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Thursday 4 May 2006

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Jeudi 4 mai 2006

**Standing committee on
public accounts**

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Auditor General:
Ministry of Economic
Development and Trade

**Comité permanent des
comptes publics**

Rapport annuel 2005,
vérificateur général :
ministère du Développement
économique et du Commerce

Chair: Norman W. Sterling
Clerk: Katch Koch

Président : Norman W. Sterling
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

COMITÉ PERMANENT DES COMPTES PUBLICS

Thursday 4 May 2006

Jeudi 4 mai 2006

The committee met at 0947 in committee room 1, following a closed session.

2005 ANNUAL REPORT, AUDITOR GENERAL (MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE)

Consideration of section 4.06, business and economic development activities.

The Vice-Chair (Mrs. Julia Munro): Good morning, and welcome to public accounts. I'd ask you to introduce yourselves for the purpose of Hansard and we'll then go into rotation for questions and comments from the members.

Mr. Don Black: My name is Don Black. I'm the Deputy Minister of Economic Development and Trade. With me today is Robin Garrett, who is the assistant deputy minister of our investment and trade division; Neil Smith, who is the assistant deputy minister of our SME division—that's small and medium-sized enterprise; and on my far left is Bob Seguin, who is the ADM of the industry division.

Would it be appropriate if I have a few brief remarks?

The Vice-Chair: Yes, absolutely.

Mr. Black: I won't try to take too much time here, but I just want to maybe set a bit of context.

Thank you and good morning. I appreciate the opportunity to update the committee on the ministry's progress in addressing the auditor's recommendations and findings.

Let me begin by saying we welcome those findings that the Auditor General has put to us and we at the ministry take these very seriously. They have provided valuable input and direction and they were particularly timely for me, as they came in my first year as deputy minister over at the ministry.

For the last three years we've been busy at the ministry reorganizing and realigning ourselves to make sure that we're able to deliver on the government's priorities. We've done so by identifying four key strategies that we will be following in the ministry and have been following in the ministry. Those are industry and cluster; automotive investment; investment and trade on the international stage, so to speak; and our small and medium-sized enterprise focus.

We've been working diligently to implement the auditor's recommendations and in 2005 we provided this committee with an update to show the progress to date. I thought that we had addressed the majority of the committee's recommendations at that time. There's always more to do, but we were making good progress. For that progress, I'd like to recognize the commitment of the staff back at the ministry who have taken those recommendations to heart and actually put them into practice.

Many of the recommendations were related to our effectiveness in measuring our business and economic performance and our activities—I should say, measuring our activities and measuring results.

I'd like to tell you that the comments regarding these issues greatly influenced our ministry planning and restructuring. We are in the process of instituting an extremely strong results-based plan built on good processes and good data that will help us effectively measure the success of our ministry strategies and programs. As part of the request from Management Board that every ministry faces as they go through a results-based plan, for 2005-06 the ministry consulted extensively with folks at Management Board and the Results Office and Cabinet Office on the development of our performance measures for key strategies that support the government's objectives. Key performance measures for 2005-06 were confirmed along with the data sources and processes for monitoring the achievements of those measures.

The auditor's report specifically made recommendations to the ministry's two youth entrepreneurship programs, Summer Company and My Company. As a result, systems have been implemented for monitoring grant recipients and tracking their success. Since the 2003 audit, we have evaluated both programs and have since expanded the Summer Company program and cancelled the My Company program.

Similar stringent monitoring programs and evaluation systems have been put in place for both the \$500-million automotive investment strategy as well as a new program announced just before Christmas, the advanced manufacturing investment strategy. We continue to monitor, review, refine and improve our measures as we go forward.

As part of that effort to improve our measurements, we are conducting, as an example, a study of trade and investment programming in other leading jurisdictions to consider best practices, to ensure that we're targeting the most promising markets and sectors, and that we're using

the most effective approaches to measuring results. As we're seeing elsewhere, everybody's grappling with the same issue: It's easy to measure activity and it's more difficult to measure results. We're finding similar issues around the globe.

In the 2003 audit, the auditor provided recommendations that specifically dealt with trade and investment that would help to effectively support the ministry's initiatives for increasing Ontario exports and attracting investment to this province. Since the audit, and as part of our restructuring back at the ministry, the investment division and the Ontario Exports Inc. division were merged into one to improve coordination of our international effort in key markets and sectors. As part of this merger, Ontario Exports Inc. was disbanded and the merged investment and trade division staff now deliver its programs. As announced this past April, just last month, the board of the OEI will be replaced by a new investment and trade advisory council, which will have an expanded role in providing feedback on both trade and investment programs and on our services. In addition, council members will be asked to promote Ontario's investment and trade development interests around the world. The new council will be comprised of a 15-member board who will be corporate champions with strong representation from ethnic communities, entrepreneurial experience and representatives of a cross-section of the business community. Building on OEI's three-year strategic plan back in 2003-04 to 2005-06—that three-year period—which was approved by the OEI board, the new division has further focused market and sector priorities, along with key activities for each. The new plan also tries to balance the importance of the US market as a trading partner with the need to make a long-term commitment to develop other important markets, such as China and India, as we see the emerging opportunities.

Regarding the Canada Science and Tech Centre in Jiangsu, China, the ministry assessed its relationship with the Jiangsu-Ontario Tech Centre and stopped funding it in 2004-05. We have just renewed our collaborative relationship with Jiangsu and are moving aggressively to forge a new partnership built on the mutual benefits of increased commercial ties. With a merged and focused investment and trade division, our ministry is providing leadership in supporting the development of a culture of innovation, promoting investment and expanding exports to the world.

Finally, I'd like to address a few of the specifics, just to clarify where we are on some of these audit recommendations.

Under strategic skills, the ministry has implemented steps to address the auditor's 2003 findings regarding tracking student enrolment and course completion information. We will continue to collect and record that information until all strategic skills investment contracts are completed in 2009.

Under travel expenses, in light of the audit findings, the ministry has taken steps to address the auditor's concerns regarding the management of travel expenses.

The ministry has implemented an annual quality assurance spot check of travel expenses and, as part of our effort to make sure that staff understand what the rules are, our controllership group has developed an extensive training session on the new OPS travel directive, delivering 15 sessions during the past year, which covered almost all of our staff who do the travel.

Under management of consulting services, the ministry agrees that there should be value for money for consulting services, so we have implemented significant improvements in the management of such services to address these recommendations of the auditor. These include updated policies and procedures, improved communication of ministry policies and increased controls over the acquisition of consulting services. The ministry has also in this area implemented an annual quality assurance spot-check of consulting services. I'm pleased to say that our 2005 spot-check showed we have made continued improvements in this area.

Again, as an effort to improve our understanding within the staff ranks, our ministry controllership group has ongoing training programs for procurement and management of consulting services agreements. Over the past two years, we've given 10 sessions attended by 138 staff covering almost all of those who are involved in consulting services procurement activities.

As a last point, we have adopted the auditor's recommendation to hire on staff to manage our website at the Ontario Investment Service instead of contracting out that work. That move alone is saving the ministry \$150,000 a year.

In conclusion, Madam Chair and members of the committee, let me once again thank you for allowing me the opportunity to present some context before we get into the Qs and As. I trust you will agree that we've made some progress and that we're on the right track. We recognize there's always more to do and we're going to keep working at it. We'll keep pressing ahead with improvements.

As a final note, I'd like to extend my thanks to Jim McCarter and his team. He's changed the relationship between the OPS and the auditor's office; it's one of collaboration and openness. We feel as if we're working towards the same goal of providing better services to the taxpayers and the people of Ontario. Jim, to you and your team, thanks a lot.

Mr. Jim McCarter: Thank you.

Mr. Black: That's it for me right now.

The Vice-Chair: As each caucus will have equal time, I'm just looking at who might wish to begin questions. Ms. MacLeod?

