E-37 E-37

ISSN 1181-6465

Legislative Assembly of Ontario

First Session, 39th Parliament

Assemblée législative de l'Ontario

Première session, 39e législature

Official Report of Debates (Hansard)

Journal des débats (Hansard)

Wednesday 29 July 2009

Mercredi 29 juillet 2009

Standing Committee on Estimates

Comité permanent des budgets des dépenses

Ministry of Finance

Ministère des Finances

Chair: Tim Hudak
Clerk: Sylwia Przezdziecki

Président : Tim Hudak
Greffière : Sylwia Przezdziecki

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111 Wellesley Street West, Queen's Park
Toronto ON M7A 1A2
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

Wednesday 29 July 2009

Mercredi 29 juillet 2009

The committee met at 0903 in room 151.

SUBCOMMITTEE REPORT

The Vice-Chair (Mr. Garfield Dunlop): I will call the meeting to order, everyone. I think we've got a quorum here.

To begin with, I'd like to welcome everybody today to the Standing Committee on Estimates. Minister, I'd like to welcome you and all the people from the Ministry of Finance who are here, and I welcome back all the committee members here as well.

I think we'll start out with the report of the subcommittee on committee business. Mr. Delaney, I understand you have a motion.

Mr. Bob Delaney: Thank you, Chair.

Your subcommittee on committee business met via conference call on Friday, June 12, 2009, to consider the committee's summer schedule, and recommends the following:

(1) That, pursuant to the order of the House dated Wednesday, June 3, 2009, the committee meet one day during the summer adjournment, on Wednesday, July 29, 2009, to consider the estimates of the Ministry of Finance for seven and a half hours.

(2) That the committee meet from 9 a.m. to 1 p.m. and from 2 p.m. to 6 p.m. that day, with two 15-minute breaks, and that the clerk of the committee obtain confirmation of the meeting time from the Chair before posting a meeting agenda.

(3) That the clerk of the committee update the monthly committee calendar posted on the Legislative Assembly website to reflect the meeting on July 29, 2009.

(4) That the committee not meet on Thursday, July 30, 2009, a date on which it was authorized to meet pursuant to the order of the House dated Wednesday, June 3, 2009.

The Vice-Chair (Mr. Garfield Dunlop): Any questions with that at all? All in favour? That's carried.

MINISTRY OF FINANCE

The Vice-Chair (Mr. Garfield Dunlop): Okay, we'll move right to the Ministry of Finance, and we are here today for the consideration of the estimates of the Ministry of Finance for a total of seven and a half hours.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address, and I trust the deputy minister and his staff have made arrangements to have the hearings closely monitored with respect to questions raised so that the ministry can respond accordingly. If you wish, you may, at the end of your appearance, verify the questions and issues being tracked by the research officer.

Are there any questions before we start today?

Seeing none, we will commence with vote 1201, and we will begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition and the third party. Then the minister will have up to 30 minutes for a reply to any questions or comments on that, and the remaining time will be apportioned equally among the three parties, with 20-minute rotations starting with the official opposition.

So, Minister, welcome again. The floor is yours for the next 30 minutes.

Hon. Dwight Duncan: Thank you, Mr. Chair, and let me thank all the committee members. I'd especially like to acknowledge the new critic of finance for the official opposition, Mr. Miller from Parry Sound–Muskoka. I look forward to sparring with him in the days and weeks ahead. And of course, to my critic from the third party, Mr. Prue, it's good to see you again.

I am joined today by a range of officials from the Ministry of Finance. I won't introduce all of them. Suffice to say they represent the very best in our public service, people who serve with diligence and integrity at all times.

I am joined at the table here by my deputy minister, Mr. Peter Wallace, who, like so many of the officials from finance, we're truly fortunate to have in our public service.

I'd like to thank the members of the Standing Committee on Estimates for this opportunity to speak to you today.

For the past five years, the McGuinty government has been strengthening Ontario's economy by investing in the skills and education of our people, creating partnerships with business, making investments in research and innovation, cutting taxes for business, and investing in the infrastructure that keeps our economy moving. Today we see the results of these investments. We have higher test scores, smaller class sizes and more students graduating from high school, all of which helps create one of the most advanced and competitive workforces in the world. Ontario now has more doctors and nurses and shorter waiting times, giving us an advantage in a competitive world. Working together, Ontarians have built an economy and a quality of life that are second to none. That's why our government will continue to aggressively increase the province's competitive advantages.

Relative to other jurisdictions, Ontario has been in a better position to weather the global economic storm. However, Ontario has not been immune to that downturn. Like other governments around the world, Ontario has seen a serious deterioration in its fiscal position since last fall, caused by the biggest downturn in the global economy since the 1930s. This has been accelerated by the devastating impact of the financial meltdown in the United States, our largest trading partner. Simply put, American consumers and businesses have not been purchasing as many Ontario goods and services as they used to.

Devastating job losses are hitting many Ontario families hard. In my hometown, Windsor, I have witnessed first-hand friends and neighbours cope with job loss. I know I speak for all members of this Legislature when I say these are not just statistics. When a family suffers a job loss or when a business closes, it affects all Ontarians.

While no single industry or individual government is responsible for this global crisis, each of us has a responsibility to act. We all know that Ontario has a history of resilient economic growth, and we expect that to resume after the recession ends. But history has shown that governments cannot simply spend their way out of a recession. Returning Ontario to a balanced budget will take time and require difficult decisions.

Yesterday the Ministry of Finance released the first-quarter economic finances for 2009-10. This provides an updated fiscal outlook for the province. This update shows a deficit projection of $18.5 billion for 2009-10, the same as I announced in June. Compared to the 2009 budget projection, the $4.4-billion increase in the deficit for 2009-10 is primarily due to significant revenue deterioration, $2.8 billion, in both personal and corporate income tax returns, resulting from a weaker-than-expected economy and an increase in the support provided to the automotive sector of $1.5 billion.

The fiscal impact of the automotive industry support package is projected at $4 billion in 2009-10. This has been partially offset with a $2.5-billion drawdown from the operating contingency fund. As a result, only $1.5 billion contributes to the increase in the province's deficit. The full reserve and remaining contingency funds are still available to protect the fiscal outlook from additional adverse changes that might arise in the remaining fiscal year.

Ontario is not alone in having to update its budget projections. Other jurisdictions are experiencing similar challenges, including slower-than-anticipated revenue growth and higher expenses of programs that support family incomes during economic downturns.

There is no doubt that the global crisis has reduced our government's revenues significantly. Ontario's real GDP declined 2% in the first quarter of 2009, following a 1.5% contraction in the fourth quarter of 2008. This decline reflects the global economic downturn. The contraction in GDP was broadly based, reflecting a sharp decline in exports, lower business investment, a drawdown in business inventories and continued weakness in personal spending.

0910

Private sector forecasters expect the economy to turn around and to begin to grow in the second half of 2009. As we move back to balance, our government will be guided by a number of principles.

First, assumptions about revenues and expenditures will be cautious, prudent and transparent. We will provide quarterly updates to the public.

Second, our government will reduce the size of the deficit in each year subsequent to this.

Third, our government will control expenditures in a balanced and comprehensive way to protect and deliver services more efficiently.

Going forward, the rate of growth in government expenditures will be contingent on growth in the economy. We will remain prudent and disciplined in our management of the province's finances and continue our commitment to meeting our fiscal targets.

For the past five years, our government has worked hard to keep the rate of expenditure growth below the rate of growth in revenue. Today's challenges call for very dramatic action both in the short and long term.

Building a powerful Ontario economy is the McGuinty government's top priority. That's why our budget takes a two-stage approach. It takes immediate action to make Ontario more competitive, with a short-term investment of $34 billion, including $32.5 billion for infrastructure in roads, sewers, bridges, schools and hospitals. We estimate that this infrastructure investment will create and support more than 300,000 jobs across the province over the next two years.

In our 2009 budget, we proposed a fundamental reform to the province's tax system. This comprehensive tax reform package is the single most effective step we can take to boost Ontario's economy, one that would thrive in a global economic environment.

Specifically, we are proposing three significant tax changes: First, starting July 1, 2010, we would move to a single value-added sales tax that would combine the current provincial sales tax with the federal goods and services tax; second, permanent personal tax relief and three direct payments to Ontarians as we transition to a single sales tax; and third, comprehensive corporate tax reforms to permanently and significantly reduce business taxes for large and small enterprises across the province.

The Ontario Chamber of Commerce, many experts, research groups and sector associations have called on us to reform our tax system and move to a value-added sales tax structure. More than 130 countries have adopted a value-added tax. In fact, every country in the OECD save the United States has a value-added tax, as do four other Canadian provinces, and just last week the province of British Columbia announced that it too would move to a single sales tax. It is the way modern, globally competitive jurisdictions do business.

Let's be clear: Overall provincial government revenue would not increase as a result of this package of proposed tax reforms. Let me also be clear: It is imperative that we take this step. This reform package would provide significant tax relief for Ontarians. This tax reform is fundamental to building a powerful economy capable of supporting strong public services and a good quality of life for all of us.

During difficult times, Ontarians expect their governments to work together. This proposed single sales tax is a result of both the provincial and federal governments working together. This renewed partnership would foster economic growth while providing significant support to the province through the transition period.

As a means to this arrangement, the federal government is providing Ontario with $4.3 billion over two years, as well as flexibility for a number of made-in-Ontario components of the tax, such as the ability to provide point-of-sale exemptions for certain consumer goods.

We know that for some items and for some people, it would mean price increases. That is why we will help Ontario families with the transition to a single valued-added sales tax. To this end, I introduced $10.6 billion of tax relief over three years for people that includes permanent personal tax cuts and direct payments to Ontarians.

We plan to cut the tax rate on Ontario's lowest tax bracket from 6.05% to 5.05%, a decrease of 16.5%. This means Ontarians would pay less on the first $36,848 of taxable income, and Ontarians with modest incomes would now pay the lowest income tax rate of any Canadian province. Ontario families and individuals earning less than $80,000 would see an average 10% cut in personal income tax.

In addition, to protect low- and middle-income families, the province would also introduce a permanent value-added sales tax credit of up to $260 for each adult and child in those families. This sales tax credit would be one of the most generous in Canada. Taken together, these initiatives would provide an ongoing, permanent tax reduction for people of more than $2.3 billion per year.

Furthermore, we will provide point-of-sale exemptions for the provincial portion of the proposed single sales tax for children's clothing and footwear, children's car seats and car booster seats, diapers, books—including audio books—and feminine hygiene products.

Finally, to help with the transition to a single sales tax, every eligible family in Ontario with an income below $160,000 would receive three payments from the provincial government totalling $1,000. The first payment would arrive in June 2010, the second, just before Christmas next year, and the third, in June 2011. Eligible single Ontarians earning less than $80,000 a year would receive three payments totalling $300.

Competing in a globalized economy demands that Ontario businesses be more competitive than ever. We need our businesses to grow stronger and hire more Ontarians. A single value-added tax would make Ontario more competitive and would save businesses more than $500 million a year in paperwork costs.

While our proposed single sales tax would do much to increase business productivity, we need to do much more. To support small businesses, the backbone of this economy, we proposed an 18% cut to the corporate income tax rate for small businesses effective July 1, 2010, taking the rate from 5.5% to 4.5%. We also propose to eliminate the small business deduction surtax. This clawback is a barrier to growth. Ontario would be the only jurisdiction in Canada to end this barrier to growing businesses.

We also propose to strengthen our businesses by reducing Ontario's general and manufacturing corporate income tax rates. Starting on July 1, 2010, Ontario's general corporate income tax rate would be reduced to 12% from 14%, which is a 14.3% reduction. The general rate would be reduced to 10% on July 1, 2013, which is a further 16.7% reduction.

