



ISSN 1181-6465

Legislative Assembly
of Ontario
Second Session, 38th Parliament

Assemblée législative
de l'Ontario
Deuxième session, 38^e législature

Official Report of Debates (Hansard)

Tuesday 15 May 2007

Journal des débats (Hansard)

Mardi 15 mai 2007

**Standing committee on
estimates**

Ministry of Public
Infrastructure Renewal

**Comité permanent des
budgets des dépenses**

Ministère du Renouvellement
de l'infrastructure publique

Chair: Tim Hudak
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Room 500, West Wing, Legislative Building
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Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



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

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON ESTIMATES

COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Tuesday 15 May 2007

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The committee met at 1611 in committee room 2.

MINISTRY OF PUBLIC INFRASTRUCTURE RENEWAL

The Vice-Chair (Mr. Garfield Dunlop): We'll call the meeting to order.

Yes, Minister?

Hon. David Caplan (Minister of Public Infrastructure Renewal, Deputy Government House Leader): Several committee members asked questions. I have answers to the outstanding questions, if I could provide them to you right now.

Mr. Hudak asked for clarification on the official titles and reporting responsibilities of OLG staffers Messrs Vecsi and Pastore. Did they report to Mr. Alan Berdowski at the OLG, and what was Mr. Berdowski's title? I have an answer to that question.

The Vice-Chair: Minister, we are going to go directly to the opposition anyhow, so those answers for the official opposition will come out of their time.

Mr. Tim Hudak (Erie-Lincoln): I appreciate the minister getting back to me. I'm fine to receive those in writing from the minister.

Hon. Mr. Caplan: There were also questions from Mr. Hampton, and I do want to share the answers to the questions he raised. He asked about information on the four winning bidders for the AFP projects in Montfort, Sudbury, North Bay and Quinte. For Montfort, the corporation is the EllisDon Corp. For the Sudbury Regional Hospital, it is also the EllisDon Corp. North Bay is the Plenary Health team. Quinte is M. Sullivan and Sons Ltd. Mr. Hampton also asked for information on the public sector borrowing rate used to compare the cost of traditional procurement with the cost of alternative financing on the North Bay Regional Hospital, and the answer is as follows: For each project, Infrastructure Ontario estimates the provincial borrowing rate based on a simple average of yields on provincial bonds with terms of one to 30 years. The simple average is derived over the last 10 days of the month prior to financial close. For North Bay the rate was 4.36% and for Montfort the rate was 4.39%.

The other answers to Mr. Hudak's questions will be filed with the clerk.

Additionally, I believe there was a request earlier to come and present the Burnham award here at the com-

mittee. This is Assistant Deputy Minister Graham. This is the American Planning Association Award. It says, "Making Great Communities Happen. The 2007 Daniel Burnham Award for a Comprehensive Plan. The growth plan for the greater Golden Horseshoe. Ministry of Public Infrastructure Renewal, Ontario, Canada." I just wanted Mr. Hudak to be aware that in fact the award is here. I'll place it on the desk so he can come and have his picture taken with it, whatever he would like. ADM Graham is available if Mr. Hudak would like his autograph. I'm very happy to make sure that that is provided.

Mr. Hudak: I'm glad to see the trophy. I again congratulate the minister and the civil servants who have worked very hard on this for a number of years. I would, however, request, so that my dream could be complete, if the minister and Mr. Graham could run around the room several times with the trophy over their heads.

Hon. Mr. Caplan: We'd be glad to accommodate the wish. A victory lap, if you would, Mr. Graham? No. I think not, Mr. Chair—proper decorum and all.

The Vice-Chair: With that—and that was very interesting—I will now ask the rotation to start with Mr. Hudak. Mr. Hudak, on behalf of the official opposition you have the next 20 minutes to question the minister or his staff. Minister, I want to welcome you and your colleagues here today as well.

Mr. Hudak: Thank you very much, Chair, Minister, and Deputy. If it's possible, I know that Assistant Deputy Minister Joyce Barretto is with us. It would probably save some time—

Interjection.

Mr. Hudak: Thank you very much, ADM Barretto.

I am going to continue, Chair. As you may recall, I was asking about vote item 4001-01, the agencies division operating, contained on page 35 of our estimates book, as well as the ministry organizational chart on page 11 of our estimates book.

The question I'll begin with is: In 1993 there was the Rutherford decision, which, when it was made public, would have guided the OLG in making certain decisions. Minister, when you became minister responsible for the Ontario Lottery and Gaming Corp., you had received a number of briefings from staff, either of the Ontario Lottery and Gaming Corp. or your own ministry staff, on outstanding issues at the OLG. Who typically would be part of those briefings on OLG issues?

Hon. Mr. Caplan: Generally I would have one, potentially two, members of my staff. Generally it would be

Assistant Deputy Minister Barretto and members of her team from the agencies branch. In particular? Perhaps ADM Barretto can shed some light on it.

Ms. Joyce Barretto: Are you asking about a specific briefing or in general?

Mr. Hudak: Let's start with the general. When the minister had his foundation briefings, do you recall who would be in those meetings?

Ms. Barretto: Foundation briefings?

Mr. Hudak: Where they walked the minister through his new responsibilities and those big, thick binders we all love as ministers.

Ms. Barretto: I will have to go back and check if I have notes on this, but I believe it would have been myself and probably my director of gaming and alcohol policy, Barbara Hewett, and potentially one or two of her staff. Because it would have been a foundation briefing, we would have been sure to have the right people who would know a bit more about the agency. At that point, I wouldn't have known that much myself.

Mr. Hudak: Would the Ontario Lottery and Gaming Corp. staff have been part of those foundation briefings?

Ms. Barretto: No, they would not.

Mr. Hudak: Strictly civil servants from PIR?

Ms. Barretto: Strictly civil servants.

Mr. Hudak: Do you recall if the Rutherford decision was part of the foundation briefings?

Ms. Barretto: I am pretty sure that it was not.

Mr. Hudak: Minister, do you recall being briefed on the Rutherford decision and its implications on the OLG?

Hon. Mr. Caplan: I don't believe I was briefed on the Rutherford decision.

Mr. Hudak: Previously, ADM Barretto, before Minister Caplan became responsible for the OLG, it was under economic development and trade. The OLG reported through Minister Cordiano. Would you have been at economic development and trade?

Ms. Barretto: No.

Mr. Hudak: Who would have been your counterpart at economic development and trade?

Ms. Barretto: Diane Frith was the CAO of the Ministry of Economic Development and Trade. She had responsibility for the lottery and gaming file.

Mr. Hudak: And she remained at economic development and trade?

Ms. Barretto: Yes, she did.

Mr. Hudak: Are you aware if Minister Cordiano had been briefed on Rutherford?

Ms. Barretto: I am not aware of that. I could not speculate, either, though.

Mr. Hudak: The Edmonds case was ongoing during Minister Cordiano's time as minister. In fact, the court case was in the public sphere at that time. The decision became public, with considerable media coverage, when Minister Cordiano was the minister responsible for the OLG. Do you know if Minister Cordiano was briefed on the Edmonds case?

Ms. Barretto: I would have no knowledge of that.

Hon. Mr. Caplan: In fact, I do have a chronology of Mr. Edmonds's case. If you'll bear with me, Mr. Chair—

Mr. Hudak: Actually, no. Thanks very much to the minister, but with all due respect, we all have the chronology as well. I'm curious about the minister responsible at the time's knowledge of the Edmonds case when the decision was made.

ADM Barretto, the people who are beneath you in the ministry—your staff—none of them were at economic development and trade?

Ms. Barretto: No, I didn't say that. You asked who the executive counterpart was; it was Diane Frith. Yes, there would have been staff at economic development and trade who did move to PIR in July 2005.

Mr. Hudak: Can you let me know who they were?

Ms. Barretto: All of the names of the staff?

Mr. Hudak: I guess in senior positions.

Ms. Barretto: I can name the top three or four. It would have been Barbara Hewett as the director, David McBride as the senior manager, Lou Zubowski as one of the team leaders, and a number of staff as well.

Mr. Hudak: Is Ms. Hewett with us today?

Ms. Barretto: No, she's not.

Mr. Hudak: Do you know if Ms. Hewett or any of the staff had briefed Minister Cordiano on the Edmonds case?

Ms. Barretto: I have no idea what they could have briefed Mr. Cordiano on.

Mr. Hudak: Could we—because Barbara Hewett is the one who knows, and those who are beneath her in her office as director of alcohol and gaming policy—I wonder if we could have Ms. Hewett come to the committee and answer that specific question.

1620

Hon. Mr. Caplan: I think ADM Barretto can answer that, but I don't think that's going to be possible.

Ms. Barretto: Actually, Barbara Hewett is in Spain.

Mr. Hudak: Good for her.

Ms. Barretto: I think we're all equally jealous.

Mr. Hudak: It's a lovely country. I will file that through you, Mr. Chair, as a question, if we could get it back. I wouldn't expect Ms. Hewett to stop her business in Spain to answer it right away, but if she has the opportunity, she could let us know if she had at any time briefed Minister Cordiano or had any of her staff brief Mr. Cordiano on the Edmonds case either while it was going on or once the decision was rendered.

When Minister Caplan became minister responsible for the lottery and gaming corporation, did you or members of your staff brief Minister Caplan on the Edmonds case?

Ms. Barretto: No, we did not.

Mr. Hudak: It wasn't part of a foundation briefing?

Ms. Barretto: No, it was not part of a foundation briefing.

Mr. Hudak: Minister Caplan, when were you first briefed by staff on the Edmonds case?

