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Wednesday 7 June 2006

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(Hansard)**

Mercredi 7 juin 2006

**Standing committee on
estimates**

Ministry of Finance

**Comité permanent des
budgets des dépenses**

Ministère des Finances

Chair: Cameron Jackson
Clerk: Katch Koch

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 7 June 2006

Mercredi 7 juin 2006

The committee met at 1539 in room 228.

MINISTRY OF FINANCE

The Chair (Mr. Cameron Jackson): Good afternoon. I'd like to call to order the standing committee on estimates. We have three hours and 18 minutes remaining for the Ministry of Finance, and for reasons which will be too long for me to explain, we have an opportunity to invite Minister Phillips, the Minister of Government Services, who also has carriage of the responsibility for the Ontario Securities Commission. Since that falls under the general estimates of the Ministry of Finance, we want to welcome the minister and thank him for availing himself.

It's my understanding that Mr. Hudak wishes to raise some questions, and I have a 20-minute window here, Mr. Hudak, for you to use as you see fit, but at the end of that period of time, we will be expecting the return of Minister Sorbara, and we will go back to our regular rotation where the NDP had five minutes remaining and the Liberals were then to be next.

Mr. Prue has a question.

Mr. Michael Prue (Beaches–East York): I'm not sure whether I will have any questions or not, but I would like to reserve that right, depending on what Mr. Hudak asks and the answers he might get from the minister.

The Chair: You will be recognized immediately after Mr. Hudak, and I'm sure Mr. Phillips won't be rushing away until we know that you're comfortable.

We're in your hands, Mr. Hudak, and again, Minister Phillips, welcome.

Mr. Tim Hudak (Erie–Lincoln): Thank you very much, Chair, and colleagues. I do apologize. I was late coming into committee. Minister, thank you for taking time out of your schedule to be here to respond to some of the questions I have with respect to the OSC.

The minister knows I have a private member's bill, Bill 46, An Act to amend the Securities Act with respect to insider trading and tipping, which stands before the Legislature. My understanding is that in order to be in violation of the tipping provisions of the Securities Act, one must be "a person or company in a special relationship with a reporting issuer"—in other words, the company that issued the shares in question.

A person in a special relationship is defined in the act, in section 76(5), to mean directors, officers and em-

ployees of the company that has issued the shares in question. The definition also applies to other firms working with the company—for example, firms that are proposing a takeover of the company and any advisers of those firms. That definition does not capture civil servants, politicians or those who would work in ministers' offices, for example. Bill 46 would amend the act to allow that to take place. Would the minister care to comment on that?

Hon. Gerry Phillips (Minister of Government Services): The challenge in your act—I think you indicated it in your remarks. That section of the Securities Act dealing with the insider trading and tipping is designed to deal with individuals who are either on the board of directors of the corporation, working for the corporation or have a special relationship. They may be a lawyer for that corporation, they may be doing finance for the corporation. It is designed to deal with people who are benefiting from having gained inside knowledge of the corporation.

The challenge I think we would run into with your act or your proposal to amend the insider trading and tipping act is that you are now broadening it to go after people who really have no relationship with the company. So we suddenly move from a section dealing with people who are benefiting from inside knowledge of the company to individuals who are not benefiting from inside knowledge of the company but maybe have some knowledge of something else that might benefit the company. I guess what I'm saying is that it would be a fairly significant change from what's intended in the insider trading and tipping parts of the Securities Act by not dealing with people who are benefiting from inside knowledge of the company but people who may have knowledge about something else that may be of benefit to the company. So it could be a bit problematic.

Mr. Hudak: I'm willing to work with the minister and his staff if there's a way—if my bill is too broad, for example—to get at the issues. I think you still share my concern about those who are involved with government tipping, if they have inside knowledge of a budget, for example, like we saw a budget measure talked about by Minister Goodale's office with respect to the dividend tax credit.

Hon. Mr. Phillips: Yes.

Mr. Hudak: I'll tell the minister, too, if I understand it, that according to the Securities and Exchange Commission in the States, civil servants in the United States

are subject to prohibitions against insider trading and tipping. In fact, section 10(b) of the Securities Exchange Act of 1934 prohibits manipulative and deceptive devices, which, if I understand correctly, covers civil servants.

As you know, the OSC is sometimes, in media and in commentary, seen as not being as strong an animal as the SEC. My suggestion is that this is one way to strengthen the OSC's ability. Whatever happened in Minister Goodale's office and such, I think, is beside the point. Why not strengthen the act by having some sort of provision that if somebody involved in government tipped off an upcoming budget measure, the OSC could prosecute?

Hon. Mr. Phillips: I'd be happy to work with you, obviously, and see if we can be of help.

There's another way of looking at dealing with it, and that is the rules that govern civil servants and political staff in the government. We are actually reviewing right now the Public Service Act, as time would have it, and actually I think you've appointed one of your members to look at that. What I'm suggesting is, there may be more appropriate ways to deal with inappropriate behaviour by either political staff or civil servants that would accomplish maybe what you're after but may not be the solution you've proposed. As I say, I'd be happy to talk with you on it. The challenge with your proposal right now, as I say, is that it's designed to get at people who are benefiting from inside knowledge in a corporation as opposed to getting at people who are inappropriately providing information to corporations from outside. I'm suggesting that there may be other ways of dealing with it besides this bill, and I'd be happy to sit down and chat with you on it.

Mr. Hudak: I appreciate that. I think there's a general dissatisfaction with the tact that you could simply pursue it through the Criminal Code. I would expect, Minister, if you did have the opportunity, through staff who report to you, maybe you could consult on my proposal. I'll do that to the best of my ability as a critic and a private member, but I might suggest that I did receive some positive comments on this approach, as opposed to a more general approach through the Criminal Code or laws governing civil service conduct or our conduct as politicians in a general sense.

I'll move on to a second topic. Chair, how am I doing on time?

The Chair: You've got 10 minutes, maybe a little more.

Mr. Hudak: On a related matter—and I appreciate the minister's responses to Bill 46—from time to time, the OSC does come under some significant criticism about its investigative and enforcement record. Recently, December 30, 2005, Foreign Investors Wary of 'Wild West' was a column in the Toronto Star. In fact, was it Don Drummond who made—I better make sure I'm assigning the quote to the right individual. There's a significant commentary from media and market observers that the OSC could be a lot stronger in this regard.

Another article, August 20, 2005, Canadian Agencies Criticized; US Leads Way on Corporate Investigations; Ontario has moved to Toughen Laws, Penalties. There are a number of other examples, like some investigations with respect to Hollinger, Placer Dome, Rankin; or, if I recall correctly, it was actually foreign jurisdiction securities commissions or agencies outside of Canada that first brought these issues to the public sphere, as opposed to the OSC, and the OSC was often seen as reacting. I wonder if the minister has a general comment with respect to this occasional coverage about the OSC's enforcement and investigative ability.

1550

Hon. Mr. Phillips: Let me give you a kind of over-view comment, Mr. Hudak. The Ontario Securities Commission, in my opinion, is a very solid organization. We have a new chair, very good, very outstanding—the previous chair was very good as well—and they are constantly moving, and we in conjunction with them, to find ways we can improve investor protection.

One of the biggest things we've done, by the way, that has gone a little bit unnoticed is to provide what's called civil liability for secondary markets. That became effective at the end of December 2005. If you read the business press in detail, you might be aware of it, but essentially what that does is provide access to civil liability for shareholders of equities traded after the initial public offering. We're the first jurisdiction to do that in Canada. It's a major step forward, I think, in investor protection.

We have also, in conjunction with the securities commission, done a number of other things: requiring public companies to disclose information about whether they're complying with the corporate governance promises; some new rules in June 2005 to ensure better information to investors in mutual and other funds; some investor confidence rules around making sure the public company board of directors plays an appropriate role in ensuring the integrity of the information, that executives are accountable for the accuracy. There are several things we've done. I can go on, but it's a bit of a list.

I'm quite happy with the enforcement of the securities commission. That doesn't mean, by the way, that we can't make some improvements, because there is substantial money at stake. What I always say is that it's of interest to the public because virtually everybody now owns equities—the CPP plan; virtually any pension plan has equities; virtually anybody who has an RRSP. So it's in all of our interest.

We're constantly looking at ways we can strengthen enforcement. I happen to believe that if we could move to one common regulator in this country, that would help to pull together all the enforcement mechanisms.

Just as a coincidence, Mr. Hudak, today at noon or 12:30, Mr. Crawford released his final report on a common regulator. As the committee may remember, he has been working on that for six months with a group of very well respected business people from across the country. That report came out today, laying out a model of how a

common regulator run by the provinces could work. Next week, for your information, the ministers responsible for securities regulation are meeting here in Toronto, among other things, to discuss that report.

I guess the basic answer is that I believe the securities commission is doing a good job. I think they're in some respects a very important organization in maintaining investor confidence in the US and the Canadian market. In conjunction with them, I think we've made some good strides forward, but it's a moving target, so you just have to keep looking at how we can do it better.

Mr. Hudak: I'll keep pressing this point, whether it's in committee or with yourself, Minister.

Chair, my remaining time?

The Chair: You've got five minutes.

Mr. Hudak: Okay. Let me make a couple of more points. The quote I had mentioned earlier is from David Dodge. It's a quote from December 2004. Bank of Canada Governor David Dodge said when he visited New York or Boston or London, he was hearing "a perception that somehow this is kind of a little bit more like a Wild West up here in terms of the degree to which rules and regulations are enforced," and, "That perception doesn't really help us when we go to try to raise money on foreign markets," with respect to regulation in Canada versus other jurisdictions. You make a good point: With more and more people in the markets, we need to make sure we look out for retail investors.

Robert Verdun, who is a shareholder-activist, said, "I find regulation in this country," referring to Canada, "to be next to useless ... from the point of view of protecting investors and other stakeholders." Strong language; his quote, nonetheless, from the point of view of protecting investors and other stakeholders. He went on to say, "Americans vigorously defend competitive, fair enterprise. There's an almost aristocratic concept in" Canada "that big business is above reproach, and that if you're rich and powerful you do no wrong." The article goes on to talk about Livent and Bre-X and some of the enforcement concerns around those two situations.

Minister, I know you're aware of these particular issues. It hasn't all happened in the last year or so by any means, but it seems to be an ongoing pattern that I think it is important for us to raise here and hopefully communicate to the OSC with respect to some of these high-profile cases that seem to be caught in other areas, with a slow reaction in Canada. I appreciate the work you're doing, and the Crawford work with respect to the single securities regulator and I wish you continued success in that realm. Hopefully, we'll have some progress on that.

My last question, just to make sure I understand: Minister Phillips is responsible for the OSC and other areas. Is it a letter from the Premier that describes your exact responsibilities? Is it an order in council?

Hon. Mr. Phillips: I imagine it's an order in council, but somebody can technically answer it.

Mr. Colin Andersen: It's actually an OIC that talks about the responsibility for the acts that the Ministry of Finance is otherwise responsible for, and then we have

the actual operational—the staff responsibilities to support the minister stay with the Ministry of Finance.

Mr. Hudak: There were two OICs, if I recall, that were—

Mr. Andersen: I believe that's correct; it was a while back. If you have more questions, we can bring Craig Slater, the legal director, up.

Mr. Hudak: The questions for the minister are completed. I just wanted to stress those two issues and wish you continued success on the single regulator.

But Craig could step forward. I'm just trying to understand how the relationship of Minister Phillips's ministry is defined and his areas of responsibility.

