mr. Hampton:** So that we're clear here, if you're talking about building, let's say, a hospital, and you're talking about maintenance 25 or 30 years out, that would all be subject to the private financing and private consortia agreement?

**Hon. Mr. Caplan:** It might be. One of the other benefits of it, by the way, would be on materials being used. If you invest, you say to your partners, "You must return this building to us in a particular state of repair at the end of the life of the contract," and a heavy penalty would be in place if it was not. What that should do, in theory, and I have been told of examples, is ensure that proper materials were being used, that corners were not being cut and that people were receiving what they are supposed to receive for the specifications that were put out.

1300

**Mr. Hampton:** Just to be clear, not only would the initial construction, design, engineering and financing costs be negotiated with the private financing consortia but also the longer-term issues: long-term physical maintenance, long-term physical replacement of infrastructure in the building. In the McGuinty government's perspective, this can all be part of the private financing agreement.

**Hon. Mr. Caplan:** I believe I have answered that question.

**Mr. Hampton:** I just want a yes or no.

**Hon. Mr. Caplan:** Yes.

**Mr. Hampton:** OK. The next issue you talk about is financing the project over time, cash-flowing the money to the project over time, and that private financing would allow you to do that. Is that right? That's a benefit?

**Hon. Mr. Caplan:** That's what I said.

**Mr. Hampton:** But how does that differ from accrual accounting? As I understand accrual accounting, if the government were to—let's take the Brampton hospital—take a \$500-million bond to build that hospital, under accrual accounting it wouldn't show \$500 million up front; it would show the annual cost of servicing the bond, both interest and principle. So I fail to see how the McGuinty concept of private financing would give you any benefit over accrual accounting. Can you tell us what this perceived benefit would be?

**Hon. Mr. Caplan:** I want to again bring you back, Mr. Hampton: It is not simply a method of financing; it is also a method of procurement, it is a method of what you are purchasing and the other benefits on project management and delivery. And we don't call for this to be used in all cases, but in specific ones.

**Accrual-based accounting:** I don't profess to be an expert on accounting or accounting practices, but my understanding is that we are going to take advantage of favourable accounting treatment where it would exist too.

**Mr. Hampton:** If you're not an accounting expert, then maybe somebody from the ministry can explain. I don't see where this generates a benefit over accrual accounting. Accrual accounting says that if you have a \$500-million government bond at, say, 5% interest, what you have to show on your books in year one would be what it cost to repay in principal and interest, what you'd have to show in year two is what it cost in principal and interest, what you'd have to show in year 10 is what it cost in principal of interest to repay and that's what you'd have to show in year 25. As I understand accrual accounting, the cost of a capital project would be essential shown, not lump-sum up front but incrementally in segments over the lifespan of the bond. Isn't that what it is?

**Mr. McKendrick:** But also, really the accounting treatment follows the profile of the risk, and when you're transferring to the private sector the risk of cost overruns and delays, you do not take ownership of that debt—associate with that—until the construction is completed on time and on budget, which means the expense is deferred for at least the construction period and then amortized over a long period of time. What's also important is that by getting the certainty on the cost overruns, you avoid cost overruns which can add significantly to your expenses and to your deficits.

**Mr. Hampton:** As I understand it, the only difference between your private financing accounting concept and accrual accounting would be that in your private financing concept the government doesn't start paying for the project until construction is complete, whereas under the accrual method you start paying for the project as soon as construction begins. That's only a difference of maybe two or three years in most cases.

**Mr. McKendrick:** Yes.

**Hon. Mr. Caplan:** But also the element of cost overruns. That's not insignificant.

**Mr. Hampton:** But I'm asking about accounting here. I'm asking about accounting.

**Hon. Mr. Caplan:** OK. That's fair enough.

**Mr. Hampton:** So the real trick is, this allows the McGuinty government not to show this on the books between now and the next election.

**Mr. McKendrick:** The accounting follows the risk transfer that takes place. The objective here is to transfer risk. Because you are not legally obligated to take this building until it's completed on time and on budget, it defers it for a number of years.

**Mr. Hampton:** Maybe you can help me with this. What happens if the company doesn't complete the project? Who has to come in and complete it?

**Mr. McKendrick:** We put in a lot of safeguards to make sure that takes place. We have a qualifications process. For example, on the Durham courthouse, you have three high-quality consortia bidding. The first one you have is Ellis-Don, a very reputable construction company—

**Mr. Hampton:** Liberal Party, yes.

**Mr. McKendrick:** —CIBC World Markets and Carillion. The second consortia you have is PCL and also ABN Amro Bank, which is a major bank, and also Johnson Controls. The third consortia is SNC-Lavalin, combined with SNC-Lavalin Capital, ProFac Facilities Management and Bondfield Construction. They are all very reputable, strong companies.

There will be bonding in the contracts to make sure that they can follow through, and assurances and cash deposits put in place to make sure they'll be heavily penalized if they don't meet their commitments.

**Mr. Hampton:** Maybe you could tell me this: In your view, is General Motors a reputable, financially strong company?

**Mr. Flaherty:** Not after Buzz got after them.

**Mr. Hampton:** If you don't want to answer, that's fine. I just thought I'd pose the question.

What I'm learning here is that in terms of accrual accounting, there is very little difference between accrual accounting, where the government might get, say, \$500 million at 5% or 5.64% interest on a government bond—I didn't look at today's Globe and Mail—and under your private financing, government might pay, gee, 7% or maybe 8% for the same \$500 million of private financing.

**Mr. McKendrick:** But you're not getting the same result. You're getting a significantly higher level of protection against cost overruns, and those cost overruns can add significantly to a project and put you far over any cost of private financing that might occur.

**Hon. Mr. Caplan:** I would also add, Mr. Hampton—I understand that you're taking hypothetical numbers. If I could give you a practical and concrete example, my understanding, as I mentioned to Mr. Flaherty, was that on the Hyundai project in Edmonton, it was, on the finance side, 49 basis points, or less than half of 1%, over the provincial rating or the provincial issue. But remember, that is the province of Alberta, the province with the best credit rating in the Dominion of Canada.

**Mr. Hampton:** I want to give you another example. This is the Brampton hospital. A number of financial experts have looked at the Brampton hospital. They've had great difficulty getting the information from your government because, while your government talks about openness and transparency, you don't want to make a lot of this public. What they've been able to calculate is that the Brampton hospital will cost an additional \$175 million just because of the private financing. Experts in the field of infrastructure finance suggest that the best

interest rate spread between actual P3 borrowing and Ontario government bond—you might get it down to 0.5%, but they suggest it will be at least 1.25%. The difference on a \$500-million project paid off over 27 years—that's how you can get up to \$165 million of additional cost.

What I hear the McGuinty government saying is that it's a good deal for taxpayers to pay an additional \$165 million on a \$500-million hospital. That's a good deal for taxpayers? Is that what you're saying?

**Hon. Mr. Caplan:** I'd make a couple of observations. First of all, the authors of that report built the life-cycle maintenance element of it into the additional costs on the hospital side, yet on the public sector comparator, they put in zero dollars. So they assumed there would be no additional maintenance on the public model, and on the consortia model they assumed whatever it was. That's one element that I would say makes some of those financial assumptions a little bit unsure.

**1310**

As well, some of the other risk transfer assumptions, interest rate assumptions—I don't believe that those have been borne out.

The other underlying fact of the study is, sure, if I go to my bank and get a mortgage to fund my house, at the end of the cost of financing, both the principal and the interest would have cost more than had I spent the entire principal up front. So yes, I derive a benefit because I get my house right away, spreading the payments out over 25 years, but I pay the interest cost for that.

If the point of the study was that that's what's going to happen, we certainly acknowledge that and that's not unusual. But in the case of hospitals, courthouses, transit systems or what have you, we will have the investment in the much-needed infrastructure and gain the benefit of it and carry it out over time.

**The Chair:** I would like to recognize Mr. McNeely, please.

**Mr. Phil McNeely (Ottawa–Orléans):** Minister, you detailed very well this morning the infrastructure needs in Ontario. These have been known for some time. There was a collapse of infrastructure funding in Ontario in the 1990s. You have stated that you will deliver infrastructure both for deferred maintenance and for growth through the alternate financing and procurement method, the AFP model. Historically, much of the procurement has been privatized because engineers, architects, planners and contractors—it's always the private sector, and they delivered the work, but with the budget problems and the time problems, which you're going to transfer to the private sector. You've mentioned the reason for the AFP: It's to protect the public interest, to get value for money, have appropriate public control of accountability, to be fair and transparent and subject to audit.

Just to compare, Highway 407 was one of our projects that was privatized. It sort of left the driving public as hostages. How will projects delivered under AFP be different, and how will the public be protected?

**Hon. Mr. Caplan:** Thank you very much, Mr. McNeely. I appreciate the question. I think Highway 407

is an interesting case study, and there are some significant lessons to be learned.

It was a P3 project started under the New Democrats. They decided—and by the way, for a long time, governments had acquired the land, had drawn up the plans, had done the engineering work, but had never been able to move that forward. My friend from the New Democratic Party would tell you that their government very much wanted to move things ahead, and they certainly did. They were able to get construction partners, engineering partners, and there was a financing partner, to be able to move this project ahead.

What happened then was that the government changed. The government of the day, the Harris-Eves Conservative government, decided, for whatever reason, that they wished to sell and engaged essentially in a fire sale of a provincial asset. There was no oversight in the procurement process. There was no accountability built in. In fact, it was a very hurriedly-put-together kind of arrangement.

We've learned subsequently that Ontarians, in my opinion, have not received full value for the assets. Ontarians lost, contrary to the advice of the government of the day, complete control of the asset, the ability to regulate tolls whatsoever, and serious loss of control, which is why we highlight in the alternative finance and procurement method one of our fundamental principles, which is that public control of our assets will be maintained at all times. I think that's very important.

Ontario residents, particularly those motorists who use the 407—I'll give you an example. The government of the day said in a press release that tolls would only rise, I believe, 2% plus inflation per year.

Mr. McNeely, I think that, by any stretch of the imagination, tolls in some cases have risen over 200%, so even with the assurances of the government of the day that certain practices were going to take place, when we come to discover what the practical effect and the result are, the public needs some protection. The public interest, especially, needs to be protected. That's why we've built this very important criteria and principle into our framework moving ahead. I think it's important that we learn from the experiences in the past, both in Canada and outside of Canada, for how these things are delivered, what benefits they derive and how the public interest is what is going to be paramount.

**Mr. McNeely:** I had a second question, which refers to the gas tax, which may be another ministry. When I was on the city of Ottawa council, our needs showed up very well for asphalt resurfacing of \$25 million a year, while we spent \$15 million. That's starting in 2001. After five years, we have seen a general deterioration of asphalt surfaces across this province. Municipalities just do not have the dollars to maintain the existing infrastructure.

I wonder if there was ever a consideration for Ottawa, there being \$38 million or \$39 million a year—significant dollars—from the gas tax, to tie those dollars to maintaining infrastructure properly?

**Hon. Mr. Caplan:** First of all, thank you, Mr. McNeely. It was a policy decision, and it's certainly a commitment of our government to transfer a portion, two cents of the gasoline tax, to municipalities. In fact, we're in the second year of a three-year phase-in, as we had committed and as, in fact, is happening. Municipalities who, under the previous government, had seen all of transit downloaded on them and all of those costs pushed down there, which in fact burdened municipalities a great deal, have seen, I think, a much different approach, a partnership kind of approach where we're providing those kinds of revenues to them for investment in infrastructure.

With ReNew Ontario, we contemplate approximately \$1.4 billion over the course of the five-year period covered by our plan transferred to municipalities for investment into transit infrastructure related to the gasoline tax. We have not been prescriptive to municipalities, that they must put it in maintenance or in fleet replacement or in systems. We want to provide some flexibility to municipalities in how they're able to—and that's, by the way, quite a change from the past practice of previous governments. Previous governments had very much dictated to municipalities how they had to spend their dollars, what levels of expenditures, what states they had to keep things in. We very much wanted to partner with municipalities, partner with transit providers, provide them with not only the resources but the flexibility that they would need to be able to meet local needs.

One of the projects that I'm incredibly excited about is in fact in your hometown of Ottawa. We are finally moving ahead with light rail expansion, in partnership with the city of Ottawa and the federal government. The O-Train is an incredibly exciting project, and we look forward to many good elements coming from that kind of an investment.

**Mr. McNeely:** Thank you. That's all for me, Mr. Chair.

**Mr. John Milloy (Kitchener Centre):** Minister, I have to apologize. I missed your opening remarks this morning, but I had a chance to read through it, and I've also heard you speak very passionately about infrastructure in the province and the deficit that's facing us. I've heard you say at times that there are still wooden pipes in some communities.

My question is a two-part question. First of all, how did we get here? How did we get to the point where there is such a deficit? Second of all, you've put forward a \$30-billion plan, yet by your own admission it's not enough. Yet when I hear some of Mr. Hampton's comments and other critics talking about alternative financing, they're saying, "Well, the government should just simply go out and borrow that money." So I wonder, if we did—if you were to say no to alternative financing, how would the plan unfold? What would that plan look like, especially in light of some of the deficits that you've talked about?

**Hon. Mr. Caplan:** Thank you for the question. Certainly, the infrastructure deficit is enormous: I'm con-

cerned that \$100 billion, as I said in my opening comments, is a low estimate. We've seen in the water sector, for example, expert panels say it's \$34 billion over the course of the next 15 years or so. The hospital association has talked about \$8 billion to \$9 billion in hospitals alone. Schools, universities, municipal infrastructure—the list goes on and on. That doesn't really even address some of the growth needs. Your own community, Kitchener and Waterloo, looking forward to experiencing tremendous growth and some of the wonderful things that are going on there—a new school of pharmacology, investment in light rail—is going to see some of the kinds of things happen.

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If we were not to use alternative financing, if we were to simply, as some suggest, just put it on to the debt, just build up the debt—I'm always mindful of the fact that that strategy was tried. Between 1990 and 1995, the strategy of placing things more on the debt side resulted in Ontario's credit rating being downgraded nine times by the three credit rating agencies, resulting in higher borrowing costs for the province of Ontario. It's rather astounding to me that today, in our budget as we know it, the third-largest budget line—very close to, by the way, the second; health care is number one, education is number two—is public debt interest, just the interest on the debt, not even principal repayment. I want to remind you and all members of the words of former Treasurer of Ontario Floyd Laughren, who said in his budget address on May 19, 1993, "Simply to let the debt increase each year at an accelerating rate would be irresponsible." I agree with Mr. Laughren about that.