Ontario's manufacturing and processing corporate income tax rate, which includes all manufacturers as well as logging, farming, fishing and mining, would be reduced to 10% from 12% starting July 1, 2010, a 16.7% cut. In total, the government is proposing $4.5 billion in business tax relief over three years that would lower business cost, enhance Ontario's competitiveness, support growing small businesses and ultimately, and most importantly, create jobs in Ontario.

This comprehensive tax reform package, once fully implemented, would cut Ontario's marginal effective tax rate on new business investment in half, making Ontario one of the most competitive jurisdictions in the industrial world in terms of the taxation of new capital investment by corporations. To put this in perspective, Ontario's marginal effective tax rate on new business investment would be half the rate in the United States. Also, at 18.6% in 2010, it would be lower than the OECD average of 21.8%. By 2018, Ontario's tax rate would fall even further, to 16.2%.

This unprecedented tax reform will make our businesses better able to compete and succeed in the global economy. Overall, this is the most important tax reform we can make to inspire growth across all sectors and kick-start the rebuilding of our manufacturing and resource industries. The result of all this would be the ability to spur economic growth, create a green economy and maintain the kind of public services Ontarians expect as we come out of the global recession.

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It is important, Mr. Chair, to note that this is the single most important thing we can do to get people back to work. This is about creating jobs. Opposition to this package implies opposition to what I would term the most progressive steps we can take to create jobs in the coming years.

Finally, I'd like to address three key features of the proposed single sales tax.

To improve affordability for more Ontario home-buyers and support the housing industry, we propose measures for new housing that would enhance our comprehensive tax package. With the enhanced new housing rebate, the most generous of its kind in Canada, new homes across all price ranges would receive a 75% rebate of the provincial portion of the single sales tax on the first $400,000. Effectively, the provincial portion of the single sales tax would be charged only on the amount of the purchase price over $400,000. For new homes under $400,000, this would mean, on average, no additional tax amount compared to the current retail sales tax embedded in the price of new homes.

New rental housing would receive a similar rebate, and for some purchases of new homes that straddle the implementation date of July 1, 2010, the provincial portion of the single sales tax would also not apply, depending on when the written agreements of purchase and sale were entered into and when ownership or possession is transferred.

To help ensure that our tourism sector has the resources it needs to attract more visitors and alleviate the impact of the single sales tax, we would also provide $40 million annually for destination marketing to Ontario tourism regions once they are established. Also, we would ensure that, on average, the net effect of the provincial portion of the single sales tax on Ontario's municipalities, universities, colleges, school boards, hospitals, charities and qualifying non-profit organization sectors would be fiscally neutral for each of these sectors.

To ensure that we lead by example, our government has introduced a number of restraint measures to build on previous efforts. For example, our 2009 budget froze MPP pay for one year. Our government is also planning to make Ontario Buys mandatory and permanent. This program will require our hospitals, schools and other broader public sector partners to leverage their buying power and save money on the products and services they buy. Our government will become more efficient by reducing the size of the Ontario public service by 5% over the next three years through attrition and other measures.

The final principle that will guide us as we return to balance is equity. All Ontarians must have the opportunity to reach their full potential. Ontario's strength comes from its people and so we need to ensure that all Ontarians can participate to the fullest in the new economy. We are working with Ontario's aboriginal communities and the mining sector to modernize the Mining Act, while ensuring that it continues to promote balanced development to benefit all Ontarians and support a vibrant Ontario minerals industry.

To ensure Ontario's economy becomes even more competitive, innovative and sustainable, our green initiatives in the Green Energy and Green Economy Act will make it easier to bring renewable energy projects to life and, most importantly, create some 50,000 jobs in the first three years.

In budget 2009, we announced we would be moving forward with a $250-million loan guarantee program to support aboriginal participation in energy projects. These initiatives will also further enhance Ontario's reputation as an attractive location for renewable energy investment.

As I mentioned earlier, we are also committed to $32.5 billion for infrastructure investments, supporting more than 300,000 jobs over the next two years. Our budget will create jobs now all around the province.

The next task is to ensure that we are ready for the jobs of tomorrow. Ontario's economy must become more competitive, innovative and sustainable. To take advantage of Ontario's emerging green economy, the budget proposed more than $300 million in initiatives. These include an emerging technologies fund, enhancements to the innovation demonstration fund, a strategy to help prepare workers for tomorrow's green-collar jobs, and new research to promote green economic development. Innovation is the key to unlocking tomorrow's jobs. To build research infrastructure and support life science research, green technologies applied research and genomics research, we are investing more than $700 million.

We are investing in our successful creative sector, helping with cultural tax credits and support for digital media. Ontario's creative and entertainment sector is the third largest in North America by employment, after California and New York. Our enhanced film and television tax credit rates were made permanent to create predictability and stability for the industry.

The budget increases training support for the unemployed. We are expanding training and literacy programs and proposing to make the apprenticeship training tax credit the most generous of its kind in Canada. We're also providing funding to support more than 100,000 summer jobs for students this year.

At the same time, we recognize that average federal employment insurance benefits for unemployed persons are about $4,000 a year less in Ontario than in other provinces. Ontarians demand equitable access to employment insurance from the federal government so that the people of this province are treated the same as people right across the country.

We are taking immediate steps to help manufacturing and small business. For example, we are extending the fast writeoff for new manufacturing and processing machinery and equipment investments and providing a temporary 100% writeoff for new computers.

The 2009 budget also provides assistance to the agricultural sector and to northern communities with investments to improve infrastructure. It supports the forest products and mining sectors with initiatives to help increase our exports.

In late April, I went on a very productive international trip where I met a number of investors in Dubai, Abu Dhabi, Saudi Arabia and London, England. What was made clear to me was that, increasingly, investors from around the world are looking to Ontario as a place to invest, and with good reason. With the budget initiatives I announced in the spring, I believe now more than ever that our province represents a prime investment opportunity. Now is the right time to signal to the international investment community that Ontario is a great place to do business. Ontario is Canada's economic engine and the seventh-largest economic jurisdiction in North America. The province's GDP is greater than many countries; for instance Belgium, Greece or Sweden.

Ontario has a very diverse economy, with services contributing 73% to GDP. We are home to the country's leading information and communications technologies and bio-industries. We have an exceptionally well educated and skilled labour force. We are an export-oriented economy; an advantage, given our prime location to major US cities. Investing in Ontario provides extraordinary access to a North American free trade area market of about 440 million people. And that's just the beginning.

Ontario is open for business. Open for Business is the Ontario government's ongoing plan to make government work faster and friendlier for families and businesses while protecting the safety of our communities. Our plan is to reduce the regulatory burden by 25% over the next two years.

We are working with other Canadian jurisdictions to establish a single securities regulator headquartered in Toronto, and also collaborating with the industry to promote the development of Toronto as a growing global financial centre. A common securities regulator is a key building block in solidifying Canada's otherwise strong international reputation for excellence in the regulation of our financial institutions. Given the significant role that Ontario's financial sector plays in Canada's markets, we believe that it is both appropriate and logical that the headquarters of the common securities regulator be here in Toronto.

Ontario can only move forward when all of us move forward together. The McGuinty government has launched a comprehensive strategy to reduce poverty. Today's economy makes the uphill track to achieve that goal steeper and more rugged. Accordingly, to ensure that each of us has the chance to reach his or her full potential, the budget proposed investments in people, children and families, in social housing, in social services and low-income tax relief. As announced by the Minister of Children and Youth Services, we raised the maximum annual Ontario child benefit to $1,100 per child this July, a full two years ahead of schedule. The government is also increasing social assistance rates by 2% in 2009. To help families, we have raised rates by 11% since 2003. The budget provided stable funding for rent banks, which will help thousands of families stay in their homes. To help build new homes and improve existing social housing for families, seniors and persons with disabilities, both levels of government are investing over $1.2 billion. When we do return to growth, these investments will help ensure that every Ontarian has the opportunity to participate in the new economy.

0930

To maintain and enhance the public services that we need, we must build the next generation of growth. This will not be easy. It will not happen overnight, and it's going to take all of us working together.

The comprehensive tax package is the single most effective step we can take to position our economy for future growth. It would help our businesses be more competitive, preserve jobs and strengthen the economy in the longer term. This reform would help Ontario create the wealth we need to support the best publicly funded schools for our children and the best public health care for our families. It will help ensure that we have the strongest environmental protection for our communities and the most compassionate support for the most vulnerable.

Each generation of Ontarians has risen to the challenge of its day. We have seen economic setbacks, and on every occasion we have risen past them. The task of leading Ontario through this recession and beyond to the next generation of growth falls to all of us. We are taking up that challenge confidently and with determination, as did those who came before us.

Thank you for your time and attention.

The Vice-Chair (Mr. Garfield Dunlop): Thank you very much, Minister. You have a couple of minutes left, if you want to make any final closing remarks.

Hon. Dwight Duncan: I think I covered all the bases I wanted to, Mr. Chair.

The Vice-Chair (Mr. Garfield Dunlop): Okay. We'll now go to the official opposition. Mr. Miller, you've got 30 minutes to make comments and/or you can begin to ask questions if you wish.

Mr. Norm Miller: Thank you very much, Mr. Chair. It's a pleasure to be here today to question the Minister of Finance in estimates committee and, as the minister pointed out, in my new job as finance critic. I've had the job all of two days, so I will be assisted by my colleagues here as well, including the other Norm, Mr. Sterling, who has been the interim finance critic.

I do look forward to the opportunity to question the minister, in particular, starting out just with budgeting in general. I think the track record of the government has been very inconsistent since 2003, in terms of budgeting. You make a budget at the beginning of the year, and, hopefully, at the end of the year—which in the case of the Ontario government is April 1 of one year to March 31 of the next year—the end result should look something like what was printed in the budget at the beginning of the year.

I have the 2009 Ontario budget before me—and certainly the record of this government has been awful. We've seen in the past, in the five good years from 2003, that whenever there was extra revenue, all of a sudden the budget went up by $4 billion or $5 billion, whatever the extra revenue was. Every dime of extra revenue was spent, so the budget was basically thrown out the window. We've seen in the past, since 2003, the budget go from $68 billion to a plan this year of $108 billion, a 59% increase in spending, some $40 billion each year now in additional spending.

First of all, you just released your first-quarter report and in that, all of a sudden the deficit is going up by $4.4 billion. I think you justified it because of aid to the auto sector and also because of changes in revenue projections.

I would simply begin by asking, were you not aware that you were going to aid the auto sector well in advance of the budget? I'm sure you were in talks with the auto industry. Also, how could your revenue projections be off by so much? We're just barely into the year, we're a quarter into the year, and all of a sudden the deficit prediction has gone from $14.1 billion up to $18.5 billion. The only thing I would say on that is that you're being consistent, in that the budget at the beginning of the year doesn't look anything like the budget at the end of the year, and that has been consistent throughout your whole term of government. So how can you be so wrong on this year's budget, Minister?

Hon. Dwight Duncan: Are we doing questions now?

The Vice-Chair (Mr. Garfield Dunlop): Please go ahead.

Mr. Norm Miller: Yes.

Hon. Dwight Duncan: Thank you for the questions and the observations. I would say, first of all, that we rely on private sector estimates of growth in the economy, which have been revised on a number of occasions. Indeed, they get revised monthly for our projections. You'll note, for instance, that the Conservative government in Ottawa has had to revise their deficit figure by quite a bit more than we did, both in absolute and relative terms. It is difficult to project revenues, and I would remind the member that it only takes about a 1% variance in revenues to affect a budget by literally billions of dollars. So the amounts and the percentage changes—a small percentage change can result in a very large dollar change and that is a challenge that's being experienced by governments right around the western world, including the United States and, I might add, Canada. I remind you, for instance, that Prime Minister Harper said as recently as December that Canada would have a balanced budget this year and each of the next four years. Of course, those projections turned out to be quite wrong. So it is difficult.