Hon. Mr. Phillips: Just before we do that, I wouldn't underestimate the impact that the civil liability for secondary markets will have. It's had, I think, a very substantial impact on publicly traded corporations really making sure that the information they're disclosing is as accurate and informative as it can be, just because of that new regime we brought in. I think that will have an immediate positive impact.

The Chair: Could you please identify yourself for Hansard?

Mr. Craig Slater: My name is Craig Slater. I'm the director of legal services at the Ministry of Finance. In answer to your question, Mr. Hudak, there is currently one order in council that assigned the administration of the various securities acts, those being the Securities Act, the Commodity Futures Act, the Toronto Stock Exchange Act, and there's one other that slips my mind, and that OIC was approved by cabinet, I believe, in the summer of 2005 and was published in the Gazette a number of weeks thereafter.

Mr. Hudak: I recall some debate in the Legislature at the time, some questions that there was a subsequent OIC that was released with respect to Minister Phillips's responsibilities.

Mr. Slater: I think what you're referring to is an order in council or two orders in council that predated the 2005 order in council, and those were done, I believe, in 2004. The first order in council assigned the administration of the Securities Act and the Commodity Futures Act to Mr. Phillips, or the Chair of Management Board, as he then was. There was a second OIC a week later that assigned the responsibility for the two other statutes, the Toronto Stock Exchange Act and the other statute, which, quite frankly, the name of which slips my mind. It's important to note that—and I'll be quite honest with you, and it's also necessary to put this in context—the two other statutes essentially are spent. There is virtually no activity under them, and in large measure they're there because they dealt with the demutualization in, I believe, 2002. In large measure, it was a civil service mistake that resulted in the delay. When we found out that in fact there were two other securities statutes that we hadn't included in the first OIC, we realized that we'd made the mistake and recommended to process the order in council with the recommendation that it be made, and it was.

1600

Mr. Hudak: Chair, if I could, just through your offices, I appreciate that these things are in Gazette. My time to go through Gazette is a bit limited, so I'd just ask if the ministry would be so kind as to produce the OICs that have been mentioned here today for the benefit of the committee and, secondly, any kind of protocol that exists between the ministers' offices and the civil service in these matters.

Mr. Slater: Certainly the orders in council can be produced. They're public documents. All of them have been posted, and certainly they can be provided.

Mr. Hudak: You must have a protocol too in terms of how the ministry itself, the civil service, deals with Minister Phillips or Minister Sorbara/Duncan when Minister Duncan was there.

Mr. Slater: There is no actual written protocol. It is an understanding between the ministers that for matters dealing with securities regulation in the province, the civil servants at the Ministry of Finance will inform and take direction from, in this case, the now Minister of Government Services.

Mr. Hudak: Understanding that this could sometimes be in grey areas, I thought there must be some written protocol or direction from the deputy, a memo to staff, just to make sure—because it's important to have clarity here.

Mr. Andersen: There was a memo to staff, but we'll go back and have a look at what documentation there is, and we'll get back to you.

Mr. Hudak: Thank you. I just request it for the committee's benefit.

The Chair: Mr. Prue, did you—

Mr. Prue: In fact, yes. I thought that perhaps Mr. Hudak would raise this, but he hasn't. In October 2004, your first bill concerning the OSC sailed through finance committee and then it sailed through the House, and I think it got unanimous approval. Then in April of this year, your second bill involving the OSC, the same thing happened. It went through finance committee. I do not believe it went clause-by-clause, although there were some questions that a single opposition member voted against any of the clauses whatsoever. It went through and it got all-party approval and went through the House. Both of them were unanimous, and I think there was considerable goodwill on all parties to pass them.

But I do recall and I do remember a commitment you made and a motion that was made by Mr. Wilkinson in the finance committee that within one year of the passage of the first bill, that is, the October 2004 bill, and in the absence of having one single regulator, you would move to implement the other recommendations of the committee. The most important one, to my mind—there were several recommendations—was to separate the adjudicative and the enforcement functions. There was also another group of recommendations around enforcement activities to ensure that the public was better protected in fraudulent scams and deals.

That was a commitment that was made. When can we expect this bill?

Hon. Mr. Phillips: Firstly, the committee should be pleased. We've implemented, I think, 11 of the 14 recommendations.

Mr. Prue: We are, and I am, but I want to know about the other three.

The Chair: One at a time.

Hon. Mr. Phillips: I'll thank the committee for dealing quickly and effectively with the Securities Transfer Act, and it has an impact.

I think the context in which I would respond to that is that if we don't see progress toward a common regulator, we would consider, or move unilaterally on, separating the adjudicative function.

Just for your information, by the way, because you probably haven't seen the report—it just came out at noon today—the Crawford panel recommends that with the common regulator we do separate the adjudicative function. Frankly, I have been hoping we would continue to make progress on the common regulator. As I said at the time, I think that if we're making progress on that, we would hold in abeyance separating the adjudicative function pending that process.

The decision we have to make now is: Will the timetable on the common regulator move quickly enough, or should we be moving independently on the adjudicative function while that other process is going on? Frankly, I'll know better on that issue in the next few days or few weeks.

Again I would say it seems to me that if we're going to be setting up a common regulator, that may be the most appropriate time to separate the adjudicative function, per the recommendation of the Crawford panel, as opposed to two steps: separating the adjudicative function and then moving to the common regulator shortly thereafter.

Mr. Prue: The promise—within one year of the October 2004 date—was made, and we've been patient. Can we expect that it will be by October 2006, which will be two full years after the promise was made? We need to have a time frame here. The reason I'm asking this—I have not looked at the statistics, but the statistics leading up to 2004 were that there were more than 300 investigations per year of fraudulent activities or activities perceived to be fraudulent being conducted by the OSC. That's nearly one a day.

There are a lot of little people out there being hurt, and they need some protection. They need the law beefed up. I agree on a common regulator; we all agree on that. But in the interim, we have to make sure they're protected. If we're not moving fast, what I want is a commitment and a time frame. We had one, which was one year. I'm asking for one now, that it be two years.

Hon. Mr. Phillips: Let me make sure everybody understands the issue. Right now, adjudication is done by the Ontario Securities Commission board. They make the adjudication. That's the way it's been, I guess, forever. One jurisdiction, Alberta, at one time separated the adjudicative function from their securities commission and then moved back; they kind of rescinded that decision.

There is no evidence, by the way, that the decisions are in any way compromised by the current set-up. I think that's been looked at by, among other people, Coulter Osborne, who would say there's no evidence that this is not working; there's no evidence that the current approach is inappropriate. So separating the adjudicative function wouldn't necessarily speed anything up. It wouldn't mean that more cases are being dealt with. It wouldn't mean that more people are being prosecuted. It would just mean that it's a separate body making that adjudicative decision. And the argument is, should the board be making adjudicative decisions? Some would argue they shouldn't be. Others would say, "Well, they've got the expertise to do it."

What I would say again to the committee is that it seems to me appropriate right now to do what I said two years ago when the report came out; that is, unless we're making good progress with the common regulator, we would make a decision on separating the adjudicative function. I happen to think we may be making progress on the common regulator. It seems to me that my advice to the committee is to await the outcome of that, which is going to happen over the next few weeks. If we continue to make good progress on the common regulator, my advice to the Legislature would be to perhaps wait until that common regulator is set up with a separate adjudicative function rather than separating the securities commission. If reasonable progress isn't being made, then we've got to come back to this issue.

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Mr. Prue: But I'm still asking for a time frame. You'll know within a couple of weeks. If you don't have something in place within a couple of weeks, is it your plan to come back in the fall with a substantial bill dealing with the recommendations made by the finance committee to which you agreed?

Hon. Mr. Phillips: I'd like to set the parameters. As I said, if we continue to make good progress on the common regulator, I think we have to look at separating the adjudicative function at that time. I'd rather kind of give ourselves a little bit of time over the next few weeks and see if we aren't making progress on the common regulator before I commit to a timetable.

Mr. Prue: All right. I'll be watching. Thank you.

The Chair: Minister, thank you for being here today. I don't know if you have any closing comments you'd like to make.

Hon. Mr. Phillips: I think the committee has served this area well. I think we had a good review of the Securities Act two years ago. There's another one coming, by the way—two coming.

There's the five-year review of the commodities act, which is part of another one of your recommendations that we're implementing. The preliminary report was just issued about a week ago, so in probably the next four to five months we will have the final report, which then comes to the Legislature and then is referred to a committee of the Legislature—presumably this committee—

for its review. So you'll be seeing the commodities five-year review coming to the committee.

Then, I believe next year, we need to set up our next five-year review of the Securities Act. So this is a constant process, and I just want to alert the committee to those two things and thank this committee again for the Securities Transfer Act work.

The Chair: Thank you very much.

Now I would like to invite the Minister of Finance, the Honourable Greg Sorbara, back to the table. At this point, I would like to begin with the Liberals, who have a 20-minute cycle to begin.

Mr. John Wilkinson (Perth–Middlesex): We'd be more than amenable to have a normal rotation right now, with all three parties going around with the minister, in the interest of being done at the end of the day.

The Chair: All right.

Mr. Wilkinson: Does that work with you?

Mr. Hudak: I'm sorry. I didn't quite catch that.

Mr. Wilkinson: Just do two more rotations.

Mr. Hudak: Isn't that what we have planned?

Mr. Wilkinson: Actually, we've got 20.

The Chair: Thank you very much, Mr. Wilkinson. I believe that kind offer is being accepted. Therefore, Mr. Prue will now pick up the rotation for his 20-minute cycle.

Mr. Prue: Twenty minutes, or were there still five or 10 minutes left from the last day?

The Chair: You used five minutes up with Mr. Phillips.

Mr. Prue: All right. That's fair enough.

Mr. Wilkinson: And we had 20, and we didn't take it.

The Chair: That is correct. So I will do 20 minutes with the third party and 20 minutes with the government, and then I'll begin the cycle again. Mr. Prue, we're in your hands.

Mr. Prue: All right. I have two 20-minute cycles left.

I've asked a number of questions, and I'm still hoping to get some of the answers about the gap, which I hope to see soon, and about jobs.

I'd like to go on about municipal downloading and property taxes. That seems to be heating up as quite the issue. It's out there. I've been reading about it in newspapers across the province, and certainly in my own travels it's an issue that's constantly being raised.

Earlier this year at the finance committee, I asked your predecessor about how much the municipalities pay for provincially mandated programs—AMO has come out with some figures. Can you tell me how much the municipalities are paying for provincially mandated programs through the property tax?

Hon. Greg Sorbara (Minister of Finance, Chair of the Management Board of Cabinet): I think we could probably spend a full 20 minutes on that, because there's a variety of programs, and in a sense, every one has its own rules. As you're no doubt aware, we are in the process of uploading yet more from the municipalities in the area of the land ambulance system. It's actually, Mr. Prue, a very interesting example, because notionally,

under our predecessors, the relationship was supposed to be 50-50: 50% payment from municipalities and 50% by the province. Certainly, from the first few days that we held office and I served as Minister of Finance, we heard complaints, concerns about the land ambulance program. I think my colleague from Pickering–Ajax—he’s nodding his head—as a mayor would have made a complaint to the previous government that a program that was advertised as 50-50 wasn’t really 50-50; it was more like 66 1/3-33 2/3—a third, two thirds—and it was different for each municipality. We have recently taken steps to recast the financing of land ambulance to move to that 50-50 objective and 50-50 target.