Ms. Lisa MacLeod (Nepean-Carleton): Thank you very much for appearing here. I'm Lisa MacLeod, the newest the MPP in the room. I'm looking at a travel document, a travel reminder. I understand that the auditor, in 2003, made some significant and serious recommendations to you, and you followed up with a 2004 travel audit. Has that been made available to the auditor?

Mr. Black: Yes, it has.

Ms. MacLeod: What did you find in that interim report?

Mr. Black: I think, to sum it up, we found that there were still instances where we could do better in terms of making sure we had all the invoices for each of the travel meals and things like that. But generally speaking, we were sort of on the right track and making progress in improving that.

If Sheila McGrory, who's one of our corporate services directors in the finance branch, wanted to make a few specific comments, would that be appropriate for you?

Ms. MacLeod: Yes. I think that would be great.

Ms. Sheila McGrory: In terms of the audit, I think the major issue that we identified was that the supporting documentation was sometimes lacking. We took a look at other areas and found out that there were some instances of miscoding of the transactions.

In order to remedy the situation, as the deputy mentioned, we have undertaken extensive training in the ministry. We have the numbers to back up the fact that we have provided extensive training in the last two years of at least 75% of the staff that are the heavy travellers.

We also provide extensive training in terms of desk-side support as people are entering their expenses into the computer system, the IFIS system. If there are any issues that arise, we send somebody down from the controllership branch to assist them and to go through the directives with them.

Ms. MacLeod: I'm just assuming that this is the basis of this travel reminder from February 2006 that I have in front of me, which is a Ministry of Economic Development and Trade travel reminder—about 13 policy reminders, travel reminders, for ministry employees when travelling on Ontario government business. Is that the basis for that document?

Ms. McGrory: Could I ask our controller, Jan Yousef, to come forward?

Ms. MacLeod: I'm sorry to make everyone play musical chairs this morning.

Ms. Jan Yousef: The travel reminders are sort of quick tips for our staff to think about as they are planning their travels so that they don't forget anything. In addition to that, we also provide extensive support to them. We've given them a quick "travel at a glance" brochure that are the key points, the rules that they need to keep in mind, something short and sweet that they can pack up in their briefcase and take with them. We have done extensive training where we've literally walked them through the entire policy and made sure they understand the detailed need for receipts—

Ms. MacLeod: Excellent.

Ms. Yousef: —and actual management scrutiny of expense claims as well.

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Ms. MacLeod: There are 13 points here, and three actually raise red flags for me. Obviously, most of this stuff is straightforward. Having said that, I'm looking at, "Where applicable, the use of government-provided

calling cards provide[s] a cheaper long-distance calling alternative." Sounds reasonable. I'd like to know how many government-issued calling cards are out there and if there is a tracking mechanism to ensure that only government business is being applied to these calling cards. For example, do you only issue them when people travel, or do people have these in their wallets all the time and they've gone for a vacation and they are able to use this credit card?

Ms. Yousef: I don't have the stats with me to know how many people have calling cards in our ministry. We could certainly get that for you. My understanding, though, is that the regular travellers can get a calling card so they can take it with them on a trip. It's actually cheaper for us.

One of the things we did remind staff in training was that if you are overseas and you're going through a switchboard at a hotel, that's often very expensive and that gets into some very heavy-duty long-distance calls. We'd rather that they called in on a calling card and use it that way.

Ms. MacLeod: I appreciate that.

Ms. Yousef: Managers are to scrutinize the use of these calling cards so that in fact they are business calls. We don't want to see personal calls, other than those that are allowed by policy, the one per day.

Ms. MacLeod: I'd like to see that information. I think that as long as we're using them for the purposes intended, then that's probably a good thing.

Number 5 that you have here: "Do not use a personal credit card instead of the corporate travel card. If the corporate travel card is not accepted, include a brief written explanation and use a personal card," which also sounds reasonable but is a red flag. Do you have tracking on how many corporate cards are actually issued?

Ms. Yousef: Yes. I don't have the numbers with me, but we can certainly provide them to you. All of our regular travellers do have them.

Ms. MacLeod: Is there an oversight mechanism in place to ensure that each one of these corporate cards is actually being used for corporate purposes?

Ms. Yousef: Yes. Staff can claim the expenses on their card that are business expenses, but we also monitor it to make sure there aren't personal charges going to the statements, and if there are, we do follow up. If someone accidentally did use it for personal purposes, it would be their responsibility to pay it back, because the corporate card program works in that we reimburse the employee and then the employee pays the card company.

Ms. MacLeod: That's how that works? Okay.

The final one was number 13: "Managers must carefully review printed copies of all expense reports and receipts prior to approving them online," and it talks about documentation. It seems to me that that might be something that would be just normal business practice; it's funny that it's actually a reminder.

I'm just wondering, in terms of all of this, you've now implemented an annual quality assurance audit of travel

services, which would include this document. Has that been made available to the auditor?

Ms. McGrory: We are taking over this file from a previous CAO who has now retired from the ministry. We were advised that it had been provided. It was provided, I think, in March of last year.

Ms. MacLeod: Can you give us a brief synopsis of what was actually found in that audit?

Ms. McGrory: The key findings were that there was incomplete supporting documentation for some of the claims, I think about 28% of the claims. That meant that credit card receipts and hotel receipts were provided instead of the detailed receipts which would show, for example, what people had actually consumed at a meal. I think maybe about 15% of the errors were due to miscoding; for example, hospitality expenses, where staff had entertained a potential investor in Ontario and maybe paid for a lunch or a dinner or something like that, and that was actually coded to travel when it should have been coded to hospitality. So those kinds of errors were occurring. In the travel sessions that Jan's staff do as part of the training, she is emphasizing that these issues have to be addressed.

Ms. MacLeod: If there is an incomplete claim, does that mean it goes back to the staff member who is actually applying to get their travel expenses back, or do they actually receive their travel expenses back and it just is an incomplete form when it gets to the audit? What I'm basically asking here is, if there is an incomplete claim, does someone still get paid?

Ms. McGrory: No, they don't. If you go into the IFIS i-expense module, if something is incomplete, you get an error message and you can't get any further until you clear those error messages. It has happened to me personally. I've put something in, and it was above the limit, say, for a particular expense. In my case, I don't really have very many travel expenses, but in one case I had a meal expense. I think I charged \$10 instead of \$9.25 and an error message came up. My CAO had to actually sign off that that was in fact the cost of the claim.

Ms. MacLeod: So in light of these internal audits—the two you have undertaken since 2004—as well as this travel reminder that has gone out to all your staff, you're fairly confident that you're moving in the right direction and that we as taxpayers sitting around this table are the beneficiaries of your making sure there is less waste?

Ms. McGrory: Absolutely. We're providing extensive training and, as Jan said, her staff are monitoring claims. If we see anything out of the ordinary or anything that is not within the guidelines, Jan's staff are on the phone asking questions, clarifying things etc.

Ms. MacLeod: Thank you very much. I look forward to receiving the audits as well as the information on credit cards and calling cards.

The Vice-Chair: Excuse me. Could I ask you, just before you leave, to state your names again for the purposes of Hansard.

Ms. McGrory: My name is Sheila McGrory.

Ms. Yousef: I'm Jan Yousef.

The Chair: Thank you very much. Do you have anything further at this point?

Ms. MacLeod: Not at this point.

The Vice-Chair: Okay. Mr. Hampton?

Mr. Howard Hampton (Kenora–Rainy River): I've got a couple of questions. I want to take you first to the Ontario Investment Service website. We were told that the handling of this website was contracted out for a fairly substantial amount of money. The recommendation from the auditor's review is that there were things here that were fairly routine that could be handled in-house far more efficiently and for less cost. I understand that you have moved some of this work back within the ministry, but it's still substantially outside the ministry in terms of outside contractors. Is that right?