Consumers would know that more and more of their incomes will be taxed away to pay the cost of public debt interest, not just this year but long into the future. One of the unfortunate realities when we came into office some two years ago was that the previous government had claimed that they had balanced the books of Ontario. That proved not to be the case. We were some \$6 billion in a deficit position. So we have choice. We have to be able to address that fiscal imbalance that was bequeathed to us by the previous government. But we also have necessary new investments, whether it's in education or in health care or, in my case, in infrastructure, to be able to improve public services, support an expanding economy, but also to be able to do that at the same time that we are fiscally responsible, because we simply can't load everything up on the debt. We simply can't pass that on to future generations. I know that I would not be comfortable passing along, or at least having public debt interest be the number two or even the number one expenditure in our budget.

We have to manage within the resources that we have, and using the variety of financing strategies, whether that's federal, provincial, municipal cost-shared agreement, whether that's low-cost loan pools like OSIFA, whether that's transferring gasoline tax to municipalities, whether that's using some of the debt finance techniques, or whether that's using that partnership with the private

sector for finance, for procurement, for management, for life-cycle practice. I think that that's an appropriate kind of strategy, one that's going to meet our fiscal challenges but also going to meet the infrastructure deficit, because the demand is only pent up more and more and more as we move along, as things age.

Your comment earlier: Yes, we still have wood pipes. Yes, we have schools which date back to the 1920s. The average age of a hospital in Ontario is 43 years. It is time that someone showed the leadership to get on with the job, and I credit Premier McGuinty for showing that leadership and moving us ahead.

**Mr. Milloy:** Do I have time for another question?

**The Chair:** You have a minute and a half.

**Mr. Milloy:** I'll be very quick. I know we're going to have a chance—the Minister of Health, for example, is here tomorrow to ask about particular projects that are not part of the five-year plan. But just a general comment: Your \$30 billion isn't enough. What about the projects that are outside of that? What's the message?

**Hon. Mr. Caplan:** There are excellent projects; we just could not include everything. As I've also explained earlier to the committee, there are construction capacity imperatives that we do have where we cannot exceed our ability to construct within an annual or even a five-year time frame. The process is we're working on developing a longer-term plan, a longer-term finance ability and project management so that, whether it's justice, health care, environmental, municipal, education or colleges and universities, we can do more, because time is just of the essence. Our ministry is working on developing years six, seven and eight of a longer-term plan. But it's important right now to roll up our sleeves and deliver on the first five years.

**The Chair:** I'd like to recognize Mr. Flaherty.

**Mr. Flaherty:** Minister, I heard the Premier this morning thanking the previous Conservative government of Ontario publicly for the MARS project, which officially opened at the corner of University Avenue and College Street, which, as the minister will know, is a 700,000-square-foot complex designed to commercialize new and innovative ideas in medical and related sciences in the province. That's the acronym: medical and related sciences, or MARS. I listened to you today. Imitation is the sincerest form of flattery. That's "flattery"—

**Mr. Levac:** Not Flaherty.

**Mr. Flaherty:** —not "Flaherty," no. You're right. Mr. Levac is right about that. Actually, I compliment the government for changing its mind and realizing that in order to build the infrastructure that needs to be built in this province, and to build it on a timely basis, you have to access the large capital pools and partner with those who control the large capital pools in the province, including OMERS and the teachers' pension plan and so on. Why shouldn't they invest in public infrastructure, given that they invest in the Air Canada Centre and in dog food companies in the United States and other things? Why shouldn't they also invest in our own infrastructure at home? So I compliment you for that.

On the issue of the highways, are you familiar with Highway 6 in Israel?

**Hon. Mr. Caplan:** Not personally, no.

**Mr. Flaherty:** It is a public-private partnership in Israel, with a reversion to state ownership. I take it from what you've said today that you don't have difficulty with that concept.

**Hon. Mr. Caplan:** Is that a question?

**Mr. Flaherty:** Yes. I take it that you don't have difficulty with that concept. Is that right?

**Hon. Mr. Caplan:** I'm not familiar with the individual project, but as you describe it, it sounds like it's consistent with what we want to do; yes.

**Mr. Flaherty:** Right. It sounds to me, Minister, like you are contemplating purchasing a transfer of risk, which is important. Part of that risk is timeliness of completion of projects, which is very important for the people of Ontario, and part of it is projects being done on budget, which is again important for the people of Ontario. The alternative would be a very substantial delay in infrastructure projects in Ontario because of the financial situation the province is in. Is that a fair assessment?

**Hon. Mr. Caplan:** Certainly there's a need for investment that is pent up over a long period of time, for two reasons: One is for renewal, or maintenance needs, to bring our assets into a state of good repair, and the other is to fuel growth-related expenditures. We have an expanding economy and population base, and to be able to provide high-quality public services requires us to have the key enablers of infrastructure, whether that's transportation, health care, education or what have you, in place. That's the motivation.

This is what I wanted to make very clear in my opening comments: We don't believe that infrastructure is the end; it's simply the means to an end. It's the key enabler, which provides enhancement and improved public services, which is really what we're after.

**Mr. Flaherty:** You were mentioning the public debt and interest on the public debt to Mr. Milloy, I think it was. You are aware that interest on the public debt is up now about \$1 billion more per annum than it was when your government was elected a couple of years ago. I'm sure you didn't mean to leave people with the impression that the public debt has gone down under your government; in fact, it has gone up and the interest payments are up substantially.

**Hon. Mr. Caplan:** I certainly regret that the financial position of the province of Ontario was much different than it had purported to be prior to our government coming to power, which is why we asked Erik Peters, the former Provincial Auditor—about a month prior to the October election in 2003, there was a statement issued by your Ministry of Finance, claiming that the books of the province of Ontario were somewhat imbalanced. Funnily enough, when Mr. Peters had a chance to take a look at the financial position of the province of Ontario, it was somehow \$6 billion in deficit. So, yes, I do recognize that it is what was purported, but the reality was much different, as we found out, and we are dealing with that.

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**Mr. Flaherty:** I don't want to argue with you. I'm glad, Minister, that, like Paul on the road to Damascus, you've had the conversion to public-private partnerships. I'm also glad that it sounds like today your government is on the road to conversion about balanced budgets, which also will be a good thing so that the public debt will not continue to grow and we won't have this mounting interest payment approaching \$11 billion this year. Imagine what we could do in the hospital sector in this province with \$11 billion per year that's now being spent—close to that sum—on interest.

Having said that, I want to ask you about two more things, and then I know my colleague Mr. O'Toole has questions. One is this process business, and my question is quite sincere, about what you can do to accelerate the process. I say this, having had the experience as Treasurer with what we called SuperBuild at the time. Realizing the governance requirements and the need for transparency in financial arrangements that the province enters into, what possible steps are there that you can take to accelerate the process so more and more of these infrastructure opportunities will be realized more quickly?

**Hon. Mr. Caplan:** I think that's an excellent question, so thank you, Mr. Flaherty. We are stuck in a lot of time lag between when we decide that we want to do something and when in fact it rolls out and we get engaged in a procurement or a competitive process. One of the things that we think is going to really help us is to do a lot more of the up front planning ahead of time: Link to corporate results; link to the business case. What we want to do is impose a rigour on ministries. I would say that all governments have had the problem of not only what do we want to build, but is it going to achieve the public policy objectives that we have set for it? So we are requesting that at the front end the ministries be able to make that case. This will deliver transformative health care services for reasons X, Y and Z. That's not for me to answer, but for individual ministries. So one of the processes is better upfront planning on what you want to do.

The other thing is much better technical specifications on what you're looking to deliver. Some folks claim to have been on time and on budget; in fact, many of those budgets were developed midway through the process, as opposed to at the beginning. You would be well familiar with some examples of that. We want to be able to, again, at the very front end develop what our specifications are, what we're truly looking to deliver for public policy on the operating side, and impose a rigour and a discipline on the budgeting element. I do believe we can learn lessons over time, and that's why we've instituted an evaluation process. It doesn't start as a post-mortem at the end or at completion, but begins to trigger at the very beginning, which evaluates our upfront planning, our choice on financing methodology, our project management and oversight and on the delivery concepts and any long-term—and begins to develop the virtuous cycle that

all of the literature tells us we're supposed to get in. So we're beginning to develop an evaluative model and process.

Last but not least, our goal is—we are not there yet by any stretch and I want to be up front about that—we do believe we can begin to develop some templates for how these things move forward. That will take us a little bit of time. We'll have to learn the lessons as we move forward, learn them in other jurisdictions as well as here, but I would like to get to the point at some time in the future where—and I'm beginning to discover that each sector has its own unique characteristics—in education there may be templates different from those in the justice sector and different from those in the health care sector. We are working to put those together.

**Mr. Flaherty:** I hope that you can make the process shorter than your answer.

**Hon. Mr. Caplan:** Well, thank you. It's a serious question.

**Mr. Flaherty:** And it was a good answer. I do want to ask you about—and I love this business—you like to compare what you're doing to mortgages. It's like having a mortgage on your house, and I see in your remarks again that the “alternative financing arrangement will not affect public ownership of the hospital.” This is the hospital in Sault Ste. Marie. Minister, when someone in Ontario goes to the bank and mortgages their home, who has the title to their home?

**Hon. Mr. Caplan:** The individual does.

**Mr. Flaherty:** No. When you mortgage something, you actually transfer the legal title to a person. Most people in Ontario, homeowners, have mortgages. You transfer the legal title, so the mortgagee takes the legal title. I say that to you because you're fond of using the analogy of a mortgage and then saying the alternative financing arrangement will not affect public ownership. I think, actually, it is misleading, and I don't mean that in an aggressive way. It is inaccurate, if I may put it that way, to suggest that it is like a mortgage. If all you're trying to say is that the government makes payments over time, that's fine. But you ought not to confuse the ownership issue with respect to a mortgage, because most homeowners know that when they mortgage their home in Ontario, they're transferring title to the lending institution, and when they pay off their mortgage, they get their full title back, and that's the way it works. I just ask you to bear that in mind when you're using that analogy.

**Hon. Mr. Caplan:** If I may, this is your legal opinion as a former Attorney General in the province? Is that correct?

**Mr. Flaherty:** That's what happens when you mortgage a property.

**Hon. Mr. Caplan:** I asked my summer student to—because I've heard this line from Mr. Flaherty. I wish to bring to your attention the Land Registration Reform Act of 1984. In the definitions part—I wish to quote and read it into the record:

“Definitions

“1. In this part,

“‘charge’ means a charge on land given for the purpose of securing the payment of a debt or the performance of an obligation, and includes a charge under the Land Titles Act and a mortgage, but does not include a rent charge....”

It goes on, in section 6, under Charges: “A charge does not operate as a transfer of the legal estate in the land to the chargee.”

The note goes on to say, “Prior to the Land Registration Reform Act, 1984, mortgages registered under the Registry Act and charges registered under the Land Titles Act were treated differently. The Land Registration Reform Act made them the same.”

This act was passed by the Davis government, and I hope that learned counsel from Durham will update his legal knowledge, which is now 20 years out of date.

**Mr. Flaherty:** I'm glad you're relying on your law student in the Ministry of Public Infrastructure. I think you can do better than that. Now we'll get into a discussion about foreclosure and see if you understand anything about that. That's what happens when you mortgage a property.

I think what you're meaning to say here—and I don't have any quarrel with this, but you should say what it is—is that the hospital financed by the government of Ontario, in the Sault Ste. Marie situation, will make payments over a long period of time that are similar in nature to what a homeowner would make on their mortgage, but you're also saying, at the same time, that ownership is retained in the public sector. I just would suggest to you that that's less than accurate.

**Hon. Mr. Caplan:** Legal counsel gave us one interpretation. I've now read the statute from 1984. I would suggest that Mr. Flaherty get his legal knowledge up to date. This was passed by the Davis government, I believe.

**Mr. O'Toole:** I just have a very quick question. Earlier, I asked where I would find in the estimates the actual cost of the capital expenditures, and you suggested it would be in the student allocation portion under the Ministry of Education, in health, in each of the various ministries. What I'm having trouble with is, where and how do I separate both the operating portion of an annualized budget and the capital portion? The way you've described it to me, in their operating advance, under the grant system, how will I be able to distinguish between the mortgage payment and the actual operating budget? Do you understand? I should be able to see, in each ministry, if it's \$5 million a month or \$5 million a year for the payment for the hospital. I should be able to see that in the Ministry of Health for these various hospitals, courthouses—whatever. Otherwise, how do I know it's not confusing operating funding and capital funding, like rent?

**Hon. Mr. Caplan:** I can only point to the current estimates and the way they're structured. I'll perhaps allow the deputy to provide an answer for you.

**Mr. O'Toole:** If it's \$5 million, I should be able to find it in each of the subordinate ministries.

**Hon. Mr. Caplan:** No. Some ministries, like education, don't provide capital grants. While they do have a capital grant for our own assets, like provincial schools for children who are deaf or children who are blind, those are provincially owned schools. But the way they provide capital dollars to school boards is through operating formulae. It is not found within a separate capital envelope. That, I believe, was a change that was made under your government.

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**Mr. O'Toole:** That's right; in fact, it was depoliticized. That's the point. I'm looking at the Ministry of Education. You said that the province would retain ownership in the schools, hospitals and water treatment. I should be able to very clearly see a separate line that allocates a certain amount of dollars to pay for the new high school. If it's mixed in as part of the student allocation grant mechanism, in the era of declining enrolments, who's going to pick up—are you going to reduce services to maintain those supportive capital payments? And the same in hospitals: If you show that as a direct operational line, and they're stuck with making the mortgage payment or the payroll payment, they will have to cut services to make the capital payment that's committed by contract. Do you follow me?

**Hon. Mr. Caplan:** I don't believe that you're correct in what you're asserting here, sir, but—

**Mr. O'Toole:** I'm asking you to table with me a written explanation, at the operational level and the capital level, by ministry, how I can distinguish, line by line, what is actually operational and what is actually capital-supportive payments going forward.

One final question that I want a written answer for—

**The Chair:** Mr. O'Toole, you're out of time.

*Interjection.*

**The Chair:** You're not on the record, Mr. O'Toole.

*Interjection.*

**The Chair:** I'm sorry; you're not on the record.

*Interjection.*

**The Chair:** I apologize, but I want to make sure that research has accurately captured your request for information. We may need a ruling. I'm not sure that we can ask this minister's staff to look at operating costs in other ministries. It is a fair question to ask them to account for the capital that will be approved and managed through his ministry, as it surfaces in each of the other ministries. If the minister is clear on the nature of the question, we will let that sit.

**Hon. Mr. Caplan:** Perhaps I could ask if the member could put his question in writing, so we could be clear precisely what's he looking for. But I think you're right, Mr. Chair, that asking us to separate out operating costs for other ministries is beyond our—

**The Chair:** That's fine. I know what the mandate is here, Minister. I think it's abundantly clear what we're seeking.

I'd like to recognize Mr. Hampton for his 15-minute segment.