If you go to a completely different program, OSIFA—the Ontario Strategic Infrastructure Financing Authority program—has a small component of provincial input and provincial management, but municipalities are able to raise funds for capital projects through financing provided through OSIFA. Those municipalities continue to pay the cost of the interest, but the benefit provided by the province is to act as kind of a central banker and central lender to municipalities. It’s proven very effective.

We are moving in the area of public health to assume, when the program is fully implemented, 75%—correct me if I’m wrong, colleagues—of public health costs. We did that in a staged way. When the final stage is implemented, we’ll be assuming 75% of the cost.

Looking at another infrastructure program like COMRIF—the Canada-Ontario municipal rural infrastructure fund—it’s really a federal-provincial financing vehicle to provide capital assistance for smaller municipalities, rural municipalities, to take on capital works. The major contributors there are the federal government and the provincial government. In a moment, Sriram will give you specific details on how COMRIF is financed.

Mr. Prue: I’m not concerned about COMRIF. What I want to get to—the Association of Municipalities of Ontario has a very clear figure that they have set out. You tell me whether it’s right or wrong. They say that approximately \$3.2 billion is paid by municipalities for provincially mandated programs: social assistance, including ODSP, Ontario Works and related drug programs, \$1.3 billion; social housing, \$879 million; ambulance, \$312 million; public health, \$266 million; and child care, \$193 million. They also indicate about \$6.2 billion of provincially mandated programs in education, but I want to concentrate on the first five first. These are all downloaded. Are those figures in fact correct—

Hon. Mr. Sorbara: If you just name them again, I’ll write them down and we’ll try to answer in each specific case.

Mr. Prue: Okay. Social assistance—

Hon. Mr. Sorbara: So that would be Ontario Works.

Mr. Prue: ODSP, Ontario Works—

Hon. Mr. Sorbara: ODSP, the Ontario disability support program; that’s good.

Mr. Prue: —and related drug programs for both of them. That’s \$1.3 billion.

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Hon. Mr. Sorbara: So the Ontario drug benefit program, the municipal portion.

Mr. Prue: Social housing: \$879 million.

Hon. Mr. Sorbara: Social housing. Okay.

Mr. Prue: Ambulance: \$312 million.

Hon. Mr. Sorbara: Ambulance. Okay. Shall we just agree to strike off ambulance? I think I’ve talked enough about ambulance.

Mr. Prue: I’m not sure, because—

Hon. Mr. Sorbara: We are moving to a 50-50 cost ratio as between the province—

Mr. Prue: That probably will shave off \$50 million to \$60 million. That’s what that will shave off.

Hon. Mr. Sorbara: We’ll get you a figure on that.

Mr. Prue: Public health: the same thing. If you go from the current 60% or 65% up to 75%, that’s going to shave off something, but it’s not going to shave off all the costs. Child care—these are provincially mandated programs; they’re not municipal programs.

Hon. Mr. Sorbara: That’s right, yes—well, I think it’s difficult to say they’re not municipal programs. They are covered by provincial statute, and they are the result of agreements between the province and municipalities. But if you look at something like, for example, what we today call Ontario Works, what many people know as social assistance or welfare—when I was a kid, it was referred to as municipal relief. It was really municipalities providing very small amounts of money to those who were without work or who were down and out and destitute. So many of these programs have their roots in municipal activities.

I just want to make the point that to say they are provincially mandated does correctly reflect the fact that they are now governed by provincial statutes. They’re also governed by very intricate agreements between the province and municipalities as to who should pay for what. In fact, under the previous administration, there was a wholesale review of “Who Does What.” To be very frank, under the umbrella of the Who Does What program, there were very significant costs downloaded on municipalities. In our view—we made that clear in the election campaign—that burden was too great for municipalities.

Let’s just take Ontario Works, or the social assistance program, as an example. Under the base agreement, the province pays 80% of the costs of Ontario Works. Sriram, is that right?

Mr. Sriram Subrahmanyam: Fifty per cent of the administration and 80% of the benefits.

Hon. Mr. Sorbara: We pay 80% of the benefits and 15—1-5?

Mr. Subrahmanyam: No, 50%.

Hon. Mr. Sorbara: Fifty per cent. One half—

The Chair: Please identify yourself for Hansard.

Mr. Subrahmanyam: I'm Sriram Subrahmanyam, assistant deputy minister, provincial local finance division.

The Chair: Thank you very much.

Hon. Mr. Sorbara: He did that before, but you weren't here, Mr. Chair.

The Chair: The Hansard won't know that.

Hon. Mr. Sorbara: The Hansard was here. You understand.

The Chair: I do, and I appreciate just how much you're trying to be helpful, but perhaps you can get back to answering the questions.

Hon. Mr. Sorbara: And I know you do.

Ontario Works, or the kind of general welfare program, social assistance: The province pays 80% and the municipality pays 20%. The province and the individual municipality share as to 50% the cost of administration. But there's a caveat, and the caveat is that under the Ontario municipal partnership program, some municipalities with less substantial assessment bases or less substantial tax revenues have an annual grant that in some cases will cover—am I right, Sriram?—all of the municipal portion of the Ontario Works program.

The relatively same rules apply to the ODSP and, I think, to the Ontario drug benefit plan.

Let's just ask the assistant deputy minister to confirm that and answer any other questions that you might have on Ontario Works, ODSP and ODB, which is the Ontario drug benefit plan. Then I suggest that we get into social housing.

Mr. Subrahmanyam: Thank you, Minister. I'll just make a few points about the AMO \$3-billion number you referenced. It isn't a number we can confirm; it's an AMO estimate, of course.

Mr. Prue: If you can tell me what your number is, I'd be very interested.

Mr. Subrahmanyam: And I will get to that. I'll also point out that in that estimate, it does include municipal discretionary programs, which aren't necessarily mandated by the province. I'm not sure what component that is.

It's also important to note that number leaves out some important points. The whole discussion stems from the LSR trade back in 1998, and this number leaves out the fact that about \$2.5 billion in tax room was transferred to municipalities to help pay for that program. Of course, that tax room has grown considerably since then. That was part of the equation in the initial LSR and municipalities continue to have access to that tax room to pay for the program.

The second thing I'd point out is to reiterate the point I made yesterday, and really the point the minister just made, that the Ontario municipal partnership fund, for about 80% of municipalities, it offsets either all or part of their social costs. That's a very important point and it's left out of the \$3-billion number.

As far as the specific cost estimates for the programs are concerned, these would be provincial estimates based on the rules under our cost-sharing agreements. So for

ODSP, the Ontario disability support program, municipalities are responsible for 20% of the benefits and 50% of the administration. In 2005, that's a municipal calendar year, the cost was approximately \$550 million. For Ontario Works, where again they're responsible for 20% of administration and 50% of benefits, the cost to municipalities is approximately \$525 million. I'll point out that with Ontario Works, that program is delivered by municipalities and they have, I think, a fair level of say over the policies and the program. It's not entirely provincially mandated.

The Ontario drug benefit component, which goes to recipients of both the previous new programs I mentioned, in calendar year 2005 is approximately \$130 million.

I believe you mentioned child care. Again, I think municipalities are responsible for 20% of the costs—

Mr. Prue: Just before you go there, the numbers you have, \$550 million, \$525 million and \$130 million add up to \$1.205 billion. It's pretty close. It's not the same, but it's pretty close to what AMO is saying.

Mr. Subrahmanyam: I think AMO's number total was \$3 billion.

Mr. Prue: No, \$1.3 billion for the social assistance.

Mr. Subrahmanyam: Oh, I see, yes.

Mr. Prue: You're saying it's \$1.2 billion?

Mr. Subrahmanyam: I'll finish the other programs and maybe we can get to that point.

Mr. Prue: Okay.

Mr. Subrahmanyam: For child care, the cost is \$150 million for calendar year 2005.

Mr. Prue: For public health?

Mr. Subrahmanyam: Public health: We estimate that once we move to the full 75% cost shared that the minister referred to, their costs will be about \$140 million.

Mr. Prue: Once we get there—when are we getting there?

Mr. Subrahmanyam: It's planned for, I believe, 2007. I'll just add a caveat: These numbers are estimates. We would have to confirm these with ministries, so they should be treated as really ballpark—

Mr. Prue: Ambulance?

Mr. Subrahmanyam: The municipal share of land ambulance costs, I believe, in the current year is about \$372 million, but the provincial contribution will increase over the next few years, as the minister indicated.

Mr. Prue: And social housing?

Mr. Subrahmanyam: Social housing costs: I don't believe we have an accurate estimate for that. I'll have to get back to you on that.

Mr. Prue: Your numbers are not terribly out of whack. You're saying \$1.2 billion for social assistance; they say it's \$1.3 billion. Child care, they say it's \$193 million; you have it at \$150 million.

Mr. Subrahmanyam: Right.

Mr. Prue: Public health is \$140 million, but that's not till next year and I'm not sure what it is this year, which is about half. Ambulance: You actually have pegged it

higher than what they say. You say \$373 million and they say \$312 million. So you're actually saying they're paying more of it than they say they're paying.

Mr. Subrahmanyam: On the ambulance costs, it's very difficult to get the exact number. We're really dependent on municipal data for that.

I think the important point is to reiterate what I said upfront. The \$3-billion number, whether it's \$2 billion or \$3 billion, is really a partial story. It excludes the considerable amount of tax room that was transferred to help pay for these programs.

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Hon. Mr. Sorbara: The other thing that has to be taken into consideration—it's an important debate, I say to all the committee members, as to how we improve the financial relationship for providing public services as between municipalities and the province of Ontario. If you can do a general characterization of the predecessor Conservative government, there was an awful lot of downloading of costs onto municipalities. If you could generally characterize the approach of this government, we have had a number of initiatives which have had the effect of uploading to the provincial treasury the responsibility for delivering public services.

For example, the two cents per litre for gas tax has made a tremendous difference; the revisions of the general grant program through the Ontario municipal partnership fund. But the other thing I think, Mr. Prue, you have to take into consideration: When a municipality says, "We are paying \$3 billion for provincially mandated services," that's only a part of the equation. Trust me; I understand the financial dilemma of municipalities. I hear about it, and when I travel, I hear about it directly, particularly from smaller communities with low assessment bases.

But there's a wide variety of municipally mandated programs where the province is paying an increasingly large share of the overall cost. For example, public transit: We are investing, in the last budget, roughly \$1 billion in public transit in the greater Toronto area. It's not provincially mandated, but it's really important to do.

Policing is another area. That's a municipal responsibility. Every municipality has either their own police force or a contract with the Ontario Provincial Police to provide provincial services.

If you look at money flowing from the province through OMPF or other mechanisms, you'll see funds coming from the provincial treasury to those municipally mandated programs. It's things as varied as community and recreational facilities, capital grants in those areas to assist municipalities to build facilities, recreation programs, which, by and large, are seen to be the responsibility of municipalities, and yet the government has recreation programs that flow money either directly to municipalities or to community groups.

Probably the biggest area, and it was of particular note in the current budget, is the heavy burden of capital costs for roads and bridges. I think that was one of the real successes of this budget. Those roads and bridges, if you

just look at the statutory basis of responsibility, you would say, "Oh, well, those are municipal roads. Those are municipal bridges. Let them raise taxes for that." In fact, if you look at the previous administration, a lot of that, "Oh, well, let them look after it" took place. Indeed, there were a number of provincial highways—you see them and I see them and we all see them as we drive around Ontario: former Highway 48, now Regional Road 51. The significance of that is that that road is now a statutory responsibility of the municipality.