Ms. Robin Garrett: Yes. The total spending on contracts last year was \$500,000, and we've been able to reduce that by about \$150,000. So we do still have approximately \$350,000—approximately half—coming in to consulting.

Mr. Hampton: That is for the Ontario Investment Service website?

Ms. Garrett: Yes, it is.

Mr. Hampton: You must have other websites in the ministry, though.

Ms. Garrett: Yes, we do.

Mr. Hampton: Are they contracted out as well?

Mr. Black: I believe the answer is no, but we'll check on that.

Mr. Hampton: Okay. So this is the only one that's contracted out?

Ms. Garrett: There are a lot of data we collect for site collection purposes, so there's a large project required and it's more appropriate to use an external consultant for that part of the service on the Ontario Investment Service website. It's not necessarily data that we would have internally; we have to go and get it. So assembling the data is part of the work that's done.

Mr. Hampton: You have to go and get the data from elsewhere? You go outside the government?

Ms. Garrett: Yes, we have a partner with the Ontario real estate group that is able to help us assemble information about locations for site selection.

Mr. Hampton: I want to make some comments about measurement and monitoring. I'm talking here about trade development and field services grants—the auditor's recommendation: "The ministry should ensure that proper systems for monitoring recipients" or grants "are in place and that the success of each program is formally evaluated and taken into consideration in future funding decisions." What I note is that the ministry agrees that proper monitoring systems should be in place to support the evaluation of grant programs, and the ministry is implementing a process for tracking the programs' results, including monitoring the recipients. On the next page, Measurement of and Reporting on Program Effectiveness: "The ministry is committed to measuring the contribution of its programs and will

continue to refine and improve performance measures for its business and economic development activities.”

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Then in your response, or at least in the auditor's follow-up, you mention, “The ministry implements similar monitoring and evaluating procedures for new programs, such as the \$500-million Ontario automotive investment strategy and the \$500-million advanced manufacturing investment strategy. What I want to know is, what are the evaluation procedures, the monitoring procedures for those two programs?”

Mr. Bob Seguin: I'll take that. On the Ontario automotive investment strategy, part of our contractual obligations with the companies that we've committed to funding and that will be receiving funding is that they have to advise us of all the job commitments and how they proceeded to achieve those, their investment plans and how they achieved those, and we get reports back. Those milestones have to be met before any funding is provided, and then they also make provisions for future plans on employment. We will be getting reports on those as those projects are fully implemented.

On the advanced manufacturing investment strategy that has just been announced, the program hasn't yet been fully implemented. The newest projects haven't been announced yet. That's the same plan, that we will begin as contractual commitments from the companies receiving government funding. All those reporting their measures will be part of that contractual commitment.

Mr. Hampton: So there is a procedure in place for the Ontario automotive investment strategy. There isn't yet—

Mr. Seguin: It's available, but we haven't implemented the program fully yet because we haven't announced the first set of recipients.

Mr. Hampton: I take it from what you're saying that some money has been spent under the Ontario automotive investment strategy; no money has been spent under the advanced manufacturing investment strategy at this time.

Mr. Seguin: Not as yet.

Mr. Hampton: So are you already tracking the Ontario automotive investment strategy?

Mr. Seguin: Yes.

Mr. Hampton: So you're aware, then, of how much money particular companies' operations are supposed to get, what their contractual obligations are and the timelines within which they must meet those obligations?

Mr. Seguin: Yes.

Mr. Hampton: It seems to me that part of evaluating and monitoring is also reporting. Is there a reporting system attached to this as well?

Mr. Seguin: Yes, there are reporting systems for each of the contracts that have been negotiated with those individual companies for the projects that we're investing in and they're on reporting timelines that we've agreed upon.

Mr. Hampton: So those reporting mechanisms, are they monthly, yearly? How are they set up?

Mr. Seguin: There are always yearly reports, and depending on the contractual obligations with the company, it could be quarterly or semi-annually.

Mr. Hampton: Is money advanced according to those reports? How is money advanced? I'm interested, because \$500 million is a fairly sizable chunk of money.

Mr. Seguin: We advance funding based on the contractual commitments that we've agreed on with the company. After they've expended funding in the eligible areas and have reported back, then we've audited that those expenditures matched what they've committed to for that time period.

Mr. Hampton: What about results?

Mr. Seguin: We also track at the same time similar reporting of the results that have accompanied those expenditures, if that's required at that time.

Mr. Hampton: I want to be clear on something: Is public money advanced according to investments made by companies or is public money advanced according to results achieved by companies?

Mr. Seguin: Are those results achieved, are the companies actually making the investments in the areas they said they would and to the levels they said they would? So our monies track that. On any job commitments our funding is also—I'm trying to find the right word—contracted to the companies achieving those targets—

Interjection: Contingent upon.

Mr. Seguin: Contingent upon, thank you—contingent upon achieving those employment targets, and there are mechanisms in the agreement to claw monies back if they fail to achieve those.

Mr. Hampton: Claw money back after the fact?

Mr. Seguin: After the fact, if they fail to achieve those. Some of these contractual commitments go beyond the life of the project several years into the future, so we want to make sure the companies maintain employment for a number of years out. If they don't, there's the potential of clawing money back.

Mr. Hampton: So there's the internal reporting to your ministry. What is there in terms of external reporting? It seems to me there needs to be some external reporting of results as well. That's what accountability really is all about, isn't it?

Mr. Seguin: There's a results-based plan that the ministry provides publicly. There's reporting on our results as a ministry, which includes the Ontario automotive investment strategy, and when fully implemented would include the advanced manufacturing investment strategy.

Mr. Hampton: When does your ministry report on these things?

Mr. Black: Every year we report on results, and we have to essentially make our case for our allocation that this is what we're going to do for the years going forward.

I should be clear, though. In terms of the automotive investment strategy, we set targets for investment and jobs, and in that investment area we say things like training for skilled workers, or we stipulate that we will

pay only on those areas that are sort of innovative in terms of energy efficiency or environmental technology. So we're very specific about what it is we contract against. It's not just against any kind of investment. We've been very careful and very specific. As Bob said, the company has to report in with invoices to make sure that they've hit their targets and they've done what they said they're going to do by contract, and when the invoices come in, we flow the money after that, when we're sure they've hit those targets. Then as part of that results-based plan, we will be making that information available on an annual basis.

Mr. Hampton: On an annual basis when?

Mr. Black: After the year, when we've had a chance to measure all the results, tally it all up. About this time, sort of a month or two into the new fiscal year.

Mr. Hampton: I want to ask you about the advanced manufacturing. I think it's very important, if you're putting \$1 billion out the door, that you really do have proper monitoring, measurement, evaluation and reporting.

Mr. Black: Just to be fair, Mr. Hampton, that's a repayable loan program on advanced—

Mr. Hampton: Yes. But it seems to me one of the things you also have is some fairly thoughtful and careful definitions. What's the definition of "advanced manufacturing"?

Mr. Seguin: In the program outline we let that definition be sectorally somewhat open to allow for a number of sectors to apply, not just the high-tech industry but allowing for other sectors that have innovative technologies—technologies that will allow industries to either leapfrog their current investments in terms of capacity or to bring new technologies to Ontario, either that they've created or that are available in other jurisdictions that would allow our industries to move forward.

The definition is not final. It allows for some flexibility, but we then contrast the project proponents against what is already available in Ontario and what's already available in the world to ensure that what we're investing in is not "me too" technology or not simply a brand extension.

Mr. Hampton: It seems to me that there's a lot of fighting going on before the US patent office about "me too" technologies, so I guess I'd ask my question again: What's your definition of "advanced manufacturing"?