One of the things we did with respect to accountability and transparency was to introduce the Fiscal Transparency and Accountability Act when we first came to office, which requires us to give quarterly updates to the Legislature and to the people of Ontario with respect to changes and variances in the budget. That was something that was absent before. For instance, in the 2003 budget, the government of the day projected a balanced budget and in fact had a $5-billion deficit. I remind my colleague, Mr. Miller, that as soon as we became aware of the changes and could crystallize or at least say with confidence, we reported them to the people of Ontario at the beginning of June.

So budgeting at this point in time is challenging, there's no question. And yes, the member is right: He does point out our record in balanced budgets over the previous years, and we did make investments in health care and education. I've got a raft of letters from the member asking us to spend more money on hospitals and schools in Parry Sound–Muskoka and provide those kinds of services to reduce wait times. I've received correspondence from the member on those kinds of issues. So in fact, in the past, while we balanced budgets and paid down the debt, we did make those investments and we're very proud of them and we're very proud of what we've achieved.

Now to the second part of your question, with respect to the automotive deal, we did not expect the Obama administration would come to the table with $50 billion for General Motors and say to the government of Canada and the government of Ontario, "If you don't come to the table with your percentage or your share, that 20%, then we will in fact do it ourselves." That would have been devastating to communities like Oshawa. I know I heard from your colleague, Mr. Ouellette, on a number of occasions about the importance of standing behind General Motors. It would devastate St. Catharines. I know in the Niagara Peninsula, Mr. Hudak was very concerned about those jobs in St. Catharines. We have lost a number of auto dealerships across small-town Ontario as a result of the deal that was constructed but we've also been able to preserve a number. The price of that did come in higher than we anticipated. Again, we were pleased to partner with the government of Canada in that investment, recognizing the significance of the automotive sector, as I indicated, to those communities that are directly impacted by Chrysler and General Motors.

In my community of Windsor, part of the Chrysler deal—we had an announcement last week that the main plant there is now going to three shifts a day. That's got people working again, and that was not anticipated. So that is a bit of good news. The Windsor transmission plant, the General Motors transmission plant, called their workers back to work nine weeks ahead of schedule. So I think those—

Mr. Norm Miller: Excuse me. On the—

Hon. Dwight Duncan: I'm answering your question.

0940

Mr. Norm Miller: I just want to interrupt you on one point, on the auto sector part of it, just so I don't forget. What was the total amount that you—

Hon. Dwight Duncan: Four billion dollars, and that's duly reported.

Mr. Norm Miller: And of that, how much do you expect to recapture in the future?

Hon. Dwight Duncan: Unlike the Prime Minister, I think we're going to recapture it. I have great faith in the working men and women of Ontario. I have great faith in Oshawa, St. Catharines, Bramalea, Windsor. I believe that the jobs—literally hundreds of thousands, directly and indirectly related to the auto industry—are going to grow.

I look at the remarkable progress of the Ford Motor Co. and the product line. I see my colleague from Oakville, who fought strenuously for protection of the automotive sector here in Ontario.

Mr. Norm Miller: Excuse me, but when do you expect this $4 billion to be recaptured?

Hon. Dwight Duncan: You'll know the deal that was laid out, and there are provisions for a return and so on. So I think we're seeing positive signs on both the US and Canadian sides.

Again, my colleague from Oakville, Mr. Flynn, who chairs the automotive caucus for us, worked with the industry along with the federal government in arriving at these arrangements, which I think are going to pay enormous dividends.

I remember back in 1980, there were loan guarantees granted to the Chrysler corporation by the governments of Canada and the United States. Indeed, Mr. Miller, I think your father was part of that. Those loan guarantees were removed four years ahead of schedule. The loans themselves were never actually executed, and indeed the products and plants that were saved as a result of those wise decisions that were taken by the provincial and federal governments of the day are still producing products, employing people and paying taxes. So I'm confident that we will see our money back, and I'm confident that communities like Oshawa, St. Catharines, Windsor, and indeed communities across Ontario, will benefit from the arrangements we have with the federal government.

Mr. Norm Miller: Sorry. I didn't hear any specific timeline, so I gather from that that you're not sure of a timeline of when you might expect to recover—

Hon. Dwight Duncan: Well, there are a number of variables involved. As I say, at this point in time, I think what's important is that people are working and back to work. In terms of timelines, the most important timeline, in my view, is that we've been able to preserve thousands of jobs here in Ontario.

Mr. Norm Miller: Continuing, the minister mentioned increased spending. There's no doubt the government has greatly increased spending in its term of office, as was pointed out. In rough figures, the budget was $68 billion when you came into power, and now, in this year, you're planning on spending $108 billion. I guess my question is that we just aren't necessarily seeing, on the ground, the benefits.

You mentioned Parry Sound–Muskoka and health care. Well, I can tell you that every year it seems to get more difficult for my particular riding. In fact, right now the big issue up in my riding is that the Burk's Falls health centre is closing, and the people are all up in arms. I'm concerned about that. And there have been cutbacks in services, as part of the health care system in Parry Sound–Muskoka—that's Muskoka Algonquin Healthcare—continues to struggle with a deficit. Right now, I think the deficit for Muskoka Algonquin Healthcare is $2.3 million, and they have $7 million in accumulated debt. They seem to be getting deeper in the hole all the time, despite trying to—not trying, but making cutbacks in services. So we know you're spending money; it's just that on the ground, for the average person, they're not necessarily seeing it. In fact, they're seeing cutbacks.

It could be because in health care, a lot of money went to creating a new bureaucracy, the LHINs, the local health integration networks. So at a point two years ago, when Muskoka Algonquin Healthcare's deficit was $1.6 million, that happened to be the exact amount that the Simcoe Muskoka LHIN spent on office furnishings and upgrading their office. I would argue that that money would be better spent actually providing nurses and helping people on the ground.

I'd like to continue with the deficit. It was planned to be $14.1 billion this year, 2009-10; then, forecasting forward, in 2010-11, it would be $12.2 billion; in 2011-12, it would be $9.7 billion; in 2013, it would be $8 billion; in 2013-14, $5.8 billion; and 2014-15, $3.1 billion. Obviously, you just added $4 billion on it, and who knows what else is going to change from now until the end of the year. What has this extra $4 billion done to your plan to eliminate the deficit?

Hon. Dwight Duncan: I'd like to thank my colleague. First, to his comments about Parry Sound–Muskoka, I agree with him. There's still more to do on providing health care in Ontario to our citizens. That's why I don't understand why he wants us to cut health care spending and why his leader wants to cut funding to hospitals—

Interjection.

Hon. Dwight Duncan: Well, I mean, that's what you have proposed.

Mr. Norm Miller: No, I said spend it more wisely.

Hon. Dwight Duncan: Again, I'm just trying to answer the comments. You raised them, and your party has proposed an enormous cut to health care. I think the rate of growth—

Mr. Norman W. Sterling: That's a lie.

Hon. Dwight Duncan: No, it isn't a lie, and I'm surprised you've done that.

Mr. Norman W. Sterling: That's a lie.

The Vice-Chair (Mr. Garfield Dunlop): Please, Mr. Sterling, could you withdraw that? We don't want that.

Mr. Norman W. Sterling: I'll withdraw.

The Vice-Chair (Mr. Garfield Dunlop): Come on, let's try to get this civil and keep it that way. We've got a long day here.

Hon. Dwight Duncan: Well, I was asked specifically about Parry Sound–Muskoka, and I'm going to reiterate that we believe that we should be investing in health care. We have invested enormous amounts in reducing wait times, investing in both the capital and operating that we need. As I indicated in my opening comments to the member, we've increased the number of doctors, the number of nurses that are available. We believe that, and we're going to continue to do that in spite of the challenges to our economy. We think that's important.

With respect to expenditures in the budget, I remind the member that in 2008-09, our expense growth has been held to 0.8% compared to 2007-08. The rate of growth in government expenditure has been kept below the rate of growth in revenues over most of our term. The rate of overall growth in expenditure from the beginning of term to the end has been very consistent with that of previous governments, recognizing the tremendous rate of growth particularly in health care. You just can't have it both ways. You can't say, on the one hand, "Limit expenditures or cut expenditures," and then ,"Keep health care growing." So I think when you look at the overall numbers, you'll see that, in fact, as the rate of growth in the economy has slowed, we have seen a reduction in the rate of growth in our expenditures due to a number of policies that the government has undertaken.

I'd also point out that governments elsewhere, and indeed throughout the western world, have said things—for instance, Jim Flaherty, the federal finance minister, says that "long-term damage ... can result from misguided attempts to balance the books during a historic global downturn." That was Mr. Flaherty, who used to be one of our colleagues—I know he sat in your caucus—and is now the federal finance minister, talking about the need for deficit financing at this difficult time in our history.

I can tell you that economists such as Don Drummond—he says, "I don't think it is appropriate to ... slash spending to try to avoid a deficit" at this point in time.

Paul Krugman, the Nobel economist of the New York Times, says, "Concerns about the budget deficit should be put on hold.

"The responsible thing, right now, is to give the economy the help it needs. Now is not the time" to focus on the deficit.

So we have followed the lead of the federal government and the advice we received from economists. Our deficit as a percentage of GDP and as a percentage of revenue is still very strong relative to other jurisdictions, and we think the kinds of investments we're making in infrastructure right across the province are indeed prudent and a good use of taxpayers' money.

Mr. Norm Miller: My specific question was, what was the extra $4 billion going to do to the plan to get out of the deficit? That's what I would like some clarity on.

And to your point, I'm not arguing against the need for a deficit. I would argue that our deficit is far greater than it should have been, had you been more prudent, as you like to say, in the times that were boom years for five years. If the government had been more prudent, then we wouldn't be looking at an $18-billion deficit right now. But I would like to know what this extra $4 billion is going to do to the plan to get out of deficit, because I am skeptical about your plan to get out of deficit.

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Hon. Dwight Duncan: First of all, understand that of the additional $4 billion, a good part of that is from the automotive sector investments, as I pointed out. For instance, Chrysler has moved to a third shift at its Windsor assembly plant, which will produce both corporate taxes as well as personal income taxes from the people who work there. We have managed to preserve, I think, 7,000 direct jobs in the automotive sector and countless other indirect jobs. Those people will pay taxes. We think it's a good investment.

The other major contributor to that $4 billion in the first quarter was a decline in those very tax revenues.

So we think that the plan we've laid out, in fact, and that expenditure will indeed help over time to increase revenues again and get us back to a point where revenues are growing, so that we can continue to make improvements to the health care and education systems.

Mr. Norm Miller: Does it mean, though, that we won't be out of deficit in 2014-15 as planned?

Hon. Dwight Duncan: No, we believe we can stay on track with that. As I indicated to the member, over a five-year period, a 1% or 2% variance can make an enormous difference. So when we announced the revised deficit figure, we did say at the time that we believed that over that period of time we can in fact get back to balance. Clearly, we would have preferred not to see the deficit increase the way it did, but again, contingent on growth coming back in the US and Canadian economies, we do believe that we can still track to that time frame in terms of balancing the budget.

Mr. Norm Miller: In your plan to eliminate the deficit, as from the budget document, I guess the reason I'm skeptical about it is that in the plan, you need to grealy limit your program expense growth. In fact, reading from your budget, it states: "For this reason, during this same period, program expense growth will be held to an average annual growth rate of 2.3% in order to achieve balance while protecting core public services."

It's my understanding that your record over the past number of years has been far higher; the spending each year and your growth in spending have been far higher than that. So how do you think that, going forward, you're going to be able to suddenly reduce it dramatically?