**Mr. Hampton:** Just a couple more questions. You indicated in your answers earlier that not only would the financing, for example, of a private financing hospital be subject to the private financing agreement, and the construction, the design and the engineering, but you also indicated that ongoing physical maintenance of the structure and ongoing physical replacement of infrastructure in the building could all be subject to that initial private financing agreement. So I wanted to ask: Can cleaning be the subject of discussion in that original financing agreement?

**Hon. Mr. Caplan:** I think you've asked that question, and I did answer that it was up to individual hospital boards to decide if they want to add those elements in, as they can today.

**Mr. Hampton:** So it can be the subject of the original private financing negotiation?

**Hon. Mr. Caplan:** I believe I've indicated in my answer.

**Mr. Hampton:** Can laundry?

**Hon. Mr. Caplan:** I believe I've answered this question.

**Mr. Hampton:** I think your answer is yes.

**Hon. Mr. Caplan:** I've answered the question.

**Mr. Hampton:** And can portering, moving of patients?

**Hon. Mr. Caplan:** Mr. Chair, I'm in your hands. I've answered the question already.

**The Chair:** I don't believe you have, this last one.

**Hon. Mr. Caplan:** OK. If the hospital board or corporation currently can enter into these kinds of measures, they certainly would be able to as well. But I want to stress that with a capital financing plan, we are not, as the previous government did, imposing upon hospital corporations and saying, "You must include these services when you're moving forward." We're not imposing that one way or the other. Hospital boards are free for this or others to deal as they currently are today.

**Mr. Hampton:** So a private financing consortium could come forward and say, "We want all of these things included in the private financing agreement," and your answer is, "Yes, that can happen."

**Hon. Mr. Caplan:** So long as the hospital corporation were willing to allow that to happen. If they did not wish so, it would not be a part of a contractual obligation.

**Mr. Hampton:** OK. I wanted to just ask another question about financing. We've already agreed that there will be a difference in the interest rate that government could get on, say, a 25-year bond or a 30-year bond and the interest rate that the private financing agent would get on a 25-year or 30-year bond. We may disagree over the amount; you think it will be very slight. People I've talked to said it can easily be in the neighbourhood of 1.5%. But we've agreed that there will be a difference in the borrowing costs, that the borrowing costs for the private financing agent will be higher and ultimately taxpayers of the province will have to pay that as we pay the private financing agent over 25 or 30 years.

**Hon. Mr. Caplan:** That's correct.

**Mr. Hampton:** We're agreed on that.

On another aspect of financing, you have said that there's going to be significant transfer of risk. In my experience, when you transfer risk, private sector corporations, because they're in for a profit, want a significant premium for taking on that risk. Have you estimated what the risk premium will be? We may disagree on what the interest rate premium will be, but you must have done some studies; you must have looked at other jurisdictions. Do you have a study, first of all, of what the risk premium will be?

**Hon. Mr. Caplan:** My understanding is that there is a variation, that there is no standard as far as the way things are set. I'll give you an example. Earlier, I quoted to you that 88% of the time, as found by the UK auditor, these projects come in on time and on budget. So that would mean, obviously, that 12% of the time they do not, according to the study that they had. But let's say, for the sake of argument, that instead of 88% it was 78% and 22% of the time. That means it would be a riskier or higher-risk profile. So the various consortia weigh up what the risk profile is relative to the valuation of the dollar amount and they make a determination as to what would be a normal risk premium to underwrite the likelihood of that happening.

It is very much like an insurance premium. You can insure against any eventuality. If you insure against something that is very likely to happen, with a lot of additional costs, the premium would be higher. If it was a very low eventuality, with a very low cost associated with it, the risk premium would be lower. So there is no standard, as far as I'm able to ascertain, what that risk premium would be.

**Mr. Hampton:** I'll go back to my original question. Have you done studies? Have you gone out and asked questions about what the likely risk premium will be; for example, risk premium for hospitals, risk premium for schools? Have you done that?

**Hon. Mr. Caplan:** I've had conversations, certainly, with ministry staff; also with various individuals. When we put together the Building a Better Tomorrow framework, we held consultation sessions around the province, where we invited labour leaders, municipal associations, hospital associations, financial interests, and we talked about these kinds of concepts. So, yes, we have in fact taken the opportunity to inquire, to gain some better understanding and to develop the methodology on moving forward.

**Mr. Hampton:** I'll phrase my question again. Have ministry officials, your ministry, done studies or commissioned studies as to what the likely risk premiums will be—let's say the risk premium for hospitals, the risk premium for schools, the risk premium for a courthouse?

**Hon. Mr. Caplan:** No, we have not, to my knowledge, and I'll ask the deputy. We have not commissioned a study for the likely risk premiums in different sectors, as you've just outlined.

**Mr. Hare:** However, we have met extensively with Partnerships BC, with Partnerships UK, with people in-

involved in Australia to get an understanding of their circumstances, but it's not automatic that their experiences are transferable to our marketplace and our legal system and the way in which things would work best here. So we've taken the approach—and it is based on the framework—to say that the questions you're raising are the very questions that we have identified and worked through on each case to make sure that there is value for money, that we have established that this is in the best interests of the public, the taxpayers of Ontario.

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**Mr. Hampton:** But from your conversations in Britain, Australia and so on, you must have a sense of what the risk premium will be, for example, on a \$500-million hospital.

**Mr. Hare:** It depends on how much risk you're asking the private sector to take on, and that varies from project to project. There is no rule of thumb. In each case, you have to look at it and determine what tangible and quantifiable risks there are—and there are other risks that are not quantifiable—and determine which ones you want to transfer to the private sector. That will determine the premium that the bidders will determine individually, how they price the risk they're taking on. It is that competitive bidding process that determines what you actually pay. There is no predetermined level.

**Mr. Hampton:** I understand that. But the McGuinty government seems to be saying, "We're going to transfer all this risk?"—the risk of cost overruns; the risk of construction delays; the risk of maintenance of equipment down the road, which I think I heard the minister say earlier; the risk of construction failure or construction inadequacy. By the sound of things, you're talking about transferring all this risk. If you're not talking about transferring all that risk, then I think the government needs to be clear with the people of Ontario. In terms of the transfer of risk of those things, is the premium 3%, is it 5%?

**Hon. Mr. Caplan:** As we've been trying to provide an answer to you, Mr. Hampton, there is no set percentage of how the risk transfer is affected. It will be different for different infrastructure projects, and the experiences have been different in different jurisdictions, even between sectors. So is it 3%, is it 5%, is it 2%? It will be different based upon what we're looking to lay off and how it is valued. There's no hard-and-fast rule.

**Mr. Hampton:** I understand. Here's the Abbotsford regional hospital—you mentioned talking with Partnerships BC. To date, the government has spent over \$7 million in administrative costs to pursue projected savings that were initially estimated at \$3 million over the length of the 30-year contract, construction costs have increased from \$210 million to \$355 million, the annual operating lease for the private sector contractor has doubled from \$20 million to \$41 million and legal and consultant costs for this deal are budgeted at \$24.5 million. Obviously there are a lot of risks here.

I'm left with one of two choices: You either don't know what the risk factor is going to be, despite the fact

you've spent a lot of time talking about it, or you don't want to say. Which is it?

**Hon. Mr. Caplan:** I think we've answered the question, Mr. Chair. The risk profile is unique. Each individual infrastructure project will be priced accordingly and factored into each project as we move forward—

**Mr. Hampton:** And you're telling the people of Ontario that this is a good deal and it's clear—

**Hon. Mr. Caplan:** There is no rule of thumb as to what the risk profile is, whether it's here or for any other project we've been able to ascertain.

**Mr. Hampton:** One of the other financing issues would be called inflation risk or an inflation premium. I note that the head of the Bank of Canada is anticipating interest rate hikes, possibly a 2.25% increase over the next year or so. I assume one of the things in this contract would be an inflation premium or an inflation risk clause. Can you tell us what you anticipate building in from that perspective: 2.25%, 3%? What is it? You must have a sense of this. You can't be going out and telling the people of Ontario, "This is a great deal," if you don't know these things or don't have an estimate of them.

**Hon. Mr. Caplan:** I think the answer is the same as to the previous questions: On an individual infrastructure project basis, we identify to the private sector consortia what the risks are and what we're looking to lay off and have them pick up, and they, through a competitive tendering process, will tell us the premium and how that will work. As we've been able to look at other jurisdictions and other projects, there has been variation from one to the other, and there is no hard-and-fast rule.

**Mr. Hampton:** I just want to ask you a couple of other questions. Do you consider hospital wing renovations to be large projects?

**Hon. Mr. Caplan:** Yes.

**Mr. Hampton:** And they're being included in private financing because you consider something like that to be a large capital project?

**Hon. Mr. Caplan:** You'd have to provide me with specifics of what you're referring to. You asked me if I consider it large. I consider it large.

**Mr. Hampton:** OK. What's your definition of a large capital project for the purposes of private financing initiatives?

**Hon. Mr. Caplan:** We estimated that a minimum of \$100 million would notionally qualify for a look at an AFP methodology.

**Mr. Hampton:** Will private companies retain rights to charge user fees for access to or use of space in, say, a hospital, courthouse or school?

**Hon. Mr. Caplan:** Currently there are, for example, parking facilities, which charge user fees. That is part of the current practice. I do not anticipate that that will change.

**Mr. Hampton:** So if a private consortium—

**Hon. Mr. Caplan:** Or a public consortium.

**Mr. Hampton:** We're talking about private financing here. If a private financing consortium said, "We want to negotiate that we will have space to rent out in the hospital," that would not be on?

**Hon. Mr. Caplan:** I'm not certain about that.

**Mr. Hare:** Through the RFP process we would be determining the functional requirements for that facility.

**Mr. Hampton:** So it is on? Conceivably it is on?

**Mr. Hare:** If it were set out in the specifications of the RFP. That gets worked, in the case of a hospital, through the Ministries of Health and Public Infrastructure Renewal and the hospital board to determine the primary cost of the project.

**Hon. Mr. Caplan:** If, for example, you wanted to have a Tim Hortons in a hospital, I imagine that might be struck as part of the contract. But of course, as you would understand, that does not differ from the existing arrangement today.

**Mr. Hampton:** My last question: A private financing consortium—

**Hon. Mr. Caplan:** It could have a Tim Hortons too.

**Mr. Hampton:** —in building a hospital, could come to the table and negotiate as part of the private financing agreement that they would have control over some of the space in the hospital and would be able to charge user fees for the use of that space. That would be part of the private financing agreement.

**Hon. Mr. Caplan:** It is conceivable that you could have a Tim Hortons as part of financing or as part of a service that is offered. But I hasten to add that that is the case today.

**The Chair:** Thank you, Mr. Hampton. I would now like to recognize Mr. Levac.

**Mr. Levac:** Thanks very much for your deputation today, Minister, and for briefing us. Just a very simple question—I'm hoping that this is the case, but I'm not sure, so I'd like to see if we can get some verification of it. This is a 30-year plan, an outreach into the future. I know it's the first five years that we're talking about in estimates. Places to Grow and the greenbelt legislation talk about planning for the future that has been unprecedented in the province's history. Have there been some discussions with futurists to talk about what our future might look like in transportation, when we do infrastructure to start to implement now, when we start building highways to implement some of those things that we know we'll be catching up to, so that we can include fibre optics, the infrastructure for SLTs and LRTs in the types of things we're already starting to build but will become more futuristic?

**Hon. Mr. Caplan:** An excellent question. I want to thank you, Mr. Levac, for the question. The short answer is yes. We're doing as much as we can at this point to anticipate what our future needs will be. So the first element is, what size of population are we going to have, what magnitude of jobs are we going to have, what's that distribution around Ontario, or at least around certain super-geographic areas of the province? Then, like we would look at with a greenbelt, in what protected areas would you not want to see growth occur, what are your sources of water, what are your sources of food—things like that. Then the corollary: Where do you want to grow? Where are you going to make your investments in

infrastructure, whether that's roadways, transit or water infrastructure or hospitals, schools or universities? Where do you want to place those in order to have the public services that those communities will need to be successful, in order to make those investments as early as you possibly can to attain maximum benefit?

**1400**

This is in fact the Places to Grow documentation. We passed the legislation earlier this year. We are moving toward a proposed and final growth plan for the greater Golden Horseshoe. Some of our findings of other jurisdictions in the world that have moved in this direction include a 20% efficiency savings on infrastructure simply from better land use planning and a better understanding of where things are going to be needed, when they're going to be needed and the methodology you're going to use in order to make those investments.

One of the areas that is always problematic—and I use the example of the Internet. Back in the 1990s, the Internet was at such an infancy stage, but in only about 15 years, it is so integrated into our lives. It is impossible in the context of a 30-year plan to know every scientific advance, every advancement that we're going to have and be able to be in a position to invest and take advantage of it. But we have tried to, and we want to, build in as much ability and flexibility to take advantage of those kinds of things.

For example—and this may seem rather dull, but folks talk about a single-trench system for water, cable, gas and all those kinds of services, so they're not all over the place and can be better coordinated; or new technologies related to transportation; or new technologies especially related to IT, information technology systems.

So yes, we very much want to know where to invest, when to invest and then, of course, the other part is the infrastructure plan, which is how to invest and on what schedule.

**Mr. Levac:** That brings me to my final question. Not to be a home boy or anything, but that includes in Places to Grow things like GO train service and Highway 424, but we'll leave that for another day. The real question is around the multi-level negotiations. As you've pointed out, and I agree with you fully, this can't be accomplished by one level of government. How are the negotiations going with municipalities and how are they responding, and the same thing about our federal cousins?

**Hon. Mr. Caplan:** Let me deal with the federal government first. I can't tell you how well received—the province is being clear about where it wants to invest and how it sees growth happening. Oftentimes, the federal government feels like, "You're just providing us with a request for dollars. We'd like to know how this is going to meet some of our sustainability goals and how this is going to meet some of our growth and economic development goals and aspirations." We've been able to, in conceptual terms, provide our federal partners with a blueprint of where those investments are going to be, what the benefits are, what jobs it will be supporting,

what public services we'll be supporting, how we're able to sustain and get into the right life-cycle practices etc.

On the municipal side, I think municipal leaders have been taken a bit aback by the willingness of our government to work in a co-operative fashion in partnership with them. Unfortunately, we've gone through a period of about 15 years where municipal leaders experienced a lot of downloading, a lot of top management dictating down to municipalities what they had to do, how they had to do it and how they had to pick up the costs. This has been one of the real changes and significant differences between the approach of the McGuinty government and past governments.

Somebody said to me, "A lot of the work was started by others," and that's true. Back in the 1960s and 1970s, there was the Toronto-centred region work done by Les Frost and that government and that was, of course, picked up by people like Anne Golden under the NDP and the greater Toronto region outlook, and by the Smart Growth work under Chris Hodgson in the previous government. There have been a lot of attempts at this. But one of the real innovations has been the bringing together of all the partners, having the kind of co-operation and the identification of everyone's respective roles and responsibilities. Municipal leaders have been very clear with us that they appreciate the clarity and the co-operative aspect. They like knowing that the province knows where it's going, knows what roles it will assume, what its partners on the local level have to assume, the clear division of responsibilities and, more importantly, what the outcomes will be for both of us.