Mr. Seguin: We're looking at innovative—

Mr. Hampton: Somebody would say RIM is advanced manufacturing. These two companies in the United States would say that's not true; it's "me too" manufacturing or "me too" borrowing of ideas.

Mr. Seguin: In the case of Research in Motion—

Mr. Richard Patten (Ottawa Centre): That's what they say. It's not true.

Mr. Hampton: You can assert that. RIM tried to assert that and ended up paying 675 million bucks.

It seems to me if you're going to measure and monitor, part of what you have to know is, what are we measuring and what are we monitoring? If you've got a

very loose definition of "advanced manufacturing," I'm not sure how you get down to brass tacks with a concept like that.

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Mr. Black: If I might add, it's not an entitlement program; it's a competitive program. We have allocations for each year. We're going to make a call for proposals. When those proposals come in, we're going to take the best of the bunch. We can't do them all, because we have limited resources. There's a limit of \$10 million in loan for any one project, based on 10% of the total investment and a jobs commitment. We will be looking for things like research and development, innovative production processes that essentially, as Bob said, leapfrog what they've got in their plant now, that allow, within a corporate structure, the Ontario firms to look attractive for future investments that are being made at head office, usually someplace else.

We're looking essentially to move up the value chain to make sure those jobs are here for a long time. As I said, it's a competitive process. We will pick as many as we can in each of the rounds, and we're going to pick the best of the bunch based on that kind of criteria.

There are thresholds. It has to be \$50 million worth of investment, and 150 jobs have to be either retained, when threatened, or new, incremental jobs added.

Mr. Hampton: Say that again.

Mr. Black: We're only in discussions with firms that have at least \$50 million worth of investment that is part of the project and there are 150 jobs either being retained or created as a result of that investment.

Mr. Hampton: So if the company already has \$50 million invested, does that qualify, or does it have to be \$50 million of new, additional investment?

Mr. Black: New, incremental investment.

Mr. Hampton: So a company that has a substantial amount of money invested—you're talking about retention of jobs—but can't come up with \$50 million, would not qualify.

Mr. Black: Right.

Mr. Hampton: And a company that has only \$50 million but could come up with \$50 million more and has 150 jobs would?

Mr. Black: Yes. That's right.

Mr. Seguin: We said this is a competitive round. The government chooses the best of the projects. So there could be even more excellent projects involved.

On the issue of definition, we allowed a certain vagueness to allow for innovation in the economy. It's not clear that one sector has the line on being high-tech or the most advanced manufacturing. This is true across all sectors, not just automotive but aerospace, forestry, mining and food. We want to allow the flexibility to address where the greatest opportunities are without trying to define it so exactly that we actually narrow it to one sector only.

Mr. Hampton: It's a pretty loose definition of "advanced manufacturing."

Mr. Seguin: Between the competitive round, the sense that it has to be proven that it's going to be leap-

frog, that if we test it against what we know in the industry based on access to experts that this is different, this is innovative, this is new to the company, if not new to the sector, we believe we can grab the best of advanced manufacturing.

Mr. Black: There is a guide on our website essentially for anybody looking in to the ministry and saying, “There’s a neat program. I wonder if I qualify?” There’s a guide that says it’s for these kinds of thresholds in terms of jobs and investment, and these kinds of activities. But we were careful not to say “only” because, as Bob said, it’s hard to define “innovation” now. It happens in steel companies, it happens in food processing, not just in automotive. We wanted those projects to come forward and to have a look at them. As I said, it’s a competitive process, and we’re going to pick the best of the bunch. We can provide that website connection if you’d like, so you can have a look at it.

Mr. Hampton: I think we’ve already got it. Thanks.

The Vice-Chair: Thank you very much. Mr. Delaney?

Mr. Bob Delaney (Mississauga West): I’ve got a few questions for you. They’re going to focus on three areas: (1) My Company, (2) consulting services, and (3) IT projects. Let’s start with My Company. Could you tell me what the audit reporting and accountability requirements are for funding recipients of My Company?

Mr. Neil Smith: First of all, My Company has been cancelled.

Mr. Delaney: Is it Summer Company that’s ongoing?

Mr. Smith: Summer Company is ongoing.

Mr. Delaney: Okay. Then assume that the questions relate to Summer Company.

Mr. Smith: If I may just explain how Summer Company works, we have, in partnership with municipalities, 44 enterprise centres across the province. They help small businesses and start-ups. They’re our partners in this process. Summer Company is a program for students—high school, university, college—to create their own summer job. We provide up to \$3,000 in financing.

The way the process works is, a student would do a business plan and submit it to the local enterprise centre, which would evaluate it. In each enterprise centre, there’s a group of business mentors who help in the evaluation process. If they are selected, they are sent in to us at MEDT, which also reviews them, because we only have a limited amount of financing. If they are selected, they become part of a process that is monitored through the enterprise centre. Everything we do is electronic: They apply electronically, and throughout the whole process they set up their business plan, their cash flows and all their milestones online. They are monitored every two weeks by the enterprise centre and by the mentors; they’re required to actually meet with the mentors. They get \$1,500 up front, and they get up to \$1,500 at the end of the process if they meet all their milestones throughout the process. So it’s monitored every two weeks. We monitor it because we have access to all the data at head office. At the end of the process, the enterprise centre

evaluates the student and their proposal. Each enterprise centre also does an evaluation of the program for their area, which is submitted to us, and then we evaluate the whole process once a year and try to improve on it.

Mr. Delaney: That’s a lot of ongoing evaluation. Can you then say with reasonable precision that companies did what their application said they would?

Mr. Smith: Yes, definitely.

Mr. Delaney: What is the failure rate on these companies?

Mr. Smith: The failure rate? I should have that here. I do have it, if you’ll just give me a second here; it’s quite small. I do have a general figure: Over the past five years, 93% of all applicants completed the program.

Mr. Delaney: When you say completed the program, they just followed through on the reporting requirements, or did the business do what the application say it would?

Mr. Smith: Some students in the middle of the process will quit and not complete their summer company.

Mr. Delaney: Where is that figure included? Is that part of the 93% or the 7%?

Mr. Smith: Seven per cent don’t make it from beginning to end.

Mr. Delaney: Of those that make it from beginning to end, what proportion of those do what their application said they would?

Mr. Smith: Virtually 93%. I have to be careful here, because as they’re doing their summer business, things will change in terms of—you know, they are students; they are learning. They’ll find out that some of their business plans weren’t exactly the way they thought they would be, so they’re changed throughout the process. Maybe their cash flows were wrong; maybe their marketing was wrong. With the help of the mentors and the enterprise centres, they would adjust accordingly. But we’re satisfied that it’s an educational experience to try to promote entrepreneurship. So a lot of the benefit here is the learning process, and we’re quite confident that they’ve learned throughout the process.

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Mr. Delaney: Let’s try the query in a different way: What percentage of the companies, for example, turned a profit?

Mr. Smith: We don’t have that figure here, but we can get that for you.

Mr. Delaney: I would like that. Could you tell me what percentage turned a profit and what the median level—in other words, half over, half under—of that profit would be, and perhaps what the ROI would be on a profitable company? I understand that we’re dealing with students, having been one, and I understand that things change. I’m just interested to know what it is that the ministry is funding in general terms. Is the program perhaps being aggressive enough? If we have a very low failure rate, perhaps the program is insufficiently aggressive. A very high failure rate may say that perhaps it’s too lenient, but I might ask if the program is indeed aggressive enough.

Let me move on and ask you some questions regarding consulting services. What improvements have you made in the RFP process for consulting services?

Ms. McGrory: In terms of the RFP process, we have mandated that all staff who are going to need to hire a consultant have to have their requests signed off by the CAO, and in many cases also by the deputy minister, so that there is a justification or a business case as to why their work cannot be done internally within the ministry.