This area—it's simply too simplistic for any of us to say, "It's a provincially mandated program and therefore the province should pay all the costs," or, "on the other hand, it's a municipal responsibility; therefore, the municipality should pay all the costs."

In the greater Toronto area, we got into a devil of a problem in public transit when then-Premier Mike Harris said, "Transit is a municipal responsibility. Let them pay for it."

Mr. Prue: I'm not disagreeing with anything you're saying here, but I'm trying to get my head around the numbers. This is my only chance to ask real questions and get real answers so that I can do a better job in the House.

Hon. Mr. Sorbara: And we're trying to give you real answers.

Mr. Prue: I don't need any more spin. I get enough there.

Hon. Mr. Sorbara: I'm just trying to explain the complexity of financial arrangements between the two levels of government.

The Chair: Thank you, Mr. Sorbara and Mr. Prue. I think he understands it, as a former member of city council. I think he's trying to be polite about not needing a history lesson.

Hon. Mr. Sorbara: And you, sir, as a future—no, I won't—

The Chair: With all due respect, I do have to move the rotation now.

Hon. Mr. Sorbara: We can come back to that issue.

The Chair: I didn't want to have to remind you that he was a prominent member of municipal council in the city of Toronto.

Hon. Mr. Sorbara: I thought it was an "eminent" member, but you may be right.

The Chair: Unless you felt it was instructive to other members in the committee who might wish to learn about that, I would like to now recognize Mr. Wilkinson.

Mr. Wilkinson: Thank you, Mr. Chair. Minister, my question has to do with equalization. There's a new report that's out. Interestingly, when we were sitting as the standing committee on finance and economic affairs and we wrote a report, we had Don Drummond from TD, Roger Martin from Rotman and Hugh Mackenzie from the alternative policy people in. We had quite a frank discussion about, in a sense a consensus, that there were enough taxes being raised in this country as a whole, but we were not getting the revenues to flow to those levels of government that had the responsibility and that that

kind of mismatch was set off by the federal government doing what they needed to do to balance their budget and offloading to the provinces, and then subsequent off-loading by the provinces onto the municipalities by the previous government.

The question is that we have to have the political courage to enter into negotiations and get the right level of taxation to the right level, that it's not who can cut taxes the fastest and then we still don't get the services. In light of the fact that the federal government is cutting the GST, as they said they would do on the campaign trail, I'd be interested in your comments about where you see both equalization and a fair deal for Ontarians, where we are today.

Hon. Mr. Sorbara: A fair, or fairer, deal for Ontario is something that has taken up a good deal of time of this government and a good deal of time of the head of this government. By the way, I was incredibly pleased to see a headline in commentator Ian Urquhart's column this morning in the *Toronto Star* to the effect that—I don't know if I can quote it exactly—McGuinty gaining allies on equalization issue. I think that says as much as anything to point out how hard he has worked to try to get the real story across, not just to Ontarians, who I think understand this issue pretty well. There it is right there: "McGuinty Winning Converts to Fairer Fiscal Deal." Amen, Brother.

In fact, if I could just quote from the article, Ian Urquhart says, "But McGuinty has been touring the country for the past couple of weeks and proselytizing"—I wouldn't call it proselytizing; I think just making the case—"on the issue with editorial boards and politicians in other provinces, to notable effect."

Admittedly, these are very difficult issues with positions that are very deeply entrenched. Danny Williams, the Premier of Newfoundland and Labrador, has a very clear view of what he wants from a reformed equalization program. He wants more. Lorne Calvert, the distinguished Premier of Saskatchewan, is very clear about what he wants from a revised equalization program. He wants to use the 10-province standard—right now, there's a five-province standard, and it has worked pretty well—and he wants more. Some other provinces are in a kind of shifting position. British Columbia, for example, is going through a transition right now because of the strengthening of their economy, where they either have gone or will soon go from being a receiving province—that is, receiving an equalization payment—to a province that does not receive but contributes to the equalization that is distributed to so-called have-not provinces. I think we could get rid of the terminology "have and have-not provinces." I don't think it reflects appropriately the circumstances of provinces.

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I think, as the headline says, "winning converts to a fairer fiscal deal" reflects the fact that the case the Premier of Ontario is making, and to some "notable effect," is that there is no need now to expand, make larger, the equalization program that is at the foundation of the

funding of public services in Canada. In fact, it is plenty large enough and, in some respects, perhaps too large. I think that argument is winning friends. The complexity of the equalization program is perhaps matched by the education grant in Ontario, but suffice it to say that it is a very complex formula to determine the revenues and expenditures of a province for the purposes of the equalization plan.

So the good news is that this coming weekend the Premiers are meeting together under the umbrella of the Council of the Federation, and I think our Premier is going to make a pretty profound impact to argue that if we have funding issues as between the federal government and provinces, they ought not to be solved by creating an even larger equalization program.

The report that you referred to actually called for a somewhat larger equalization program, but mercifully—you know, like all reports, it had some strengths and weaknesses; there were some principles in the report that were of some value. We do not agree with the expansion of the program, and we don't agree for one simple reason: The people of Ontario and the businesses of Ontario cannot afford a larger burden on their paycheques and on their corporate taxes for money that is sent to other provinces to support social programs in other provinces.

Mr. Wilkinson: Thank you, Minister. There are two issues, in my understanding. Maybe you could help me with this. There's that equalization part of it, but there's also the issue of per capita funding that I know the Premier has spoken to. When the federal government is sending out money, one would assume that per capita means per capita, that everyone's head is exactly the same, no matter where you live in Canada. It seems that that is not the case, that there are many cases where Ontario residents, when they receive per capita funding from their federal government, are treated differently than other Canadians. I remember the Premier was quite adamant in the sense that if that fundamental flaw is not fixed, it calls into question the whole idea that we are trying to share. I know he said how proud he is that, as a strong economic province—you were talking about the taxpayers. You said the taxpayers would have to pay more, or the fact is today they're not getting what they should be getting in Ontario with regard to public services because that money is redirected through the existing arrangements to other provinces.

Hon. Mr. Sorbara: It's a very touchy point for Ontarians and for the Ontario government, and in a moment I'm going to ask John Whitehead, our assistant deputy minister for the treasury board office, to just tell us exactly how much Ontario is denied or shortchanged because transfers in the Canada health transfer and the Canada social transfer in Ontario are not based on full per capita funding. So we get less than other provinces per capita because a different methodology is used here.

I think the point the Premier has made, and made well, is that this represents a kind of an equalization program by stealth. That is to say that outside of the very complex,

very well-funded equalization program, there is an additional burden put on Ontario services because we do not receive full per capita funding in those two very significant transfers. I would just turn it over to John, if I could, Mr. Chair.

Mr. John Whitehead: Thank you, Minister. There are a variety of areas in which Ontario does not receive its per capita share. The minister has highlighted the Canada health transfer and the Canada social transfer as key examples.

Your earlier question dealt with the recent report of the equalization panel. The minister mentioned the principles as part of that. One of the things that they did mention was this notion that the equalization program should be the primary vehicle for providing equalized benefits, not through other programs. As it stands now for the Canada health transfer and the Canada social transfer, all up, if Ontario got an equal per capita share, we would be getting about a billion dollars more per year in aggregate than we get now. That doesn't include—we had some discussion yesterday. I think Mr. Prue raised a question around the EI benefits. Those add to this. The issues there add to this amount, as do amounts in our infrastructure funding, where Ontario, in general, not only does not get its activity share, if you will—Windsor gateway being an example of perhaps an activity share that would be well in excess of our population share—but doesn't get its population share either. We tend to average something around 30% of national funding for infrastructure. Our population share is closer to 40%, our revenue contribution closer to 43%—so a variety of areas in which the province does not receive a full, equal share. In part, these exist because of choices in the way the federal funding is distributed; in part, it's formulaic. The Canada health and social transfers, for example, continue to embed in their calculation variables that tend to systemically reduce Ontario's share below its normal per capita amount.

Hon. Mr. Sorbara: Just two other comments on this question of full per capita funding and equalization. It's really important to make the point that this government, as all of its predecessors, believes fundamentally in equalization as part of the funding of public programs across the country. It's part of our Constitution, and it's part of what joins us together as a country. So we are not criticizing the notion; we are criticizing a program that currently places too great a burden on Ontario taxpayers and on Ontario businesses.

The other point to be made is to put the \$1-billion shortfall, because we do not get full per capita funding, in context. Were we to get that money, either we would be able to invest an additional billion dollars in health care and education and social programs or, if our approach were somewhat different, we would today virtually have no deficit in the province.

It's interesting to note that, with the exception of Alberta, the various provinces are having relatively similar economic performance. Alberta is a separate case—it's an oil-and-gas jurisdiction—but the rate of

economic growth is more or less similar. Yet all other provinces have been able to work their way from deficit financing to a surplus over the same period, while Ontario continues to struggle, in part because of the shortfalls of things like full per capita funding under the Canada health transfer and the Canada social transfer.

Mr. Wilkinson: How much time, Mr. Chair?

The Chair: You have three and a half minutes.

Mr. Wilkinson: Great. Thanks, Mr. Chair.

Just a quick question. I asked this question of the Minister of Agriculture this afternoon, so I'll ask you the same question. We are in the midst of, obviously, a new government in Ottawa that just received consent for their budget. In that budget, in the Ministry of Agriculture there was an increase of some half a million dollars, but also one-time money of a billion; about \$900 million of that is earmarked.

Minister Dombrowsky was telling us today that she has still been unable to get from Minister Strahl the details of how that money will be allocated and whether or not there will be the traditional and rightful share for Ontario's farmers. But if she is able to receive that—and she's hopeful; I think she is on Minister Strahl all the time to try to get details. One would assume that they would have those details, but they haven't been shared with our government yet. The question is about whether or not our government would be prepared to participate, as we have done traditionally.

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I know that in the grain and oilseed money that was announced earlier in December and then reannounced by the new government, we're the only province to have participated. I just want to get your thoughts today—as you're wearing your cattlemen pin; I would note that for all the people watching—

Hon. Mr. Sorbara: I missed the lunch, but apparently it was very good.

Mr. Wilkinson: —about whether or not we're willing to participate.

Hon. Mr. Sorbara: I don't bind our government. It's the cabinet which will ultimately decide upon participation, but the history of Ontario and the federal government participating in programs for our farmers and our farming community has been very strong. I think the ratios have always been 60-40, have they not?

Interjection.

Hon. Mr. Sorbara: John Whitehead will give you more detail. We're looking forward to the program.

It's not easy down on the farm, at least in those sectors where we are the victims of having to compete with jurisdictions where there are very significant public subsidies to farming communities, subsidies that are just not in the realm of contemplation in Canada. There are sectors of agriculture that are doing very well, as you know. We've got a very strong system of supply management.

Maybe I'll just ask John Whitehead to give you more details on that federal program and Ontario's participation.

The Chair: Especially if you can do it in one minute.

Mr. Whitehead: Very good. I'll keep it perhaps very brief and general, then.

The province is working quite hard with the federal government on a variety of fronts to conclude arrangements that will try to be helpful. There are a number of elements. There's the agriculture program to which you refer. There are a number of elements under an agreement that was reached between then-Prime Minister Martin and Premier McGuinty in May 2005.