Hon. Dwight Duncan: Our government, throughout its mandate, has pursued a policy where, save and except one year, our rate of growth in expenditure was below the rate of growth in revenues. In the last year, for instance, as I pointed out, the rate of growth in program expenditures was 0.8%. We have laid out the beginnings of an expenditure control program in this budget and last budget, and taken a number of steps. As I indicated in my opening statement, we do have work to do.

Again, the real cost driver for us and the real challenge for all of us in the coming years is going to be health care and education, those very services that Ontarians value.

We've actually taken, I think, a fairly long-term view about deficit elimination. We think the numbers are realistic and achievable. Again, we will report quarterly and annually as to progress, or lack of progress, in that regard.

But again, I think you always have to keep in mind that when you're talking about program expenditure, you're talking about health care, in large measure. So we believe that we need to move prudently, because you're quite correct: There is much more to do in terms of wait times. There are challenges in the system. Those challenges will likely grow over the coming years. We are trying to take what I would call a prudent approach to managing both sides of the equation.

Mr. Norm Miller: So just out of curiosity, then, what was the lowest annual increase in program spending since your government was elected?

Hon. Dwight Duncan: Last year, as I pointed out, it was 0.8%.

Mr. Norm Miller: Okay. And in the years previous to that?

Hon. Dwight Duncan: I don't have those specific figures, Mr. Miller. I can tell you that if you look at them, I think you'll find that in each year, save and except one, the rate of growth in program expenditure was lower than the rate of growth in revenues. That's why we were able to—

Mr. Norm Miller: So other than fiscal year 2008-09, which was an exceptional year, has the growth in spending ever increased less than 3.6%?

Hon. Dwight Duncan: I'll double-check the numbers, but our goal has always been to keep the rate of growth in program expenditure below that of the rate of growth in revenue. I think we did that in each, save and except one year.

I would point out that we've also balanced the budget, paid down debt and invested in infrastructure. As well, by the way, we've paid down some of the stranded debt—I think close to $2 billion, Serge, on the stranded debt of the old Ontario Hydro?

Interjection.

Hon. Dwight Duncan: Yes. In addition, we've paid $2 billion off on the stranded debt of Ontario Hydro. That was paid for by the debt retirement charge. So over the course of our government's mandate, we've balanced budgets, we've invested in health care and education, and I think it's the balance that Ontarians wanted to see.

Mr. Norm Miller: Given that program spending has increased on an annual rate of 7.4% since your government was elected, how do you intend to halve that, or more than halve that?

Hon. Dwight Duncan: We've already begun that, as you'll see. In the most recent year when we began to see the decline in the rate of growth of revenues, we began to rein in the rate of growth and expenditures relative to revenue. I think it's always important to keep that in mind. If you look at the previous eight years, you'll see that there were relatively large rates of growth and expenditure in years when there were rates of growth in revenue. I think that reflects that governments have a range of policy options. Some choose to cut taxes; some choose to invest in programs and services. We've done a combination of those things as well as paying down some debt.

Again, I look forward to getting back to balanced budgets. It's going to take us a long time. I've delivered, myself, two balanced budgets out of three, and our government is proud of that track record and we want to get back there. But there has to always be that balance, recognizing, particularly in times like this, that it's important, as many people have noted, that governments make the kinds of investment in infrastructure that we're making on an ongoing basis, that we continue to understand the challenges in health care, particularly one that you raised, Mr. Miller, both in the context of your local riding—and I think you are well aware of the challenges in the province. So we strive for that balance, as do all of us, and we believe we've got the right balance.

The Vice-Chair (Mr. Garfield Dunlop): We're down to about four and a half minutes at this point.

Mr. Norm Miller: Thank you. So are you going to have to cut programs and services when you cut your spending in more than half, your spending growth?

Hon. Dwight Duncan: As I indicated in the budget, I think we have to look at what I would call a transformative agenda in the years going forward, looking at everything that government does, how we do it. One of the examples we outlined in the budget was something called Ontario Buys, which is a procurement process that we plan to make compulsory that's been voluntary up until now. We estimate there are considerable savings.

I think most Ontarians want us to take what I would call a constructive approach to this so that we can, again, maintain the important services they demand but at the same time provide those services as efficiently as possible. Every year, we have taken steps to do that. I think you're right. With the state of the deficit, there's a greater urgency to that.

I think all of us will be talking about a transformative agenda, going forward. There will no doubt be difficult decisions for governments and for all of us in elective office. Again, as the government, the McGuinty government will try to find the right balance in the context of all the various services that the people of this province need and want.

Mr. Norm Miller: Again, you mentioned health care as being one of the biggest—it is the biggest ministry in the provincial budget. We've seen wasted spending or untendered contracts in eHealth, the electronic health record. In the spring, we were told that was $5 million in untendered contracts. The article by Keith Leslie yesterday, in I believe it was the Toronto Star, states that Courtyard Group received, in addition to that, an $8.5-million contract. Is this true?

Hon. Dwight Duncan: I haven't seen the most up-to-date figures, but it's obvious there were problems with untendered contracts there. I believe we've dealt effectively with it in the context of eHealth Ontario and looking at what other agencies the government of Ontario are—I think the member raises a very valid point about the need at all times to be cognizant of tax dollars, to make the most efficient use of them, not only directly in the public service for Ontario but in our agencies, our boards, our commissions, as well as in the broader public sector. Again, I would invite the member to look at the context of the rate of growth in health care expenditures, even in a constrained environment, and the order of magnitude of health care expenditures relative to the provincial budget. The member is quite right that you have to watch those things, you have to have the best controls possible. Sometimes you find out that you don't, and you move as quickly as you can to put them in place.

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Mr. Norm Miller: On that point—

Hon. Dwight Duncan: We are going to continue to be challenged, even in a constrained environment, on the health care side—

Mr. Norm Miller: Why did you cancel the third party review, then, of eHealth?

Hon. Dwight Duncan: My understanding is that the Provincial Auditor is doing the review, and we have great confidence in the Provincial Auditor.

Mr. Norm Miller: But he was doing the review before you decided to have the third party review, and now you've just cancelled the third party review.

Hon. Dwight Duncan: My understanding is that the Provincial Auditor is doing the review, and we will rely on the judgment of the Provincial Auditor in these matters.

Mr. Norm Miller: You knew the Provincial Auditor was doing a review before you decided to have a third party review, and now you've cancelled the third party review.

Hon. Dwight Duncan: Again, I will share with you that we have confidence in the Provincial Auditor and his work. Again, my colleague the Minister of Health could give you more details on that issue.

The Vice-Chair (Mr. Garfield Dunlop): Okay, that pretty well cleans our time up on this first rotation, the 30 minutes for the official opposition.

We'll now go to the third party. They have 30 minutes for comments and/or questions to the ministry.

Mr. Michael Prue: I'm going to forgo the comments. I'll go straight to the questions.

I want to deal, first of all, with the HST. You've spent most of your time talking about the HST. I want to get some clear numbers and I want to get some clear balance, so I ask you to bear with me. I want you to get away from and not answer in terms of how business is expected to pass on savings with lower prices and the impact of personal and corporate income tax changes. We'll get to that in a minute. But what I want to know first: How much more would the average individual consumer and average household pay in higher sales taxes as a result of the harmonized sales tax being applied to goods and services that were previously exempt? I don't want an answer that says they're going to get money back. How much more are you going to make—and then we'll deal with the others later. How much more is that going to bring in?

Hon. Dwight Duncan: I can't answer the question outside of the context of the government's tax policy, and I won't answer it outside of that context. It would not be a complete answer.

What we have said, and I will indicate again, is that first of all, in terms of the sales tax itself, for low-income families and moderate-income families, we have the most generous sales tax credit possible. I will provide you—and in the budget and the budget papers there are a number of documents that outline the impact of the harmonized sales tax on different categories, different family structures, different income levels. Most Ontarians will see a reduction in their overall taxes.

And you simply can't ignore what the experience in other provinces has been in terms of the pass-through of the input tax credits—the work that has been done by the C.D. Howe Institute, the work that has been done by a number of others, the arguments put forward by the federal government with respect to the efficiency of that tax.

Overall, because of the tax package we've provided, most Ontarians will see an absolute decline in the taxes they pay.

Mr. Michael Prue: If you won't answer the question, how do you expect the public to understand whether in fact this is revenue-neutral, as you claim?

Hon. Dwight Duncan: I have answered the question, and I'll answer it again. The government brought forward a package of tax changes, including the harmonization of the provincial sales tax with the federal GST. As part of that tax package, we're reducing personal income taxes, we're reducing corporate income taxes. The arguments in favour of the harmonized sales tax are that the input tax credit savings that businesses have will eventually be passed on to consumers. There's some debate in the literature with respect to how fast that will happen. But overall, we believe the tax package is in the best interests of Ontarians and that many Ontarians will in fact pay less in taxes.

Mr. Michael Prue: How could they possibly pay less in HST when new items are being added?

Hon. Dwight Duncan: There is a tax credit for modest-income families. That's why we've had the support of a range of groups that work to promote the interests of families and individuals with more modest incomes. There are personal tax cuts associated, particularly for those people with more modest incomes. So ours is a tax reform package, and we took a whole view of the individual tax burden. This is, in fact, about a competitive tax environment, and as I pointed out in my speech, we'll now have the lowest rate of taxation on the first bracket of income in the country, by way of example.

As I said, there were, as part of the budget, appended—and we can provide you with more—specific case examples of how families will be impacted by the overall package. I'll be happy to table those, again, with the committee so people can see that.

Mr. Michael Prue: You said that most families will get a tax decrease, but if it's revenue-neutral, that means some will get a tax increase. Who will be getting a tax increase?

Hon. Dwight Duncan: I would think higher income earners, very high income earners, who consume a considerable amount, but again, a very high percentage—in fact, the majority of Ontarians—will overall see a decrease in their taxes. It is certainly revenue-neutral to the government over time. I detailed in my opening remarks the projections with respect to tax savings on the income tax side to consumers and businesses. Those numbers are outlined, again, in some detail in the budget.

Mr. Michael Prue: Well, let's go back to the budget. During the budget lock-up, ministry officials provided graphs to show the impact of the tax on different types of households. Do you still have those graphs?

Hon. Dwight Duncan: Yes, we have a range of them. Deputy, do you want to—

Mr. Michael Prue: If you can tell me—perhaps the deputy minister can tell me who's going to end up paying more tax.

Mr. Peter Wallace: I'm going to ask Steve Orsini, who's the assistant deputy minister for the office of budget and taxation, to speak to this.

The Vice-Chair (Mr. Garfield Dunlop): Just state your name, sir.

Mr. Steve Orsini: Steve Orsini, office of budget and taxation of the Ontario Ministry of Finance.

The Vice-Chair (Mr. Garfield Dunlop): Thank you.

Mr. Steve Orsini: Let me just speak to a couple of points, in terms of, "What do you include when calculating the net change in tax?" Like the federal government, we have a GST—or equivalent—credit that's paid quarterly to people. The government had created a balance in terms of providing tax relief for people—for example, point-of-sale rebates—but also delivering tax relief through a number of other mechanisms, through the personal income tax system by generous property and sales tax credits. Like the federal government, they net off their GST revenue, their sales tax credit, because it's a way of delivering the relief. It's integrated as part of the calculation, so it's very difficult to separate the two.

In terms of what it means to individuals, it really depends on their consumption patterns. But we laid out, in quite considerable detail, on page 134 of the budget, what it means in terms of the fiscal plan for each line item. I think we actually went into greater detail than normal—we added an extra fiscal year. If you look on page 134, the net change in sales tax, the amount of sales tax revenue that the province is collecting, goes from—and this shows the change year over year. So from 2009-10, assuming our existing revenue base, to 2010-2011, it goes up to $1.67 billion. That reflects moving to a single sales tax plus other sales tax changes that were announced as part of the budget.