We also have a full-time procurement adviser on staff who sits with our staff members and makes sure that any RFPs that are generated by the ministry are in accord with the directives on procurement. We do extensive training. Our controller has conducted about 10 sessions in the last two years and we've trained about 138 staff who have had to deal with procurement issues in those training sessions. We have a special adviser who comes in on an as-needed basis, a person who has 15 years of experience in government procurement who advises us on any issues that arise and how they should best be handled. So those are some of the measures.

Mr. Delaney: How would a vendor, who has never before submitted an RFP response, find guidelines and gain access to RFPs from the ministry?

Ms. McGrory: Gain access to RFPs?

Mr. Delaney: Right.

Ms. McGrory: First of all, the ministry has a policy of always doing competitive procurement. Any RFPs that we issue where the value is over \$100,000 for the contract, or the estimated value is over \$100,000, are published on the electronic system called MERX. We also have vendor-of-record lists that are supplied by the Ministry of Government Services. They do extensive screening of available consultants with specialized areas of expertise, and ministries are instructed to use those vendor-of-record lists. MGS, as I said, has done extensive screening of those consultants.

Mr. Delaney: Thank you. That's pretty comprehensive. I just have a few more questions on IT, and I believe Mr. Zimmer has questions.

Interjection.

Mr. Delaney: Okay. I'll come back to this on our next round.

Mr. David Zimmer (Willowdale): I just have some questions on page 324 of the report, under the "Export Trade and Investment" section. Looking into the future basis, it seems to me that one of the great challenges that the ministry faces is dealing with rapid and unexpected changes in the world order that trickle down—more than trickle down—that sometimes fall onto Ontario and affect the economy. Principally, obviously, I'm thinking of the changes in the Canadian dollar, oil prices and the uncertainty of international politics, particularly in China, southeast Asia and so on, and how that can rapidly affect the economy here. What strategic plans have you got for the future so that your ministry can react very, very quickly to rapidly changing circumstances that might affect our economy; for instance, a sudden and dramatic change in the dollar or oil prices or a political regime that perhaps affects our relationship with offshore suppliers to

Canada? How quickly can you get a plan up and running or react to that sort of situation?

Mr. Black: I'll start, and then if Robin wants to jump in. I'd like to think that we can do it relatively quickly, for a couple of reasons. One is that we have strong relationships with a lot of organizations, like the Canadian Manufacturers and Exporters and the Ontario Chamber of Commerce. We've actually worked quite closely with these groups, and they're sort of the canary in the cage for us in many ways. We work, as I say, hand in glove with them. They feel a lot of stuff before it's ever reported, so that relationship has actually paid dividends in terms of helping us build our strategies and our plans for international markets and sectors.

We also work very closely with the federal government, who have many more resources on the ground than we do. Some of our resources that we have deployed throughout the world, for example, are co-located in federal missions abroad. We have a person in the Tokyo embassy, for example. So we get all the benefit of that intelligence that's gathered on the ground by the many more resources at the federal level.

I would also say, on the idea that the Premier and the minister have just announced last month to have a new board for the Ontario advisory council on investment and trade, that we're going to pick some of the best and brightest business people from around the province in a variety of sectors and use their expertise and connections to help us sort of ferret out that information as it's becoming available. We think that, through a number of relationships we're building and some of the things we're putting into play in terms of our strategies around the new council, that will help us immensely.

In terms of the dollar, nobody expected a 90-cent dollar two and a half years ago. Even now, some people are saying we're going to be at par, while others are saying we're going to go back to the mid-80s. I guess it's one of those—nobody really knows what's going to happen. What we're finding is that exporters of course are feeling the pressure, but they've coped fairly well. To their credit, they've been making investments in productive machinery and equipment, they've been doing skills training, they're moving up the value chain to essentially ensure that they've got the resources and the ability to compete in a different way than they had before.

Besides the level of the dollar, it's the rapid change in the dollar that has caught everybody by a bit of surprise. As I said, we've been pleasantly surprised by how well our manufacturing and exporting sector has done in the face of that. If you had asked that question of me 18 months ago and said we're at 90 cents, I would have thought that the bottom might have fallen out of our manufacturing and exporting sector, which has not been the case. We've certainly felt some pain in those areas and we've lost some manufacturing jobs, but we've still, I think, managed through, better than most would have expected and certainly better than the consensus of economists would have said we would.

Robin, did you want to—

Ms. Garrett: The only thing I would add is that we do try to make sure we have a good pulse on what's happening and by having networks with organizations like CME, as was mentioned. We also work very closely with other research groups like the Conference Board of Canada, the federal Stats Canada and the people in the field. So we have a good pulse on what's going on.

In addition to that, we do our own research and look at Ontario specifically. We actually have a project under way right now, which was mentioned earlier, that will look at competitive jurisdictions, that will look at measurements and poise us to be best able to deal with new things that hit us by looking at best practices elsewhere.

Mr. Zimmer: If I could categorize that sort of response or concern, for instance, it sounds as if there's almost something equivalent to a rapid-response team to deal with these kinds of issues that flop out of nowhere. Can you give me some sense of what portion of the ministry's resources in terms of persons and money spent is devoted to this sort of gearing up for the rapid response or the intelligence gathering for what's going to happen in the next six months, 12 months, 18 months?

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Mr. Black: It would be hard to disaggregate that information because, in effect, it's part of everybody's job. In Robin's division, folks are tracking investment leads, folks are helping exporters break into new markets, for example; it's part of their job. If you're going to show somebody how to export to India, you don't take a flyer. You do your homework. You have to know what the matches are on the other side, what the strengths are that we have in terms of our homegrown companies. So it's essentially embedded in everybody's job that they have to be part of this rapid response. They have to feel these changes and get that information.

In terms of a more macro approach, the Ministry of Finance, in their economic policy division, which has probably 90 or 100 people, if memory serves me—those are the folks who are actually doing a lot of the data crunching and that stuff. They have good relationships, I know, with U of T and other organizations out there that watch the world in terms of these kinds of changes. So it's a bit of a blunt answer, I suppose.

In Bob's division, which is the industry division, they have contact with the largest organizations and the largest companies. In Neil's group, he has field staff and it's part of their job to talk to these businesses: "What's happening? Are you gaining ground in the States? Are you losing ground? Have you broken into new markets?"

When I say it's embedded into those jobs—if you force me to put a number on it, I would say probably 20% of everybody's time is sort of worrying about what's happening, what's changing; not just grinding away on the day-to-day stuff to make sure that we're getting results, but also watching and listening and dealing with people.

Mr. Zimmer: My last question is, in terms of dealing with this rapid response to changing circumstances, if you could wave your own magic wand, what two or three

changes might you make in the ministry to enhance that ability to respond rapidly? If you could just wave your wand and make it happen, what—

Mr. Black: As long as this doesn't get back to the Ministry of Finance—there are still some of my friends over there—it's always nice to have more resources. But we work with what we have. It would be nice to have more people on the ground in markets where we know there are emerging opportunities. For example, we have nobody in Brazil, a country of almost 300 million people. If you ask the federal government where they rank in things, they would put them right up there beside India, after China, as to new opportunities that need to get tracked down.

The truth of the matter is, almost 90% of what we export goes to the States. Some might sit here and say that's too many eggs in one basket and we're vulnerable that way. Fortunately, the American economy is still steaming ahead, but there are some warning signs on the horizon. We would certainly like to be able to diversify our trade promotion to get into those other markets, but that would entail literally hundreds more people, and that's not going to happen. We have people on the ground in—we've picked our spots. We have people throughout the States, we have people in the EU, we have people in China, we now have an office in India. Those are staff, Ontario civil servants. In those areas, in every case where we've gone in with one of our OPS people on the ground, they've become in effect federal civil servants because they're inside the missions and privy to all that information. They go through the same security and health checks that federal civil servants do. When I say "in effect," they're treated as federal civil servants, which is great because they have all those resources; 250 people in the Tokyo embassy. Essentially, we're part of that infrastructure and get all that information. So that's a good thing to do.