The 2006 budget was helpful in some respects. It was instructive in some respects in telling us about the status of certain of that money. It has led us to have questions about the status of other funding and other arrangements which are, according to the federal government, going to be the subject of consultation and work over the summer as they try to settle the fiscal imbalance. I think Minister Bountrogianni has said, and it has certainly been the case, that there are a lot of questions still remaining about the status of federal funding for specific priorities, including some of those which have been the subject of negotiations over the past year.

The Chair: Thank you very much. I'd like to now move to Mr. Hudak.

Mr. Hudak: I just want to conclude with a couple of more questions on Teranet, where we had left off last time. One quick question: With respect to the prospectus I had of May 8, 2006—maybe the amended prospectus has changed it—it seemed to indicate that the province is maintaining some of the shares of the Teranet income fund. Is that true?

Mr. Frank Denton: I'm Frank Denton, legal director at the Ministry of Economic Development and Trade. You're right. The prospectus does provide for a scenario where the province would have some of its proceeds received in the form of units but would not own them directly. That's because the amount owing under the 2003 agreements, which will be calculated only upon the pricing of the IPO—there may not be enough cash available to pay the province all of the proceeds that it's owed. So in the event that there's a shortfall in cash available, that shortfall would come in the form of units.

Mr. Hudak: What's the province's intention, then, if it does have some remaining units? Would it try to sell them off when it's a down market?

Mr. Denton: It's set out in the prospectus. They will be placed with a designee, which will be a financial institution, and it will have instructions to sell those units in an orderly manner in the market after 90 days.

Mr. Hudak: So why was that not part of the government's communication at the outset? The government had talked about \$400 million it'll receive from the income trusting of Teranet, but there's no communication that the government was going to maintain income units. It talked simply about the cash it was going to receive.

Mr. Denton: I actually don't have the press release with me.

Mr. Hudak: The press release doesn't mention it at all. It simply concentrates on the \$400 million in cash receipts.

Mr. Denton: Right. Less than half of the company will go in this first initial public offering. So there'll only be a limited amount of cash available, and it's distributed according to a waterfall. I can read you the portion from the prospectus here if I can refer you to page 143. It says, "Following the completion of the offering, assuming no post-IPO adjustment, the designee will hold units representing, in the aggregate ... approximately"—and there's a bullet for the percentage that will be owned, because that amount will only be determined upon the final pricing and determination of the size of the initial public offering.

It was uncertain at the time of the original press release and when the prospectus went out, but when the prospectus went out, it was in the public domain that this was a scenario that could occur.

Mr. Andersen: I just want to add something. There was a backgrounder or a fact sheet that went along with that. I don't know if you have that as well, but if you look at the bottom of that it says, "The province will receive its payment in cash, to the extent sufficient cash is generated through the IPO." So there was a reference there. I'll just make sure that Frank has it.

Mr. Hudak: Thank you. In the National Post, Barry Critchley's column talks about some things that seem to be hidden about the Teranet market transaction. For example, he says, "The prospectus refers to a so-called participation termination agreement. That agreement—listed as a material contract in the prospectus and signed by Dwight Duncan, then-Minister of Finance"—but it's not publicly available.

Mr. Denton: The agreement is set out in the prospectus. The main components of the agreement are in the prospectus. That is the agreement that governs how the amounts owing to the province are calculated and determined as well as a number of other provisions—how they will be dealt with from the 2003 agreements.

We have a copy of the agreement here today if you'd like to see it.

Mr. Hudak: The entire agreement?

Mr. Denton: Yes. It was our understanding that it was going to be put up on the website, but the transaction is a Teramira transaction, Teranet's transaction. That's a 100% privately owned company.

Mr. Hudak: I know. But they're going to work closely with the government, right? They're not going to mess around with Big Brother, so I think they would make sure that the Ministry of Finance is happy with the way things are proceeding.

But you have, then, the entire participation termination agreement for the committee?

Mr. Denton: Sure.

Mr. Hudak: You'd said earlier that the main components are part of the prospectus, so it's the entirety you have for the committee, not just those in the prospectus? Excellent.

Cassels Brock and Blackwell, the firm acting for Teranet, was mistaken in refusing access to that document.

Mr. Denton: Cassels Brock—they're the solicitors for Teranet, the company, so I can't speak for how they were representing the interests of Teranet. The agreement was between the province and Teramira, the owners.

Mr. Hudak: There's been much controversy about the LTIP and payouts to the Teranet insiders. Critchley also is saying he knew LTIP as being set up. Can you comment on that?

Hon. Mr. Sorbara: It's important to note, Mr. Hudak, that those long-term incentive programs were set up during the tenure of the previous administration.

Mr. Hudak: I know. Let's be clear: In 1993 the LTIP was set up.

Hon. Mr. Sorbara: The point to be made is that the LTIPs have not been changed or amended since we took office in October of 2003, and they were set up by the various boards of directors that were responsible for Teranet over the course of its existence from 1991 until the present.

Mr. Hudak: I guess what Mr. Critchley is saying in the National Post, contrary to what you just said—you said that it has not been amended or changed, but he is indicating that the new LTIP has actually been set up or is in the process of being set up.

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Mr. Denton: The prospectus does speak to a new program being set up. That's standard commercial practice. It's important to the investors that you have stability in the management team. I know that the president, for example, and others have committed to stay on for a period of time. I believe that the president will stay on for a year. I don't know the details of it but I do understand that there is a new compensation program that will be—

Hon. Mr. Sorbara: The point that I hope you'll understand, and I know you do understand, is that prior to the time when your government sold Ontario's 50% interest in Teranet, the government had a represented interest on the board of directors and had a shareholder interest in the long-term incentive programs. Those are reflected and reported in the prospectus.

Then in—was it March or April 2003 that the government sold—

Mr. Denton: August 2003.

Hon. Mr. Sorbara: August 2003. That's when the deal was closed, I think. But the agreement was earlier on that year. Thereafter, the government of Ontario has no impact or influence on what the board of directors deems is appropriate for executive compensation, relationship with the workforce of Teranet or long-term incentive programs.

Mr. Hudak: So the Ministry of Finance has played no role whatsoever in the setting up of the new LTIP that's discussed in Mr. Critchley's article.

Interjection: No.

Mr. Hudak: That's not part of the prospectus; that's just something that's happening at the company as it stands today.

Mr. Denton: We haven't been involved in any changes to the existing and prior or any go-forward plan.

Mr. Hudak: Thank you. Chair, now I'm going to move on to property assessment in the province of Ontario. I'll ask the deputy—this fell under the ADM of, let me see, the provincial-local finance division? It says, "The deputy owns...."

Welcome back. I thank the ADM for coming forward. Sir, you've been in this position for how long?

Mr. Subrahmanyam: I believe it's about three or four months now. Since January, actually.

Mr. Hudak: I'll ask you this anyway. In the 2004 budget, page 130 of Minister Sorbara's budget, the government claimed that they "plan to proceed with analysis and consultation on alternative assessment stabilization measures for residential and business properties for 2006 and future reassessment years." Who within your department is in charge of that analysis?

Mr. Subrahmanyam: I will have to get back to you on the specifics on that. I'm not sure if you're referring to assessment averaging.

Mr. Hudak: Actually, I'm just quoting back what the minister's budget of 2004 said. It's quite clear: "alternative assessment stabilization measures for residential and business properties for 2006 and future reassessment years."

Hon. Mr. Sorbara: You'll recall, Mr. Hudak, that in that budget we took some steps to bring some stabilization. Maybe the deputy can correct me if I'm wrong, but I think it was in that budget that we removed the hard cap on commercial assessment and allowed more flexibility to municipalities to deal with a variety of assessment and taxation pressures. Since that time, we've had an ongoing assessment of potential improvements to the system. We had a little piece of work done by the Ombudsman as well.

Mr. Hudak: I guess what I'm getting at—maybe back to the deputy minister, Mr. Andersen. You've been at finance since—

Mr. Andersen: Since February of—it's two and a half years now.

Mr. Hudak: So, surely when the minister made this presentation in the Legislature as a part of his budget, there must have been an individual who was assigned this review for the 2006 tax year.

Mr. Andersen: The provincial-local division has responsibility for overall property tax assessment, and every year we go back and look, with the minister of the day, at all of the provincial-local issues, which include the OMPF program as well as any assessment changes. There have been assessment changes introduced over the last number of years, including changing the assessment cycle and some of those kinds of things and providing municipalities with some more flexibility. There were some increases to seniors' tax credits and things like that as well. So it's all in the mix.

Mr. Hudak: But I think those things were all part of the budget bill at the time; they weren't part of an overall review and consultation. This is very specific to the 2006 taxation year.

Hon. Mr. Sorbara: That's actually not right. After that budget presentation, we changed the assessment cycle.

Mr. Hudak: It was part of that budget; it was a budget bill emanating from this budget.

Mr. Andersen: The assessment cycle changes were announced in the 2004 budget, so they—

Mr. Hudak: Exactly; it was part of this. Granted, you did that and the bill passed. You got rid of assessment averaging as part of that budget, which may have moderated some of the sharp swings that we've seen in 2005-06; you tossed that out. That all came from that budget.

I've been incredulous here. This is a statement by the minister that there is going to be a review for the 2006 taxation year, but you can't even tell me who is in charge of it within the ministry.

Mr. Andersen: No, I don't think that's right. The division that we're talking about here, provincial-local, is responsible for all of the overall municipal issues, and that includes assessments. The budget talked about a review. You can take "review" to mean a number of different things. It doesn't necessarily mean that it comes out the other end with a specific report or something like that; it just means ongoing monitoring of the issues that are there.

Mr. Hudak: But we are in 2006, and the 2006 taxes have been completed by municipalities, so this exercise actually didn't happen. Nothing has come forward out of this exercise.

Hon. Mr. Sorbara: I don't think that's a fair conclusion.

Mr. Hudak: Could you give me, then, Minister or Deputy Minister, one example of something that has come out of this exercise that was announced in that budget?

Hon. Mr. Sorbara: That was announced in what budget, the 2005 budget?

Mr. Hudak: This exercise to review by 2006—please give me one example of something that has come out of that review. You say it took place. I'd like to know what actually came out of it.

Hon. Mr. Sorbara: My memory's a little bit foggy. I think there were some matters in the 2005 budget, but I may be wrong there; that was quite some time ago.

Mr. Andersen: I think what we can do is, since you're going back in time a little ways with regard to changes that were announced subsequent to the budget, maybe we could endeavour to get a list of changes that have happened since then.

Mr. Hudak: Fantastic. I'd appreciate that.

I don't think I am going back in time. This is 2006, and these are supposed to come out for 2006 and future reassessment years. I'm skeptical, as you can tell; I don't think anything was actually done in this respect. As a result, we've seen skyrocketing assessments across the province of Ontario.

Also, in that same year, on June 7, 2004, Minister Sorbara said in question period, "Mike Colle"—who was

then parliamentary assistant—"is taking on the next phase of reforms in property tax and the problems with MPAC which we've heard about in this House. I'm sure that under his direction we're going to be able to solve this problem in a timely fashion."

When was Mr. Colle's report published?

Hon. Mr. Sorbara: Mr. Colle undertook a review; he did not create a report that was for publication. He reported to the ministry and the government. I think one of the things that one has to—are we doing some time check, sir?

The Chair: Keep going.

Hon. Mr. Sorbara: I understand your recent interest in advocating a hard cap on assessments. I think that's an interesting perspective for you to take in opposition. We are responsible for the administration of a current value assessment system established by the government that you were a part of. I have absolutely no doubt in the world that as you were designing, imagining, structuring and building that system, the issue of capping assessments would have arisen.