Then below that, we show all the other ways the government is providing tax relief, in addition to the point-of-sale rebates. That's one mechanism among many of providing tax relief to people. So for that same year, 2010-11, we have a personal income tax of $1.1 billion, a sales tax and property tax credit enhancement of almost $800 million, and then the transitional payment for that fiscal year of $2.7 billion, for a total of $4.6 billion in tax relief.

The rest of the table shows what it means for business and the significant tax cuts for business. All these tax changes filter through, and that's why you need to look at the total tax package to assess the nature of the changes overall.

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Mr. Michael Prue: You're starting to answer the first question I asked, and this is what I'm trying to get at. It's $1.67 billion in extra revenue in the first year. How much in the second year?

Mr. Steve Orsini: The second year is $2.175 billion, almost $2.2 billion.

Mr. Michael Prue: Doing fast mathematics, that's under $4 billion and there's going to be $4.6 billion in relief.

Mr. Steve Orsini: I gave you $4.6 billion; that's for one year.

Mr. Michael Prue: Okay.

Mr. Steve Orsini: The next year is $3.6 billion in relief, and then there are ongoing, permanent personal tax cuts of more than $2.4 billion going forward.

Mr. Michael Prue: So it is anticipated that although you were going to make some $4 billion over two years, that this going to be hugely offset.

Mr. Steve Orsini: By a very large margin. The government is proposing $10.6 billion in personal tax relief. That's quite a sizable amount of relief that's being injected into the economy and to help with the transition.

Mr. Michael Prue: There will be some people, according to the minister, who will end up paying more. Those will be people who are consumers, as opposed to savers, I would take it. If you don't spend the money, you're going to be really well off.

Mr. Steve Orsini: The nature of a value-added tax is to apply the tax to consumption. Our existing sales tax applies to both consumption and goods—capital goods that get embedded in the business production. So that is a tax on capital, which is a tax on investment. Moving to the GST-like base moves it more toward a consumption-based tax; that's correct.

Mr. Michael Prue: Is the risk, in an economic downturn, that people will not buy, that if the taxes go up on consumption and down on saving, people will simply save their money? We're seeing that to a great effect in the United States today and to some extent here in Canada.

Mr. Steve Orsini: The budget is investing more than $30 billion in capital, there's more than $4 billion in transitional payments to people, and there's a lot of money being invested in the economy to support jobs and economic growth.

Mr. Peter Wallace: As well to that point, the sales tax is clearly designed to have the implementation more than fully offset through the combination of income tax changes and other temporary rebates. So it's clearly designed to make sure that as Ontarians do feel the broader tax, there is significant money going back into their pockets to offset any potential decrease in their capacity to spend.

Mr. Michael Prue: We've heard a lot of the number—$300 for individuals, $1,000 for families. How many people file income tax as individuals? What percentage? It would seem to me that the majority would file as individuals.

Mr. Steve Orsini: People file as individuals, but you need to report—there are ways to link up family income. So we do it in a lot of different programs as part of a fairness package to assess someone's ability to pay or to target the assistance to those who need it most.

Mr. Michael Prue: So will this be done through the income tax system or some other system?

Mr. Steve Orsini: The transitional benefit will be paid through the income tax system.

Mr. Michael Prue: So if you file as an individual, you're going to have some way of knowing whether you're somehow connected to family?

Mr. Steve Orsini: Yes.

Mr. Michael Prue: I'm thinking about couples who work and perhaps have no children or their children are grown and not dependent. How will they be assessed? As individuals? Will they get $300 or $1,000?

Mr. Steve Orsini: As you know, the personal income tax system has a lot of linkages to dependants. So if you're filing as an individual but you're claiming dependants, the tax system recognizes that. If there's a spousal deduction, it recognizes that. It also asks you to report family income. There are ways of ensuring it captures the full family unit. There are a number of different ways; there's not one way in particular. The CRA will be the delivery agent for this and they'll be capturing all that information. They deliver a variety of programs and services now in terms of low-income tax credits, child tax benefits, the Ontario child benefit that we accelerated in the past budget. So there are a number of things that we're doing already. We're building on that infrastructure.

Mr. Peter Wallace: This will be consistent with the way in which other tax relief measures are administered.

Mr. Michael Prue: In terms of the $4 billion or so that will be made in extra revenues, which are offset—and I don't want us to get into a big argument here; which you have said are offset—how much of that is related to extra costs for energy? Because this is somewhat worrying to me in terms of transportation costs, electricity costs, all of those things. How much of that is going to come from extra monies from taxing energy for the first time?

Hon. Dwight Duncan: I'm going to have to get back to you on that figure, Mr. Prue. I don't think we have that broken down.

Mr. Steve Orsini: The transitional benefit of $4 billion paid over two years is quite a sizable injection of tax relief into the system. As we know, with all value-added taxes, and the minister mentioned this earlier in his reference to tax credits, a business will be paying tax on their inputs and generally getting those input tax credits back, and those savings get passed through. So I think you need to factor in that element as well.

Mr. Peter Wallace: Just to amplify that, it's not a straightforward question, whether it's related to this or anything else. We have to remember that taxes are going down as well. As the value-added tax has an impact and replaces what was antiquated and very expensive for business to administer and a very expensive tax on investment, as that falls out, there is a great level of tax relief happening throughout the economy. That is passed through over time, and in that sense we are seeing broad-based tax relief that will have an impact across all sectors, including, of course, the energy sector. But that's a critical part of the piece. It's not, in that sense, easy to simply add up the numbers and get a straightforward answer. It's a fairly complex set of interaction equations.

Mr. Michael Prue: The cost of oil was $130 a barrel for a while and then it plummeted down to around—I think $48 or $49 was the lowest it got. It's back up to $68. With this new tax adding 5%, revenues obviously will increase as the price of oil increases, or would decrease, conversely, if oil goes down. I think most people figure that oil is probably on a one-way street up, eventually. How will this impact? Will this bring in a lot more money as the price of oil, the price of gasoline, and the price of natural gas continue to rise?

Hon. Dwight Duncan: Steve can answer that.

Mr. Steve Orsini: Just on the issue of if there are price changes within the economy, one thing about adopting a broad-based tax such as the GST is that as prices go up and down across the board, that will affect revenue across the board. So if one commodity price increases and another one decreases, or consumers change their spending habits, they might move from one that's higher in price to something else that's lower in price. So it's really difficult to say that that one increase, that's net new revenue. You'd need to look at the totality of all the price changes overall in the economy. I think, in general, the sales tax is fairly stable because of that, as a revenue source.

Mr. Michael Prue: I know when oil was at about $130 a barrel, when gasoline was costing about, I think, $1.40 or $1.50 a litre, there were many people in the public out there screaming that the one way to reduce the price was to have the government, particularly the Canadian government at that point, reduce its GST or eliminate its GST. Would we find ourselves under such pressure in the future if oil again starts to rise to previous levels?

Hon. Dwight Duncan: I guess I can respond in part to that. Listen, if oil prices go up that dramatically, yes, there will be pressure. In Ontario's case, with our tax on gasoline—as you know, it's a flat tax, and our revenue has actually declined. I'm just trying to find out what we projected oil's price to be in our budget forecasts. Do you have that, Deputy?

Mr. Peter Wallace: It's $45 for 2009, rising to $60 for 2010, $62 for 2011.

Mr. Michael Prue: Okay, so we're already way past that.

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Mr. Peter Wallace: That reflects the existing private sector forecast.

Hon. Dwight Duncan: That's the average over a year, so we may not in fact be past that at this point in time. As you know, oil prices do go up and down throughout the year. Last year, we did see a spike.

But the point that Steve made with respect to the overall impact of prices, whether it be on a commodity like oil or otherwise—that will impact the government's revenues on the value-added tax.

Mr. Michael Prue: Moving on to a slightly different line of questioning, but staying with HST: University of Toronto economist Michael Smart suggested that 40% of Ontario's retail sales tax comes from business inputs. Can you verify that statistic? Is that true?

Mr. Steve Orsini: There are a number of different studies. C.D. Howe had one at a lower amount. What Michael Smart had also indicated is that the majority of that, if moving to a GST base, is passed through, and the majority of that is passed through in the first year. In his study, he concluded for the C.D. Howe Institute that when it all sort of washes through, there's not a significant impact on consumers at the end of the day, on average.

I think I'll take a second to explain the difference between the sales tax and the value-added tax, just so people understand the terminology.

Our existing sales tax: Yes, it does apply now to business purchases. That's why it hurts investment, and that's why it's a deterrent for jobs and economic growth. When you move to a value-added tax, business pays on their inputs in general and they get input tax credit back. So at each stage of production, right now there's a slice of sales tax that follows through with that price, going through. But with the value-added tax, every time a business pays it, they generally get it back, and so it's clean of that tax all the way to final consumption. Those prices, though, under existing sales tax, are embedded in the price of a good or service at the end of the day. That's what Michael Smart found: that the business collected the tax and paid it, but it ultimately was the consumer who paid at the end of the day. What his study found, looking at the Atlantic provinces, is that when you provide those business input tax credits, the competitive markets are fairly efficient at passing those through, and he concluded that the majority was passed through in the first year. So when they say 40%, that's the collection of it and the remittance of it, but the incidence of it is not the 40%.

That's the crux of understanding the difference between the sales tax and the value-added tax.

Mr. Michael Prue: This is pretty complex, his analysis and your explanation of it. I just want to know how much different business sectors will save as a result of ending the taxes on inputs. Excluding administrative savings, please tell me the estimated annual savings, HST, for—I've got a whole list of sectors here: manufacturing, forestry, mining, construction, real estate, retail, agriculture, finance, and insurance. I know that's a lot, but let's just start. How much do you think that these sectors are each going to save?

Mr. Steve Orsini: I don't have those numbers available. Certainly, in terms of their collecting remittance, those things get passed through.

What I should point out—and I think you alluded to it—is something that is also included in terms of understanding what this means to the cost of doing business. More than 130 countries around the world, as the minister mentioned, have moved to a value-added tax. We know, estimating the cost with the federal government, that having a separate sales tax is more than $500 million a year in additional compliance costs that ultimately are borne by consumers. Moving to the single sales tax not only provides those input tax credits, but the benefits of eliminating that extra layer of compliance costs will also benefit consumers and businesses down the road.

Mr. Michael Prue: First of all, before you answer, I see how it's going to save $500 million for businesses. How is it going to save money for consumers?

Mr. Peter Wallace: I'm going to try this and ask Steve to amplify this.

Steve tried to go through—and the reason he took the step back was to talk a little bit about the difference between who pays the tax, in the first instance, from a business, and then the ultimate incidence or impact of that tax. When a business pays that tax and the embedded sales tax and has been for a long time, it cascades through the system. It builds and it builds and business pays tax and then it's sold to another business that pays another tax. That gets embedded in the price of the good.

That then acts as two things, one of which is that it may act as a competitive deterrent, and they can't sell that good abroad because it would cost more. So that may have cost the Ontario economy in a way that we really have a very hard time calculating, but clearly there's an incidence or a burden associated with that. The second, though, is that if they don't pass that cost on to somebody, to an export, they pass it on to a consumer in Ontario, and it's actually the consumer in Ontario who pays that. We're paying both the competitive price and the price, so you can't make a simple assertion that one's a tax on business and one's a tax on consumers, because the business tax that's built up through the cascading effect actually has an incidence—and this is the point that Steve was trying to make, I think—and the incidence is actually borne by Ontario consumers. So when we make Ontario businesses substantially more efficient, it actually increases through the mechanisms of pass-through—and this is the Michael Smart work—it actually increases and decreases the burden not only on business, of course, but consequently on the consumers who buy those goods.