We also hire in-market contractors, people on the ground, domestic in those markets. We hire, for example in—a good example?

Ms. Garrett: Europe.

Interjection: Life sciences.

Mr. Black: In Europe and life sciences, we hire somebody whose specialty that is and they go around promoting Ontario opportunities for outward-bound investment, joint ventures, inward-bound investment, on the ground working for us to ferret out those leads that we can then follow up back at head office.

Magic wand? I'd take it, but I'm not going to get it.

Mr. Zimmer: Second-last question: Who makes the decisions about staffing and resources? For instance, you used the example of Brazil; we don't have anybody in Brazil, and I agree with you, that seems an obvious place to invest some resources, money and people. Who makes the decision—or how is it made—to do something in Brazil or not do something in Brazil?

Mr. Black: That's a complicated question, but let me take a crack at it. The decision for the total resource base for the ministry is a government decision. It goes through

Treasury Board and cabinet for approval. You get your allocation and what you end up with is what you end up with.

Interjections.

Mr. Black: Get in line.

Ms. Garrett: We actually do have some resources working with us in Brazil. We have engaged a consulting firm. The third type of international representative that was not mentioned is what we call an international trade development consultant. This is somebody who is doing matchmaking for us to help with our companies, our exporters that are going into those markets. So we have three actual models that we use: the people who are OPS staff and are co-located, those sector experts who are drumming up investment opportunities, and we also have individuals who are drumming up the trade opportunities.

Mr. Zimmer: My question remains, though. How is a decision made to put a drive on to do something with country X?

Ms. Garrett: We do a lot of deep research to find out, first of all, what the opportunity is, because some markets are going to be more investment-type markets, others may have more opportunity for exports, and in others, both. So we would look at what is the best type of representative we would need in those markets, make the recommendations and go all the way to the minister's office to get the approvals to proceed.

Mr. Black: I'll cut to the bottom line: In effect, I do. The divisions make the recommendations, we've done our research, we've talked to the feds and all of our networking organizations and we think that, given that we've got X number of people, these are the markets that will bear the most fruit, whether it's on the investment side and trying to track down investment or whether it's on trade opportunities. Those recommendations come through to me and I discuss it with my minister as we're developing our plan for the year. He has to approve because he's the guy on the spot for this stuff, but it's my recommendation, based on what the divisions say.

And it becomes a trade-off. If the minister says, "I think we need a person on the ground" in Brazil of a particular variety to track down either investment opportunities or joint venture opportunities, then I have to decide from other divisions—am I going to take somebody off of the automotive investment strategy? That may be an extreme example, but those are the kinds of decisions where we have to find the flexibility from within to do that stuff. So there's a bit of manoeuvring and, as I said, we're working with the resources we're given and trying to essentially pick those spots that give the best return to taxpayers.

Mr. Zimmer: And in the best of all worlds, you could use more resources.

Mr. Black: I think every ministry would probably say that, so I will: Yes, sure.

The Vice-Chair: We'll move on to Ms. MacLeod, please.

Ms. MacLeod: I'm head of the lobby now, David, on this side to get to Brazil. I just want follow up, still with the travel—and not on my, hopefully, trip to Brazil. I

noticed here on the travel document—and I skipped over it; I'm sorry—"Do not claim the daily meal rate in addition to actual costs for representational meals/hospitality." I have two questions on this. One is how often did that actually occur? Is this a big number? The other thing is, what is the daily meal rate? Do your staff get a per diem to travel, and what would that be?

Mr. Black: I'll start. If, for instance, we're doing a business lunch in Ontario, there are per diems that are frankly not very high. We've got those numbers. Federal per diems usually apply when we're out of province.

Ms. MacLeod: So you get the federal per diem out of province?

Mr. Black: We work with that one with some flexibility. For instance, if you're in Paris at a life sciences event where you're trying to court some possible joint ventures or investment back into Ontario, you can't eat for five bucks a day. But we try to be very careful on that because it is taxpayers' dollars.

1050

Ms. McGrory: I've got the allowances here. Breakfast is \$6.75, lunch is \$9.25, dinner is \$18. That's a total of \$34 per day. Those rates are inclusive of tips and taxes.

Ms. MacLeod: This is Ontario?

Ms. McGrory: Yes.

Ms. MacLeod: What's your per diem federally? Is it \$72 or something like that?

Mr. Black: I think it might be a bit more than that, but not a lot. We can get that for you.

Ms. MacLeod: Yes, I would be interested in seeing that.

Ms. McGrory: Okay.

Ms. MacLeod: Now, I'm going to switch gears here a little bit. I want to talk about the strategic skills investment program. I'm looking at two different documents. I understand—correct me if I'm wrong—that you are following through for the database concerns with the ministry just until 2009 for the new data report to track and summarize student enrolment, tracking student enrolment and course completion information for SSI, and examine options and proposed recommendations to track whether graduates obtained employment in the areas for which they were trained. Does all of that go until 2009? In relation to the fact that it was actually cancelled, has this reporting mechanism also been cancelled?

Mr. Seguin: With the decision not to proceed with the program after 2004, we're still tracking those projects that have been approved and that are still being finalized and fully implemented up until the end of the projects. For those projects that have been completed or are in the process of completion, we've tracked those and have far more substantive records on those because they were into full implementation mode, or have been completed.

Ms. MacLeod: I've got two questions that flow from that. The first is, you're saying here you're examining options of proposed recommendations to track whether graduates obtain employment in the areas for which they were trained. What are those options and proposed recommendations?

Mr. Seguin: We looked at several options. The one that we still favour is one where we survey the employers and the people they've hired. Have they received the training from the projects? Are they satisfied with those people they've hired? And with the training institutions, helping them track.

We recognize that the students are able to go as they see fit. They either proceed with their career direction, change their minds and try another direction, or leave this jurisdiction and move on to others. We can't keep track of them that way, so we have to work with the institutions or with the employers. Our view is that if the employers feel and have felt in the past very comfortable that they've got the people that they needed with the talent they wanted, that's an indication that the program has been somewhat successful.

Ms. MacLeod: There's actually a question that flows from this for me. It seems to me, since this was an initial concern in 2003 by the auditor, the program was then cancelled. Is there a mechanism in place to flow that information back annually to the auditor to say that this has actually been tracked?

Mr. Seguin: There are reporting mechanisms within the contractual commitments we have, and our intent is to follow up with employers. We'll track that as a ministry piece. I guess we could provide this back to the auditor, if he wishes.

Ms. MacLeod: Yes, the status of your implementation would be good. Now, just the fact that this program has been cancelled, is there something comparable in place in other ministries and are they tracking it? Would you know that?

Mr. Seguin: The Ministry of Training, Colleges and Universities has expanded its apprenticeship programming. My understanding is that our colleagues at MTCU are tracking through that program as their apprenticeship programs have been becoming fully implemented.

In our program with the automotive investment strategy, there is a training component that the deputy mentioned. As part of those contractual obligations, we follow that in how those staff have been trained and whether or not the companies have been completely pleased by all that. Of course, our funding is dependent upon that employment being completed to the standards that are required and that the job commitments are then made by the company.

Any other initiatives that the government has are in discussion. I was just thinking essentially of the apprenticeship training program in our initiatives. We are also looking at the government's signing of the immigration agreement last December and the labour market development agreement, how those two initiatives might then flow out between the two governments, the government of Canada and the government of Ontario, to help the industry, and if there are any remaining gaps, what those gaps are and if something is needed to fill those gaps. The skills issue is still a major concern for businesses in Ontario, but there are a number of initiatives going forward. We're trying to find out what the

gap is, if there is a gap, and if that is a gap this ministry should participate in or there is other programming that could address it.