Hon. Mr. Caplan: It's quite instructive. As I mentioned, I do have a chronology, and I'd like to come to that. Mr. Edmonds bought his ticket on—

Mr. Hudak: Chair, if I could, my question is specific, and the minister has plenty of time during the splits to talk about issues as he sees fit, including concluding remarks. It's just a simple question to the minister as to when he was briefed for the first time on the Edmonds case.

Hon. Mr. Caplan: I'm certainly endeavouring to answer the question. Mr. Edmonds bought his ticket on July 15, 2001—

Mr. Hudak: Chair, it's a very—

The Vice-Chair: Okay, just hold on.

Mr. Hudak: There are a number of questions I want to get through, and I'm asking very short and direct questions, in the interests of time, so that I can get through material, the estimates before us. It's a very simple question to the minister on when he was first briefed on the Edmonds case, and it's just a short answer I'd expect in return, Chair.

The Vice-Chair: So what he's looking for right now, Minister, are short, brief answers. He's got a number of them to do.

Hon. Mr. Caplan: I understand, Mr. Chair. I'll keep my answers as brief as I possibly can. But I think it is important for committee members to understand the chronology and the context of the question that the member asks. In fact, I could have gone back further, to February 8, when the member from Erie–Lincoln was in fact the Minister of Tourism, Culture and Recreation and had the OLG report to him.

Bob Edmonds bought his Super 7 ticket on July 13 and went on July 27 to Coby Milk and Variety to check the Super 7 ticket that he did buy about two weeks previous. The clerk, Ms. LaPlante, gave Mr. Edmonds his free ticket but kept the original with the Encore numbers. Mr. Edmonds also bought another Super 7 ticket with Encore. Ensuing a number of questions to the OLG as laid out, my understanding is that Mr. Edmonds, on March 17, made an out-of-court settlement with the OLG before jury deliberations began.

I became the minister on June 29, 2005. The first time that Mr. Edmonds was brought to my attention was roughly two weeks before the Fifth Estate program aired. What had occurred was that the CBC program the Fifth Estate had done a rather extensive interview with OLG spokespersons. A transcript of that interview was provided on October 6 to the ministry. That was the Thursday before the Thanksgiving weekend, and on Tuesday the 10th, I believe, is when this matter and other allegations related to insider wins were first brought to my attention.

Mr. Hudak: So the first time the minister was briefed or the Edmonds case was brought to his attention was about two weeks before the Fifth Estate program aired?

Hon. Mr. Caplan: That's correct.

Mr. Hudak: I'll ask the assistant deputy minister when she first became aware of the Edmonds case.

Ms. Barretto: I believe I first became aware of the case in March 2005, when there was media around that case and it was a settlement that was being paid at that moment.

Mr. Hudak: Did you let anybody in the minister's office know about what was happening?

Ms. Barretto: I believe what we would have done is updated—we would have a standard issues management process, and we would have updated a House note to inform the minister's office on communications issues about the nature of the situation and what had occurred with Mr. Edmonds.

Mr. Hudak: Refresh me, if you don't mind. Who was the individual who would receive that update?

Ms. Barretto: In the normal process of how we manage issues notes, we generally issue them in the morning; it gets filtered up to the communications branch, who distribute as is appropriate.

Hon. Mr. Caplan: That would have been under Minister Cordiano in March 2005.

Mr. Hudak: Thank you. Was there any back and forth from the minister's office to the division or to the OLG? Were there conversations, briefings, a series of e-mails about this particular case, or was it simply briefing on the media coverage?

Ms. Barretto: In March 2005, it wasn't with PIR.

Mr. Hudak: I understand, but are you aware if there was contact with the then minister's office?

Ms. Barretto: No, I'm not.

Mr. Hudak: —e-mails back and forth or follow-up?

Ms. Barretto: Not that I'd be aware of.

Mr. Hudak: In your time being responsible as ADM for the Ontario Lottery and Gaming Corp., what other briefings did you have with respect to the Edmonds case?

Ms. Barretto: I'm just trying to remember the actual chronology. I'm getting the years mixed up. In March 2006—sorry, let me just step back a minute. You're asking specifically what period of time?

Mr. Hudak: How often did briefings take place on the Edmonds case? You said you first heard about it in March 2006, right?

Ms. Barretto: Right, 2006.

Mr. Hudak: When it was in the media.

Ms. Barretto: Right.

Mr. Hudak: Which triggered your knowledge of it.

Ms. Barretto: Right.

Mr. Hudak: Then were there briefings afterward, let's say before the Fifth Estate program aired? Were there ongoing briefings or interaction with the Ontario Lottery and Gaming Corp. with respect to Mr. Edmond's case?

Ms. Barretto: Not specific; there were briefings around the issue of the settlement for the Edmonds case. We had an issues note around that.

Mr. Hudak: Was there anybody from the minister's office present for those?

Ms. Barretto: No, they would not have been. This would have been just us dealing at the staff level with the lottery and gaming corporation.

Mr. Hudak: What was the nature of those briefings, those meetings with respect to the settlement in the Edmonds case?

Ms. Barretto: In 2006, they would have been pertaining specifically to the allegations of fraud and the issue with the LaPlantes, who were the owners of the Coboconk store. It would have been specific to that situation at that time.

Mr. Hudak: And how many—I know it might be difficult to say specifically, but were there a significant number, a small number?

Ms. Barretto: No, there were not.

Mr. Hudak: A small number of—

Ms. Barretto: I wouldn't actually characterize them as briefings. There were a number of times that we discussed the issue just in the normal communications process to keep updated on that particular file.

Mr. Hudak: To your recollection, nobody from the minister's office would have been part of those?

Ms. Barretto: Not at that time, no.

Mr. Hudak: To the deputy minister, when did you first become aware of the Edmonds case?

Ms. Carol Layton: In my case, I was probably one of the last people to become aware of it. It was around October 20 of this year that I became aware of the Edmonds case.

Mr. Hudak: Shortly before the Fifth Estate?

Ms. Layton: Shortly before the Fifth Estate, absolutely.

Mr. Hudak: You weren't part of any briefings with other staff at the ministry or with the lottery and gaming corporation?

Ms. Layton: I was not part of any briefings, no.

Mr. Hudak: When, as a course of business, did you notify the Premier's office or those in Cabinet Office, Ms. Barretto, about the Edmonds case?

Ms. Barretto: I would not have directly communicated with the Premier's office or Cabinet Office.

Mr. Hudak: In the Ombudsman's report—Chair, how am I doing on time, by the way?

The Vice-Chair: You have seven minutes.

Mr. Hudak: Thank you. The Ombudsman's report—refer to page 19, under a title called "Finders Keepers"—references a number of cases. The Ombudsman has an interesting way of presenting these. This is point 70. That's probably a good way of finding the reference.

The Ombudsman mentions that "a retailer in Orillia mailed in a \$250,000 winning Encore ticket for validation in April 2003. When he arrived at the prize office for an interview, he was evasive, and could not account for the numbers that had been manually selected. The corporation also discovered that this retailer had previously contacted the police and asked what to do with a ticket lost by a customer. As a result of further questioning at a police station, the retailer confessed he had found the ticket and had tried to claim it as his own. After a videotape from the store was reviewed and a news release issued in April 2004, the true owner of the ticket

was identified and awarded her prize. The retailer was charged with attempted fraud."

So it's a happy story here, that this fraudster was caught. To ADM Barretto, were you aware of this Orillia case before the Ombudsman's report?

Ms. Barretto: No, I was not.

Mr. Hudak: Nobody at the OLGC had brought it to your attention?

Ms. Barretto: No, they did not.

Mr. Hudak: To the minister, had you been made aware of the Orillia case before the Ombudsman's report?

Hon. Mr. Caplan: I'm not aware of specific cases. I do recall that after the Fifth Estate program, we did inquire whether or not there had been a history of the OLG detecting potential cases of fraud, what protocol they did. They informed us, at that time, that there were four such occurrences in their memory where they did refer matters on to the OPP. I believe that in two of those cases charges were laid and whatever the legal process was, it went through.

I do note that the Ombudsman talks about a crossroads, as he says, in 2002. He says at that point the OLG could have gone two ways. It could have said, "We'll apply the law and take the measures to act diligently" but a month later Bob Edmonds surfaced and they pretended that the binding law from the Superior Court didn't apply. Then it became a slippery slope. I think this indicates that the Ombudsman notes that the OLG could have—perhaps should have—been much more aware of not only the case law, but the appropriate protocols to take. I think he notes that not only in his March 26 press conference, but also in his report.

1630

Mr. Hudak: Just quickly, Minister, you say that the Ombudsman talks about the crossroads. What page is that on?

Hon. Mr. Caplan: I believe that was not on a page. This is an excerpt from his press conference held on March 26, which, of course, was recorded by many media and taped. We can provide a transcript of the entire media conference, if you would care for one.

Mr. Hudak: You know what? If you get a chance, I would appreciate that. I always looked for that quote and I couldn't find it in the Ombudsman's report.

Hon. Mr. Caplan: It's not in the report; it was from the media conference.

Mr. Hudak: The Ombudsman says a couple of things that are troublesome. "In 2003 and 2004, however"—this is on page 18 of the Ombudsman's report, paragraph 69—"a series of problematic insider claims set in motion a tug-of-war over the way the corporation viewed and handled insider wins."

The Ombudsman also says on page 20, paragraph 76, under "Getting the Inside Story," the following: "It appears that 2004 was a banner year for controversial insider prize claims. It is mind-boggling that the corporation actually paid out millions of dollars in the circum-

stances it did. The ludicrousness of this did not escape all corporate officials.”

Again, the minister was not responsible in 2004; it was Minister Cordiano who was the minister responsible at that particular time.