Mr. Hudak: Minister, I was asking specifically about Mr. Colle's report. You said that Mr. Colle's report was not for publication. So it was a written document, then, in the ministry that has not been—

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Hon. Mr. Sorbara: Mr. Colle had a series of meetings, did a series of consultations and reported to the ministry and to me.

Mr. Hudak: In what form?

Hon. Mr. Sorbara: I think it was—

Mr. Andersen: There were actually a series of announcements that referred to or addressed Mr. Colle's recommendations in the spring of 2004. So there wasn't one overarching report, but there was a series of announcements.

Mr. Hudak: When you mention Mr. Colle's recommendations, what form did they take? Was there a letter to the minister, was there a report to the minister that has just not been released, or was it simply oral or telepathy?

Hon. Mr. Sorbara: I'll let the deputy continue on the announcements that were forthcoming out of the work that he did. You would have misinterpreted what I said in question period if you had got the impression that Mike Colle, at that time as my parliamentary assistant, was undertaking a kind of formal set of hearings and a report for government.

Mr. Hudak: The assessors are probably, if not out in the field, looking already at an assessment based on January 1, 2006, as the base year for municipal taxation and provincial education taxes in 2007. Premier McGuinty, after initially saying that he wasn't going to act on this issue, after considerable public pressure now says that the ministry is seized with that issue.

What's the sense in the assessors doing their work for a 2006 base year if the ministry is about to change the system?

Hon. Mr. Sorbara: The responsibility of the Municipal Property Assessment Corp. is to do assessments in

accordance with the law. I think it would be foolish in the extreme if you were recommending that we suspend or cancel an assessment before a decision is made as to what changes, if any, we are making to the system.

Mr. Hudak: So if the assessors are in the field and currently working very hard on January 1, 2006, as a base year, the work is happening, and you don't want that work to be lost, I guess. When will the ministry, that is seized with this issue and bringing in substantial reform—if I remember what the Premier said—going to produce an answer?

Hon. Mr. Sorbara: In the fullness of time.

Mr. Hudak: But that doesn't sound like "seized," right? There's a bit of a contradiction between what the Minister of Finance is saying and what the Premier is saying.

Hon. Mr. Sorbara: If you look carefully at me, you can see that I personally am seized of the issue, as is the assistant deputy minister and all of us in the ministry.

Mr. Hudak: But "in the fullness of time" is a bit contradictory.

Hon. Mr. Sorbara: You know very well, to quote or paraphrase the wonderful mayor of Mississauga, Hazel McCallion, the current value assessment is the worst system for establishing a property tax system except all of the others that have been tried, basically across the continent and perhaps the world. You in particular, because of your intimate familiarity with the system, know that a change in one part of it has ramifications for the entire system. So you in particular, given your familiarity with the system, would not be advocating, I take it, a quick or urgent or political response to change the system that is the foundation of the way in which municipalities across the province raise the bulk of their revenue.

Mr. Hudak: Let me ask it this way: The ministry, under your first time as the minister, had rejected assessment averaging. You brought in legislation that eliminated that. You didn't like that option.

The interim Minister of Finance, Dwight Duncan, rejected a capping system on residential assessments. He said it was a bad idea. I think I remember you, in the House, similarly making some comments of that nature when I brought my bill forward.

If you throw out assessment averaging or a capping mechanism, which are two of the usual approaches, what do you have left on the table for fundamental reform for property assessments?

Hon. Mr. Sorbara: First of all, you should put on the record as well the tools that municipalities themselves have to ease or relieve the burden of increased property taxes as a result of higher assessments. Those have been in place for quite some time, and perhaps they need to be strengthened, or perhaps municipalities need to be encouraged to use those tools more. If you're fulsome in your question, you would acknowledge that there is a capping mechanism already in the current value assessment system as it applies to commercial assessment, and it gives rise to a variety of inequities and a variety of

other very complex and sometimes costly mechanisms in the form of clawback so that—I'm not saying here that we are without other tools or not examining other tools; I just want to avoid the simplistic notion that a capping mechanism could solve a very complex issue and a very complex problem, because the other side of the capping issue is that when you implement it and therefore reduce the burden of taxation on some, you must, in order to maintain municipal revenues, increase the taxation on others.

There are some, for example, who would argue that in the city of Toronto, if you implemented the kind of capping you've been recommending, you would transfer the tax burden from those living in Rosedale to those living in Rexdale. Although it's more complex than that, that's part of the reality of the system that capping might bring about.

The Chair: Thank you, Minister. Mr. Prue.

Mr. Prue: Back, first of all, to municipal down-loading: I was intrigued by the number, that 80% of municipalities get in whole or in part some of their monies paid for ODSP and general welfare. There are about 450 municipalities in Ontario, so I would take it that 80% would be about 350 municipalities that in whole or in part have their welfare portion paid.

Mr. Subrahmanyam: I can get you that in a sec.

Mr. Prue: Can you tell me how many?

Hon. Mr. Sorbara: Actually, if you indulge us with a little bit of time, we could probably by tomorrow provide you a full list of municipalities for whom—

Mr. Prue: Excellent. It would be my guess—and I could be wrong, and you just tell me—that these would be largely tiny rural municipalities, the smallest of the 450 municipalities in this province.

Mr. Subrahmanyam: Let me first say that there are about 202 municipalities that are responsible for social program costs. Not every municipality bears costs. In some cases, it's the upper tier. Of the 202 municipalities, 80% or 161 get all or part of their social program costs offset through the OMPF, and we can get you a list, if you like.

Mr. Prue: Give me a list. Are there any of the upper-tier municipalities who get that?

Mr. Subrahmanyam: Who get OMPF? Yes.

Mr. Prue: So some of them too?

Mr. Subrahmanyam: Yes.

Mr. Prue: Okay, and you can give me those lists?

Mr. Subrahmanyam: Yes.

Mr. Prue: That's perfect.

On to property assessment—

Hon. Mr. Sorbara: We've already covered that.

Mr. Prue: No, no, we haven't. I'm intrigued too. I've wanted for a long time to see the Mike Colle report. I'm not sure it was answered. Was it a verbal report only so that no record exists of his report?

Hon. Mr. Sorbara: I'll tell you what, Mr. Prue: We will provide you with the initiatives that arose out of the work that Mike Colle did at that time. We'll provide them to you in a timely fashion, but not today.

Mr. Prue: This is the initiatives you took, but you're not willing to share with us the report, which obviously influenced the government and influenced the minister.

Hon. Mr. Sorbara: Once again, I'm going to undertake to provide you with the results of that work, and I don't think it should take us too long to compile that.

Mr. Prue: Okay. The CVA system: There are a lot of people out there hurting. I take it from the responses to Mr. Hudak that the government in fact has no plans to modify that system in any way?

Hon. Mr. Sorbara: I think that would be a wrong conclusion. We were jostling a little bit with Mr. Hudak. He has intimate understanding of this system. He's very well schooled in it and I understand where he's coming from.

The point I was trying to make, if I could just get down to the bottom line, is that the current value system and its application in the province of Ontario is a very complex piece of machinery. So there are no simple structural amendments that you can make to deal with perceived or real inequities. It's also a system that gives rise to some four million assessments in any given assessment period. That's a lot of parcels of land. Whenever you're doing four million of anything, now and again you get one or two or three or a dozen or 200 or 300 wrong. We've got a pretty good appeal mechanism to deal with that.

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The other point is that this is an assessment of value. So while the computer programs and the sophistication of assessment are very highly developed and the skills of the assessors is generally very high, there is also a quality of art to this and areas where reasonable people could disagree. One of the things I worry about a lot is that when the individual homeowner gets a copy of his or her assessment and sees that the assessed value of his or her home has gone up by 10%—because it will say right on there 10%—there is immediately panic, because the notion is—and this is just understandable and it's a normal human reaction. The notion is, "Oh, my goodness. My property taxes are going to go up by 10%." But you know and Mr. Hudak knows and certainly Mr. Wilkinson knows, because he's a board member of the corporation, that that's far from the case. If, for example, in that municipality everyone's property value went up by 10%, then the higher assessment has absolutely no impact on the taxes that are going to be paid. If, on average in that municipality, the value of properties went up by 15%, then the property owner whose value went up by 10% would actually have a benefit from the 10% increase in assessment, because the average would be 15%. So we are examining the system and we have an ongoing evaluation of the system.

The Chair: Thank you very much, Minister. Mr. Prue.

Hon. Mr. Sorbara: But it would be fortuitous to—

The Chair: Minister—

Hon. Mr. Sorbara: I'm going to pay much more attention to you, Chair.

The Chair: No, pardon me. The elementary level in which you're explaining it to this specific member—I don't wish to interrupt you, but—

Hon. Mr. Sorbara: Yes, you do.

The Chair:—honestly, I would like you to respect the fact that the member has several questions, and if you could spare us the second history lesson, we'd appreciate it.

Hon. Mr. Sorbara: I will endeavour to spare you history.

The Chair: I didn't mean history.

Hon. Mr. Sorbara: Or a lesson, or both.

The Chair: I think this is a committee that understands finance, and the elementary level in which you're presenting it—he asked you a very simple question about what your plans were. I have to assist the member by interrupting you. I felt you were owed an explanation why.

Please proceed, Mr. Prue.

Mr. Prue: You talked about the municipalities having tools. Most municipalities can forgive up to about \$100 if you have somebody who is indigent, somebody who is a pensioner, someone who cannot pay the taxes. That's usually the limit. Is that the tool you're talking about?

Hon. Mr. Sorbara: No. I said two things. I said there are existing tools, and many municipalities don't make use of or advertise or encourage those tools. I think I also said, but perhaps not, that we are looking at whether or not other tools should be developed. Sriram has a comment or two on that as well.

Mr. Subrahmanyam: I can just elaborate on the minister's point about some of the tools available to municipalities—

Mr. Prue: Go ahead. I'd like to hear some of these.

Mr. Subrahmanyam:—that the province also provides. First of all, it is important to re-emphasize that an increase in the assessed value of the property doesn't automatically translate into—

Mr. Prue: We all know that.

Mr. Subrahmanyam: That's very important. Municipalities can, of course, adjust their tax rates to offset the average impacts of reassessment on each property class. They can in fact phase in tax changes on a property class over a period of up to eight years after reassessment, so they can actually spread out the impacts over time. Those are existing tools that they have available to them.

They can also use options such as what they call special area rates, or user fees, so they more closely align the cost of providing services to properties benefiting from those services. So they can target assistance much more. There are also programs in the property tax system to provide relief to vulnerable populations such as seniors. So municipalities, for example, are required to have a program to provide relief from assessment-related increases to residential property owners who are, or whose spouses are, low-income seniors or low-income persons with a disability. They also have the option to provide tax relief to residential property owners in situ-

ations of hardship. The eligibility criteria and the amounts are all determined by municipalities.

Mr. Prue: By the municipalities themselves, yes.

Mr. Subrahmanyam: It's important to point out that there's a substantial system of provincial tax credits for property tax under the income tax system. Lower-income seniors who own or rent their homes may be eligible through the Ontario property and sales tax credit program. In 2004, we increased the basic property tax credit amount for seniors by \$125, or 25%. So in general, for the 2005 year, it's estimated that about \$515 million will be paid through combined property and sales tax credits to seniors. Those are all important mitigation tools.