That's why we're struggling a little bit with the kind of frame in which you're asking, because it's not just that the tax is collected here and therefore it has an impact; it may be collected here, but ultimately it was the consumer who paid for it. We pay for it to some extent by lost job opportunities because of loss of exports, but primarily it's paid for by Ontario consumers.

Steve, you can correct that or amplify that, if you want.

Mr. Steve Orsini: No, that's correct.

The Vice-Chair (Mr. Garfield Dunlop): You have just a little under five minutes left in this round.

Mr. Michael Prue: Over the last many months since the HST was announced in the budget, it seems to me that businesses have primarily said that it's a good idea and consumers have been pretty wary. Is that a fair comment? Almost every business person I've heard thinks they're going to be better off, and almost every consumer has not bought what is being said here in this room today.

Hon. Dwight Duncan: I would agree with you that consumers are wary, that taxpayers are wary. In fact, some individual businesses are wary. I've been across the province and that is part of our challenge in terms of explaining the tax.

I want to come back to what my deputy and assistant deputy minister said. One of the most egregious parts of the existing sales tax is what I would call that hidden tax burden that consumers do pay. Businesses pay it on their inputs and they pass it through to consumers. What the value-added tax does is remove that. Now, there is a debate in the literature over how fast that occurs. I think Mr. Smart said a year; other studies have said it's a longer period of time. But that is one of the reasons why economists are virtually unanimous in recommending the position we have taken. That's why I think the federal government, that's why British Columbia's move, and that's why I expect Manitoba will move very shortly—that is, the existing provincial sales tax. One of my officials put it to me as we were contemplating this move. He said, "If you were to start all over again building your tax system, the last tax you would do is the existing provincial sales tax," or what we call the retail sales tax. It's inefficient, it's hidden, it encumbers our exports, and it makes our exports less efficient. That's why, in part, we moved it.

I do agree with you: Consumers are wary. Any time you make a move that is complicated, acknowledge that it's complicated, they are wary. That's part of our challenge, to explain why we think it's right, and, if you don't agree, part of the reason why you're trying to explain to consumers why it's the wrong move. We think it's the right move. We think it's the appropriate step to take in terms of job creation. As we've indicated, more than 130 countries already have a value-added tax. We believe, ultimately, consumers will be the beneficiaries of this, and that's borne by research done at the University of Toronto, research done by the C.D. Howe Institute, and that is why other governments are moving in the direction we've moved in.

The Vice-Chair (Mr. Garfield Dunlop): Time for a quick question here.

Mr. Michael Prue: The Premier was so wary and so worried, in my view, that he took John Wilkinson out of innovation and put him in revenue to try, in his own words, to sell this policy. Did the Premier have polling and other sources that consumers weren't buying it?

1030

Hon. Dwight Duncan: I think it's fair to say that, yes, we do have to put a considerable effort into explaining the policy. It is a complicated policy. It's one that four other provinces have moved on. One other province has moved since we took the decision. When we moved down this path, we knew that we would have to take a lot of time to explain to people, that people would be wary of it, and we'll continue to do that.

Again, you see the same polls I did. There was one out a couple of days ago. I don't rely on polls. We think the advice we had from virtually every leading economist, from the Canadian Manufacturers' Association, from the Ontario Chamber of Commerce, from a range of stakeholders, was that this is an appropriate tax reform package, that this tax reform package would, in fact, better prepare this economy to be competitive as we move out of the downturn.

The Vice-Chair (Mr. Garfield Dunlop): You've got a few seconds for a couple of—

Mr. Michael Prue: I'll save it. My next question's longer.

The Vice-Chair (Mr. Garfield Dunlop): Okay. Minister, based on what we said here this morning, you have up to 30 minutes to reply to anything that was said, if you'd like to say anything at all.

Hon. Dwight Duncan: No, I think we should just keep going on questions.

The Vice-Chair (Mr. Garfield Dunlop): With that in mind, then we'll go directly into rotations, starting with the official opposition. This is standing order 66(a).

Mr. Norman W. Sterling: I'd like to ask you some questions about pensions and what you're going to do for—specifically, I'm going to talk about Nortel pensioners, many of whom reside in the area that I represent in the west part of Ottawa, but they're in fairly large numbers across the province of Ontario. In fact, there's probably something like 20,000 pensioners across Ontario—it could be anywhere between 15,000 to 20,000 pensioners. The average age of these pensioners is 71 years of age, as a group told me yesterday in my constituency office in Ottawa. This is, I think, the third or fourth meeting I've had with them. The average pension they're collecting is about $2,400 per month. But there are many in what they call the negotiated pension or union group; their average pension would be $12,000 a year. They're very concerned about what's going to happen in the next month or two. They're concerned because, as Nortel assets are sold off, it is up to FSCO to decide on the date when their pension trust shall be wound up. As they have been told by Mr. Gordon of FSCO, it is a discretionary decision on his part or FSCO's part as to when that pension shall end.

One of the problems with the present legislation in the province of Ontario, as they describe it to me, is that FSCO has few options as to what happens with regard to the funds that are still there in that pension fund going forward. The pensioners describe it to me that there is one option, and one option only, and that is for them to buy an annuity going forward. Well, given the fact that, in Canada, the annuity market is very limited, and we all know that interest rates are at historically low rates, the annuities that these people might receive, even if the pension fund is 70% solvent, 60% solvent—we're not sure of the number. The last number that they received was 69%. It was 100% going back into the fall, 84% in January, but the last number they heard was 69%. The annuity that they would receive will diminish their pensions probably to somewhere between 25% to 50% of what they're now receiving.

What they would like is a postponement of the winding-up of this pension, as they see the equity markets, the economy, improving, going forward. That is one thing they would like the government to act on, and this is an Ontario issue as Ontario makes the laws with regard to their pension. I might add that Nortel is an Ontario incorporated company and that the pension laws are within our mandate.

The second thing that they are asking me to convey to you and ask you to do is to give them the opportunity, on the windup of the pension, of not forcing them into necessarily buying an annuity but being able to have the right to roll that over into an RRSP, where they can then make their decision as to whether or not they want to buy an annuity or they want to invest that some other way in order to protect whatever little they might have going forward. Those are two reforms which are within the provincial mandate.

As I understand it, FSCO is an arm's-length body and therefore may, at any moment, drop the hat in terms of winding up the pension fund that is a trust for Nortel employers. What I would like you to do, Mr. Minister, is to make a public statement so that FSCO would understand that this government will act in the near future to amend the legislation to allow these two things to occur. Would you like to respond to that?

Hon. Dwight Duncan: Thank you for the question. We have had similar representations made to us, and the Nortel situation is one that obviously we're very aware of, and the challenges before them. I think, Mr. Sterling, you're absolutely right in terms of when that pension deficit is crystallized and the impact that can have, first of all, on the amount available for an annuity and then, obviously, on low-interest-rate annuities and what that would mean. We are looking at that situation along with a number of others in the province.

I concur with the observation that there is a need for amendment to the Pension Benefits Act. We will be bringing forward legislative changes this fall. We will bring forward two packages of amendments arising out of Mr. Arthurs' report. In terms of the postponing of the windup, I think we have to look very carefully at that. I would not for a moment discount the significance of that in terms of a way of helping to manage this situation. In terms of what individuals can do at windup in terms of what they can roll over into, that is something that, again, as part of the broader look we're having at pensions, we are looking at actively.

The Nortel situation is here in front of us now. There are a number of other situations. I don't think any of the requests are—I don't think it's unreasonable to ask the government to look at those as part of a package of legislative amendments. We are currently, I guess it's fair to say, doing our due diligence in terms of the Arthurs recommendations. How they would apply to Nortel at this point will in part depend on the moment at which the state of the pension fund is crystallized in law. To that end, I take your questions and your recommendations under advisement, indicate to you and the people that you've met with that we take them very seriously, and as we respond to Nortel—and there are a number of other situations in Ontario, as you're aware—obviously we'll take them very seriously.

Mr. Norman W. Sterling: I appreciate that. One of the problems with the Nortel people—I'm not aware of the other bankruptcy situations which may lead to crystallization of pension plan funds, but time is of the essence in this particular situation, and FSCO could crystallize the pension, as I said, tomorrow. The basis upon which, I understand, they crystallize the pension is when they believe that Nortel is no longer going to exist. Forty per cent of the assets were auctioned off, as you know, last Friday, and if that sale proceeds through, then FSCO are going to be caught in a position where they are going to have to make a decision relatively soon, and probably before the Legislature reconvenes on September 14. That is why I am asking you to consider making a very public statement of the exact nature of the relief that you might provide prior to the Legislature coming back, so that FSCO would understand, perhaps, that waiting until the other 60% of Nortel assets are sold, or whatever happens to them, might be more prudent. I understand that there is a downside to postponing too—because at the present time Nortel employees who are on pension are receiving their full pension. Ever since the bankruptcy took place in January, the company has not been contributing to that pension plan, so we're having a depletion of the pension fund as we go forward, and therefore that 69% is obviously going to be less than 69% because nothing coming in and everything going out is leading to that. So there's a real spot that FSCO might be in in terms of deciding what their fiduciary obligations are with regard to calling it a day. That's why I think it's important that we send a clear signal at this point in time as to what options are going to be available, if they're going to change with regard to the windup of these pensions, now, not a month from now, because that may be too late. I hope it isn't. These pensioners are very, very worried that FSCO will drop the penny right away.

1040

I also want to ask you, with regard to if the Nortel pensioners receive less than they are—they are or could be benefactors of the Ontario pension guarantee fund. Presently, that fund is in a deficit position. As of the end of the last financial year, they were $102 million in deficit. The deficit would be much higher had you not lent the fund $330 million shortly after you came to power. On March 31, 2004, you gave them an interest-free loan of $330 million, and that later was discounted because of the no-interest clause, and so the value of it to the fund was much higher than a $330-million loan. So we've got a pension benefits guarantee fund that's in deficit. There is no plan as to how this is going to be funded going forward. Obviously, the funding provisions in the present legislation for the pension benefits guarantee fund are not adequate to cover the kind of obligations that they have now or are going to have in the near future and maybe in the long-term future. What are your plans to provide for a self-sustaining pension benefits guarantee fund, and what are your plans in terms of increasing the maximum from $1,000 to $2,500, as Mr. Arthurs recommended in his report?

Hon. Dwight Duncan: First of all, to verify what you've said about the state of the fund, I think, on a cash basis, it's negative; on an accrual basis, there's a small positive balance. But you're right, there's not enough to cover a claim by Nortel, and there are a number of others—

Mr. Norman W. Sterling: On a cash basis, it's in a positive sense—

Hon. Dwight Duncan: Yes, in the reverse: Cash, it's positive; accrual, it's negative. So you're right about that. There's not enough money in the fund. There never has been; it's been underfunded. Mr. Arthurs did recommend raising the limit to $2,500. He also recommended having an actuarial study done to look at how to finance that, whether it's been properly financed; that is under way. I believe we're going to get the study back and completed—Deputy, do you know when that will be completed?

Mr. Peter Wallace: End of the year, early next.

Hon. Dwight Duncan: The end of this year, early next year.

You're right: There is a challenge. We are looking at options now, going forward. I expect that we will be engaged in a fairly significant discussion among ourselves in the Legislature and obviously with those people affected by it, but that fund has been, historically, not properly funded and it would not be able to meet a large obligation such as Nortel, and there are others outstanding out there that we think may be coming forward.

Mr. Norman W. Sterling: How many others are there out there at the present time?