Hon. Mr. Caplan: I think the responsibility of the minister is to get to the bottom of these matters, which I have done by calling in KPMG and welcoming the Ombudsman or referring the appropriate matters to the OPP and then ensuring that we have a very focused implementation of the kinds of recommendations to ensure that Ontarians have the confidence in their corporation and the system to make sure it is a fair game. I think the Ombudsman makes fair comments in his findings that the Ontario Lottery and Gaming Corp. was set up with an inherent conflict, where they were both the retailer and the investigator.

Mr. Hudak: I appreciate the minister’s answer. That was adequate.

The Vice-Chair: You have time for a very quick one, and then we’re over to the government.

Mr. Hudak: The other one on page 20, paragraph 74, is about a remarkable Super 7 free play ticket of \$12.5 million. It was what appears to be a fraudulent claim in the Burlington area. Was that ever brought to the ministry’s attention before the Ombudsman’s report? To both Ms. Barretto and Minister Caplan.

Hon. Mr. Caplan: The answer is no. That matter is currently being reviewed by the Ontario Provincial Police. They have all of the documents that the Ombudsman reviewed. I have every confidence that the legal authorities will take the appropriate steps in the circumstances.

OLG has started an investigation into the claim and has advised the claimant. I believe that the claimant did cite a number of locations where the ticket may have been purchased. At this time, the OLG’s initial findings are that none of these locations match up with the actual point of sale. However, the investigation is ongoing and no conclusions should be drawn until the investigation is final.

The Vice-Chair: With that, we’ll move to the government members. Oh, I apologize; we’ll move to the third party. Mr. Tabuns, you have 20 minutes.

Mr. Peter Tabuns (Toronto–Danforth): Okay, Chair. I wondered, but it’s been clarified, so that’s fine.

Obviously, I wasn’t here for the first round, so you’ll excuse me if I cover some ground that was already touched on by Howard Hampton. I won’t be focusing on the lottery and gaming commission; I’ll be focusing on the P3 or alternative financing proposal system and looking at the report “Making Projects Happen” by Infrastructure Ontario.

On page 11—

Hon. Mr. Caplan: I don’t have the report in front of me, but please go ahead.

Mr. Tabuns: Does anyone there have that report?

Hon. Mr. Caplan: I’m sure we do.

Mr. Tabuns: I think staff are getting it.

Hon. Mr. Caplan: We have it now.

Mr. Tabuns: Great. On page 11 of the ministry’s North Bay value-for-money document, there is a chart which says that the base cost of the project using the traditional public approach would be \$404.6 million, while the base cost of the Plenary P3 project is \$551.7 million.

So are we understanding that correctly, that those are the two different base costs?

Hon. Mr. Caplan: In fact, I think the member is a little bit incorrect in the premise of his question. The project in North Bay is not a P3 in the New Democratic Party or Conservative sense that we’ve seen previously, but rather something that’s called alternative financing and procurement, or AFP. They are quite different. I think it’s important to point that out. Seated up here is acting ADM Bill Hughes, who would be very happy to address the specifics on the base cost comparison that you’ve asked for. So I’ll ask the deputy or Mr. Hughes to please address your question.

Mr. Tabuns: That would be fine. Mr. Hughes, do I understand correctly that these base costs are as I’ve outlined: \$404.6 million for traditional, and your AFP is \$551.7 million?

Mr. Bill Hughes: Yes, that’s right.

Mr. Tabuns: Can you tell me, with regard to the traditional procurement, by what method and precisely by whom, which companies or sections of your ministry, the base costs were calculated for traditional procurement?

Mr. Hughes: Base costs are calculated using estimates from the Ministry of Health.

Mr. Tabuns: So Ministry of Health internal staff? There’s a unit in the Ministry of Health that would do this quantity surveying and tell us what it would be per square foot, etc?

Mr. Hughes: Right. They do the initial work, and then there is due diligence done on that by Infrastructure Ontario using external cost consultants to validate.

Mr. Tabuns: And who are the external cost consultants?

Mr. Hughes: It varies project to project, but one firm that is sometimes used is Altus Helyar. There is actually a report from Altus Helyar posted on the IO website, explaining their methodology for risk assessment. They’re a well-known cost consulting firm.

Mr. Tabuns: Sorry; explaining their methodology for risk assessment or assessment of costs?

Mr. Hughes: For risk assessment.

Mr. Tabuns: So did they actually do an assessment of the base construction cost, the quantity surveying?

Mr. Hughes: I believe the initial assessment was done by the Ministry of Health, and there was cost consulting oversight by an external firm hired by Infrastructure Ontario. I would have to verify which one it was for North Bay.

Mr. Tabuns: Okay, and if I could ask, Chair, that we have verification of the company that actually did the quantity surveying costs for North Bay.

There's a \$147-million differential between the two base costs, and the reason for the higher base cost for the AFP is mostly higher borrowing costs and the need to pay the private consortium a risk premium on the project. Is that statement correct?

Mr. Hughes: Yes.

Mr. Tabuns: Can you break out the two costs between risk and the whole matter of financing?

Mr. Hughes: We cannot. This is the most breakout that's possible.

Hon. Mr. Caplan: The risks, as noted in the report, on the traditional procurement are \$229.9 million—

Mr. Tabuns: Minister, I will actually go to that question later. But for the moment, you can only say that these are all blended together; you can't break out between risk and financing costs.

Mr. Hughes: Right. If we broke it out, it would compromise the province's ability to get the best deal possible on future AFP projects.

Mr. Tabuns: Why?

Mr. Hughes: Because if it became known to future bidders what assumptions were made about financing and what the costing details of bids were, then future bidders would be able to bid based on that information.

Mr. Tabuns: But don't we have a competitive bid?

Mr. Hughes: We do.

Mr. Tabuns: And wouldn't they be in a contest against each other to try and provide us with the lowest bid for the contract?

Mr. Hughes: They would, but if they know what the government is going to accept, they would be more likely to bid to that than to compete against each other.

Hon. Mr. Caplan: It creates an artificial floor where the bidding would start and then it proceeds to travel upward.

Mr. Hughes: Yes. And I would make the point that the same situation exists with traditional projects, so with traditional projects we do not release in advance what the budget for that project is, and neither afterwards do we say, "This is what the budget for the project was and this is what the contract award was." It's the same situation. It would disadvantage the government in the future.

1640

Mr. Tabuns: But aren't we in a situation right now where we have a number, \$404.6 million, that is the base cost that we estimated this hospital would cost us?

Hon. Mr. Caplan: No, that's not correct. That's one component of the overall cost of the hospital. Additionally, there would be the risks that the government itself would retain. There are about 100 different risks that are listed in the Altus Helyar report, but the typical ones are the risk of going over budget and, as we've seen in many types of projects as well, the ancillary costs, which are also on top. All of those three taken together bring you the total cost of the project so it is a true apples-to-apples comparison.

Mr. Tabuns: I appreciate that, Minister, but I just want to go back. You're concerned that bidders will know what we price hospitals out at. You don't want to

release the figures, even after the bids are in. But right here, you have a base cost for provision of that hospital, setting aside risk.

Mr. Hughes: You have to remember, that base cost is also a blend. The base cost includes the actual construction costs, it includes maintenance costs and it also includes life cycle costs, which are not broken out. It's a blended cost as well, and you can't tell what the individual components are from the base cost number here.

Mr. Tabuns: So the \$404.6 million is a figure that includes the base capital cost of building the structure and—sorry, did I hear correctly?—the land upon which it sits?

Mr. Hughes: No. Land is excluded.

Mr. Tabuns: Set that aside, then. So, the capital cost for the structure itself, and then a projection over 30 years of the cost of doing the capital refurbishing or renovations that will be necessary as items go through their lifetimes.

Mr. Hughes: Yes, plus the maintenance cost with the structure.

Mr. Tabuns: Okay. Then on top of that, you have \$229 million, which is the risk of overrun that arises from all of those different activities.

Hon. Mr. Caplan: Well, there are about 100 different risks that are measured and either retained or transferred. This is a measure in a traditional project of how much would be retained by the government, and in the AFP model, how much is transferred to the private sector consortium and hence how much is retained. The difference between the overall cost with base cost, risks and ancillary costs comparatively gives you what we call the value for money or, in this case, \$96.7 million.

Mr. Tabuns: Minister, I'm not actually asking that question at the moment. I will go into greater detail as we go through. I'm just trying to go step by step so I understand what I've got before me.

Hon. Mr. Caplan: Sure.

Mr. Tabuns: This base cost, under traditional procurement, is the capital cost and then 30 years of capital costs and maintenance to keep the structure standing. On top of that, you have risks retained, which is the potential for things to go wrong and for costs to overrun, not only at the beginning, but over that full 30 years.

Hon. Mr. Caplan: There are a lot of different kinds of risk; there's not just one or two.

Mr. Tabuns: No, I recognize that, but I'm trying to understand that at one point, you have the capital costs, the maintenance costs and the large-scale renovation costs all bundled in one place, and then you have another bundle which is all the risks that you've identified as pertaining to that operation over 30 years. I want to make sure I understand that, and I think I do.

Hon. Mr. Caplan: Sure. Then we have the other kinds of costs, which we call ancillary costs, which the—

Mr. Tabuns: Yes, but I'm not asking about that right now, so you don't need to go into it. Thank you.

Hon. Mr. Caplan: Okay. I don't want to give too much information, Mr. Chair. Obviously the member's not interested. I'm hurt.

Mr. Tabuns: I look forward to getting more information from you, Minister. But right now, I'm asking questions in a particular area.

Hon. Mr. Caplan: Okay.