For example, in the case of Brantford, while it would not be part of our five-year outlook, we would like to see expanded GO service over time out to Brantford, to Guelph, to Kitchener-Waterloo, down to the Niagara region, out to Peterborough. We would like to see expanded options, as we talk about conceptually in the growth plan, but of course we must go through all of the environmental assessments. We have to have all of the public process. There is a great deal of work from wanting things to happen to realizing them, but we are committed to engaging in that and to getting us there.

**Mr. Levac:** Thank you, Mr. Chair. I pass to my colleague.

**The Vice-Chair (Mr. John O'Toole):** The Chair recognizes Mr. Milloy.

**Mr. Milloy:** I'm going to be different, Minister, from my colleague and not apologize for being a little parochial. As you know, the region of Waterloo has been a leader in terms of planning. I want to talk a bit about urban sprawl. One of the things that they've really focused on is planning for the downtown core, the reurbanization. I know you had a chance to attend a conference several months ago on the whole general concept of reurbanization and how it would work in the region of Waterloo. Of course, there are a number of key tools you've already mentioned in passing. Light rail transit is one of them.

I just wondered if you could comment on how you're trying to bring about this change, this focus on reurban-

ization versus urban sprawl—as I say, I won't apologize for being parochial—some of the things that are going on in Waterloo region and how you see them fitting in, particularly the light rail transit.

**Hon. Mr. Caplan:** I want to thank you, Mr. Milloy. Waterloo region and Ottawa are probably the two best examples in the province of Ontario where you have either an upper- or lower-tier municipality—in the case of Waterloo, it's both—and you have your Kitchener, Cambridge and Waterloo and the region all on side with big-P planning and big-P policy kinds of concepts on growth management, and Ottawa, the same.

I was out in Waterloo region just last week. I had a chance to talk to the chair, Mr. Seiling, and to the CAO, Mr. Murphy, I believe—

**Mr. Milloy:** Murray.

**Hon. Mr. Caplan:** Mr. Murray; sorry—and really express my admiration for what the region has been doing. There is still some work on some of the natural heritage mapping that needs to go on, and I know that's ongoing work, as far as I've been able to ascertain. Where are the water or moraines or lands that you would want to retain? You want to be very careful about changing the ecosystems and making sure that you have the right preservation. Where are the places for potential growth? What are the opportunities for reurbanization and for redevelopment?

The region of Waterloo has been outstanding as far as being able to develop a concept and a methodology. One of the main ones, and one that we're very proud to be supporting, certainly for the planning dollars, is on the Waterloo region light rail plan. We still need to do a little bit of work as far as working with our federal colleagues in particular, but also on developing a solid financing plan to get it moving into more of the middle term.

I really can't say enough about the concept and the approach of the region of Waterloo as far as what it has articulated as far as a different kind of urban forum: the provision of services and revitalization, particularly around usage of post-secondary education as a real tool toward creating some of the nodes that you would want to achieve as destination places, either for employment, for residences, for institutional kinds of usages as well. That's true in Waterloo, Kitchener and Cambridge.

We look to the Waterloo region growth management plan as one of the highest calibres that we have examples of in the province of Ontario. We believe that the province ought to be aspiring to catch up to the leadership of Waterloo region. So we are very supportive of the direction that they've moved in. Their concepts and their methodology are very in sync with our Places to Grow concept and our overall provincial view. I'm very excited about the possibilities of seeing some new land uses in Waterloo region and working with the region quite collaboratively to realize them.

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We of course will be working on, and other ministries are working on, other component parts, whether that was our colleague John Gerretsen, the Minister of Municipal

Affairs, working on a revised provincial policy statement, whether that will be changes that may or may not take place to the Ontario Municipal Board, or whether that will be changes or innovative tools like a tax increment finance. Whether we may have some additional tools and abilities that municipalities have advised us they require, we're very interested in working with progressive leadership, as we've seen in Waterloo region.

**Mr. Milloy:** I realize that part of this is under Minister Gerretsen, but you came to Kitchener Centre to talk about housing, to make the announcement or help make the announcement of the \$600-million federal-provincial housing agreement. I'm just wondering—I know there were some announcements recently—how that's going to be unfolding over the next while.

**Hon. Mr. Caplan:** There were three basic components to the \$600-million housing agreement that we struck with the federal government. In fact, it is the single largest federal-provincial housing agreement, as far as I understand, in Canadian history. I'm very proud that our government was able to move that forward.

The three components will be what we know as a traditional capital build-type program. It will support, we estimate, about 15,000 housing units in communities all across Ontario. I believe that Minister Gerretsen is taking charge and working on an application process, whether it be community-based, municipally based or even a private sector provider who might be interested in working with us, of how to be able to access an allocation; how to be able to access the capital dollars.

The second part of the program—and I especially want to give some credit to my federal colleague Joe Fontana—is that we have requested, and municipalities have requested, the ability to provide income supplementation through a rent supplement program so that we could subsidize Ontarians who might happen to be on waiting lists for housing, whether that would be through affordable-housing options provided by a municipality; whether that would be in the private market. Through our agreement with the federal government, we were able to come up with a provision for 5,000 rent supplement units. I know that quite recently Minister Gerretsen announced what the separate allocations of that would be right across Ontario.

The third element, and the one that I think is the most exciting—it hasn't garnered as much attention—is what we call the Ontario mortgage and housing partnership, or, we also have a really great acronym, HOME: the home ownership market entry. It is an affordable ownership program patterned after the Options for Homes program. We also like the model of Habitat for Humanity.

We can provide, through some second-mortgage financing, the ability to help with home ownership opportunities for Ontarians who may have thought that entering into the housing market was well beyond their means and abilities. It's a proven model, one that I'm very proud to be able to support. We are still working on our program design and the options for how to make that work. We're very excited about the possibilities that it

brings up, and we think that through this kind of method, more Ontarians will enjoy the Canadian dream, which is the realization of owning their own home. So we're very excited.

In Waterloo region, with an incredibly strong history, I think of people like former provincial cabinet minister John Sweeney, a member out in Kitchener, and Sybil Frenette, also from Waterloo region. The strong housing history and the strong housing progressive nature of Waterloo region are ideal, in my opinion, for some of the investment on the \$600 million that we're looking to make. It was a wonderful day and an exciting opportunity to be there.

**The Chair:** Thank you very much, Minister.

**Mr. Hardeman:** First of all, I have a couple of quick questions to the estimates, if the minister would turn to the book. I think it's rather important that we get to that.

First of all, on page 23, salaries and wages are estimated to increase by 14.8%, and yet employee benefits are declining by 34.4%. The question becomes, are you going to have fewer employees who are paid more, or how does that work?

**Hon. Mr. Caplan:** Good question. I'm going to ask Jeanette Dias D'Souza again to provide you with the information.

**Ms. Dias D'Souza:** I think your comment was about perhaps a differing level of employee benefits. Salaries and wages and benefits are largely centrally controlled, and when we plan the budgeting and estimates of our ministries, we take direction from the centre in terms of what sort of ballpark percentage we should be using. So we would have followed the same rule and done so. I'm afraid I can't confirm it for you right now, but I do recall that there was a certain charge that was centralized government-wide, and that may be the difference and why you're seeing an adjustment.

**Mr. Hardeman:** That would suggest that the actual wages would go up by 14.8% and yet the benefits would drop. It seems to me that if the number of employees goes up, you'd have to drop the benefits dramatically to see a 34% drop in benefit costs.

**Ms. Dias D'Souza:** Yes, and I'm afraid I can't give you that off the top. But I do know for a fact that in the last year or two there was some charge that was centralized in the government and I think that would account for the lower rate of benefits. I would just point out on the salaries that that's not only dependent on salary wage rates but also on what level of staffing the ministry had at the time.

**Mr. Hardeman:** On page 32, the contingency fund is being increased. When it hasn't been used over the past two years, why would you increase it this year? Again, my concern as a layperson looking at it, Minister, as in my previous line of questioning, is that they seem to be padded: "We don't know what we're going to spend the money on yet, but we'll just put them in these categories and then we'll put them to a purpose when we decide as we move along."

**Hon. Mr. Caplan:** Oh, no; nothing of that sort. I'm going to ask the deputy to elaborate on that.

**Mr. Hare:** The way we deal, for accounts purposes, with the contingency fund is that it gets zeroed out each year, but it actually was largely used last year. But for accounts purposes, it only shows what the amount was, not the fact that there was a use of those funds. Then whatever was remaining, if there was anything remaining, would be zeroed out and it would get established again as a new number. In this case, the decision was made as part of the development of the fiscal plan that this year we wanted a slightly higher capital contingency fund, so we moved it up from \$150 million to \$175 million. As I mentioned earlier, there still is an in-year savings target that partially offsets it at \$150 million.

**Mr. Hardeman:** On page 34, there's a \$25-million allocation for the Ontario Infrastructure Projects Corp. Are there any projects that are being funded out of that presently?

**Hon. Mr. Caplan:** Not yet. The Ontario Infrastructure Projects Corp. was only announced in May, as it relates to budget. We do know that it is something we want to set up. We are moving as quickly as we can internally to set things up, and we look forward to it being up and running at some time in early 2006. When it is, the AFP projects and their tendering, negotiation and ongoing management will move over to there, but at this point they're not set up yet.

**Mr. Hardeman:** I just wanted to go back quickly to the earlier discussions about mortgages and lack thereof. Not being a lawyer or a minister responsible for this portfolio, I'm not as up to speed on that as I might be, but it would seem to me that if I was going to build something and I wanted someone else to put up the money, and I told them that when it's finished, you are going to have no legal connection to that entity because we're not going to allow you to put a mortgage on it or put lien on title, why would I lend you the money? Why would anybody invest if, after they've gotten through with their investment, the entity is sitting on public property, it's a public entity, and I have no ability, other than the contract that they may or may not honour—and it will be signed by the hospital board, not the government. Why would I invest money if I don't have a lien on the building?

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**Hon. Mr. Caplan:** I can't answer the question of why somebody would do something. All I can indicate for you, Mr. Hardeman, is that in the UK, over 600 of these types of projects have been undertaken by the government there with varying degrees of success. Some of their earlier ones did not go exactly as they had anticipated, but as of late certainly they've had a greater degree of success. And my scan and the scan that has been provided to me by ministry staff has been that here has been no difficulty in getting private sector entities to be interested and to want to engage in this type of a contractual relationship with, in their case, the UK government through their Agency Partnerships UK. In our case, it would be through a hospital board or through the Ontario Infrastructure Projects Corp. Experience alone

tells me that that is not a consideration or a concern for those who want to enter into these kinds of joint ventures.

**Mr. Hardeman:** But are you suggesting that in the UK there is no lien on title on the building?

**Hon. Mr. Caplan:** That's my understanding, and I'm not—there's no lien as far as I—

**Mr. Hardeman:** My understanding is, ownership in the UK stays with the corporation until it's transferred to the public entity when the time is up. That's exactly what we're talking about with mortgages, that they hold title until the mortgage is paid and then they transfer the title. In fact, there are even conditions in the contract of the building itself and what shape it must be in when it's transferred to the public domain. That's not really the point. The point is, I'm a little curious as to what it is that the private sector is going to tell their bankers is the collateral for the money they've put in.

**Hon. Mr. Caplan:** Why are you concerned about that?

**Mr. Hardeman:** Because I think it's a lien on the building, and I think it's being somewhat less than totally forthright in suggesting that the private sector is willing to just put up the money on the good graces of the government saying that they will pay it off eventually. I think they have a connection to the building while it's being paid for.

**Hon. Mr. Caplan:** That's not correct. I'm going to ask Assistant Deputy Minister McKendrick to answer, but that's not my understanding.

**Mr. McKendrick:** I can give you a couple of examples where they have put up lots of money and have not had the lien or security on the building.

One is all the school boards that have been financed on the Ontario School Boards Financing Corp., which is essentially just a promise to pay from the borrower, from the school boards. The other example is the University of Ontario Institute of Technology. They'll give it to you on the basis of a promise to pay: They know it's an essential service, they know that governments have a good track record of paying when they're supposed to pay, and on that basis they're very comfortable with doing that without getting specific security on the specific physical assets of the entities.

**Mr. Hardeman:** I don't know if my friend Mr. O'Toole has any, but the last question I have is: We haven't talked much about it today, but is the infrastructure program—APF?

**Hon. Mr. Caplan:** AFP.

**Mr. Hardeman:** Is it applied to roads, and do you envision that you will be doing more of those types of roads in the province?

**Hon. Mr. Caplan:** In the first five years, we're using traditional financing methods for roads. Is it possible for the future? I imagine that it is, but in the ReNew Ontario document, years 2005 to 2010, we do not anticipate nor do we specifically outline any of our projects that would be used with AFP methodologies.

**Mr. O'Toole:** I'm just curious about the whole idea of a relationship between the investor—that is, the person,

group or organization that's loaning the money—and their security. You have legal staff here. I don't know; I wouldn't be asking the question, but it seems to be playing on Mr. Hardeman's mind, Mr. Flaherty's mind, and Mr. Hampton's mind. If we could have a written, legal opinion on this, I think I would ask for that, because there's been some re-examination of Mr. Flaherty's ability as a practising lawyer, which I didn't think was very professional. But all we're asking for here is, in public clarity, transparency, blah blah blah, the answer to that question in writing.

We don't need your verbiage on this. We'll get a legal opinion and it will be cited in the House. What is the relationship between the lender of the money and the ministry that's actually charged with paying the monthly mortgage on the lease of capital? Really, it's a lease-of-capital arrangement, as I understand it.

**Hon. Mr. Caplan:** My understanding from the earlier questioning from Mr. Flaherty was the supposition that a mortgage transferred title—

**Mr. O'Toole:** Let's not get into that.

**Hon. Mr. Caplan:** Please let me answer the question—from the mortgagee to the mortgagor. I think that was successful in meeting the current statute. As it relates to the province of Ontario, that arrangement is not the case. Ownership and title are retained by the mortgagee, and that has been the case since 1984. I don't know that another clarification is required. I've read the statute in the Land Registration Reform Act, 1984, as passed by the Legislature of Ontario.

**Mr. O'Toole:** I could also speculate that in the contract, which none of us have seen, or the RFP or RFQ process, there would be provisions for failure to comply or deliver etc. In that, it would obviate that they'd have to have some collateral on the expense of the capital that they have forwarded you to complete the project. If there's a failure in any way, I would think we'd spend a fair amount of time in court—as you are with the 407, trying to clarify a contract, for better or worse, I suppose. What were the provisions on which they could up the fees; what were the provisions that you pay a benefit? It could be inflation plus 1.5%.