Hon. Dwight Duncan: In addition to Nortel there are at least two other fairly large ones that we are aware of. There are a number of smaller ones as well and there may be, beyond what we're aware of, more out there. That's the best information I can give you at this point, but it is something where we're looking at all the options available to the government now with respect to how we would respond in the event that any or all of those pensions make a claim on the PBGF.

Mr. Norman W. Sterling: In January of this year, ironically a day after the bankruptcy of Nortel took place, the Legislature of Quebec introduced new private pension guarantees to their pensioners. Nortel has employees in Ottawa, Toronto and Montreal. We've got a situation now where perhaps the Nortel employees in Quebec will be more favourably treated because of the legislation in Bill 1 brought before the Legislature of Quebec—which was, I believe, passed in mid-January, January 15 or about that time—which guaranteed to pensioners who were benefactors of defined benefit pension funds that their pensions would continue up to the amount that the pension fund, the one that went down, was funded. In my case, if I said 69% for Nortel, then pensioners would receive 69% of their pensions going forward. It was time-limited to five years; many people suspect that that will be extended by the Legislature of Quebec as well.

Are there any thoughts on your part of providing Nortel employees in Ottawa and Toronto the same kind of protection that they're receiving in Montreal?

The Vice-Chair (Mr. Garfield Dunlop): We're down to about three and a half minutes.

Hon. Dwight Duncan: I'll briefly say we're looking at the Quebec model, and I'm going to ask my Deputy minister and perhaps Steve Orsini to respond in more detail about the Quebec proposal.

Mr. Peter Wallace: It is worth remembering that Ontario is the only jurisdiction in Canada that does have such a fund in its current form. I'll ask Steve to speak to the specifics, but it's frankly not at all clear to us that the Quebec model offers significant protection to any group. I think the way it is structured and the way it is worded is something that we're continuing to monitor, but it is not at all clear to us that that establishes a model that would provide the benefit that might be anticipated and associated with that.

Mr. Steve Orsini: Just to elaborate further on what the minister and deputy had mentioned—and I think, Mr. Sterling, you captured it correctly in your understanding of the Quebec plan—it doesn't guarantee benefit payments as to what the employer may have committed to the employee. What it does do is prevent that crystallization. So the Quebec model, as we understand it, and the details are still being developed, takes the pension plan as it gets wound up and puts it into—so that the investments aren't converted to annuities. I think that as you acknowledged earlier, it's not a very robust market for annuities. It's difficult to convert investments that might be in stocks, bonds and real estate into these types of annuities.

1050

What Quebec is trying to do is not to, at the low end of the financial business cycle—as you know from last fall, there were significant reductions in equities, and that affected pension plans across the board. We've seen them start to recover. The idea was, can you not have them converted into annuities and lock in those losses at that time? It's not clear how conservative Quebec will be in their investments, because then who bears the risk? If they're guaranteed a 69% funded ratio, as you mentioned, are they prepared to—so we don't know how their investment plans will roll out. It's still an uncertainty. That's a key point: to distinguish between what Quebec has and what the deputy referred to as what's available in Ontario.

Mr. Norman W. Sterling: Well, will you commit yourselves to treating Nortel employees at least as well as they are being treated in the province of Quebec?

Hon. Dwight Duncan: As I said, as you can tell, we are actively looking at the Quebec model. It's not clear to us, at this point, that benefit, but we are looking at that and a number of other options as we move forward.

Mr. Norman W. Sterling: I can assure you that the pensioners believe that the Nortel employees in Montreal are being treated better than they are in Ontario.

Thank you very much.

The Vice-Chair (Mr. Garfield Dunlop): Okay. That leaves just a few seconds. Are you okay with that round, then?

Mr. Norman W. Sterling: How much time did I have left?

The Vice-Chair (Mr. Garfield Dunlop): You've only got 20 seconds now.

Mr. Norman W. Sterling: No, that's fine.

The Vice-Chair (Mr. Garfield Dunlop): I'm trying to be accurate.

We're going to take a short break here, as in the subcommittee report. Can we just be back here in seven, eight minutes, for 11 o'clock? Is that okay with everyone? Just a washroom break or coffee break, whatever you want.

The committee recessed from 1053 to 1102.

The Vice-Chair (Mr. Garfield Dunlop): We'll call the meeting back to order. We now turn it over to the third party to question the minister for the next 20 minutes.

Mr. Michael Prue: We're in 20-minute rotation?

The Vice-Chair (Mr. Garfield Dunlop): Yes, 20 minutes.

Mr. Michael Prue: I'd just like to go back. I wonder if Mr. Orsini or perhaps, if they're here and hear the question—because I just want to go back to Michael Smart's paper on the HST. I don't know whether I actually got an answer to the question that I asked; that is, what percentage of the current RST revenues are derived from business inputs?

Hon. Dwight Duncan: I don't have that number, and I think what Mr. Orsini said was that it would be difficult to determine. I will undertake, Mr. Prue, to get back to you on that in greater detail.

Mr. Michael Prue: The second issue, again, just before I go on to a newer line of questioning, is that it was suggested that in the Atlantic provinces, the HST did not result in a spike in prices. But would you not agree that the main reason for this was that the sales tax rate was reduced from 12% to 8%? If that happened in Ontario, I'm sure that final consumer prices would fall, if the tax rate was reduced. This is not being reduced; it is still at 13%, with new items being added.

Hon. Dwight Duncan: Again, I want to go back to the choices we made in the budget with respect to the tax burden. We made a number of decisions with respect to how to reduce the overall tax burden to help consumers and help businesses adjust to the harmonized sales tax. I think those are the appropriate choices. I note that British Columbia just harmonized at the same rate; we have as well. In terms of the Atlantic provinces, I'm not even sure what their harmonized rate is now. Is it consistent across the provinces, or—

Mr. Peter Wallace: I think it is, yes.

Hon. Dwight Duncan: Yes. We harmonized at the current rate, but we chose to reduce the personal tax burden and the corporate tax burden and provide a number of point-of-sale exemptions as well.

Mr. Peter Wallace: Just to add to that, these are not questions of arithmetic; they're questions of econometrics. The reason that they're not straightforward in terms of the interaction between the tax system and the overall rate of inflation is that it's not just a question of you add one on to the other and get a specific number. There's a whole series of chains of events. We talked a little bit about the difference between the initial payment and the incidence of the tax. All of those types of issues exist all the way throughout the economy and other challenges associated with that. So when we talk about those issues around who pays initially versus where the burden is, the impact of this with the fact that we are a small, open economy with tremendous impacts on both import and export elements, a variety of things like that, this ends up being an econometric question rather than a simple or straightforward kind of question of looking back in the tax receipts and saying that this was paid by a business and this was paid by a consumer. It would be highly misleading to give you an answer based on something as straightforward as that, and that's why we don't have that information. That's why, frankly, it is a function of econometric modelling. Econometric modelling, by its very nature, tends to yield fairly broad results with fairly wide error bars.

Mr. Michael Prue: Well, perhaps, just by way of editorial comment, this is why it's so difficult to sell it to the general public.

Hon. Dwight Duncan: It is in part, and I would not disagree with you that the public is wary and skeptical. But again, part of leading is trying to make the right decision and then convincing people that it is the right decision.

Mr. Michael Prue: The minister referred to the last question I'd like to go back to, and that was the question of public opinion and polling. You referred to a poll that came out a couple of days ago showing the general public is generally not in favour. One just came out today, actually, which I hadn't seen until it was brought to my attention, by Nanos, from Wednesday, July 29, in the Toronto Star—I guess I didn't have a chance to read the whole thing—that two thirds have a negative view of the 13% levy even though implementation is a year away, and there's another poll. Is the government, though, doing any polling on this?

Hon. Dwight Duncan: I'm not aware of extensive polling by the government. I was referring, actually, to an Ipsos Reid poll that came out a couple of days ago referring to the standing of the government in public opinion. I wasn't referring to a specific poll about public opinion on the harmonized sales tax. That result doesn't surprise me. However, what we've seen in other publicly available polls is that approval of the government's management of the economy remains fairly high.

I think it is fair to conclude—and what I see from Mr. Nanos doesn't surprise me, and I liked the word you used, Mr. Prue. Ontarians are wary of it. They don't understand it; that is part of our challenge. That doesn't relieve us of the obligation, in my view, of doing what we think will create jobs, what we think will make our economy more competitive, will allow us to spur investment and job growth in the future, and that's why we moved the way we did. I was pleased to see the response of any range of groups—the vehicle manufacturers, the Ontario Chamber of Commerce—with respect to that policy. So again, to your specific question, there are probably polls done that I'm not aware of about this. I've seen the public polls you have. To me, it's not about polling. It's about leading, it's about taking steps that we think are right for the economy at this time as we move forward. We think we've brought forward a package of tax reforms that will lower taxes for most Ontarians, number one; and number two, spur job growth in the coming years.

Mr. Michael Prue: I would agree with your statement, save and accept that in Mr. Benzie's article in the Toronto Star today, he ends by saying, "The Liberals clearly appreciate that challenge, which is why the government is lobbying the Auditor General to loosen the rules against partisan political advertising," and that that advertising take place—if you skip down a bit—up to July 1, 2010, touting the $1,000 in rebate cheques that most families will receive from the federal government to offset the higher costs of numerous products and services.

The government is obviously worried. Is in fact the government lobbying the Auditor General to loosen the partisan advertising?

Hon. Dwight Duncan: I wouldn't characterize it that way, no.

Mr. Michael Prue: How would you characterize it?

Hon. Dwight Duncan: We're the government that brought in the rules.

Mr. Michael Prue: Yes, I know, but how would you characterize what you're doing?

Hon. Dwight Duncan: For instance, in the month of June, we ran quite a consumer education thing around Ontario savings bonds and we had an enormous response. I think governments do have an obligation to educate consumers as to what it offers. You see it all the time in a range of things. The ads are eventually approved by the auditor before they go out. I'm quite confident that we can provide public service announcements that are both consistent with and reinforce our commitment to non-partisan advertising. Governments do have an obligation—we do it all the time—to provide information to the public about programs and services. On a tax reform of this order of magnitude, consumer education is going to be a component of that. The Minister of Government Services will deal within the framework of legislation, and every advertisement this government has run has been put to the auditor. The auditor has sent some back as being inconsistent with the rules that we established; we deal with that on an as-needed basis and I expect we'll continue to do that.

1110

Mr. Michael Prue: Last spring, the Premier mused that the government may be looking at embedding the new HST in price tags, so only the final price. A couple of days later, he backtracked a little on that. But I want to know, what is today's thinking? Is there any thought of embedding the HST in the price tag, as they do in Europe?

Hon. Dwight Duncan: There has been a considerable debate in the public about that. What the Premier said, I will re-emphasize, is that we will continue to show the tax the way we have up until now. I'm familiar with what they do in Europe and other places, where, as I understand it, they build the tax into the price that is on the shelf. I would not support anything that would not give full disclosure to whatever amount of tax is being collected off of any purchase. Accordingly, I think, for the moment, we're going to implement this and continue to see pricing and disclosure the way it has been done up until now.

Mr. Michael Prue: But in Europe, when they put the price on the shelf, the sales slip that you get at the end does break it down, showing how much tax—I mean, that's still being embedded. Are you looking at that kind of a scenario?

Hon. Dwight Duncan: It has been suggested by a number of people that we look at that. Frankly, right now, we're more focused on the implementation of the tax itself. As you indicated, many Ontario citizens are wary of the tax. I would agree with you. We don't want to bring an unnecessary degree of complexity to it at this time.

Mr. Michael Prue: I don't take that as either a yes or a no.