Mr. Tabuns: Okay. So you can't tell me the percentage of difference between the base cost and the two elements that are split between risk and financing. That's because that's a black box; that's under the control of the Plenary group. They have not released those figures to you?

Mr. Hughes: Which model are we talking about now?

Mr. Tabuns: Under AFP, you don't know what their financing costs are.

Mr. Hughes: Right; we do not.

Mr. Tabuns: Do we ever model to see what those financing costs are? Does your ministry do that to get a sense of how much the financing is costing as opposed to the risk itself?

Mr. Hughes: We do not.

Mr. Tabuns: Okay.

Hon. Mr. Caplan: We can provide the government's cost of borrowing, and that was in fact the answer that I gave at the outset.

Mr. Tabuns: That's right, and I appreciated that. Okay.

The \$229.9 million in retained risk costs that you have showing on the traditional procurement column: Can you itemize the inputs that add up to that \$229.9 million? Can you break them out into substantial chunks?

Mr. Hughes: No, we can't, but I can describe the process for coming up with the \$229.9 million. Is that helpful?

Mr. Tabuns: Why don't you start with describing the process and then I'll ask about why you can't break it out. But go ahead with describing the process.

Mr. Hughes: Okay. What Infrastructure Ontario does to come up with this estimate, which is derived by an external firm, is they use a methodology described in the methodological guide posted on the Infrastructure Ontario website. That particular guide has been validated by four external consulting firms as a fair and appropriate way to calculate value for money.

What they do to calculate the risk portion of the value-for-money assessment is, Infrastructure Ontario organizes a risk workshop, which includes external experts as well as senior Infrastructure Ontario staff. What they do is, they first go through a process to establish what is termed a "risk matrix." The first step is to identify the risks. A number of those risks—over 60, actually—are identified in the Altus Helyar report that I referred to a few minutes ago, which is posted on the IO website. Once the risks are identified, the task is to allocate the risks, and the allocation of risks can fall into three categories. The risks can be borne by the private sector, the risks can be borne by the public sector, or it can be a

shared risk. That risk allocation is done twice: once for the traditional model and once for the AFP model.

The next step is to identify the probability that the risk will occur. That's part of the risk assessment process and the derivation of the risk matrix. The step after that is to assess the impact of the risk. That's assessed at three levels: at a 10% level. If you have 100 projects, it's assessing the probability that 10 of the projects would experience the risk impact at whatever level it is—say 1%. Then there is an assessment of the most likely impact of the risk and there is a 90% impact of the risk.

So all of this is then wrapped into a statistical analysis to determine the average risk that the project will experience.

The risk workshop starts out with a set of benchmarks, and the purpose of the risk workshop is to take the industry benchmarks that a company like Altus Helyar has developed and to modify it so that the risks are specific to the project that is being considered.

That's essentially how the risks are allocated between the AFP project model, which is called an adjusted shadow bid before financial close, and the traditional procurement model, which is called a public sector comparator.

Hon. Mr. Caplan: If I could—

Mr. Tabuns: No, I'm sorry. I'll come back to you, Minister, but I want to understand. So are you looking at the history of overruns and risks in other hospitals that have been financed traditionally—or your team is—and saying, "Okay, based on statistical experience over the last half century, this is our average risk experience"?

Mr. Hughes: It's based on an assessment by external consultants and people who have experience in the industry. They are the ones who debate back and forth, share their experience and evaluate what an appropriate assignment of risk would be.

Mr. Tabuns: And is this hospital-specific risk?

Mr. Hughes: It is hospital-specific risk, yes.

The Vice-Chair: Just to let you know, you have five minutes, Mr. Tabuns.

Mr. Tabuns: Okay, thank you. Going back to your comment, though, these folks who come in and do this risk assessment do the assessment for the traditional procurement and they also do an assessment of risk for the new system. They assess risk for both; is that correct?

Mr. Hughes: That is correct.

Mr. Tabuns: Given that you put the project out to tender and, in the tender documents, one expects that the proponents will incorporate cost of risk into their price, why are you assessing the cost of risk to them?

1650

Hon. Mr. Caplan: Part of the—

Mr. Tabuns: I wouldn't mind if I could have the answer from staff, and then I'd be happy to have the minister come back. He had started the answer, and I'd like him to complete the answer.

Hon. Mr. Caplan: I'm happy to facilitate the work with—

Mr. Tabuns: I appreciate that.

Mr. Hughes: I'm sure the minister can answer it better than I can, but I'll make a first attempt. The risk is estimated a couple of times, depending on the stage of the process. Before there are ever bids, there is a risk assessment done and a value-for-money assessment done. At that point, the board of directors of Infrastructure Ontario considers whether there is, in fact, value for money associated with the project. The project does not proceed to the RFP stage unless the board is satisfied that there is value for money.

Hon. Mr. Caplan: Okay, now hold on. I've got to add quite a bit.

The Vice-Chair: Let the minister have a word here. He wants to say something.

Hon. Mr. Caplan: In the measurement of risk, you don't want, first of all, to retain all of the risk or transfer all of the risk. What the matrix does and what the calculation does is give an indication of which risks are better transferred and can be priced—and it's the market that does price them—at an appropriate level and which risks should be retained, quite appropriately, by the government.

I wanted to point out to Mr. Tabuns that in the definition of risk categories—it's contained in the Altus Helyar document. I'm not going to go through the whole thing, because there are a whole bunch. They're broken down into policy/planning. For example, planning, process and policy, internal government: "the risk that internal government approvals are not received in a timely manner and ultimately delay the issue of tenders"; a different category of risk, the design; a different category of risk, site conditions and environmental conditions; a different category of risk in construction; a different category of risk in equipment; a different category of risk in permits and approvals. For example, in this one, municipal approvals, you would be quite aware—

Mr. Tabuns: Quite aware.

Hon. Mr. Caplan: "The risk that municipal approvals delay commencement of construction." It goes even further: the completion/commissioning risk, the labour risk, the risk of general strike and the project agreement. All in all, that's the overall risk matrix.

Mr. Tabuns: For my purposes at the moment, I don't need that detail. I will come back, because I want more.

Hon. Mr. Caplan: I'm just trying to give you a full flavour.

Mr. Tabuns: I appreciate that. But you then have, prior to tender, an assessment of the risks and likely the costs of those risks. Is that correct?

Mr. Hughes: Yes, a preliminary assessment. That is correct.

Mr. Tabuns: So can we get the preliminary assessment value of those risks?

Mr. Hughes: No, we don't release that information.

Mr. Tabuns: Are you saying that the risks are the same for the traditional as well as the new?

Mr. Hughes: No, the risks are not the same. The purpose of the risk allocation process is to determine what the risks are for each type of project and to allocate

them appropriately, as the minister said, so that the procurement method where the risk can be borne with least cost is where the risk is placed.

Hon. Mr. Caplan: It's also important to remember that the government itself does not value the risk. It is in the tendering process where the risk is valued and assessed and where the consortium itself would, in fact, make a bid.

Mr. Tabuns: I understand. We do value in advance so that we know what it's going to cost with either course. Is that correct or incorrect?

Hon. Mr. Caplan: As ADM Hughes said, of course it's a preliminary, an estimate of what we think it would be, but in fact the pricing structure is not made until the entity who bids on the particular project would actually make an assessment of those particular risks.

By the way, different contractors may assess risks in different ways, and their ability to handle and measure them, which may give them competitive advantages. As well, there are choices and trade-offs they could make as far as construction materials, related to life cycle and the kinds of practices and longer life leading to lower maintenance, or different kinds of materials and the need to require more maintenance. So there are trade-offs they could make in the risk calculations as well.

The Vice-Chair: That's the end of the time for the third party.

Mr. Tabuns: A shame.

The Vice-Chair: We'll get back to you again.

Mr. Tabuns: We'll have more.

Hon. Mr. Caplan: Thank you. I'm looking forward to that.

The Vice-Chair: Now it's time for the government members. They have 20 minutes to ask questions.

Mrs. Carol Mitchell (Huron-Bruce): I'm going to start off with saying that I know the government has recognized the need for infrastructure and has contributed a significant amount of money.

I'm going to talk specifically about the AFP process. It is one tool that can be used. I know there have been a number of comments made—not as much today but in the last session, when the comments that were made constantly were around the AFP process being profit-driven private financing. You were not given the opportunity, Minister, to expand on the principles of the AFP process, so I wanted to give you the opportunity to talk about the guiding principles and how it was developed.

Hon. Mr. Caplan: I undertook, in fact, a consultation around the province of Ontario where we asked for all the different methods that people knew about or had advice for us on—perhaps untried—as far as infrastructure investment. What came back was that you needed to have a foundation, a grounding in some basic fundamental principles in the way things moved forward. I did try to share this with Mr. Hampton. Unfortunately, he didn't seem very interested in it, so I'm glad you asked me today.

The five principles, in no particular order—although principle number one is the most important: that the

public interest is paramount. It's not a bidder's interest, it's not an employee group's interest, but the interest of the people of Ontario as far as access to that infrastructure, as far as the public policy interest in providing health care services, clean water, transit or what have you.

The second one is that value for money must be demonstrated, that if you're going to do this, you have to have a real comparison, one method versus another. We do that through the value-for-money report, which Mr. Tabuns was asking about in great detail and which we're happy to provide some insight on.

The third one is that accountability must be maintained, that it's important and clear who's responsible, not only for financing it but also for delivering it. This is something where governments of all stripes have fallen down. This is not a shot at any particular individuals or individual parties. Is it the hospital itself? Is it the ministry itself? That's why we set up Infrastructure Ontario with clear accountability to deliver, to negotiate contracts, to be able to enter into agreements, and then to project-manage to make sure these things happen.