Ms. MacLeod: Just one final comment, to follow up on Mr. Delaney's line of questioning on Summer Company: Particularly at the end, I was very interested in his line of questioning about the percentages of failure and success, and what actually would define success. I don't think we're very clear on that here. I think that somebody could be completing the program and handing in the paperwork for eight weeks. Could you tell us clearly what the mandate is? Is it solely based on skills and learning, or is it to in fact turn a profit? I think we have to know how we're going to define what success is.

Mr. Smith: The purpose of the program is to teach entrepreneurial skills to the students. We do track the number of jobs and we do track how much they make, but it was designed to get students to start the process, to learn how to do business and how to start a business. We do plan, in 2008, to do what's called a longitudinal study to follow the students into the future and see where they ended up: Did they start permanent businesses of their own? Was the program helpful in terms of where their career went? So that is in our plans.

Ms. MacLeod: That's fantastic. Thank you.

Mr. Hampton: I have a question about the website: Was the particular website that I asked you about earlier done according to an RFP to an outside contractor?

Mr. Black: Yes, it was, and it would have been set up—this is a huge website. Anybody coming from another country who wanted to find out what Ontario has to offer—it's almost a bit of a modelling, not just a bunch of information—could plug in some variables to find out which sites actually work better for them, in terms of property taxes, electricity costs and a whole bunch of other factors that are put into play. It's pretty extensive and, as I say, not just one of those where you can punch up and get a few pictures. It's pretty intensive in terms of the data that's stored. So the answer is yes, there would have been an RFP. The management service that we have been talking about in terms of the \$350,000 is managing this huge website for us. We still need a little bit of help on that with some specialized services.

Mr. Hampton: But it would have been done according to a specific RFP?

Mr. Black: Years ago, yes, it would have been.

The Vice-Chair: Thank you, Mr. Hampton. We're back to Mr. Patten.

Mr. Patten: As some of you may know, I worked for a while with this particular ministry. Just on that student program, I have a suggestion: It might be wise to invite MPPs when you have the awards program and the introduction. They're all throughout parts of Ontario, where these kids come together and present their plan and what's going to happen. It's kind of a second stage, because usually they're an award winner of a business plan program in a high school. The overall objective is essentially to create some interest and enthusiasm, starting with high school and college students, to consider starting your own business, and what that means and the

things you start up with. I just wanted to share that. I found it really, really exciting. I'm glad to hear that you're following up with a longitudinal study. I think that will be very, very useful.

I have some broader questions. I just want to comment on travel expenses. Of course, public accounts is here to look at procedures and how money is spent and all this kind of thing, but part of me says that we sometimes lose the forest for the trees in our expectations. In particular, this ministry is charged with promoting trade and economic activity, not only locally, but provincially, nationally and internationally, and the interchange of investment and one thing or another. The absolute joke of the confines of six bucks for breakfast—look, you can't buy a cup of coffee in Tokyo for that. It's bloody stupid.

1100

I would say this to the auditor: I think that at some point you should challenge the system, not just on how little they should be spending but on the realistic things. It's an embarrassment for our ambassadors, for our people, when they go to some of these places. You go to Geneva or to Paris and you're negotiating with some top industrialists, trying to attract some investment to come to Ontario, and you can't even take them to the YMCA for breakfast or lunch or anything of that nature. I just say that we should be realistic. We've become penny-wise and pound foolish, especially in that whole area. That's not to say that there shouldn't be accountability or anything of that nature. I agree with that totally. Did you have a comment?

Mr. McCarter: We chatted a bit just in camera about—I think the \$6 is the Ontario rate. I suspect the federal rate is a bit higher. We chatted in-house. To be honest, and maybe I shouldn't say this, but even on the record, we find the Ontario one—when our staff is travelling and staying in a hotel, to have breakfast for \$6, you're not having the big buffet breakfast, I'll tell you that. In talking to my Auditor General colleagues from across Canada, I think Ontario is at the low end when it comes to these expenses. That is a policy decision of the government, I might add.

Mr. Patten: Sometimes these policies are just perpetuated because of fear of public reaction and opposition parties attacking the government; ours included, by the way. I'll leave that for now, but there may be times when the auditor may say, "We should be realistic on some of these things," because they're not realistic at all.

I have two questions, because I want to take advantage of the opportunity here. I don't know if the you are exploring these areas. You didn't talk about this too much—maybe it's because of the audit papers—so if you could talk a little bit more on the small business development side. I know we have all kinds of small enterprise centres, small business development offices and that sort of thing throughout Ontario, if you could comment on that.

The other one is, I found that Ontario is one of the few provincial jurisdictions that doesn't have a program related to local community economic development. Some

provinces have very sophisticated, very expansive networks, especially in the rural areas and small communities, enhancing and supporting the infrastructure of local economic development activity. I say this having co-chaired a task force with Crossing Boundaries, which is a national non-profit organization. It was interesting to see, and I found it fascinating—my impression was that Ontario likes to play with the big guys, Bay Street and all this sort of thing—that for some reason it seems we're certainly not as active with the little infrastructure throughout Ontario as many other provinces are.

I'd like to leave those two questions with you to comment on.

Mr. Smith: I can start on the small business Mr. Patten has already referenced. We try to start at the youth stage trying to get the entrepreneurship. Mr. Patten has referred to another program we have on secondary school business plans competition. We also have our enterprise centres where we're in partnership with the municipalities. Their role is primarily for start-ups; someone wants to start a business, or they have a very small business and they want to seek some additional financial help or whatever.

We move through the continuum, as I refer to it, into the larger types of firms. We have 12 field offices in southern Ontario where we have business advisers who work with the more established firms, helping them in terms of exports or looking for new markets, finding additional finances, or whatever it is that we can help with. They're very active on the ground.

They're not only active on the ground with the business community but they also work with the municipalities on economic development, on investment attraction. So we have that part of it.

A year or so ago, the Small Business Agency of Ontario was established, whose specific purpose was to look at the paper burden and regulatory burden facing small businesses. They have several initiatives underway to try to improve how government works with small business. There are a number of initiatives and programs that we offer in terms of small businesses.

I would mention that there are also other ministries that get involved in this. The Ministry of Agriculture and Food, for example, has a number of rural programs. One is called BRE and another one is called RED. We work in partnership with several other ministries in this area also.

Mr. Black: If I might add, Mr. Patten, you're right. We don't have a formalized approach to local economic development, but probably the biggest picture that I can provide to you in terms of our working relationship from the ministry down through our field offices and into the local economic development offices in the communities is that we worked hand in glove, for example, with the Woodstock economic development officials to land Toyota. We couldn't have done it—perhaps I could say they couldn't have done it—without helping each other, both sides. We knew what we had to do, and we worked very closely. That's probably the biggest opportunity that has come across our desk in the last 20 years, but there

are lots of other opportunities that are not as flashy in terms of the investment and the jobs, where we actually work very closely to help local officials land these investments. That's part of Robin's and Neil's duties in terms of working very closely with the regions and communities out there.

Mr. Bill Mauro (Thunder Bay–Atikokan): I heard Minister Phillips mention a few times in the House that since October 2003, we've brought in-house somewhere around 500 jobs associated with work that was formerly outsourced in terms of consulting contracts, at a significant saving to the government. I forget that number. I think \$200 million or \$400 million is the number he put on it.

When we're talking about this Ontario Investment Service website—you mentioned that you have multiple websites, but that is the only one that you contract out and require outside work to manage—I guess my question is, is that something that has been brought in-house recently or was it formerly outsourced and managed from the private sector as well?

Mr. Black: I'll take a crack at this one, and somebody can correct me if I get it wrong. Those sites have always been inside. When we talk about some of our websites, we have a website on the gov.on.ca site. We have a number of other web-based things in terms of applications for Summer Company, which would be part of a website as well. The answer would be that most of those, if not all of them, have always been inside.