All I need is your legal opinion, in writing with your LLD or whatever it is there, saying this is the answer, so we won't spend any money in court. I'll put to you on the record today that all those commercial contracts—they have a whole building of practising commercial lawyers. All they do is contract law—buildings of them. If you're telling me that you haven't resolved the question from Mr. Flaherty—you've quoted a 1984 act—tell me what your position is in these contracts, these RFPs. You're not a lawyer. You can read; I understand that. I'm not trying to be smart or belittling, any more than you did Flaherty. I want to try to establish this. There's a lien of some sort somewhere to get the capital. I don't care if it's from OPSEU, OMERS, General Motors, or GE Capital, for that matter. Whoever is giving you the money is going to get paid plus provisions for exposure to risk, whatever it is. If there is a problem—a design failure, an

architect, you didn't put in an elevator, whatever, some anomaly—you will spend more in legal fees—I'm just telling you. I'd like your answer in writing as to how they spread their risk.

**Mr. Hare:** We cannot provide you with a legal opinion. However, we can provide you with a description and some examples of the kinds of risk you're talking about and how they're dealt with in terms of the contractual arrangement between the government, whether it's through a ministry, and the consortium that's providing financing and construction services.

**Mr. O'Toole:** I'll just give you one example. For instance, at the bank they're going to quote prime rate. Prime rate today is tied to some kind of inflation issue, and interest must always exceed inflation. That's the fundamental rule. So if we see pressure in the last three quarters and see pressure on interest—let's say interest goes from three at prime to six. Your payments will double. How do you, without cutting services—and what does the contract say about inflationary clauses? You aren't being completely transparent. Although it's in your presentation, you're only read it. You don't write it, David; you read it. I understand that process to the extent that we're looking for some certainty that this future debt—because at the end of the day, your presentation said it. This capital that we're taking advantage of today for the betterment of us all is going to be paid for in the future. You can call it debt, you can call it monthly cost of capital, you can call it whatever you wish. If there are pressures on the economy—that's why we quit building a lot of the infrastructure. Howard knows better than anyone. The economy collapsed and you couldn't get any more money.

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I look at the whole budget of \$70 billion. It's about 75% wages and benefits. So the amount of capital really available to do all these things, the \$30 billion you're talking about, is ultimately future taxes. You're just not doing it on the debt side; you're doing it on the mortgage side. So the person who holds the mortgage—maybe they don't have title to the property—wouldn't want it anyway in 40 years if it's a 40-year term on the money. You're saying that all the hospitals are now 42 and they've all got to be replaced. So who in the hell would want it? You're going to assume the liability at the end of the mortgage period. I don't know whether it's 30 or 40 years, these mortgages you have. Do you see my point?

You read the speech very well. I understood it. If we're going to build \$30 billion or \$100 billion in capital, the people of Ontario are going to pay, and Howard's point is, they're going to pay a premium. We haven't been told what the risks are to the public. We haven't been told about these inflationary clauses or recessionary clauses or failure-to-comply clauses. So you've left more unanswered questions despite the 30-some-page speech, in my view. And the transparency and accountability argument—I can't believe a thing that Dalton tells you. It's a matter of trust. So I don't really have a question.

**The Chair:** Thank you, Mr. O'Toole, and thank you, Minister.

**Mr. Hampton:** I have some questions.

**The Chair:** And you have 15 minutes.

**Mr. Hampton:** Just a follow-up question to what I asked before. You admitted, for example, that the transporting of patients into the hospital and the movement of patients within the hospital could be the subject of a private financing agreement. That could be a task or a service if—

**Hon. Mr. Caplan:** Mr. Hampton, I was very clear. If a hospital currently can engage in that kind of contractual agreement, then there will be nothing to prevent them from engaging in that in the future. I don't know if they can do that currently under today's health care model. If they can, they will continue to have the ability to do that. Is that clear?

**Mr. Hampton:** So conceivably, orderlies and people who look after patient transfer within a hospital could in effect become the employees of private consortia?

**Hon. Mr. Caplan:** If they could currently, now, have that kind of arrangement, yes, they could in the future.

**Mr. Hampton:** And you're OK with that kind of practice?

**Hon. Mr. Caplan:** If they could now—

**Mr. Hampton:** The McGuinty government is OK with that kind of practice?

**Hon. Mr. Caplan:** Mr. Hampton, I don't think I could—if you have questions around the health care operation end, I know the Minister of Health and Long-Term Care will be here to answer those questions. I can tell you that a capital finance model does not determine what those operational questions are, nor does it force upon a hospital board or a hospital community those types of arrangements. If they currently can engage or enter into a contract for the provision of those services in an alternative form, they will be permitted to do that in the future too.

**Mr. Hampton:** You'll appreciate that I'm trying to get your answers because in a short while we'll be trying to get Minister Smitherman's answers too.

From your perspective, from your knowledge, what areas in the hospital or what work in the hospital will not be open to negotiation in a private financing, private alternative infrastructure procurement agreement?

**Hon. Mr. Caplan:** Certainly, medical services, clinical services, will not be. But this question is much more appropriately before the Minister of Health.

**Mr. Hampton:** I intend to ask him; don't worry. I just wanted to know, in terms of government policy, if you've set some parameters.

The reason I ask this is because in Durham, England, in the private financing hospital there, doctors have been forced to ask ambulance drivers to wheel patients right into the wards. It turns out that the profit-driven consortium deemed that portering patients was not its responsibility, and it was something that hadn't been nailed down in the contract. So legally, things like this would become very important. I'm trying to figure out how much your government has thought about this.

**Hon. Mr. Caplan:** To be fair, you could highlight any other operational problem, whether it was in the tradi-

tional or some other means, but then extrapolating that to any kind of future capital model, in this case, or any other operations model—I think it would be unfair to suggest that we would not learn from the experiences in the past. That’s precisely the point: We want to know what’s happened in Ontario. We do know that the NDP’s P3 of Highway 407 and the Tories’ fire sale and loss of control are areas that we don’t wish to repeat. We’ve built in safeguards based upon those kinds of experiences. I think we’d want to understand the experiences in other jurisdictions as well about what has worked and what has not worked and what lessons we can import into Ontario as we move these arrangements forward. I think that’s fair to say.

**Mr. Hampton:** Which bring me to the next question. I’ve asked you a number of questions about transfer of risk, and I must say that the answers are clear as mud, so I’ll try again. When you say “transfer of risk,” when the McGuinty government says “transfer of risk,” specifically and precisely what do you mean? I’m talking in the context of hospitals. What risks do you seek to transfer? Can you itemize them? Can you be specific about them?

**Hon. Mr. Caplan:** OK. Financial risk of cost overruns and delays: Costs on public sector building and maintenance can be transferred over time. Those are the primary ones. Financing risk, delivery risk and life cycle risk are the major ones that we would look to certainly protect against.

**Mr. Hampton:** So you’ve zeroed in on financing risk, delivery risk and life cycle or maintenance risk. Yet when I ask you if you have looked at other jurisdictions, do you have an estimate of what it will cost to transfer these risks, what the premium will be—for example, financing risk. You must have determined some level, or you must have your sense, of what it will cost to transfer financing risk. Will it add 2% to the contract, 1% to the contract? What’s your estimation?

**Hon. Mr. Caplan:** I believe this question was asked, and my answer still remains the same, that, as we’ve been able to determine that, it is on a case-by-case basis and on an individual circumstance basis. We go through a competitive tendering process in order to add all of the various elements in. There is no hard-and-fast rule of thumb related to the valuation of those risks, as we can determine, in any jurisdiction, nationally, domestically or internationally. That’s the same answer I provided to you before.

**Mr. Hampton:** If you have no estimate going in of what’s a good deal, what’s a modest deal or what’s a bad deal, how do you evaluate, how do you judge, what is a good outcome for the public or what’s not a good outcome for the public? It seems like you’re going into this process with blinders on, knowing, or not being willing to admit, what you’re looking for or what your estimate is. How do you know if you’re going to get a good deal if you haven’t ascertained what the realm is, what the boundaries are?

**Hon. Mr. Caplan:** As I indicated to you in an earlier answer, and I’ll reiterate the same point, what we do is

we develop what’s called a value-for-money benchmark, or what it is we’re looking to develop—and it’s within a range; it’s never exact—what it would cost and, as a comparison, should the public sector want to deliver it though a capital model. What we do is, if the private sector comparator is within the acceptable range to determine value for money, we would proceed. If the provision of all of those risks or additional costs was above what the value-for-money benchmark was, we would not proceed with the private sector comparator.

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**Mr. Hampton:** So in financing risk, do you even have a range?

**Hon. Mr. Caplan:** I’ve answered this question a couple of times and I’ll still provide you with the same answer.

**Mr. Hampton:** What’s the range?

**Hon. Mr. Caplan:** Our scan internationally is that there is no hard-and-fast rule related to the estimation or the pricing of risk, that it varies from infrastructure project to project, between sectors and between various scales and sizes. There is no hard-and-fast rule of thumb.

**Mr. Hampton:** What about delivery risk? You’ve taken the time to say, “We’re focused on financing risk, we’re focused on delivery risk and we’re focused on life-cycle or maintenance risk.” Do you not have any estimates of these either?

**Hon. Mr. Caplan:** I think I should have given you perhaps a fuller explanation. I’ve provided to all members the Building a Better Tomorrow framework. On page 30 we’ve provided a sample of risk categories and treatments and how things would work; certainly what some of the major risks are. But I would say that for all of the risk categories we’ve provided, and for others, there is no hard-and-fast rule about how they’re assessed, how they’re evaluated and how they’re priced. We’ve tried to outline what the major risks are and which ones could or may or may not be included. You can ask me about them individually. I will provide you with the same answer.

**Mr. Hampton:** You did indicate that you’d be doing some value-for-money benchmarks.

**Hon. Mr. Caplan:** No, I didn’t indicate that; I indicated that, for individual projects, we will have a public sector comparator at the time, and they will be developed, yes.

**Mr. Hampton:** Is that information going to be made public?

**Hon. Mr. Caplan:** I believe so, yes.

**Mr. Hampton:** Can you then explain why, for example, there was a value-for-money analysis done of the William Osler Health Centre in Brampton? This is the P3 that you used to condemn the Conservatives for, and now you’ve signed on to it. We understand that a value-for-money review was done by Deloitte and Touche, I think it was. Yet the Ontario Health Coalition has gone to court to try to have that released, so the public will have some sense of whether they’re getting a good deal or not a good deal. They’re being told that your government will not release that.

**Hon. Mr. Caplan:** As a former Attorney General, you're quite familiar that this matter is subject to a court proceeding. You are quite familiar with the sub judge rule that prevents me from getting into the details of matters that are currently before the court. You're quite familiar with that. You do know that this is in the hands of the courts right now, and we will ask them to adjudicate it accordingly. I regret that I just can't share anything further with you.

**Mr. Hampton:** So you can't tell the people of Ontario if you're going to make this public or not?

**Hon. Mr. Caplan:** Not as long as it's a matter in front of the courts, and you well know that.

**Mr. Hampton:** In principle, are you going to make these benchmarks—this was an estimate of whether the public is getting a fair deal, not a good deal. These are public dollars, taxpayers' dollars. You say they're going to be public hospitals. It is the public's health care. Why shouldn't the public have this information?

**Hon. Mr. Caplan:** We believe they should.

**Mr. Hampton:** So your only excuse is that this is subject to the court action right now.

**Hon. Mr. Caplan:** It's not an excuse; it is subject to a court action right now.

**Mr. Hampton:** My understanding is that the Ontario Health Coalition went to court to have this information released because your government refused to release it.

**Hon. Mr. Caplan:** I don't know the motivations behind the Ontario Health Coalition.

**Mr. Hampton:** Do you know why your government refused to release this information in the first place?

**Hon. Mr. Caplan:** I believe that the court action commenced prior to our government taking office.

**Mr. Hampton:** All right. We'll leave that for now.

Can you give me an example of how a transfer of risk will be built into a typical P3 private financing contract?

**Hon. Mr. Caplan:** First of all, we're not doing P3 financing contracts. Our concept is called AFP, which is quite a bit different than the NDP-Conservative P3 approach. I do want to continue to stress that. We would outline in the request for proposal which risks we were looking to transfer; highlighted in the document that I had mentioned to you earlier, perhaps we would not transfer. We would shoulder some of those risks on our own and then we would ask the private sector consortia to evaluate price and build into the contract how the management of those risks would work.

I want to ask Assistant Deputy Minister McKendrick to perhaps elaborate on that.

**Mr. McKendrick:** If you look at a bank's construction loan, they will reserve certain rights to themselves to make sure that appropriate due diligence and controls are put in place. The first thing they will do is have an appropriate review of the budget for the project to make sure it is reasonable. Typically, when governments or hospitals do their own budgets, they don't bring the same level of due diligence to that.

The second thing they will do is hire a cost consultant to make sure that they have appropriate monthly monitoring.

**Mr. Hampton:** Reasonable for whom?

**Mr. McKendrick:** That the budget is reasonable, period.

**Mr. Hampton:** For whom? For the bank?

**Mr. McKendrick:** No, just that it makes sense. It's like they've made an estimate that's realistic. What happens is, people put in a number for a budget knowing that they've put in a lowball budget to get it approved, knowing that it's not realistic that it can be built at that price.

**Mr. Hampton:** Do you think P3s or private financing is going to fix that?

**Mr. McKendrick:** Yes, because they—

**Mr. Hampton:** Have you looked at all of the examples from Great Britain where private financing was used and it was later shown that there was gross underestimation of what the actual costs of building the medical facility would be?

**Hon. Mr. Caplan:** I think the point is, by achieving price certainty we will not experience the kind of cost overruns and over-time delivery that has been a hallmark of large-scale infrastructure projects in Ontario, and in Canada as well. By engaging in this practice, we believe that, as was evidenced by the UK auditor, 88% of the time the projects came in on time and on budget.

**Mr. Hampton:** It came in on time and on budget, but the evidentiary trail says that many of these facilities are substandard facilities: built on a former garbage dump, so that when it rains, the rats start running around the hospital building; inadequate construction or other things like that. It's one thing to say they came in on budget and on time, but it's quite another thing to say that they provide adequate health care.

I read the results from Great Britain saying that in terms of quality health care, these things have been disasters and they continue to be disasters. The only way you can fix the disaster in Britain is to go out and raid mental health budgets, community health budgets, home care budgets, to overcome the inadequacies of the private financing. Have you looked at any of these things?