The fourth is that all of the processes must be fair, open and transparent, and this is incredibly important. We need to have a competitive environment. If there's a perception—let alone a reality, which would be bad enough—that somehow there's some deal-making in backrooms or that things are not open to every qualified bidder who wants to come and participate, that would be incredibly detrimental. We want companies and individuals that do the legal, accounting, financial, construction, the labour—we want that to be open and transparent. That's why we have and post the RFPs. That's why the contracts are posted online. That's why we have fairness commissioners and other people oversee to make sure that we're living up to that one.

The fifth principle is critically important as well, which is that in all cases, control will be maintained. I cite for you the example of Highway 407, which we've completely lost control of. It was a P3 under the New Democratic Party and it was later sold off by the Conservative Party, and the government has lost control of this public asset. Under our model, that would not be allowed to happen. Public control must always be maintained, and in the case of core assets like hospitals, schools and our water, they must always remain under public ownership.

Those are the key principles. I was very glad that you asked me that question.

Mrs. Mitchell: Page 11 of this report: I'm going to go specifically to the value-for-money portion of it and give you the opportunity to expand on that, the value-for-money analysis and how it's arrived at.

Hon. Mr. Caplan: Sure. Actually, maybe I'll have the deputy—I don't want to dominate everything. I'll have the deputy just provide some insight to you.

Ms. Layton: There are a couple of things I'd love to be able to make as well. What's critical is that value for money is indeed the difference between what's called—

well, it's assessed at two stages, first of all: It's assessed prior to the bid stage and it's assessed after the bids come in. Therefore, the base costs that are used in what's called the public sector comparator, as well as in the alternative financing, are the same set of numbers. One's adjustable as the bids come in.

1700

I think the other thing that's important to make on value for money is the fact that the role of the board of directors in terms of, first of all, scrutinizing that first assessment that is made—it's based on a methodology developed by an external consulting firm, and it has the involvement of the cost consultants that we've talked about. But the role of the board of directors, which is comprised of everything from a trade union representative to the CEO of the Ontario Financing Authority—they are the first ones to kick the tires on that value for money and assessment at both stages, because they are accountable ultimately to it. But every value-for-money report that is released is also signed off by an external auditing firm whose reputation, obviously, is on the line, and therefore they too attest to the validity of that assessment. What's critical here is that the board of directors will not recommend that a project proceed unless there can be a clear demonstration that there is value for that money.

Another point that I think is worth noting is that in the traditional financing of projects, before we had alternative financing and procurement—we have to appreciate that there's not a capital project out there that is financed without a cost of capital. But in previous years, when allocations were made to the Ministry of Health and Long-Term Care to then fund hospital projects, those allocations did not include a borrowing cost, but indeed there was a borrowing cost, and that was assumed by the taxpayers in the broader domain. So there was a borrowing cost that should have been attributed to the project, and that's what you do see in the analysis that we have for the alternative financing and procurement.

Mrs. Mitchell: So in fact this process allows for more transparency and accountability.

Ms. Layton: More transparency and accountability.

Hon. Mr. Caplan: Certainly much more than we've seen previously. I recall, back in previous years, the New Democratic Party, which was the government of the day, decided to build Highway 407 through private sector engagement. I don't believe any value-for-money report or RFPs were ever posted, and I don't believe the contracts were ever posted online. I know that that was certainly the case with William Osler and the Royal Ottawa Hospital, let alone many of the other capital projects that were tendered.

Our touchstone, and one of the hallmarks of our government, has been the commitment to accountability and transparency, certainly in these matters but right across the government. I know the Premier had a chance to talk in question period about the expanded role for the Auditor General. Certainly those are the kinds of things we want to make sure are reflected in our processes and

in the information that we provide to the public—indeed, to this committee too.

Ms. Layton: If I could just add one more thing: Those five critical documents that are on the Infrastructure Ontario website, further to transparency—one of them is the actual guide that does explain in detail the methodology. In fact, when the North Bay and Sudbury value-for-money reports are looked at, they should be looked at alongside that guide, which is way more detailed and provides that explanation. There's also the value for money on Montfort as well, which is the first of the value-for-money reports that was released. The last thing is the risk matrix methodology, from Altus Helyar. All of those documents are here for us to hand to the clerk as well for the ease of people here.

The Vice-Chair: Do you have a question, Mr. Zimmer?

Mr. David Zimmer (Willowdale): I just want to draw your attention to and get some comment from you on growth plan issues: intensification, transportation, the greenbelt, traffic corridors, infrastructure and all that stuff. What triggered my thought was that yesterday I was with the Premier and municipal politicians. We were at the unveiling of a residential project up in Willowdale called Concord Park Place. It covers 17 hectares, 5,000 families and about 14,000 people. It's a project over 10 years. It's about \$2 billion. It's situated on Sheppard Avenue between the last two subway stations before you hit Leslie, Bessarion and Leslie stations. The Premier and myself and the other municipal politicians talked about how that project came together, because of the co-operation over the years of the city and provincial governments and financial institutions and the private sector. In fact, the Premier used the expression—and I quote from the article in yesterday's paper: "The design will have a profound effect on how residents will relate to each other," that it's an example of how a project has been "built in a way that people will be able to live in harmony...." He used the expression "harmony" in the sense of coordinating and integrating green initiatives in the project. There was a lot of talk about the green initiatives in the project, the transportation corridors. This project is hooked into the 401 and Leslie Street and Sheppard, which, as you know, are major traffic corridors. It was an example of thoughtful intensification planned over the next 10 years for 14,000 people, a \$2-billion project.

There has been some criticism from some quarters that the province isn't doing enough to fund infrastructure needs to support these kinds of increased population initiatives within communities, but anything that I saw or heard yesterday from the politicians, from the financial people, from the developers and from the community—and there were about 400 or 500 people out at the opening—was that in fact this was in many ways a model project, and if our growth plan and intensification strategies and the like play out over the next 15 or 20 or 30 years as they have in this project, we've got something that we can look forward to proudly in this province.

Can you comment on your vision of how your ministry works with communities in assisting their infrastructure needs so that areas of the province and specific communities within the province can integrate and grow?

Hon. Mr. Caplan: A very large question. I have Assistant Deputy Minister Brad Graham, who leads the Ontario Growth Secretariat. I thought instead of always introducing him, I might give him the opportunity to at least lead in, in part, and perhaps I'll weigh in after. So ADM Graham.

Mr. Brad Graham: Thank you for the question, Mr. Chair and members. Certainly that project is an example of the kind of development we're trying to promote. The basic premise of the growth plan is to use land more efficiently than we have in the past. We know that if we developed in a business-as-usual format, we'd put tremendous pressure on natural areas. The key is to intensify, particularly around transit corridors, with high-end density to achieve that efficiency around transit stations, and also to take the pressure off, if you will, natural spaces and natural systems.

Hon. Mr. Caplan: So how do we do that as far as an infrastructure strategy? I think that was the heart of the member's question. It's not just important to have a good plan or a blueprint or a concept. You've got to make it work.

There's a number of different infrastructures. For example, you focused on a transit-friendly kind of environment, and of course, with the Sheppard subway, there's the Bessarion—I know the area very well, having lived in the area of the Bessarion station, also down at Leslie Street, which will service much of the traffic. So that's very important. But other infrastructures—and part of the growth that we talk about is what we call the social or community infrastructures. We know that where you have some pressure, that will put pressure on your schools, your hospitals, on your cultural infrastructure. You know, we often don't think about libraries, museums, the recreational and community spaces which create some of the vibrancy in communities. So we do talk about in the growth plan the kinds of investments and the kinds of regimes.

1710

For example, in the greater Golden Horseshoe, the ReNew Ontario plan, combined with the greater Golden Horseshoe plan, directs some \$8.3 billion worth of investment in infrastructure. Much of that is road and bridge, transit, hospitals, schools and the like—water, justice—all the different kinds of infrastructure to create, in our vision, a complete community.

Here's the problem we've always had. We've created these bedroom communities where all the ancillary services, whether those are shopping, entertainment venues or job centres, were all located somewhere else. The best strategy to defeat urban sprawl and gridlock is to create a community where it's possible to access jobs, play opportunities, shopping and the like close to home, either through pedestrian, public transit or whatever mode you can get to. So one of the things you'll do is invest

differently; you have a different kind of urban form, as ADM Graham said. It's like what I would call a node and corridor strategy. The node would be that urban growth centre—that would be the dense place to grow—and then the corridor would be the transit leading in, and along that corridor is where you would see the preponderance of intensification and densification.

By the way, that has a real benefit for a lot of the neighbourhoods that are concerned about some of those pressures spilling over into their neighbourhoods. In fact, it makes them much more intact. It keeps it focused and away from, appropriately, some of the more single-family, residential kinds of communities, and it keeps it confined to very defined areas, which is very beneficial to the overall aspect as well. And I know we have a wonderful rural quality of life. It keeps some of the pressures of urbanism from encroaching on our rural communities as well. So we can have strong and vibrant urban communities but, as importantly, a healthy environment and protected rural communities when we get that proper balance between natural areas: sources of water, sources of food, proper infrastructure in place beforehand or at the right times.

This is how it all comes together. We're working quite hand in hand with Rob MacIsaac, former mayor of Burlington and now chairing the Greater Toronto Transportation Authority, in a transit plan that he and the members of the board will come up with and that we're very interested in making happen. But we didn't want to wait, so we invested in the Brampton AcceleRide or the Mississauga BRT or the subway extension up through York University and beyond, all the way up to Highway 7, or the York Viva system.

The Vice-Chair: You've got a couple of minutes left.

Hon. Mr. Caplan: A couple of minutes? Wonderful.