Mr. Mauro: And on the distinction with this one being managed outside, I think the answer was something about data collection that's not required with the other sites?

Mr. Black: Right.

Ms. Garrett: Yes. In working with the Ontario Real Estate Association, we need to gather information.

Mr. Mauro: When you, within your ministry, design programs intended to try and attract investment or create trade within the province of Ontario, is there a bit of to and fro between the ministry and the political side in terms of the design of the program around how flexibly you can maintain the parameters of the program versus a prescriptive nature? I'm thinking back to the earlier questions around loose definitions of what might be advanced manufacturing and just trying to get a sense from you, in terms of your internal decision-making, when you're designing these programs to maintain an ability for the province to leverage as much of this investment as we can. You will have X dollars assigned to this particular program, and if, at the end of the year, you've left money on the table because a particular investor did not fit into one of your prescriptive boxes, I'm not sure that benefits any of us. I wonder if you could just talk to me a little bit about that sort of internal decision-making.

Mr. Black: I'd be happy to. The short answer is yes. We provide options. On the advanced manufacturing investment strategy, for example, we would work up several options that would look to be prescriptive or less prescriptive, that would look to be sectoral in focus as opposed to more broadly based and those kinds of things.

Then we would work through what those impacts look like, what can you actually expect to do with that, and is that the kind of outcome and result that the government wants to live with? Of course, before we actually go to the government, we go to the minister to get his read on it, what his preference is based on the information that we provide, and we try to do that in a disinterested way in the sense of providing the facts and as much information as we can, and then let the minister and the government, through the cabinet decision-making process, decide which way to go. I would expect that that's the case with any program in any ministry. It would be one of those things where you have to pass muster at each of those stages.

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Mr. Mauro: To summarize, you would prefer to have some discretion around your ability to attract investors?

Mr. Black: When you're talking about advanced manufacturing, the answer would be yes. Things have changed so much, even in the last year, in terms of what firms are doing, what technology now looks like compared to what it did even a few months ago. It would be very difficult for us to be so prescriptive and say, "This is what we're going to do," and then have to go back and change the program because something essentially trumped our definition.

Mr. Mauro: Right. I just want to be clear, too, on one other thing. I think you mentioned on the auto sector stuff that you will track and ensure the investment from the private sector before the public sector money flows. Is that what you said?

Mr. Black: Yes. We do not flow any funding to support those investments until we see invoices of actual expenditures. They're audited. We know that they're in the bins that we've contracted against. So it's after the fact, yes.

Mr. Mauro: The last question from me is which of your four divisions has responsibility for the GO North program?

Mr. Black: That would be our investment and trade division.

Mr. Mauro: Can you speak to me a little bit about that: where we're at with it, how much of it is still with you and how much of it's with others?

Mr. Black: You've answered what I was going to say, which is it's a joint effort between ourselves and the Ministry of Northern Development and Mines. We're primarily on the investment promotion and investment marketing side of things. Do you want to add, Robin?

Ms. Garrett: The component that we have taken on is the whole marketing piece and developing collateral materials that we can use. Some of that has already been established. We've done some fam. tours and those kinds of things and gathered testimonials. All of that groundwork has now been done, and we're using that material to help gather the investments.

The other piece that we are contributing to is the investment leads and in working with our network of international people and our staff. We're always trying to

think about the opportunity for the north in all of the work that we do on the investment side.

Mr. Mauro: If you need any promotional materials from Thunder Bay, you'll let me know?

Mr. Black: Absolutely.

Mr. Mauro: All right. Thank you very much.

The Vice-Chair: I think our last question is from Mr. Delaney.

Mr. Delaney: I'd like to pick up where I left off before the last round. But, first of all, with regard to some of the expense limits that we've been discussing—and perhaps to the auditor—would it be possible to develop some kind of a baseline, especially for a ministry whose business is business development, some measure that compares what is acceptable in industry as compared to the baseline, which may be in a more predictable, more static environment here in the civil service?

I completely agree with Mr. Patten about the very low limitations. I can only observe that more than 20 years ago when I was a junior- and mid-level marketing person, I had far more flexibility over spending my company's marketing budget than many of the senior people here have. It doesn't really make sense. Perhaps we could provide a scenario whereby this particular ministry could be granted a greater degree of flexibility to do things that might be extraordinary in another ministry but are very much in keeping with the nature of the business done here. Even 25 years ago, I can remember going out and entertaining a client to very good effect for a \$300 lunch. We got full value out of it in the end. I'd just put that to you perhaps as a request, as the auditor.

I'd like to focus a few questions on IT. We've talked about the fact that there are multiple websites under this particular ministry. Just for my edification, roughly how many such websites?

Ms. Garrett: There are two that we have in investment and trade: one that deals with exports and the other that is our Ontario Investment Service, which we've discussed. The export website is aimed at small businesses and companies that are interested in using our service assistance in going global, so it's a lot of data. It's information about missions and seminars and activities that we have going on.

Mr. Delaney: In terms of the overall direction of the site, does the overall direction of the site rest with IT people or a functional manager concerned with the results the site is intended to achieve?

Ms. Garrett: I can comment on ours. We have people who develop the content for the websites; we have marketing people involved in doing that. We also have some IT experts who can get the information on the website.

Mr. Delaney: In terms of responsibility for the website, does the buck stop on the desk of someone who would be seen as an IT person or someone who would be seen as a functional person?

Mr. Black: I would say more the latter, on the functional. It's got to work for people who are coming in, like

regular business folks who are not, perhaps, IT literate to the point—

Mr. Delaney: Thank you. I very much agree with you.

Mr. Black: Let me clarify: When we talked about websites, I probably got confused between websites and databases. I was told there'd be no math—that's just an old joke. We really have two websites. We have our general gov.on.ca website and we have the website that's at the Ontario Investment Service.

Mr. Delaney: What is standardized in the sites? For example, is hosting done with the same provider?

Ms. McGrory: It's an internal provider, yes.

Mr. Delaney: Okay. What about the development platform and the database? Both are data-driven. Would you use, for example, the same back-end database, be it Oracle, SQL Server, DB2, whatever it is?

Mr. Black: I'll introduce Guy Poirier, who's our manager of strategic intelligence in investment and trade.

Mr. Guy Poirier: Actually, for the export one, it's a Lotus Notes-driven database that's been customized based on Lotus Notes. There is one person who's a whiz at making it all work.

Mr. Delaney: Okay. Would you use, for example, the same coders to write code on both websites? Would the platform be the same? Would you be, for example, developing it under, say, Visual Studio .NET or under a Java platform? Are you using the same platform to develop it?

Mr. Poirier: Right now, since both websites were completely different—they were based on different models—the challenge now is exactly what you're referring to, to make both of them—right now they aren't. The plan is, following the government IT procurement rules, to eventually move to make them the same. For example, not only in our ministry, but in other ministries, many of the government databases run on a Lotus Notes platform, and I can't speak for all clusters, but I know for our information technology cluster that groups several business ministries, we are moving away from Lotus Notes towards other platforms. So the answer is yes, we're moving toward a single one.

Mr. Delaney: So to make a move away from Lotus Notes, you would essentially be looking at developing a completely new application from the ground up?

Mr. Poirier: Yes.

Mr. Delaney: Okay, good. In terms of doing that, do you have a comprehensive procedure for testing and acceptance of projects like this?

Mr. Poirier: Yes. It's not one that I'm familiar with, but it's one that I know we have to follow, again, the information technology cluster of rules on this.

Mr. Delaney: Thank you.

The Vice-Chair: I think that this completes our round of questions. I'd like to thank you very much for being here today and providing us with this information.

We will now move into a closed session, I'll just remind committee members.

The committee continued in closed session from 1120 to 1131.

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