I'll just make one other point, going back to the earlier question on what we're doing in terms of the system. As you may know, the Ombudsman's report, which focused on the Municipal Property Assessment Corp.—one of the key things I think he was looking at is how to increase transparency and fairness in the system for taxpayers. It wasn't just about improving administration at MPAC; it was about how to level the playing field.

Mr. Prue: That's where I'm going next.

Mr. Subrahmanyam: We're actually working extremely closely with MPAC on responding to the Ombudsman and coming up with some concrete initiatives. I think his report was fairly well-received. There were very useful suggestions.

Mr. Prue: Let me go there right now, then. There were two specific recommendations of the Ombudsman that related to the province of Ontario: One was to reverse the onus, and the second one was to make it completely transparent by putting out all the data related to house sales. The Minister of Finance at the time indicated that he was going to study it and was not prepared to act immediately on that. Are you in the process of acting on those two recommendations?

Mr. Sorbara: Mr. Prue, let me talk to the first. I'd ask Sriram to talk to the second.

I understand why the Ombudsman suggested a reverse onus. I think there is one province in Canada—

Mr. Prue: Manitoba.

Mr. Sorbara: Manitoba has that. I think there are very serious implications for implementing a reverse onus system there.

Mr. Prue: So I would take it the answer is no.

Mr. Sorbara: It's not my decision; I'm a member of a government. At first blush, on examination, I think there are very serious financial and administration issues associated with a reverse onus system, but from my perspective, I've had only one substantial briefing and discussion with officials on it. I'm just putting my first-blush approach to it on the table.

Mr. Prue: That's fair. And the second?

Mr. Subrahmanyam: The second recommendation had to do with the amount of information available to the public. I believe the Ombudsman's position was that when people go to the Assessment Review Board, for example, they're often at a disadvantage because they don't have enough information about how their assessment was

calculated. We are working very closely with MPAC on determining what type of information can be given. A lot of it depends on what's available, how easily it's collected.

I think, in general, we should be able to come up with some initiatives that respond positively. There are some things we have to be very careful about as far as information goes. There are obviously privacy issues, and there are occasionally rights issues, as far as proprietary rights to information. Keeping those things in mind, it's an area MPAC is certainly willing to move positively on.

Mr. Sorbara: One other aspect of that that Sriram didn't touch on is that we're fully on side with the notion that assessments ought to be transparent and clear and information ought to be available. The question that arose in my mind is when that information ought to be available. I mean, one could send, notionally, to every ratepayer his or her assessment file. The issue is for the individual taxpayer to have a clear understanding of the assessment, and if additional information is required within the parameters of the system, how ought that to be provided?

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Mr. Prue: Thank you. How much time do I have, Mr. Chair, or perhaps the clerk? Three minutes. Okay. I'm going to leave out the part where you said it was a pretty good appeals system; that's the same one that the Ombudsman savaged.

But anyway, I'd like to just ask a couple of questions—I've got three minutes—on pensions. In the last federal budget, the federal Minister of Finance announced that he was doubling the time for managers of underfunded pension plans to eliminate their deficits, allowing them 10 years instead of five. Are you planning anything similar to that?

Hon. Mr. Sorbara: Mr. Chair, I'm going to ask Steve Orsini to join us here. He's the assistant deputy minister in the office of the—

Interjection.

Hon. Mr. Sorbara: Oh, Bruce is coming up to do that. Okay. Bruce Macnaughton is here, and a finer expert on pensions one could not find. Bruce, do you want to just tackle that question for my colleague?

Mr. Bruce Macnaughton: I think the short answer is we're considering that, although there are quite a few differences between the Ontario pension system and the federal one. Two in particular are, Ontario has a pension benefit guarantee fund, which other jurisdictions don't have. One of the implications of extending the amortization period for solvency deficiencies is it increases the risk to the pension benefit guarantee fund and, ultimately, the taxpayers. I guess the other thing is that Ontario has a number of funding provisions which are weaker than the federal provisions, so it's not clear that if we did what they did, we'd be in the same starting place. We are thinking about it, but no decisions have been made.

Mr. Prue: No decision. Okay, my next question relates to the same pension benefit guarantee fund. In

Ontario it's only \$1,000. We have seen many people in the Legislature and many questions asked over the last number of years about people who thought they had a secure pension, paid into it their whole life and find out now that it's only guaranteed to \$1,000. Are we looking at changing that, making it more modern? I mean, a \$1,000 pension today certainly is not enough for anyone to live on anything even closely approximating the poverty line.

Hon. Mr. Sorbara: I'll start off, and Bruce might give some more comments on the pension benefit guarantee fund. I accept the approach of your criticism. You should understand as well that the pension benefit guarantee fund has responsibilities to the pension plan to the limit of its assets. Just to say that there are a number of issues that confront us under our pension legislation, including whether or not we should be making changes to the fund. Again, the pension system in Ontario, as part of the pension system in Canada, is very complex and I would not, Mr. Prue, contemplate any changes in the absence of a thorough review of the system as a whole to ensure that when we're doing renovations, we're doing all or most of the renovations that are necessary.

Now, we simply have not come to a landing on whether or not we're going to proceed over the course of the next year with that kind of renovation plan. Frankly, the issue of our pension energy, if you like, has been taken up until recently with our participation in the work-out of the Stelco CCAA, which in many respects was a pension issue. The folks in our pension division, and actually right throughout the ministry, I think did a stellar job. I think that we have a viable Stelco in Hamilton today because of the work of the United Steelworkers and the work of our own ministry and the work of those advising—all the various stakeholders. It was long and really, really difficult.

The Chair: Thank you, Mr. Minister. Mr. Prue, I would like to now recognize Mr. Wilkinson.

Mr. Wilkinson: I believe, in a spirit of collegiality, I'll be brief.

Minister, I do wear two hats. I just want to thank you publicly, sir, for the one hat you gave me to be the vice-chairman of MPAC.

Hon. Mr. Sorbara: You don't really mean that. I know you don't mean that, but it's nice to do it publicly.

Mr. Wilkinson: Oh, yes. It's on the record. I publicly thank you.

Just to give you some background, because the Ombudsman's report arrived here while you weren't the minister: I know the Ombudsman commented that MPAC staff were extremely helpful in the entire process. I believe he said that they were exemplary. Your predecessor, Minister Duncan, right after that report came out, I think sensing the implications of it, wrote to the MPAC board and said, "I need to know, of these 22 recommendations, 20 of which are MPAC's responsibility, exactly what is the cost and what is the amount of time to implement these things, because some of them are quite large." I have an oath of secrecy in regard to

that, but I know that the report is being worked on very, very hard by MPAC. There will be something coming to your desk, I think, from the board in regard to the recommendations.

Actually, I feel now that, in a spirit of collegiality, I have no further questions.

The Chair: Thank you very much, Mr. Wilkinson. In that same spirit, I'm going to recognize Mr. Hudak for about 13 minutes, then I'm going to recognize Mr. Prue for 13 minutes, and then we will undertake the vote for the estimates and complete them this evening.

Mr. Hudak, we're in your hands.

Mr. Hudak: The question is with respect to Bill 117, currently before the Legislature. To the deputy: Who's implementing the mechanism for the distribution of cheques under Bill 117?

Mr. Andersen: Sorry, that's the electricity—

Mr. Hudak: Yes, it's the rebate for electricity.

Mr. Andersen: Sorry, I'm losing track of the numbers. I'll have Steve Orsini, our ADM, Office of the Budget and Taxation, speak to that.

Mr. Hudak: Mr. Orsini, how were the levels determined for eligibility for the rebates, both for family income and single earners?

Mr. Steve Orsini: Your first question is, who's administering the cheques? Right now, we're in negotiations and we have feedback from the Canada Revenue Agency, which has agreed, using 2005 income tax returns, to actually administer the program for us. So that's the first question.

On your second question, we drew upon existing definitions or thresholds for low income. So the announcement in April is providing \$100 million to 1.5 million low-income families in Ontario. The threshold was set for individuals starting up to \$20,000 and for families up to \$34,000 as the cut-off points, recognizing a number of factors, some of which are based on existing definitions of low-income support, as well as trying to recognize the cost increases they likely face in trying to mitigate those.

Mr. Hudak: But all individuals or families who are eligible for this rebate under 117, as currently defined, file taxes? Would they all receive cheques or will some fall through the cracks?

Mr. Orsini: The way we target it is to try to be as focused as we can on those who will face higher electricity costs. Under our property and sales tax credit, it's tied to accommodation occupancy costs. The way sales and property tax work is that you're claiming a property tax credit. So you're owning or renting property, and you have occupancy costs associated with that. In that way, we can better link the assistance to those who are facing higher electricity costs.

Mr. Hudak: There will be some individuals or families that make very modest incomes, say, \$12,000 or \$15,000, who would be eligible for this. The concern we have is, will they actually receive the money? Do they file income taxes at that level? Will there be anybody who is eligible that won't receive a rebate?

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Mr. Orsini: The way we've worked out the details with the Canada Revenue Agency is this: People file their 2005 income tax return; if for some reason they failed to file their return, the CRA will administer a subsequent review to make sure that anyone who missed filing has a chance to refile their tax return to qualify.

Mr. Hudak: When will the cheques be received?

Mr. Orsini: We are looking for the fall, and it's probably in the October range, just before the colder season approaches. So we're thinking in the fall, possibly in October.

Mr. Hudak: I'm sorry, is the agreement with the Canada Revenue Agency now completed to do so?

Mr. Orsini: Yes. We've negotiated in principle the arrangements and we're just finalizing the details, but we have written confirmation from them that they will be administering this on our behalf.

Mr. Hudak: What's the cost? What's the charge back from the Canada Revenue Agency?

Mr. Orsini: What we've done is, because they are billing off our existing income tax system—so they were relying on existing credits, existing definitions. They would have agreed to use existing mechanisms to cover some of the costs, and we've agreed to pay the additional incremental costs on a cost recovery basis. One of the things we're working on with them is that the actual cost that we would be facing at the end of the day will just be cost recovery, nothing over and above that.

Mr. Hudak: In our estimates booklet before us, where is the estimate of how much this is going to cost?

Mr. Orsini: This was announced on April 12. It is a new initiative. We are in the process—once the bill is passed, there is no legal entitlement to make the payment. Subject to the Legislature approving the bill, we'll be seeking an actual minute or line item through treasury board, but we need the authority from the Legislature before we can do that.

Mr. Hudak: The \$100 million that was allocated for this program: Where would I find that in the estimates?

Mr. Orsini: Again, it's a new initiative that was announced following the release of the Ontario budget.

Mr. Hudak: But there are other new initiatives that haven't actually flowed yet that were part of the 2006-07 budget. They're part of estimates; they're part of the budgeting process.

Hon. Mr. Sorbara: Not ones that require legislation.

Mr. Hudak: So if it doesn't require legislation, it's in the budget, but if it requires legislation, it's not part of the budget?

Mr. Orsini: All I can say on this particular matter is that it's a new initiative announced after the March Ontario budget and that once legislative authority is given, then that is an expense we will record at that time.

Mr. Andersen: Maybe I'll just speak to some of that. At the time the program was being looked at, there was some consideration with regard to whether or not that would be recorded through the revenue side of the equation, because it's delivered off the tax side of the equation. If it ends up being on the expenditure side, then

that's one of the reasons why we have a contingency fund that deals with those kinds of things that arise during the year, and then obviously we'd be reporting through the Q1 Ontario finances that deal with items that come into being after the delivery of the budget.