I have some quotes, by the way, if you want. I shared some last time I was here. It's not just municipal leaders or business and industry or environmental leaders. One that I find very interesting is from the CEO of the Heart and Stroke Foundation, Mr. Rocco Rossi: "The Heart and Stroke Foundation of Ontario has repeatedly advocated for improvements to the way our communities are designed and built so that they are more walkable, transit-friendly and heart-healthy. From a health perspective, we strongly support all efforts—including the Ontario government's growth plan for the greater Golden Horseshoe—to improve the built environment." So it's not simply a land use exercise, but there's a health component to this as well.

Sorry. Mr. Zimmer, I think you might have a question, or Ms. Mitchell?

The Vice-Chair: Make it a quick one.

Mrs. Mitchell: It is going to be a very quick one. I know that the growth plan, once it's fully initiated, will not only ensure the net health benefit—and we can also talk about the environmental benefits—but one of the things I look forward to asking the minister questions about is that it also ensures asset management and getting

the infrastructure where it is needed most at the best time. I look forward to my next question.

Hon. Mr. Caplan: Oh, yes, that is very much true. We have a tremendous disconnect between when and where we need things to happen. Having an overall master blueprint, so to speak, provides us with a guide. We know that in Peel region, for example, certain things will happen in Mississauga and a different kind of growth and development will take place, perhaps, in Brampton. So we can be there with the local road or transit improvements or to help with a much-needed hospital to service some of the additional caseload which is going to be coming, or schools.

The various acts only prescribe that two things are in place: a fire station and a school. All of the other things that are required really ought to be there in time when the population is there. I know in the many very fast-growing communities, this has not been the case. We're working very hard to turn them all around.

All that being said, it is very difficult. We have decades to remediate. We also have all of these growth pressures that are moving forward very rapidly. There are twofold pressures. I don't think that anybody would claim that in three short years we've been able to completely erase that. We will be dealing with and grappling with these pressures of growth, both those that have pent up over time and those that will come with 3.7 to 3.8 million additional residents: two million additional jobs. But we'll be in much better to shape to be able to grapple with those kinds of pressures on a go-forward basis, whether that's up in Simcoe county—which I know you're familiar with, Mr. Chair—or in Niagara.

Mr. Chair, I was wondering, and I think you might answer, if I could ask for a quick recess, so that I could use—

Mr. Hudak: Cool off.

Hon. Mr. Caplan: It's very warm in here.

The Vice-Chair: Make it quick, because then we'll finish off the last two parties. We'll recess for three minutes.

Hon. Mr. Caplan: Ten minutes?

The Vice-Chair: No, two minutes. Hurry up.

Interjections.

The Vice-Chair: Five minutes.

Hon. Mr. Caplan: I'll be as—

The Vice-Chair: You'll be cutting into the NDP's time, and I don't want to.

Hon. Mr. Caplan: We'll still be going. He'll get his full half hour, I hope.

But I appreciate that, Mr. Chair. It is humid.

The Vice-Chair: Okay, let's go. Recessed, five minutes.

The committee recessed from 1716 to 1724.

The Vice-Chair: We're back in session. I'll now turn it over for the next 20 minutes to Mr. Hudak of the official opposition.

Mr. Hudak: As you might remember, I'm pursuing vote item 4001-01, specifically the sub-item agencies division operating on page 35, and the organizational

chart particularly, as well, concerning the agencies division. I appreciate ADM Barretto joining us.

I left off talking about item 74 on page 20, which was the \$12.5-million ticket from the Burlington area. The minister had offered some cautionary note saying this was currently being investigated by the police, and he had put proper language around that as advice to the committee. I appreciate his letting us know that.

A quick question to the minister: Do you know when that ticket was purchased and brought to the OLGC's attention? I know it's 2003 but I'm not sure when.

Hon. Mr. Caplan: I believe it was 2004, but I don't have the specific date when in 2004.

Ms. Barretto: We can undertake to find that out. I think it might have been purchased in 2003 and paid out in 2004, but I'm not exactly sure.

Mr. Hudak: And again, the minister, I think, had indicated no, if he had been briefed on this before—if he was aware of this before the Ombudsman's report, this particular incident.

Hon. Mr. Caplan: In fact I became aware of it in relation to—I think there have been three broadcasts of the Fifth Estate, and it was in the third episode that this particular matter was raised, and then I believe the Ombudsman referenced it in his report. So it was in that time frame, in March of this year.

Mr. Hudak: But you learned about it through the television program, as opposed to a briefing.

Hon. Mr. Caplan: Through the television program in March of this year.

Interjections.

The Vice-Chair: Okay, go ahead.

Hon. Mr. Caplan: I'm glad for your intervention, Mr. Chair.

Mr. Hudak: To ADM Barretto, when did she first become aware of the Burlington case, the \$12.5-million ticket?

Ms. Barretto: It was through the Fifth Estate.

Mr. Hudak: There are a couple of others on that page. I don't know if you have the Ombudsman's report, there on page 19:71 referencing a corner store in Keswick, 72 referencing a specific case about a \$250,000 Encore free play ticket, and 73 about two Toronto retailers with \$250,000 tickets. Had the minister been aware of item 71, 72 or 73 before the Ombudsman's report?

Hon. Mr. Caplan: No. The Ombudsman's report was the first instance where these matters were ever brought to my or public attention, as far as I'm aware.

Mr. Hudak: And did Ms. Barretto?

Ms. Barretto: No, not until this time.

Mr. Hudak: Is the minister aware of any of his staff having knowledge of these items, anything in that category, "Finders Keepers," from 70 down to 74, before the airing of the Fifth Estate report?

Hon. Mr. Caplan: Or the Ombudsman's report? No, I'm not familiar that anybody was, certainly in my office. Ms. Barretto can speak to the ministry staff.

Ms. Barretto: I couldn't confirm for sure which staff would have known what on which of these files for that period of time.

Mr. Hudak: Okay. In 75, "Not Up to Scratch," it details what was called "an extreme case of 'pin-pricking,' a practice in which retailers lightly scratch the surface of instant-win tickets with a pin to reveal whether or not they are winners. The corporation found 67 blatantly scratched tickets at one location in Oakville." Was this ever brought to the minister's attention before the Ombudsman's report?

Hon. Mr. Caplan: No, it was not, although I do believe that the pin-pricking practice was in the second Fifth Estate broadcast. I'd have to look up specifically when that was, but I believe it was earlier in the year than when the Ombudsman had issued his report.

Mr. Hudak: But the minister had not been briefed on this. Ms. Barretto?

Ms. Barretto: No, I was not.

Mr. Hudak: The Ombudsman, then, follows up, as I quoted a bit earlier, where he says, "... 2004 was a banner year for controversial insider prize claims. It is mind-boggling that the corporation actually paid out millions of dollars in the circumstances it did. The ludicrousness of this did not escape all corporate officials." The Ombudsman cites one particular manager who prepared an executive briefing on the situation on August 8, 2004, to highlight the problems here. Ms. Barretto, was that briefing ever brought to your attention before the Ombudsman's report?

Ms. Barretto: No, it was not, but you do understand that the relationship between the agency and the staff would have been within the agency. It wouldn't necessarily have come to the ministry's attention.

Mr. Hudak: I just want to try to find out if there was contact between—if the OLGC kept this to themselves or if they had shared it with the ministry.

Did the minister become aware of the memo that was produced in 2004 before the Ombudsman's report?

Hon. Mr. Caplan: Oh, no. As I think I outlined, the Ministry of Public Infrastructure Renewal inherited all of the various agencies in June 2005. So a memo from 2004 wouldn't have come to the ministry's attention. Not until the Ombudsman's report outlining his review of the various e-mails and documentation did it come to my attention.

Mr. Hudak: In a general sense, had the minister been briefed on problems with insider wins during his foundation briefings?

Hon. Mr. Caplan: No. It was never raised nor included in the transitional binders that were provided.

Mr. Hudak: Ms. Barretto, when the agency had come over under PIR's purview, had the lottery and gaming corporation let you know about the problems that they had detected with respect to insider wins?

1730

Ms. Barretto: We would have been briefed by the Ministry of Economic Development and Trade through

the senior staff there, and no, no insider-win issues were brought to our attention at that time.

Mr. Hudak: And are you aware if economic development and trade was ever briefed by the OLGC on the insider—

Ms. Barretto: I wouldn't be able to answer that.

Mr. Hudak: To the deputy minister: Did the OLGC ever let you know, or the chair of the OLGC, about a problem with insider wins?

Ms. Layton: No, not at all. The first instance when I heard about insider wins was a different one and it was the Stephen Cook insider win. It was an employee of the corporation in April 2006. That was the first time that I had any conversation with Duncan Brown on that whole concept and the principle of employees within the agency. In this case, this was a BlackBerry administrator being able to purchase tickets. That was my first instance.

Mr. Hudak: Paragraph 78 talks about the same official who continued to express his or her concerns about retailer fraud and lack of appropriate measures. It references a September 1, 2004, e-mail regarding the \$12.5-million claim and suggests that a pattern may exist at that particular retailer, systematically collecting free play tickets from unsuspecting customers. Was that ever brought to the minister's attention before the Ombudsman's report?

Hon. Mr. Caplan: Not prior to experiencing the Ombudsman's report.

Mr. Hudak: Ms. Barretto?

Ms. Barretto: Same answer, not prior to the Ombudsman.

Mr. Hudak: I'll ask the minister: To your knowledge, did any of your staff, the political staff in the minister's office, have knowledge, when the OLGC had come under PIR, of problems with insider wins?