**The Chair:** Thank you, Mr. Hampton. I would like to recognize Ms. Di Cocco now, please.

**Ms. Di Cocco:** It's a long day today, the seven hours, and I think the minister is holding up well.

**The Chair:** Did you get lunch?

**Hon. Mr. Caplan:** I did, thank you. It was very good.

**Ms. Di Cocco:** I'll start off with a comment. I find that there's a great deal of rhetoric to describe the APF, or alternative public financing, as privatization, to describe it as the P3 hospitals, to describe it as some of the projects that probably did not do very well, some of the aspects that we can learn from in other countries that maybe are not quite as transferable here as someone would like us to believe. This whole notion of what an APF is and built on those principles—I mean, no system is going to be perfect and nobody has a magic wand. On the other hand, one would hope that the government is putting into place a very thoughtful approach for a long-

term solution to the gaps and the challenges that we have in public infrastructure that we need in this province.

My question is, Minister, if you could explain again the difference between APF and what is suggested to be privatization, and also the difference between APF and P3s.

**1450**

**Hon. Mr. Caplan:** Thank you for the question, Ms. Di Cocco. If I could, it's AFP, alternative financing and procurement.

**Ms. Di Cocco:** AFP. I'm sorry.

**Hon. Mr. Caplan:** Just a general comment first: Anybody who would tell you that we're going to achieve a different and better result by doing things the way we already have—where's the credibility that you actually would do that, that somebody would do things better by doing them the same way? By definition, you are almost guaranteed to achieve the same results: a big deferred maintenance backlog, and infrastructure investments or hospitals or courthouses or highways or schools not being built. I guess the first comment I would make, if anybody tries to tell you that the status quo will get you a change, is that I just don't see how that logically or practically follows through.

Before I get to the differences between the NPD-Conservative P3 approach and our AFP approach, I want to quote from Hansard, February 5, 1997: "OCWA was created under our government and it is an example of the benefits of the partnership between the public sector and the private sector. I have no problem with these kinds of partnerships. I think they make sense. There are a lot of ways that the government can work together with the private sector to enhance the services we provide, to make them less expensive. There's a way that everybody can win in these kinds of public-private partnerships."

That was deputy leader of the NDP Marilyn Churley, back on February 5, 1997. There has obviously been a shift in thinking over time that we can engage in different ways and look to configure in different ways and invest in different ways to achieve different and better results. That's really the genesis of what we're talking about here.

The P3 approach and its ultimate example, building in everything and transferring everything to the private sector: transferring ownership to the private sector, transferring operations and maintenance and management—aside from designing, building, constructing and financing, there are a whole range of activities. My quarrel with both previous governments' P3 approach was not rooted in any sense of principle at all. In fact, the main differences between APF and P3s are the five core principles that I elaborated on: public interest paramountcy, appropriate public control and ownership, demonstrated value for money, clear accountability, and fair, transparent, open processes. Those are the things.

The previous two governments' P3 approach was shrouded in secrecy—no contracts were made public that I'm aware of. There was no third party oversight for value for money. There was no fairness commissioner as

to process; there was no oversight, no referee or umpire, that everything was aboveboard and everybody had a fair opportunity to win bids. These are major differences between the previous governments' P3 approach and APF.

We call for value for money to be demonstrated, to be verified, to have third party validation. We call for the contracts to be made public. We call for oversight by fairness commissioners, and we've just tendered to take on fairness commissioners. The question of ownership and public control is key. We will never, under an AFP framework, relinquish public control of our valued public assets. In the case of hospitals, schools and water and sewer systems, we will always retain public ownership. These are key and critical differences between the P3 methodology and APF.

Are there similarities? Sure there are similarities. There are similarities between what's been tried in other places as well. But there are significant differences too. I think I want to make exceedingly clear that we are proceeding in a different way. We are going to get the investment going because it's just too important not to. In order to reduce wait times, in order to lower class sizes, in order to have an economy that rests upon access to the American borders—of course, being in Sarnia, you'd be very familiar, Ms. Di Cocco, with well-working borders—for transportation, highway and transit systems that are key lifelines for us, in order to get those investments going, we are taking the range of strategies that we call for in APF.

And that's another difference. The previous government, in their incarnation of their SuperBuild, said that half of our investments would come from the private sector and half would come from public finance. In the UK, the most advanced jurisdiction as far as using these types of alternative financing methodologies, it is only I believe 15% of their entire capital program. We're calling for less than 10%, because we know that in order to do things, we're going to have to learn some of those lessons that you talked about in your opening comments. We're going to have to learn some of the things which go the way that we anticipate and some of the things which perhaps are not foreseen. We're going to have to, potentially, make modifications, improve upon processes and improve upon our negotiations, and understand these things and develop them and deliver much better for the people of Ontario.

We are determined to learn from the UK, from BC, from Australia and from the United States—from all those experiences—plus our own domestically as well. We will not repeat the errors, some of which Mr. Hampton has talked about, others of which I have talked about. We are determined not to repeat those errors.

**Ms. Di Cocco:** It's interesting because of the evidence of public infrastructure that has been built in the past through the status quo. Sometimes, as I said, the overruns ended up being astronomical. Actually, a number of very strong NDP supporters—certainly in my riding we had a discussion about it—agreed that the evidence is that the

way it was being done wasn't cost-effective, considering the 60% and 70% overruns on projects in some cases.

There's another aspect that I would like some clarification on. This interpretation of mortgages, that one does not own—I was at a town hall meeting and this exact type of comment was made: “No, you don't own your house because you have a mortgage,” which took me by surprise because I thought I did own my house. I thought, “There's something here that I obviously either missed or I need some clarification on.” I now have this opportunity to ask the minister, in that kind of contrast or that kind of analogy, if you could explain again this concept of a mortgage and ownership.

**Hon. Mr. Caplan:** About three years ago, my wife and I bought a house as well. We went to our bank and we got a mortgage. I can tell you that the title is in my wife's name. We're no different than any other couple, insofar as the dream of home ownership is part of the Canadian dream, so to speak. I was surprised and taken aback several months ago when Mr. Flaherty suggested that a mortgage somehow transferred title from us over to our bank. That's why I asked for some research to be done in this regard, whether that was true or not. I did discover—I'm not a lawyer so I didn't discover it myself, but I had some students do it—that in 1984 the Land Registration Reform Act was passed by the Davis government. It provided for a charge: “A charge on land given for the purpose of securing the payment of a debt or the performance of an obligation, and includes a charge under the Land Titles Act and a mortgage, but does not include a rent charge.” In section 6, “A charge does not operate as a transfer of the legal estate in the land to the chargee.”

So if you own something and you want to place a mortgage on it, you don't transfer the ownership to your mortgagor; you in fact retain ownership, but, of course, the property in this case is collateral against payment of the debt. Ownership is retained and, in the case of the way that we're moving forward, will always be retained, for hospitals, for schools and for water systems. On this I can be abundantly clear, and nothing—and I want to repeat, nothing—in the financing arrangement will change that in any way, shape or form. The public and the public hospital board will retain the deed and the ownership of that hospital, and it will at all times be publicly owned, publicly controlled and publicly accountable.

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**The Chair:** Thank you very much. As it is 3 o'clock and we are slated to adjourn at the end of the day to reconvene tomorrow, with one hour remaining for today, I'm going to recognize Mr. O'Toole for a 20-minute segment, then Mr. Hampton and then the governing party.

**Mr. O'Toole:** Thank you, Chair, for that clarification. Just following up on the mortgage discussion, I think it's important. When I had a mortgage once upon a time, I recall that a condition of the mortgage with the bank was that I carry insurance, and the benefactor of that

insurance was in fact the bank. So failure on my part would be breaching a contract in any way, where the bank would take over. Irrespective of the interpretation given by your law student, I still put on the board, as Ms. Di Cocco has outlined as well—even your own caucus is confused—what assurances are there for the third party?

I'm going to ask a couple of questions along this line, and this would really all come under the umbrella of conditions under the RFP process. In the case of a mortgage model, the property—be it a hospital or a school—must maintain insurance, of course, of some sort, including, I would think, property and liability insurance. I'm wondering if, under the alternative financing and procurement model, it would dictate that there must be insurance, some other arrangement or carrier. Could indeed the consortium themselves form another group to actually offer the insurance?

**Hon. Mr. Caplan:** I'm going to ask Assistant Deputy Minister McKendrick to reply.

**Mr. McKendrick:** Typically, you look to see what the existing insurance arrangements are, so if they're self-insured, you want to continue self-insurance. You don't want to add or ask the consortium to provide an additional level of insurance that's not already there.

**Mr. O'Toole:** What if it burnt down?

**Mr. McKendrick:** If there's self-insurance already, then you would cover it under self-insurance. I'll give you one example—

**Mr. O'Toole:** Which would be the government.

**Mr. Kendrick:** Yes, but let me give you the example of water bombers. We finance them to the Ministry of Natural Resources and, typically, when you have 45 aircraft in the province, if you lose one, it's not that big a deal compared to the private sector, because you've got 44 other aircraft. When you have your own house, a loss to you is catastrophic because you have no other alternatives. The purpose of insurance is to spread your risk among a whole bunch of your assets. So if you have a wide diversity of assets, then you self-insure. I don't know the specifics of how hospitals insure now, but you'd want to look at that before you decided how you were going to treat it under one of these arrangements.

**Mr. O'Toole:** That's kind of why we're asking the question. I guess I still feel that under the conditions of the monies being advanced for the capital project and for the development of the project, under some term, whether it's a 25-, 50- or, in the case of the 407, 99-year leases—it's a lease sale. It's the right to conduct business over a 99-year period. The province of Ontario still owns the land on which the 407 was built and, as such, controls planning and other continuous extensions of potential land use on those facilities.

I'm kind of wondering, under this brand new method—which is being somewhat circumvented here because we're not getting a direct answer. I guess it's just goodwill that the province of Ontario won't fail to make its obligations, its payments.

**Mr. McKendrick:** They know that if the province or the hospital failed to make its payments once, that would

be the last time they would get away with it. They would never lend money again.

**Mr. O'Toole:** Yes; it would affect your bond rating, your credit rating and a whole bunch of other things. I understand that.

**Mr. McKendrick:** There's a strong motivation.

**Mr. O'Toole:** I just wondered: Over this term or period where there's potentially some litigation that could occur, let's say that the land is—right now, public buildings in municipalities, I believe, pay payments in lieu of municipal taxes—bills. Do they today pay payments in lieu of taxes—I understand they do; I'm just clarifying—on all public facilities? That is, they pay taxes to the municipality.

**Mr. McKendrick:** Hospitals typically pay, I think, \$75 a bed, payments in lieu of taxes.

**Mr. O'Toole:** Are there any other conditions under the RFP where the municipalities may seek a different arrangement for the purpose of taxes? If it was a commercial facility for instance, a private jail; they don't pay payments in lieu; they pay municipal taxes. That's the difference between the two.

**Mr. McKendrick:** My understanding is that the publicly owned correctional facilities pay \$75 a bed as well.

**Mr. O'Toole:** Including the private one, Lindsay jail?

**Mr. McKendrick:** I don't know. I can't speak to that one.

**Mr. O'Toole:** I don't know, and I'm wondering if there's any risk in going forward on those yet-to-be-determined burdens of financial cost, because you say right here in your own documents that at the end of the day the taxpayers pay.

**Mr. McKendrick:** The objective here, by keeping them publicly owned, is that you will continue to pay the \$75 a bed.

**Mr. O'Toole:** The other thing on the same model, which is more or less the mortgage model: I'm wondering if there's anything that would favour the contractor in bidding for other in-facility services. For instance, whether or not MRIs are used all the time under the Public Hospitals Act or used part of the time under insurance work or other opportunities to make use of capital equipment, is there any priority given to the mortgage holder, if you will, the option of making use of those facilities?

Let's say there's a conference room or boardroom in a hospital. It could be used by outside parties, and a fee charged. Would there be any part of that facility, whether it's Tim Hortons, a McDonalds or whatever, given in favour to the developer of the property in the RFPs themselves? Would the language in the contract favour the proponent, the developer, in having the first right of refusal to make use of ancillary facilities like a cafeteria, a coffee shop, a non-used boardroom, a teleconferencing centre or even lab facilities that may not otherwise be in full use? Some of the MRIs and CT scans today don't make use of 24-hour service.

**Hon. Mr. Caplan:** On the operations side of diagnostic equipment, those are the operations-type questions

best directed toward the Minister of Health and Long-Term Care. As to the other elements that you've speculated on, Mr. O'Toole, it is rather hypothetical in the absence of a contract to refer to. I certainly wouldn't want to speculate one way or the other without knowing concrete details. In my estimation, it would be prudent to define use and access and questions of that nature, that those would be defined ahead of time so that there would be some certainty for the people in the hospital or for the proponent or for the public to know what the answers to those questions are. I would imagine that that would be the subject of whatever the contract negotiation would be, to outline what those particular details are.

**Mr. O'Toole:** That makes sense to me and, as you said before, on a sort of case-by-case basis making use of facilities, whether it's for a university to use it, teaching faculty of pharmacy or whatever at an up-to-date, modern lab which would be in one of your hospitals, or even Telehealth or eHealth, some of these more innovative ways of making the best use of capital and infrastructure. This would be looked at on a case-by-case basis, I suspect, and not necessarily favour the proponent unless it also favoured the government. If the contract was good because they had some options that may affect price, options on common spaces like cafeteria, coffee, if that gave you an advantage in the overall cost of the project to bring that service to the people of Ontario; is that what I hear you saying?

1510

**Hon. Mr. Caplan:** Those would be determinations of a local hospital board about what its policies would be and whether it would want to enter or add those additional elements in. If they did not wish to, or if they wanted at all times to maintain that, that certainly would be acceptable to us. It's very hard, in a hypothetical situation, without knowing the individual details, to be able to provide you with any kind of clear sense of how things would work, in the absence of contract language specifically spelling that out.

**Mr. O'Toole:** I'm buoyed by the openness of the minister as well as the practical applications of some of these things. I'd have no problem at all with the overall look at a major hospital facility, taking advantage of a Shoppers Drug Mart being on-site. It's health care; it's health equipment; it's operated under a larger business plan. I follow that. That would be looked at as a case-by-case, so it's not pre-emptive.

I remember the broad discussions, even the time I was on regional council in Durham, and in fact when we were government, looking at the Durham courthouse, which you've mentioned. The idea was that it always was going to be a joint-use building, facility. In fact, many of the lawyers practising in provincial law would have offices there, hopefully. Some of the other ancillary community services, whether it's probation or it's paralegal services, could and would be renting space that's contingent on having a centre of purpose, like a court facility which would attract those victims; it would attract persons being charged; it would attract lawyers; it would attract

other experts in that whole area. In this case here, you made it very clear that a courthouse could easily be a commercial lease-back facility.