Mr. Hudak: Just pretty quick: It was a few weeks after the budget, and you're already dipping into contingency potential. I was surprised that it was not allocated in the budget, even though everybody knew that the rates were going to be going up considerably.

With respect to the Q1 financial reports that come forward, this past year's third quarter financial report missed the mark substantially. It was released in January. Only six or eight weeks later the budget came forward, and there was a gross discrepancy between the estimates in the third quarter financial report and the budget. What happened there? Who dropped the ball, or was there political interference in that report?

Mr. Andersen: No. I think we talked about this a little bit yesterday with regard to the timing of when we get some of the revenue information that we get, particularly on corporations tax, which we don't get until late February, early March, and that's where a lot of that information comes in. It hasn't been uncommon over the years that there have been differences between projections that are done in January versus March or whenever the budget goes out.

Mr. Hudak: Chair, how am I doing on time?

The Chair: You've got two minutes.

Mr. Hudak: The point I would make—and I'd ask the minister upon his return to please endeavour to make these things a bit more accurate—this is a \$3.3 billion difference. Some \$1.8 billion in revenue; sure, \$241 million from corporations tax, but almost \$800 million, personal income taxes; \$284 million, electricity payments; \$203 million income from OPG and Hydro One; \$481 million, interest on debt; and then \$1 billion, internal ministry spending. It was a disaster in terms of echoing what was going to come forward in the budget. I hope the minister will make sure that we get a much better—I think the previous minister was involved in this. I hope that's changed.

Chair, I want to table some questions, since I am running out of time. I do appreciate the minister's and the ministry staff's responses to my questions. I'll get through these as fast as I can. On page 13, the estimates talk about one of the successes is "developing and implementing staffing (full-time equivalent) limits for all ministries in conjunction with the Centre for Leadership to manage the size of the Ontario public service." I'd like to know—if the ministry could come back to the committee—what the limits are per ministry in terms of FTEs, and then what the FTEs were in each of those ministries for the following dates: June 1, 2006, and then June 1 and December 31 of the previous years, 2005, 2004, 2003, and the number of paid employees in all of those ministries.

Just let me go quickly in the interests of time, but it will all be in Hansard. Page 17 says the ministry will "realize program review savings of \$750 million for

2007-08. As outlined in the 2006 budget, the government has identified \$407 million of the 2007-08 target of \$750 million." If the ministry could enumerate all of those savings that have gone into the \$407 million—let me know not only what has been identified but what has actually been achieved? And are these annual savings or one-time savings?

On page 43 of the estimates, this is the information services, operating. There appears to be a significant IT problem. The report says "Actuals 2005-2006." I think that's a misprint. I think it's supposed to be "Actuals 2004-2005." It was \$37.3 million. The estimates for IT operating in 2006-07 is \$85 million. I'd like to understand why we've seen this 200% increase in costs in that area.

The Chair: Quickly, Mr. Hudak.

Mr. Hudak: Yes. Page 29, ministry administration, main office: We have seen a \$1-million increase in the ministry administrative budget between 2004-05 and the estimates for 2006-07. Please help me understand that.

Page 31: Services have increased in the financial and administrative services. The operating services line has increased from \$11.7 million to \$17.2 million between 2004 and 2006.

My last item, Chair, and I thank you for your patience, is that the minister, in 2004, indicated that he would be holding non-essential ministries to a 1.9% annual increase. It would be that or less. That was called flatlining. I'd like to know, as we stand with the 2006-07 estimates across the Ontario public sector, which ministries have actually achieved those 1.9% savings to date, and in fact what have the increases been for ministries—all ministries—between the time the minister made that statement and where we stand with 2006-07 estimates?

I thank the minister and members of the Ministry of Finance.

The Chair: Mr. Prue, you have the floor.

Mr. Prue: Back to the pensions issue for a very brief question. The banks and trust companies and insurance companies in this country are required—if you deposit money, there's deposit insurance. If the bank goes belly-up, you are protected for \$100,000. That's literally true anywhere in this country.

Hon. Mr. Sorbara: The Canada Deposit Insurance Corp.

Mr. Prue: Why can't we have a similar scheme with people's pensions? It seems to me that that's something they rely on every bit as much, in terms of their later life, as they do on the savings that they put in the bank. Surely, if we can protect their actual money in the bank, we should try to protect the actual money that they hope to realize and which they are promised on their pensions. I don't see why this is a big deal.

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Hon. Mr. Sorbara: In Ontario, we do have a pensions benefit guarantee fund, but I think the short answer is, I wouldn't equate the forces of the market that have their way with pension plans over the course of an economic cycle with the responsibility of banks to guarantee a minimum amount of savings. For example, you may have

\$250,000 on deposit. If that bank goes under, only \$100,000 is insured. So it would be wrong, I think, Mr. Prue, to say that the savings of Canadians are insured by way of the Canadian Deposit Insurance Corp. and yet the pensions of Canadians are not insured.

Mr. Prue: I think any prudent person would not invest more than \$100,000 in any given bank, but a pensioner doesn't have that say. When you have a pension and you work for one company for a long time, you can't say, "I want to put part of my pension in this company and part in that." It's all done through the company for whom you worked. You don't have the choice like you have in a bank.

Hon. Mr. Sorbara: No, but in the case of the financial sector and the banks, you're talking about a few very large chartered banks, and some near banks and credit unions, yes.

In the pension world, you're talking about some pension plans which are very large, the teachers' pension plan, for example, and some that are very small. We just have a very different system of regulation. If pension plans were also required to raise enough money through pension contributions to provide that level of insurance, then the risk is that far fewer employees would actually benefit from a pension because the costs associated with being able to buy that kind of insurance might make the plan either prohibitively expensive or unattractive to either the employees or the employer.

Mr. Prue: Have you looked into what those costs might be?

Hon. Mr. Sorbara: No, not in specific terms. But suffice it to say that I don't think there's a jurisdiction that I can recall that provides 100% insurance for the benefits of all pension plans regulated by that jurisdiction.

Mr. Prue: I'm not asking for that. I just think \$1,000 is ridiculously low, and I don't know what it would cost to make it \$2,000, but at least there you're starting to look at people having a pension on which they can subsist.

Mr. Hudak raised some questions around Bill 117, and I wasn't really going to ask them today because it's before the House, but I am absolutely totally puzzled as to how this bill is related to electricity. The reason I ask that, if you do this under the Income Tax Act, is it conceivable that a person who does not even have electricity in his or her house, either it is cut off or they live in a rural area where there is none—surely, they're eligible too whether they use electricity or not.

Hon. Mr. Sorbara: The short answer is yes, they are.

Mr. Prue: How is it related to electricity? That's what I still don't understand. That's the title of the bill, the explanation for the bill and I don't understand it.

Hon. Mr. Sorbara: The deputy was involved in its creation. I'll let him answer.

Mr. Andersen: There are a few things. One of the challenges in trying to provide a relief program is the speed with which you can get the assistance out to the recipients and the cost of delivering that assistance. Very often, it is quick and relatively less expensive to do that

by way of hanging it off the tax system. It's not perfect, however, and we've been working with the Canada Revenue Agency on getting something out the door that can be done relatively quickly, get it out this fall and at relatively low cost. As Mr. Orsini had said, they're going to be doing that on a cost-recovery basis for us like they've done for other provinces.

Yes, there may be some people who may not have direct electricity costs, and it's not exactly a one-to-one, but if you were really to do a program that was very specifically tied to the actual electricity costs, it could take a year or two to work your way through all of the application process, have people submit that, verify that, submit their bills and experience the cost. On balance, it was felt that it was better to get money into people's hands through the tax system, because people have either filed already or they're motivated to file to get the property tax credit, for example.

Mr. Prue: There are only two possible credits: One's a maximum of \$50 for an individual and the other's a maximum of \$100 if there's more than one individual; it can be two, it can be 15, but it's still only \$100. Why did you go that route? The reason I ask that is because there are many people with in-law apartments for aged parents or for disabled children at home, and there are no real amounts of money that could come to them unless they actually pay rent.

Mr. Andersen: I'll have Steve speak to the mechanics.

Mr. Orsini: It's up to \$120 maximum for families and up to \$60 for individuals; I just wanted to be clear on that.

The way it works, though, is to link it closely to people who have occupancy costs. In the property and sales tax credit, people that are incurring those costs are likely going to be facing their energy costs one way or the other. People use electricity; they might have gas, but a portion of it is electricity-based. The share of electricity consumption is greater for lower-income than higher-income. Tying it to occupancy costs is a preferred method because you don't want a number of people in the household necessarily getting it that weren't claiming the costs themselves. So this is a better way to target it for those low-income people who are incurring the costs. It does recognize family status because they are likely to be consuming more electricity than others.

Mr. Prue: But I go back to it having nothing to do with electricity.

Mr. Orsini: It is a proxy, as the deputy has mentioned, to best capture those that will be facing higher electricity costs. It's not directly targeted to their actual electricity increases. That would be a much longer program to develop and implement. This is a more cost-effective way to target those that in general will be facing higher electricity costs.

Hon. Mr. Sorbara: The point, Mr. Prue, to be made again is that in a sense you're right: There's no direct relationship to electricity consumption. We're satisfied that all of the assistance will go to low-income Ontarians. The reason why we've opted for this system rather than

something more complex is to avoid a situation where so much of the cost to government is for administration of the system. Where the administration costs are very high and you allocate the same amount of money, you're taking away from the very people you want to help. So yes, a less-than-perfect system if you're to deal directly with electricity costs, but we're satisfied as well that these funds will go to low-income Ontarians to assist them in their occupancy costs.

Mr. Prue: This was income tax season. Surely it would have been possible a couple of months ago to change the Income Tax Act and remove, at the lowest end, a similar amount of money.

Hon. Mr. Sorbara: The fact is, that's not entirely the case. This assistance is coming to people this year. If we wanted to change the personal income tax system, we could not effect a change that could be implemented this year. We have to give significant notice to the Canada Revenue Agency for any change to the form, because the cycle for personal income tax is very fixed. The calendar year is the taxation year, and one has to file by April 30. So decisions as to what is contained in that form would have to be made with a very long lead time, and there would be no possibility whatever of using the income tax reporting form to bring this benefit to low-income families this year.

The Chair: Thank you. A very quick statement.

Mr. Prue: It's absolutely brief. Is this a one-off for one year, and do you have plans to do something more substantial or more in line with the income tax for next year?

Hon. Mr. Sorbara: This bill provides relief for this year. The question as to whether or not there is going to be ongoing relief is one that remains open to the government.

The Chair: Thank you.

As per the agreement, I would like to proceed with the votes now on the estimates for the Ministry of Finance.

Shall vote 1201 carry? All those in favour? Opposed, if any? It is carried.

Shall vote 1203 carry? Those in favour? Opposed? Did I say 1203? I meant 1202. You may change your vote, actually. Those in favour? Opposed? That's carried.

Shall vote 1203 carry? Those in favour? Opposed? It is carried.

Shall vote 1204 carry? Those in favour? Opposed? It is carried.

Shall vote 1206 carry? Those in favour? Opposed? It is carried.

Shall vote 1207 carry? Those in favour? Opposed? It is carried.

Shall the estimates of the Ministry of Finance carry? Those in favour? Opposed? It is carried.

Shall I report the estimates of the Ministry of Finance to the House? Those in favour? Opposed? Carried.

This committee stands adjourned until next Tuesday, June 13, when Ministry of Health and Long-Term Care estimates will be before us in room 151 at or near 3:30 of the clock.

The committee adjourned at 1802.

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