Hon. Mr. Caplan: As I mentioned, the transition binders, which contain the list, as you would be aware, of the various issues, policy matters—insider wins were not identified at that time by OLG or by the agencies branch. Although I couldn't confirm for you, I don't imagine that my staff were made aware in June 2005 or until it surfaced at a much later time.

Mr. Hudak: So to the best of your knowledge, none of your staff had any understanding of a problem with insider wins until the Fifth Estate program, or two weeks before the Fifth Estate program, I think you said in the House.

Hon. Mr. Caplan: That's correct.

Mr. Hudak: Minister, when you were first asked about this on October 25, 2006, by the member for Leeds–Grenville—I think this was before the Fifth Estate aired but there had been some advance stories in the newspaper—you said the following: “Ontario Lottery and Gaming is certainly committed to operating a business in a responsible and ethical manner and has some of the most stringent inside-win provisions of any organization of its kind in North America.” Do you still agree with that statement?

Hon. Mr. Caplan: Well, at the time I think I went on to outline that OLGC had asked Ernst and Young to

review their policies and compare them to jurisdictions from around North America. The Ernst and Young opinion was that, in fact, their policies were among some of the most stringent. But I think if you'll also read my comments from Hansard, I undertook to the member from Leeds–Grenville and other members of the House that whatever steps would be necessary in order to protect public trust and confidence certainly would be taken and that I felt that OLGC should adhere to the highest standard.

Mr. Hudak: Yes, you had basically two lines of thought here. Your instinct was to defend the lottery and gaming corporation and the protections they had in place and you did at the same time indicate that you would ask the chair to conduct a review. You also mentioned KPMG and Grant Thornton do a financial statement audit on a regular basis.

In the supplementary to Mr. Runciman on that day, October 25, 2006, you responded, “In fact, Ontario Lottery and Gaming has significant internal controls, but also measures to protect lottery and gaming players, like freezing the lottery terminals when major wins are claimed,” etc.

Given what you've learned through the Ombudsman's report and other sources since, do you stand by that statement?

Hon. Mr. Caplan: I don't have the Hansard in front of me, but I think I did say that the opinions that had been provided to me by outside, by one of Canada's leading forensic auditing companies, were that, in fact, the policies and some of the controls were amongst the most stringent in comparison to like jurisdictions right across North America. But my undertaking was that any ways that we could find improvement, we were certainly very committed to doing so.

In fact, you referenced the letter that I sent to Chair Gough on October 25, where I said quite clearly, “As you know, Ontario Lottery and Gaming fills an important role in delivering lottery and casino services in this province. Revenues from OLG programs are fundamental to the province's ability to deliver many important social programs. In addition, Ontario has proven itself amongst the best jurisdictions in lottery security due to the commitments and efforts of the OLG.” I went on: “Unfortunately, this record of excellence has been called into question, as a result of the Fifth Estate program airing on the 25th, in print and radio media today.” I went on: “While I appreciate OLG's security measures are amongst the best in North America, I am very concerned with the serious allegations that I understand the Fifth Estate to be making and request that you investigate them thoroughly. I understand that your senior staff have been unable to validate or disprove the Fifth Estate's assertions based on the information currently available to them. I would like your commitment that the OLG will undertake a comprehensive in-depth review and analysis and that you will advise me of your findings”—in approximately two weeks—“by November 8, 2006.”

The chair brought in KPMG to undertake that review. It was done in three phases. Those reports, of course, are

posted on the website as the Ombudsman has recommended.

I think I indicated quite clearly, both in the House and in my correspondence with the chair, the track record as I understood it, and also my determination to get to the bottom of the allegations that were made and to make the appropriate changes in order to instil the public trust and confidence.

Mr. Hudak: The point I would make is that your language changed considerably from October 25, 2006, to the language that you used after the Ombudsman's report came out. Your instinct on October 25, 2006, as I've said, was to defend the security provisions at the OLGC. In fact, I would say that you expressed confidence in their ability. You did have a check done, and good for you in sending that letter to the chair. But you did—I think I could describe it quite accurately—express confidence in the OLGC. Did that come about because you were misled by the OLGC about the security measures?

Hon. Mr. Caplan: I'm not sure that's parliamentary language, Mr. Chair. I'm certainly in your hands.

I think the OLG provided me with the Ernst and Young opinion as to the security measures and the policies that were in place, and I compared it to other jurisdictions in North America. That being said, as I did indicate, first of all I wanted to get to the bottom and the substance of the allegations and make the appropriate changes that would come out. As we know now, KPMG has recommended some 40 distinct actions to be taken, the Ombudsman some 20. Of those 60 recommendations, I believe 22 have already been implemented. I believe that the OLG was certainly following the direction—or at least the board was—to get to the bottom of the matter and to make the appropriate changes.

Mr. Hudak: In referencing the Ernst and Young review, you said, "The audit procedures performed by Ernst and Young are extensive and include a review of our insider win policy. Ernst and Young had found that internal control processes related to our lottery system are appropriate and claimants subject to the insider win policy are subject to additional scrutiny interviews by OLG's prize office." Given what you learned from the auditor's report, do you think Ernst and Young were mistaken in giving you that kind of confidence?

Hon. Mr. Caplan: In fact, I have the Ernst and Young report, and I'm happy to make copies available to you or to members here.

I quote from page 10 of their report, where they say, "The insider win policy provides the utmost integrity of OLG and the conduct of lottery games by ensuring that there is no perception of unfair advantage by any OLG lottery winner who is closely affiliated with the OLG." They go on in quite a bit of detail.

I think it's important to acknowledge that Ernst and Young is one of Canada's leading forensic auditing firms and does have significant experience in this area. I think it's reasonable to rely on the opinions they expressed in their March 31, 2006, report on controls in the lottery and gaming support systems.

1740

The Vice-Chair: Mr. Hudak, you have three minutes left in this round.

Mr. Hudak: Oh, it goes so fast.

When you first learned, about two weeks before the airing of the Fifth Estate program, that there was a concern, when you first learned about the problems with respect to the Edmonds case particularly, did you immediately have a briefing? And who was part of that briefing?

Hon. Mr. Caplan: My general question was, is this true? This was, you must understand, quite a revelation at that period of time. The substance of the allegations predominantly was twofold: one was the Edmonds case itself; the other was the fact that insiders were winning at a rate disproportionate to their numbers within the general population.

In relation to the Edmonds case, the assurance that was provided by OLG was that Edmonds was an isolated incident, that they had settled with him back in March 2005 and that as far as they were concerned, the matter was closed.

As far as the insider win, in fact I have correspondence—

Mr. Hudak: Chair, if I could, I just was asking the minister as part of his answer to specifically indicate who gave you those assurances as part of the briefing. Who did you hear that from?

Hon. Mr. Caplan: I have a letter from the chair of the board on October 26, where he says, "We believe the Edmonds case to be an isolated incident." In fact, I have the press releases as well from OLG, and they make a similar claim. As we've subsequently discovered, that is not the case. So there would have been communications with the chair, and I guess a member of my staff would also have been present.

As to the substance of the other allegations as to the disproportionate rate of insider wins, this one proved quite problematic. The OLG insisted that the Fifth Estate data and the methodology of Professor Rosenthal were just simply wrong, that he had miscalculated both the rate of insider win plays as well as the numbers of clerks and retailers who were out there. The reply was, "Okay, then you have data or analysis to be able to disprove the claims." Their reply was quite disconcerting, I must say. The reply was that, no, they could not disprove it, they couldn't validate or refute, which is why I've said in my letter to Mr. Gough that "I understand that your senior staff have been unable to validate or disprove the Fifth Estate's assertions based upon the current information."

In fact, the Ombudsman does comment on this in his report, where his own expert from the University of Western Ontario undertook to do a similar kind of analysis as Professor Rosenthal did. I do believe the OLG undertook four separate analyses from experts from different walks of life. In all six cases, they've all come to different conclusions as to the win rates and all of those kinds of things. That's why the Ombudsman says that a baseline of data should be kept and measured

against future win data so that they can be able to decide whether or not there is validity or if you're seeing a trend which should not be there. I accept the Ombudsman's findings, and such data and analysis will be kept for those particular purposes.

The Vice-Chair: Thank you, Minister.

Mrs. Mitchell, did you have a quick question?

Mrs. Mitchell: Yes, I do, a point of clarification: We will be completing today at 6 o'clock?

The Vice-Chair: Mr. Tabuns has 15 minutes, and that will give him five minutes starting at the next session, if you wish to complete at 6, or we could go to 5 after 6.

Hon. Mr. Caplan: I have another engagement, so I will have to be leaving at 6.

The Vice-Chair: Okay. So you'll start the next session, Mr. Tabuns, with five minutes.

Mrs. Mitchell: I'm just looking for clarification for all of that.

The Vice-Chair: That's the way we'll go. Mr. Tabuns.

Mr. Tabuns: Just before I go into other questions, just so I understand this correctly—is Mr. Hughes here? Good.

Hon. Mr. Caplan: I can bring more people if you'd like, Mr. Tabuns.

Mr. Tabuns: It may be necessary; we'll see.

Hon. Mr. Caplan: I'm very happy to facilitate the work of the committee.

Mr. Hughes: Mr. Tabuns, just before we start, if I could just respond to the question you asked at the beginning.

Mr. Tabuns: Yes.

Mr. Hughes: You asked who the cost consultant was for the North Bay hospital. We do have an answer now. Marshall and Murray is the name of the firm.

Mr. Tabuns: Okay, thank you. I appreciate that.

Just a question that occurred to me, and I want to make sure I understand this correctly: The traditional procurement on page 11, the base cost—does that include the financing cost as well?