**Hon. Mr. Caplan:** They currently are. In fact, the regional headquarters in Durham house the provincial courthouse. We lease that space from the region of Durham. I believe—

**The Chair:** Thank you. You find yourself advising the member about things in his own backyard. I just felt that it—

**Hon. Mr. Caplan:** My apologies.

**The Chair:** Thank you.

**Mr. O'Toole:** The Chair is right for interrupting, because you had answered the question I had put to you. That has always been the discussion in Durham and specifically is ongoing right now, as we speak, because of the agreement you've made there more recently on parking and other things until there's transitional time for the new courthouse and the current facilities at the Durham regional headquarters. It shows the flexibility to make wise use of investments.

I still put on the record, as most commentators and questioners here have been on this transparency issue, that it would be good to clarify that in a broad principle—you say that there are five clear principles—all of these contingencies that have been brought up here today would make sure that the lender and the agreement ensure, outside of goodwill, that they will maintain this property. As you said in your document here—it's called Building a Better Tomorrow, which is really good, actually—the infrastructure asset management plan will “develop asset management and information systems addressing asset inventories, state of good repair, life-cycle costing and future investments,” which kind of ties into the point I was getting at. All these facilities—correctional facilities, government services, licensing offices, you name it: You'd have to provide all this stuff. There must be somebody in the Ministry of Finance or somewhere who knows that every time you add a bed in a hospital, or in a prison, for that matter, you're adding a permanent cost forever that has to be maintained and capitalized, because you're not going to cut that service, hopefully. Do you understand? So you must have some idea of what the actual maintenance of capital going forward is for the province, based on some formula, whether it's population growth or life-cycle costing. Would you agree that we must say that if we're going to commit another 500 beds in Ontario, that's a perpetual cost of capital going forward for as long as we can imagine, an additional cost to the one payer, the taxpayer of Ontario? Would that be fair?

**Hon. Mr. Caplan:** If your question is, are there operating implications for the capital, without doubt, yes. If you're asking me to quantify that, I'm afraid I can't provide you that kind of analysis. We are working with partner ministries, whether, in the case of a courthouse, with the Attorney General and the Ministry of Community Safety and Correctional Services, or, in the case of a hospital, with the Ministry of Health, or, in the case

of a university, the Ministry of Training, Colleges and Universities.

I appreciate your comments and take them at their face value regarding what we've laid out as far as a framework for investment, as far as a framework for moving forward on the difficult matters of infrastructure that have eluded governments of all stripes for a good long time. The first section, 1.1, was the infrastructure challenge, just what it is we're facing, and in 1.2, right out front, we state what our core principles are moving forward.

I want to reiterate to you and all the members of this committee, as well as the general public, that we undertook a process of consultation around this province—eight round table sessions. I believe our first one was in Hamilton; a couple in Toronto; we were out in Ottawa; we were up in North Bay. My parliamentary assistant, Mr. Rinaldi, attended all of them as well. I want you to know, we invited financial people, representatives from the construction sector, trade unionists and labour representatives, municipalities and their representatives, hospitals, school boards, the various sectors that have some of the same infrastructure challenges that we do. We talked very openly about, what is the problem?

First of all, is there a problem and what is the nature of it? Secondly, what do we do about it? What are the various strategies and ways and means that we can bring to it? It culminated in asking, what are the guiding principles—in whatever it was we were going to do—that would guide us as we moved from identifying what the problem was and what the challenges were toward the identification and delivery of the solution?

This work, although guided under the Ministry of Public Infrastructure Renewal, is a compilation and a synergy of all of those folks coming together. It took us a little bit of time, but I think we put together some very solid strategies, some solid methodologies, some solid processes in order to take us where we need to go.

I say with the greatest amount of candour possible that this infrastructure investment has been left for far too long. Our cherished public services, our quality of life, and our economy rest upon infrastructure, and without the very necessary investment across the range of strategies, we imperil all that we have sought to build over time.

I thank you for your comments and insights regarding the framework, and I thank you for allowing me the opportunity to share with you how we derived many of the techniques, statements, principles, directions and strategies contained in this document. Any feedback is very welcome.

**Mr. O'Toole:** I guess I'm waiting to see. There's a lot of open-endedness to some of the responses. You've committed to tabling the contracts, specifically the Peterborough Regional Health Centre and a couple of others. I would encourage Jim Flaherty, our critic in this area, and Ernie Hardeman to take those and look at going forward. As Mr. Flaherty said, imitation is a form of Flaherty—I think that's what he said. I'm even looking at going forward.

We have many school boards and educators compliment the way we responded to the double-cohort thrust at the post-secondary level; also to the new mechanism for funding schools in Ontario under the student funding model.

1520

I see here that you've got \$1.8 billion set aside over five years to support school construction already completed. Having been a trustee for a number of years, I know that there were very few schools built. They were politically motivated, in many cases. This did not happen in the past. In my riding, I think there were a total of 20 new schools, two or three of which were high schools, costing in the order of \$15 million to \$20 million for a high school. It's a lot of money.

You've got money in here to maintain that, schools that are completed. As well, you've got \$600 million for graduate school spaces in medical school. That's good. We started that project in Thunder Bay. In fact, the head of the medical group up there was Lyn McLeod's husband, Dr. Neil McLeod. I had the privilege of meeting him. They were one of the first groups to sign on to the program that was called family health networks—you've called it another name but it's the same thing; it's collaborative health care—as well as the agreement with Thunder Bay and Sudbury, the medical facility, which I guess will be opened with a ribbon-cutting this year.

So you are continuing much of the good work that was started under difficult circumstances. You've referred to Howard Hampton when he was Attorney General and to Floyd Laughren several times and the difficulties they had in their time of a declining economy, a recession, the social contract and a few other things that underpinned their time in office under difficult economic times—no question about it; absolutely.

We struggled out. At that time, our budget was about \$45 billion and about \$11 billion was deficit. About 20 cents of every dollar when we took office, Mr. Caplan, was deficit. So we did have a transitional problem, as you do, and you've committed—I'll try to turn this into a question rather circuitously.

**The Chair:** Your time is running, Mr. O'Toole.

**Mr. O'Toole:** But given that—and you will have your chance—you're halfway through your term here and you've committed to the act—I forget the name of the act—where ministers will take a pay cut if they don't balance the budget, are you going to maintain at least that commitment to take a cut in pay as you work your way through spending more than you're actually earning?

**Hon. Mr. Caplan:** I've already taken a cut in pay and paid for the sins of the previous government.

**Mr. O'Toole:** Now you've got to pay for your own.

**Hon. Mr. Caplan:** And I do believe the Legislature did amend the act, as you would recall.

**The Chair:** Thank you very much, Mr. O'Toole. Thank you, Minister.

*Interjection.*

**Hon. Mr. Caplan:** I believe I've paid for your sins.

**The Chair:** It can't be too big of a pay cut; he's got a mortgage now.

**Hon. Mr. Caplan:** Thanks, Chair. I appreciate your understanding.

**The Chair:** Mr. Hampton, please.

**Mr. Hampton:** I have a couple more questions. Is it the intention of your ministry in every case to measure what the costs would be by proceeding according to public financing as against the private financing model?

**Hon. Mr. Caplan:** Are you referring to putting together a value-for-money benchmark, or a public sector comparator? Is that what you're referring to?

**Mr. Hampton:** More the public sector comparator right now.

**Hon. Mr. Caplan:** Yes. In order to determine whether or not value for money is achieved, that's a necessary step in order to provide a basis for comparison, and that comparator will be made public as well.

**Mr. Hampton:** Will that be done internally within the ministry or will that be done externally by someone contracted or commissioned by the ministry?

**Hon. Mr. Caplan:** Our plan is to do that internally within the ministry or, rather, within the Ontario Infrastructure Projects Corp., one or the other, and to have that comparator. But, as I did indicate, we do at the end of the day want the comparator to come in the public realm so that the public will know that they have in fact received value for money.

**Mr. Hampton:** So when will that information be made available to the public in the case of each specific project?

**Hon. Mr. Caplan:** Our goal and our intent is, upon signing of the contract, to proceed ahead with an infrastructure project, at that point the various documents would become public.

**Mr. Hampton:** One of the problems, for example, with the Ottawa Hospital and the Brampton hospital is that in fact all the documents have not been made public.

**Hon. Mr. Caplan:** I understand that many of them have been, but of course you're quite familiar that those two areas and the documents were the subject of a court proceeding. I regret that I just can't share everything with you, because it is a matter currently in front of the courts.

**Mr. Hampton:** So it's your view that the only thing that is stopping the McGuinty government from making all the documents with respect to those two private financing operations available to the public now is the court proceeding.

**Hon. Mr. Caplan:** As far as I'm aware, yes.

**Mr. Hampton:** So if the court proceeding ends, all of the documents will then be made public.

**Hon. Mr. Caplan:** It's our desire to act in accordance with what we've set out, that there be clear accountability and that the public understand what has been purchased on their behalf—a building or what have you. We very much wish to proceed in this spirit.

I would say that the way the Brampton and Ottawa deals were structured would not be the way that we would proceed under an AFP approach but, yes, it is our desire to make those public as well.

**Mr. Hampton:** So you're saying that the private hospital financing projects that you are now contemplating will be different from the Ottawa and Brampton projects?

**Hon. Mr. Caplan:** Yes.

**Mr. Hampton:** In what way?

**Hon. Mr. Caplan:** In the ways that I've outlined. First of all, they will be publicly owned, publicly controlled. Secondly, we will have clear accountability and public transparency, so the documentation will be made public. Thirdly, we have undertaken already, as you're quite aware, process and fairness commissioners to oversee so that we do in fact live up to the principles that we have set out around fair, open and transparent. So as far as methodology, concepts related to ownership, but also on important process questions, it's very much different from previous P3 approaches.

**Mr. Hampton:** But you've got the Minister of Health out there saying that the Brampton hospital and the Ottawa Hospital are already public hospitals. You're saying they're not?

**Hon. Mr. Caplan:** I believe I've indicated that we brought those back, according to what the Premier had committed to, from the private hospitals as they were structured back into the public realm. I've always maintained that. I've never changed that.

**Mr. Hampton:** So what would be the difference between the Brampton private financing and Ottawa private financing on the one hand and what you're talking about now, since the Minister of Health says that anything that was wrong has been rectified?

**Hon. Mr. Caplan:** I don't believe the Minister of Health has made that kind of statement, so you'll have to refer to the Minister of Health for precisely what that is. I can tell you that the way the previous government approached, oversaw, managed and negotiated the various elements in those contracts would not have been the way we would have approached it under our AFP model, and it will be different in fact. One of the concepts, like the private hospital—the original hospitals were contemplated as privately owned. Our approach upon taking office made a very significant effort to bring those from the private realm back into the public realm.

**Mr. Hampton:** Many of the people who have looked at this are not impressed. I'll quote the Toronto Star editorial of May 11: "Regardless of how you spell it, P3s or AFP, Ontarians will end up paying more than they have to for the infrastructure they need." Stakeholders on all sides agree that alternative financing procurement is identical to P3s. Both are private, for-profit models of financing. So folks who have looked at this are saying that you can change the words, you can say that one is a public hospital and the other is a private hospital, but in fact the substance of the deals is essentially the same. I guess what I'm asking you is, what I hear you saying now is that alternative financing procurement will be different. How?

1530

**Hon. Mr. Caplan:** Well, Mr. Hampton, I've clearly articulated, both in my opening comments and in re-

sponse to members' questions, clear differences between your and the Conservatives' P3 approach and alternative financing procurement. I don't agree with you that all of the stakeholders or even most of the stakeholders oppose the AFP approach. In fact, we have significant union support from both the provincial construction trades and from the Universal Workers. We have the Ontario Hospital Association, the Ontario Medical Association; we have hospital CEOs. In fact, a letter appeared in the Hamilton Spectator over this weekend from Murray Martin, the president and CEO of Hamilton Health Sciences. I won't read the whole thing, but I will make sure that you have the ability to understand the bottom line:

"I would like to emphasize our commitment to publicly owned, publicly operated and publicly accountable hospitals is unequivocal. We are proposing long-term debt financing, not a 'P3' or 'private-public-partnership arrangement.' Our hospital would not be giving up control or ownership of our facilities to the private sector. As we have always done, our hospital will continue to manage all aspects of construction and hospital operations."

That was Dr. Murray Martin, president and CEO of Hamilton Health Sciences.

Regarding the Toronto Star, I regret that their editorial is in conflict with the direction that we're moving forward in. I hope that I will be able to convince them that the outcomes will be different, that AFP is different than both former governments' P3 approach. I think the important part to remember is that the assertion, "Well, simply go and borrow the money, because that method of finance is cheaper," does a serious disservice to the state of the finances of the province of Ontario.

As we've discovered, between the years 1990 and 1995, when provincial governments decided that that's what they would do, we saw the effects on the province's credit rating. In the words of Floyd Laughren, more and more of the operating element of the provincial treasury and provincial budget were eaten up by public debt interest, crowding out and squeezing out not only infrastructure but health, education, environment, agriculture, energy, labour, and so on and so on and so on. So the notion that somehow we can borrow our way solely and have no effect whatsoever on the provincial ability to deliver and fund its operating and capital expenditures I don't believe is the correct conclusion.

I guess I'm simply going to have to agree to disagree with the authorities that you cite. There are other authorities who see things in quite a different light. I'm prepared to let the results stand for themselves. I, for one, don't believe it is the responsible thing to deny Ontarians access to state-of-the-art, high-quality medical services, because that's the other alternative: to not proceed. I believe that we've reached a point, Mr. Hampton, where that is simply not an option.

**Mr. Hampton:** Why do you say the the only other option would be not to proceed?

**Hon. Mr. Caplan:** Well, the other option, then, would be to go out and to essentially borrow and see the prov-

ince's credit rating decline even further, see public debt interest crowd out education and health care operations spending. I don't believe those are the appropriate choices. I believe that we have to proceed with modernizing our health care infrastructure, with bringing our water infrastructure into a state of good repair, with reversing the long decline that we've had in our public facilities. I believe these are necessary investments for the provision of better public services and for a stronger economy, and ultimately for a higher quality of life. The track record of previous governments has been to delay or defer these kinds of investments. We do so at our peril and we do so neglecting what Ontarians tell us is their highest priority, which is improved public services.

**Mr. Hampton:** I thought we settled earlier that the only difference between what you're going to do and what public sector financing would do is that you would get to hide this from the government books for a couple of years during the time of construction, until the building of the hospital is completed. After that, the accrual method of accounting and the private financing accounting are the same. What would show in the government's books is that in a given year, you're putting out, say, \$200 million or \$300 million to pay for financing and that will go on for whatever the term of the bond is, whether it's a private financing bond or a traditional public infrastructure bond. So I don't get, and I don't think anybody else gets, where this would result in some huge up-front cost.