Mr. Hughes: No, it does not. In design-build-finance-maintain projects, financing costs are covered by the discount rate, so there is not a separate bar in the chart. So financing costs are not part of the base costs.

Would you like me to elaborate a bit more?

Mr. Tabuns: Yes, I would, because I think the other bar, alternative financing and procurement, has financing. So how do you compare the two of them?

Mr. Hughes: Yes. The reason for that is because as the value-for-money methodology says, and I think as various members of the committee said last time—I believe Mr. Hampton said this—private sector financing costs are higher than public sector financing costs, so the financing costs embedded in the base costs for the AFP model reflect the fact that private sector financing costs are higher. On the public sector, though, the financing for the traditional delivery model, public sector comparator, the financing costs are part of the discount rate. The discount rate is the rate used to ensure that all of the numbers are valued at the same point in time.

Mr. Tabuns: Is that present value?

Mr. Hughes: Yes, exactly. It happens that Infrastructure Ontario has chosen to use a very conservative methodology for doing this. There are a number of ways in which their methodology is conservative, and it's actually very likely that value for money is underestimated, given their methodology. In many jurisdictions, the practice has been to add a risk premium to the public sector borrowing rate and use that as the discount rate. The rationale for that was that costs in the future are highly uncertain and therefore you should attach a risk premium to that, and you should use the public sector discount rate or the public sector borrowing rate plus some kind of risk premium and make that the discount rate for valuing the money back to net present value terms.

The difficulty with that is that it tends to give you a value-for-money number that is too high. It has the somewhat perverse effect of making it better to have large, uncertain future-year costs, which most people would agree is not a good thing. So what Infrastructure Ontario did instead was to use the government of Ontario's public sector borrowing rate as its discount rate. That tends to lower the value for money and it means that you don't actually have a financing cost in the bar chart for DBFM projects. The reason for that is because the financing cost is the same as the discount rate. So it's taken care of by the discount rate. Sorry, that's a lot of technical stuff.

Mr. Tabuns: I'll be really honest with you: I'm going to have to think that one through and come back. But I'm not going to blow the rest of my 15 minutes on it. I knew you were speaking English. Beyond that—

Mr. Hughes: Sorry.

Mr. Tabuns: No, your answer went through, but I'm not familiar with the technical—

Ms. Layton: Mr. Tabuns, there is a guide as well. You have the North Bay one. Do you have the guide as well?

Mr. Tabuns: No, I don't, but you have referenced the Altus Helyar report.

Ms. Layton: There is also a guide that is put out by the agency that's up on the website. It was tabled with the clerk. It's very detailed. In fact, they should be read together.

Mr. Tabuns: Okay. It would be useful, then, if the clerk could provide me with a copy or direct me as to how to—the clerk looks very happy at this prospect.

Hon. Mr. Caplan: I do believe the Altus Helyar report is also online, so you can read that at your leisure as well.

Mr. Tabuns: It is. Okay.

One of the things that struck me here is that if you had a model—and I'll drop the word "financing"—of alternative procurement within which a company took on the risk and provided management and capital refurbishment over 30 years but relied on public sector financing, given the lower cost of public sector financing, would that not give us a lower cost overall?

Mr. Hughes: Not necessarily, because the risk transfer would be different.

Mr. Tabuns: Why?

Mr. Hughes: Are you talking about a private sector company doing this but at a public sector rate of borrowing?

1750

Mr. Tabuns: I'm trying to disaggregate the pieces. If you're saying that a private proponent can take a project and build it at lower risk and thus a lower cost to the public purse, I'll disaggregate that from the financing. One of the factors here is that private financing is of higher cost. If you put out a tender saying, "Private proponent, here is a 30-year contract for building and maintaining a structure. We will provide the lending so that the financing costs are lower than they would be if you went out to the private market," would that not give us a lower overall cost over 30 years?

Mr. Hughes: Not necessarily, because you would then lose the discipline that the private sector lenders provide. They do a lot of upfront due diligence and they also ensure that, as you go along through the life cycle and maintenance phases of the project, the project company is actually delivering what they are supposed to be delivering in accordance with the terms of the project agreement. You would lose that if you did it solely with public sector financing. That being said, though, there may be an argument for some public sector takeout of a portion of the upfront cost. I know that Infrastructure Ontario is looking at the feasibility of that.

Hon. Mr. Caplan: In the build-finance model that we are using, for example, in the Montfort Hospital, we only transfer over the period of construction. Long-term financing is taken up by the province at the end of that process, and we do the long-term financing ourselves. So we do have different models of AFPs. The North Bay is one type of model; the Montfort Hospital is a different type of model. We want to use the appropriate tool for the appropriate job, and they don't necessarily match in all cases.

Ms. Layton: The guide speaks to the different models. There's a build-finance model, a design-build-finance model, a design-build-finance-maintain, and a design-build-finance-maintain-operate. It's quite a complex set of them and every one of them brings different variables.

Mr. Tabuns: When you do your analysis, you look at the capital costs; you have your analyst-consultants take a look and say, "This is the likely capital cost for this based on historic experience. This is the likely cost of risk over the 30 years given historic experience." Can you not then say, "And this is the likely cost of financing that the private proponent will bring to this process when we put it out there," when you look at what they come back with? Can you not disaggregate into risk financing and capital costs for the hard installed hospital and renovations over time?

Mr. Hughes: We have disaggregated between risks and base costs, which include construction and financing. We just haven't separated out the construction and financing costs. But of course, on the public sector comparator side, the financing costs are built into the dis-

count rates, so you're seeing the base construction cost, plus the financing costs, plus the ancillary costs.

I should say that another way in which Infrastructure Ontario has stayed very conservative in their methodology is that they assume that the base construction costs for the public sector comparator and for the AFP model are the same. It's fairly common in some other jurisdictions to assume that there is some kind of innovation benefit—that the private sector will deliver the project more efficiently—as an upfront assumption, without any validation of that. Infrastructure Ontario does not make that assumption, and all the way through they adjust so that the base construction costs for the public sector comparator and the AFP project remain the same. It's just an example of how they've tried to be as conservative as possible in their methodology and why I said earlier that they've probably actually underestimated value for money on these projects.

Ms. Layton: I was just going to say that when they do receive the bids, based on what they see, they go back and adjust the public sector comparator so you still are able to compare apples to apples to try to get at that value for money. That too is explained in that guide that I referenced earlier.

Hon. Mr. Caplan: The way I look at it—I'll be very quick, Mr. Chair—is that qualitative measures are not considered; only quantitative measures are used. Is that fair to say?

Mr. Hughes: Yes. That's yet another way in which they're very conservative.

Hon. Mr. Caplan: Okay, so yet a third way, because we want to be reflective and not add a lot of subjective additional factors.

Mr. Tabuns: Okay. Going—

Mr. Hughes: So—sorry.

Mr. Tabuns: Go ahead, Mr. Hughes.

Mr. Hughes: What I was going to say, just to elaborate on what the minister said, is that the concept there is that in some jurisdictions there is a non-quantifiable benefit that they try to quantify by saying, for example, because you get a new hospital up sooner, there is a reduction in wait times, and there's a theory that you can attribute a quantitative benefit to that. Infrastructure Ontario doesn't do any of that. All those kind of soft, unquantifiable benefits are not considered as part of the evaluation.

Mr. Tabuns: Just to go back, so that I am very clear on what numbers are in which packages, when you talk about design coordination risks in the traditional procurement bar, that's—sorry, there are design coordination overrun cost risks and there's the actual cost of design coordination. So the cost of doing design coordination is in the base and the risks—things going wrong—is in the risks retained section. Is that correct?

Mr. Hughes: Yes, that is correct.

The Vice-Chair: It looks like you've got time for one more question, Mr. Tabuns, and then you'll have five minutes at the beginning of the next meeting.

Mr. Tabuns: Okay. One of the things I find difficult here is, if we can't disaggregate the figures, it is hard for

us to be able to evaluate apples and oranges. When we have risks over in the traditional procurement bar and then alternative financing and procurement, and almost all the risk is buried in that base cost bar, it's very hard for us to know what's where. You know; you have an estimate of what the risk is in the AFP side. You did an estimate at the beginning of the process.

Mr. Hughes: Yes, for both, actually. The risk workshop estimates the risks that would be retained by the public sector under the traditional model of delivery—that's the \$229.9 million—and also the risks that would be retained by the public sector under the AFP model, and that's the smaller number.

Mr. Tabuns: It's \$22.2 million.

Mr. Hughes: Yes, \$22.2 million.

Mr. Tabuns: What's the value of the risk assumed by the private proponent?

Mr. Hughes: Essentially, the difference between those two numbers is the value of the risk assumed by the

private proponent. Obviously, there is a cost to doing that. That's called the risk premium, which is built into the base. So one of the reasons there's a difference between the base cost for the traditional procurement model and for the AFP model—it's not just financing costs; it's also the risk premium associated with the private sector taking on those extra risks. Obviously, it's a lot less than the actual value of the risks being transferred or you wouldn't have any value for money.

The Vice-Chair: With that, ladies and gentlemen, we've come to the end of our time today. We'll start again with the NDP tomorrow. They'll have five minutes.

Minister and committee members, thank you very much for your attention.

The committee stands adjourned until tomorrow after routine proceedings.

The committee adjourned at 1800.

CONTENTS

Tuesday 15 May 2007

Ministry of Public Infrastructure Renewal	E-941
Hon. David Caplan, minister	
Ms. Carol Layton, deputy minister	
Ms. Joyce Barretto, assistant deputy minister, operations division	
Mr. Bill Hughes, acting assistant deputy minister, infrastructure policy and planning	
Mr. Brad Graham, assistant deputy minister, Ontario Growth Secretariat	

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