**Hon. Mr. Caplan:** The experience in Ontario and other jurisdictions around the world is that project management proceeding on the basis of a traditional model oftentimes—in the case where the UK auditor had a chance to study, 70% of the time—resulted in over-budget and significant time delays as far as the delivery of public infrastructure. I know you narrowly phrased your question earlier to relate only to the accounting treatment and I was very careful in my response to indicate to you that it was not solely accounting treatment that was the reason for using a variety of methodologies toward the provision of public infrastructure. If you did not hear that, I regret it and I know that Hansard will reflect those comments. Project management and delivery, risk transference, certainly the accounting portion over the period of construction—which is not, I should say, something to simply be dismissed. There are differences, and I hope that I've articulated them for you.

**Mr. Hampton:** Let's compare apples to apples and oranges to oranges. If I understand you correctly, you're saying that for the government to build these hospitals, they would have to go out and borrow, lump sum-and show on their records all in one year, literally billions of dollars. Is that what you're trying to say?

**Hon. Mr. Caplan:** In some instances, yes.

**Mr. Hampton:** No, not under accrual accounting.

**Hon. Mr. Caplan:** We're not fully in accrual accounting yet, and certainly not for the period of construction, either. I also indicated that that is not the only reason.

You've narrowed it down to only one element as far as risk transference.

**Mr. Hampton:** Chair, could I ask from legislative research—the minister seems to be saying that in a public financing model under accrual accounting, the government would have to go out and incur huge up-front debts and show them on their books immediately, and he's trying to say that this would somehow prohibit the building of these infrastructure projects.

**Hon. Mr. Caplan:** I didn't say that.

**Mr. Hampton:** My understanding of accrual accounting is that the government shows these on the books as it pays segmentally each year. I wonder if you could give us a comparison here, or a comment, because I think the minister is engaged in some sort of fantasyland trip here.

**The Vice-Chair:** Do we have the question, researcher? Are you satisfied that the question is clear enough?

**Mr. David McIver:** I do have the question.

**Mr. Hampton:** I simply want a comparison from legislative research on the McGuinty government's private financing method of paying and accrual accounting, and I want specific attention paid to the minister's assertion that if you do this through a public financing approach, the government would have to go out and borrow billions of dollars up front and show that immediately on its books. He asserts that that is true, and then he asserts that, because he believes that to be true, these facilities wouldn't be built under a traditional public financing project.

**1540**

As I understand it, accrual accounting simply says that's no longer the case. I acknowledge for the minister that one of the realities the NDP faced was we wanted to build these projects, but lacking accrual accounting, you had to take all of these costs up front, even though the bond payments would be made over 25 years. That's an accounting issue. That's why public sector accounting across the country has moved to accrual accounting, because it's more accurate. It actually shows when the financing payments are made.

You seem to want to say, on the one hand, that if it's public financing, this all has to be done initially and the government has to borrow billions of dollars, which is just complete fantasy. It's not the case under accrual accounting.

**The Vice-Chair:** Is there a question there to the minister? There are two minutes left.

**Mr. Hampton:** My question was actually to legislative research. I think he gets it. I'm not sure the minister does, but I think legislative research gets it.

**Hon. Mr. Caplan:** Will legislative research also add in the element of this transference and cost overruns, which Mr. Hampton, of course, conveniently leaves aside in his estimation of project costs? So please include those as well.

**Mr. Hampton:** If research wants to answer a separate question comparing cost overruns and so on, I'd be happy, but I want legislative research to also look at the issues that have come out of P3 hospital financing in

Britain, where there is literally a catalogue of cost overruns and literally a catalogue of delays. So if you want to get into that, I invite you to get into that, but I want to look at the international evidence, and evidence from the United States, and evidence from other provincial jurisdictions, in hospitals, in schools and in other private financing projects.

I think, once again, what we've got is the McGuinty government engaging in spin that can't be substantiated when you actually look at what's going on elsewhere in the world, whether it be Australia, New Zealand, Britain, the United States, or your good friend Gordon Campbell out in British Columbia.

**The Vice-Chair:** That's a very good question. Your time is up for this round. If you have any clarification, perhaps you could talk to research afterward to make sure that very big question is responded to tomorrow.

**Mr. Hampton:** I think the researcher gets it.

**The Vice-Chair:** Very good. Thank you.

For the next round, we'll go to the Liberal side.

**Mr. McNeely:** One of the interesting aspects for me from the background of coming from the traditional method of designing and contracting out infrastructure is that it's good to see—I'm looking at page 32 of the *Building a Better Tomorrow* book—how the operation risks and the capital repairs—the construction risks, I think, generally were always left with the contractor and the consulting team—are good risks to have with the consortia, because then you're going to have someone delivering a building that is going to have to pay for the operation and capital generally. Probably most of the risks will be transferred.

I think we've seen with Pickering 4 where that project started with about 10% of the design done and it just went three or four times the estimated cost, and the time was just atrocious as well. Pickering 1 went to 90% design before they went—so that's going to put a lot of pressure on the consortia to have their long-term costs in line and the designs in line. I really see that as being a very strong point of this model that is being proposed. I think it will come back and return investments for the province many times over.

I think you mentioned \$100 million as being the threshold for going to this model. The announcement for my hospital, which was the Montfort, was a great one, and we're looking forward to that going ahead. In the case of the Montfort, they have their site. They have all the land.

If you're looking at page 31, there are many things under "Site Risks" that need transferring. In that case, would most of those risks stay with the hospital because they're sure of them? That's not a case where you'd try to transfer risks.

**Hon. Mr. Caplan:** That's what the whole section on risk categories and treatment is all about. What we're trying to do is to encapsulate all of the various risks which could occur. I think what is really important to remember about this is that some risks we do not want to transfer, some risks can be retained by the public sector. This is what we're trying to get at in these sections.

As you say, the sites are already owned. In fact, in most cases—in almost all cases that I'm aware of—they're owned by the public hospital corporations. So these types of risks can be managed; the burdens can be shouldered. There is no reason, or it hasn't been demonstrated that there's a very strong reason, why you would want to transfer those risks to a private consortium and to pay a premium to be able to do that.

It's very important that we begin to delineate some of the general risks, policy risks and other ones that are out there, and go through, as we've charted out here: Is it applicable to the project itself? Who should assume the risk? Should it be the private sector or should it be the public sector? I would reject the notion, if anybody tried to proffer it, here or anywhere else, that somehow all of the risks were being pushed on to one side or another. In a traditional public works model, all of the risks are assumed by the public, by either the hospital board or the provincial government. So, some of these things you will want to; other things you will not.

I do know, Mr. McNeely, that you have an engineering background, and you referenced some of that earlier. I especially want to talk about life cycle. We are not involved in the kinds of life-cycle practices that we really ought to be in. We have, regrettably, pushed off the maintenance of our public buildings and public assets because of other kinds of budgetary pressure. They become part of the vagaries year to year. What we call for in the *Building a Better Tomorrow* framework is an asset management plan. What is the methodology, whether it's the university, the hospital, the municipality or the provincial government, to take care of its own assets? If we can realize the full life and utilization of that asset, we're delivering best public value to the people who are ultimately paying for it. That's a critical element for us, and we very much want to get involved in life-cycle practices.

In our design criteria, we very much want to make sure that we're calling for things like disabled access. We are very proud of the Ontarians with Disabilities Act, and we are certainly changing our design criteria. We would very much like to—and it's going to take us a while—get into the kind of practices as far as energy conservation and demand management systems, to build that into a building so that we can lower our demands on the energy sector. Again, this ties into and touches so many different other kinds of initiatives of our government. So through the construction of the platform to provide the public services, we can meet so many of the other goals as well. I wanted to touch on that too.

Thank you for the question about Montfort. The site risks easily could be handled there as well.

I understand as well that just today the Ontario Hospital Association talked about, "The use of an innovative financing model to fund the renewal of Ontario's hospitals is necessary to ensure improvements to patient care and efficiencies are made in communities" across Ontario, said the president and CEO of the Ontario Hospital Association, Hilary Short. The Ontario Hospital Association "strongly supports the use of innovative

funding models for hospitals.” So this movement is growing, whether it’s in Ottawa and your community hospital or in Waterloo region, or in Sarnia, Sioux Lookout, Durham, Brantford or across the province. These are important techniques that we now have available to us which allow us to do more, and do more faster.

1550

**Mr. McNeely:** The design-build, when they came out—and that was the fault with them. They were the lowest first cost, and forget about all these other risks that you’ve named here under operations and capital. This is a big improvement. It should force the industry to look at those life-cycle costs and get them down to the best for the owner. I’m very pleased to see that those two issues are included. They should have been in the early design-builds; we got a lot of very poorly-insulated buildings, a lot of high-maintenance buildings. This will certainly help. I have no other questions.

**Mr. Milloy:** Minister, I want to go back. We’ve discussed the size of this plan—I mean, \$30 billion over five years—but at the same time, as you’ve pointed out, it’s not enough money. It’s unfortunately not going to meet 100% of the need within our communities across the province.

You spoke earlier about things that can happen, changes to everything from the economic climate through to technologies and things like that. When you look at a plan of this magnitude, will it be revised on a yearly basis, or how are you going to be addressing all these different plans as they unfold over the five years?

**Hon. Mr. Caplan:** It will have to be reconfirmed each year. Governments are able to change their priorities or meet emerging needs as the case may be. But as much as we can, we want to confirm major projects and other projects moving ahead on a timetable that we can meet and that can be handled with the construction capacity that exists in Ontario. As well, we’re going to want to add subsequent years. Remember, this is the outlook between 2005 and 2010. We’ll add on 2011 and 2012 and, in subsequent years, 2013 and 2014. We want to continue to extend.

Remember, this is the first time ever in Ontario’s history that we have developed a detailed plan for capital and infrastructure investment in the province of Ontario. This is groundbreaking. It will signal to not only our sector partners across the province of Ontario but around Canada and internationally that Ontario is a place where there is a great deal of activity. We hope to be able to expand the capacity and the ability of our construction sector to meet and perhaps, if it is available and if additional money has become available, even exceed some of the things we wish to do here.

I am heartened by the budget that was introduced and passed by our colleague Finance Minister Sorbora, where he said that if we realize additional funds through any kind of asset utilization or sale, infrastructure would have the first priority as far as making additional investments. So I’m very heartened that if additional funding becomes available, we can make a dent. But it is incredibly ironic that \$30 billion is simply not enough, because that is a

staggering sum of money. I can’t tell you just how large that is, to know that we only have less than one third of what we believe we need, and probably not even that. It is really very humbling to know that we have only begun the initial steps on a much larger journey in the investment, to change the practices, but ultimately to change the outcome, to deliver better, more, faster and higher-quality services for the people of Ontario.

**Mr. Milloy:** Do you envision that next year you would talk about year six, for example, or that there would be another five-year plan, that you would talk about the next 10 years at a certain point, or sort of a combination of both?

**Hon. Mr. Caplan:** Next year would be reconfirmed and then year six would be added. That is the way that we’re approaching it at this point. We’d also like to move to a longer-term concept. One of the difficulties and one of the challenges of individual ministries is that some are in a better position than others to determine what their transformative strategies—in the case of the health ministry around wait-times—are. But others are still working toward what transformation strategies, what service delivery they’re looking for, regionalization. Those are individual ministry policy and operations kinds of questions. Once that determination is made, once they can chart out that course, they come to us to find a financing and a delivery solution, and so we’d like to be able to indicate what that will be and how that’s going to work over a longer period of time, but we’re not there at this point. We would very much like to be, though, and we’re working toward that.

**The Vice-Chair:** The Chair recognizes Mr. Levac.

**Mr. Levac:** I appreciate this opportunity. I’ll be a little less apologetic for being a bit of a hometowneer this time, Minister.

In your document Building a Better Tomorrow, there’s a discussion on page 11: “1.4.2. Objectives of the Infrastructure Planning, Financing and Procurement.” You’re very much aware of the project in Brantford, which I fully endorse and support, with the creation and growth of Laurier, Mohawk and Nipissing, that very unique partnership of two universities and a college. Their next step or process falls right into this line item. It says, “support line ministries and government agencies, municipalities, hospitals, school boards, and colleges and universities in developing innovative and creative ways to meet Ontario’s infrastructure needs while protecting and promoting the public interest,” and then there are a couple of other points that speak to exactly this type of project.

What I guess I would seek in this particular situation—and I know I do have your support—is to maybe identify projects across the province similar to the specific one in Brantford. Are we taking any kind of stock in the types of projects that fit into the specific plans the ministry is coming out with to try to encourage, at least acknowledge and help those municipalities, particularly mine, that are there, that they’re fulfilling what the Ministry of Training, Colleges and Universities wants us to do, that infrastructure wants us to do, Places to Grow,

greenbelt, to at least tell them, “You’re on the right track; we’re there,” because the investment in my municipality is huge—I know you’re aware of it and support the concept. Basically, maybe give us an idea, not just specifically about my project but how to start identifying those projects across the province.

**Hon. Mr. Caplan:** That’s actually a hard question to answer, because it’s so conceptual in nature. What we’ve done, really, is start with the very simple premise: Corporately, what does the government want to deliver? What are our highest priorities? In health care, the transformation and the wait-time agenda; in education, lower class sizes, higher student achievement, kids learning longer and also serious engagement in post-secondary education; and supporting the economy—those sort of general headings. Also, some very specific actions: How do we align the the Ministry of Training, Colleges and Universities or the Ministry of the Environment, whatever ministry it happens to be, with the key corporate objectives we’re trying to reach, and how do we align our own investment and our own projections? For example, in the Places to Grow strategy, how many people are we expecting to come, where are they going to settle, where are the job centres going to be, how do they link together—trying to kind of make that determination conceptually on a larger scale but then translate that at the ground level. How do we work with a municipality and a community college and, potentially, a private sector operator, a private sector partner or whatever configuration in order to meet the higher policy goal and objective and the corporate priority?

What we’re trying to do, from our perspective is, first of all, identification, and then the appropriate investment methodology or tool or simply the magnitude of dollars available to be able to support it. Are we able to integrate various ministries working together? For example, it might be a training, colleges and universities on a training system working with economic development toward an employment stream; working with a municipality or the ministry of municipal affairs, whether it’s a land use function, working with us related to the investment of an operative road transit system or water servicing—bringing all these things together. That’s what we’re trying to get at here. There are a number of ministries, there are a number of partners at the municipal level, there are a number of partners that exist out there in the private sector that need to shoulder various burdens and work together to various degrees to be able to realize these kinds of goals.

That’s how it would work specifically in Brantford, but it has application in a great number of ways. You’ve asked a very profound question, and I thank you for it. It’s a very hard one to answer—a conceptual kind of model—and make it whole.

Mr. Chair, thank you very much. I look forward to seeing you and the committee members tomorrow.

**The Vice-Chair:** This committee stands adjourned until 9 o’clock tomorrow morning. There will be one hour—actually 59 minutes—left for the Ministry of Public Infrastructure Renewal.

*The committee adjourned at 1600.*

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