Hon. Dwight Duncan: Well, you can interpret it either way you like. Again, as I say, we have a system in Ontario that, when you shop, when you see the price tag on the shelf, it doesn't include the tax. When you go to pay it, it does, and it's broken out. Whatever system Ontario has now will continue for the foreseeable future, but there are many—some in this room—who are strong advocates of the so-called embedded system. I think it's an interesting concept. It's one that's worthy of consideration, but at the moment, we're more focused on just simply implementing the harmonized tax.

Mr. Michael Prue: Well, Ontario has two systems, in reality. If one goes to the liquor store, you see the final price, and then when you get your bottle of wine and you look at the bill, you can see the taxes that were paid. The same thing is true of gasoline: You see the final price; you don't see anything added to the end of it, but you can ask for the breakdown and get it. Then you have ordinary stores where you see a price, and then it's—so, I mean, are we going to go all in one direction or all in the other?

Hon. Dwight Duncan: At this point in time, I'm not contemplating that kind of move.

Mr. Michael Prue: So you're going to leave it as two different systems?

Hon. Dwight Duncan: I think what has historically served us, with two ranges of commodities being treated differently—but, no, we're not going to add a degree of complexity at this point in time. But I welcome your input and that of others on that issue. I think it's certainly worth exploring over time.

Mr. Michael Prue: HST and the First Nations—my next question. As you know, aboriginal people who live on reserve are exempt from paying the retail sales tax on goods and services, regardless of whether the purchase is made on or off the reserve. This differs from the GST, where a point-of-sale tax exemption is only provided to First Nations when the vendor delivers the good to the reserve. There is a real concern by First Nation leaders that tax harmonization will mean the end of point-of-sale exemption. Will it?

Hon. Dwight Duncan: Well, I've met with First Nations to talk about this. You're absolutely right: Historically, the way the retail sales tax has been collected in Ontario, they do get the point-of-sale exemption, as I understand it. With the GST here in Ontario and the harmonized taxes in other provinces, you pay it at point of sale, and then you have to apply for the rebate.

We have urged the federal government —and this will be a decision of the federal government—to give due consideration to this. There is a working group established to look at this. There's an additional layer, now that British Columbia is harmonizing as well. We have indicated some support to our First Nation citizens and have urged the federal government to give due consideration to that. They have not indicated one way or the other whether they will. What they have said is that they won't have a different regime in different provinces for the collection. That will be largely a decision of the federal government. I know that the Minister of Aboriginal Affairs has spoken to his counterpart. I have spoken to the federal Minister of Finance, Mr. Flaherty, and urged consideration of it.

Mr. Michael Prue: Will you be going back for more consultations and, if so, will the First Nations leadership be invited to them?

Hon. Dwight Duncan: There has been a working group established. We will continue to consult. I've indicated support for what the First Nations have said, but now, as you're aware, the harmonized sales tax will be collected by the Canada Revenue Agency. This is now a decision of the federal government as to whether or not they will act on the request. We have made active interventions on behalf of First Nations and my hope is that the federal government will respond positively.

Mr. Michael Prue: That's fine. I hope they do too, but if the federal government refuses to maintain Ontario's point-of-sale exemption, how will you and the Ontario government respond?

Hon. Dwight Duncan: The collection of this tax will be done by the Canada Revenue Agency, so this will be a decision of the federal government. We have already responded by expressing our support.

There has never been a point-of-sale exemption. In practice, we have not collected at point of sale. There's nothing specific, but I've indicated support for the First Nations communities to the federal government. There's a working group established, as I understand it, between our two governments, and my hope is that the Canada Revenue Agency and the federal government will be positive in their response. That was my recommendation to my counterpart.

British Columbia is harmonizing now. As I understand it, they do not have a point-of-sale exemption on their provincial sales tax. But again, the federal government will make the decision on this, not us.

Mr. Michael Prue: So you're going to leave the jurisdiction up to them?

Hon. Dwight Duncan: Yes. Part of our proposal is that the harmonized sales tax will be collected by the federal government. It will save close to half a billion dollars in compliance costs. It's consistent with what we did on the corporate tax side. We think it's in the interest of all of us to do that, but we do agree with First Nations. We think the federal government ought to respond positively to their request.

Mr. Michael Prue: There's a lot of hope here, but what if the federal government says no? Are you going to walk away from the deal?

Hon. Dwight Duncan: No, we won't.

Mr. Michael Prue: Or just say to the First Nations, "Too bad, so sad"?

Hon. Dwight Duncan: What we would say to the First Nations is that we will continue to work with them but we are putting the collection of the tax and the rules around that—we are agreeing to harmonize it with the federal goods and services tax. We think it's the appropriate step to take, and again, I would urge the federal government to give due consideration to the request of our First Nations.

Mr. Michael Prue: Okay. Still time, Mr. Chair?

The Vice-Chair (Mr. Garfield Dunlop): Three minutes and 30 seconds, yes.

Mr. Michael Prue: Okay, we'll start into the next one, although I don't think we'll finish on that.

I'd like to focus on the sales tax rebates the government has announced for the MUSH sector—you talked about those in your opening statements—and the non-profit sector as well. These rebates are supposed to offset the additional sales taxes paid by the broader non-profit sector. The budget states that the rebates would make the HST revenue-neutral. You said as much again today.

A lot of organizations in these sectors aren't coming to the same conclusion. Peel region, for example, estimates that the HST will cost them $5 million. Many charities are running through the numbers and the HST is not looking good for them. Can you comment on people coming to diametrically opposed positions on the same fact basis?

Hon. Dwight Duncan: Again, this is complex here. I'm going to ask Steve if he can respond to the specifics of this. We have had ongoing meetings with AMO and others to discuss these kinds of issues. Steve, I wonder if you might be able to respond.

Mr. Steve Orsini: Thank you, Minister, yes. In the budget, on page 111, we list out the rebate rates. Just for the purposes of the members here I'll just go through it quickly: a 78% rebate for municipalities; universities and colleges, 78%; school boards, 93%; hospitals, 87%; and charities and qualifying non-profit organizations, 82%.

When we negotiated the memorandum of agreement with the federal government, we asked for that flexibility to set our own rates. The idea was to make it revenue-neutral sector by sector. One of the things that, when we've been meeting with these groups, we've been very clear about is that you have to look at the totality of all the goods and services they purchase and also the savings that they'll get from their suppliers. We've had good discussions with the municipalities. We had discussions with the school boards, and we're having discussions with the charities and non-profit organizations. It is a complex calculation. We worked with the federal government on very detailed input-outputs on trying to come up with these estimates. It's very complicated. It's what Peter was saying earlier; it's econometric-type analysis. We feel that this is very robust and does capture a revenue-neutral. What we haven't said is that within the sector, everyone's going to be identical to what they were going in. I think, on a sector by sector, we've said as a whole they will be revenue-neutral. What we are working on with them is having them identify the savings that they'll benefit from as a result of the overall changes. It's an education process even for those groups, but as you can see, they're very, very significant rebates to rebate back so they are kept fiscally whole.

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Mr. Peter Wallace: I have two things to add to that quickly, one of which is just that sectors, of course, may not know the impact of the embedded tax that they are already paying. That will be a source of confusion, and that's what some of the econometric modelling helps to unpack—and the robust nature of the input-output elements that Steve talked about. The other is that there is some administration clearing-up in terms of the way in which some products have been taxed at a full rate in one use in a hospital and not taxed at all for another rate, and there is some significant reduction in compliance costs, for example.

The Vice-Chair (Mr. Garfield Dunlop): Thank you very much. That completes the third party. We'll now go to the government members. Mr. Delaney.

Mr. Bob Delaney: Minister, in reading the coverage of the release of the 2009 Ontario finances yesterday—I know personally that from our experience a number of years ago when we sought greater transparency in the reporting on the government finances, we made a commitment that there would be exactly this type of release so that there would be no surprises at inopportune times. There was some discussion on this a little earlier this morning, and I'm wondering whether or not you'd like to revisit that and go through the increase that we saw yesterday in the deficit from the March 2009 budget to the current projection. As you discussed a little bit earlier, some of that increase was due to the support provided to the auto sector. I know from my own experiences just last week with the member for Parry Sound–Muskoka, when we were both in the United States listening to some of the problems the States had, that some of the flexibility that we in Ontario have to be able to do as a subnational jurisdiction what we have done in our auto sector has really made a lot of the difference that has permitted us to be North America's premier place to build a car. I wonder whether or not you could expand a little bit on that.

Hon. Dwight Duncan: In this year's budget, we, at the time, projected a $14.1-billion deficit. Our projections are arrived at by looking at private sector projections at a given point in time. That is generally about three to four weeks before the budget is printed, because you've got to print, make your decisions and so on. There are roughly 12 forecasts that we look at—12 economists, private sector—and then we set ours below theirs. Some of those forecasts get changed literally on a monthly basis. One month you might get one, another month another, and we constantly update what we do.

In fact, at the beginning of June, I announced publicly that because at that time we had crystallized the auto deal, we knew it would cost additional money. And by that time, we had greater clarity with respect to tax revenues from the previous year. They were coming in slower than had been originally projected. So at the beginning of June, I announced, even before I had to announce, that we'd seen this overall deterioration. We weren't specific with respect to taxes, because we didn't have the most up-to-date information.

I think I've said this at estimates before: I was the first finance minister in Ontario to bring forward a budget before the beginning of the fiscal year. Before I came here, when I was on municipal council, I always wondered why they didn't do that. One of the reasons is, we don't get our final information with respect to taxes in the previous year until June and July. So in the past, finance ministers preferred to get that up-to-date information prior to building their estimates, because in fact then they're building estimates on relatively old data or more prospective data as opposed to actuals. But I think the increase in the deterioration in the revenues that we've experienced has been quite consistent across certainly North America and western Europe. Projections have been way off by economists both in the private sector and in government circles, and that is, in fact, why we brought this greater degree of transparency and accountability so that we will report quarterly.

As I said, in the case of the deteriorating revenues in the auto deal, when we crystallized the auto deal and had greater certainty as to what it would cost us in the short term, at that point in time, the beginning of June, we released the figure that was confirmed in the first-quarter numbers.

So we'll continue to do that to the best of our abilities. Certainly our quarterly reports will continue. But again, I expect there will be continued volatility, both positive and negative, in the coming years, and remind members that a 1% variance in revenues is quite dramatic in terms of dollar amounts for the province.

Mr. Bob Delaney: Just as a question of clarification, you said a few moments ago, with regard to economists' projections, that we set ours below theirs. Just for my own edification, what do you mean by, "We set ours below theirs"?

Hon. Dwight Duncan: Let's say the consensus estimate in Ontario by economists is minus 2%—that is, we'll see a 2% decline. Then we would set ours at minus 2.2% or minus 2.1%, so that we're, in a sense, being very prudent in our projections. You use the best available information, you look at what the consensus is, and then you use real prudence so that you don't understate a deficit or overstate a surplus. Again, when you look at a 1% variance in revenue or expenditure, a 1% variance in either one of them is literally in the billions of dollars. So you are looking prospectively at what's going to happen and you reconcile that on a quarterly basis as more information becomes available. In past years, we had larger than anticipated surpluses. This year, so far, we've had to adjust, because of declining revenues, the size of the deficit. That's with one quarter under our belts. We'll see where it goes. There will continue to be volatility in projections and in our revenues, and we will, again, report on a quarterly basis as to what actually happens versus what we projected.

Mr. Bob Delaney: You've talked about some of the reasons for doing the quarterly updates and you also mentioned that, to your surprise, you were the first finance minister to deliver a budget before the start of a fiscal year. Before I move on, I just want to give you a little bit of feedback on that. As my colleague Dr. Kular will say, we meet very regularly with our partners at other levels of government, be they the municipal governments, the school boards, our hospitals, our extended public sector, our police forces and social services agencies, whose fiscal year is parallel to our own, running from April 1 to March 31. One comment that I've heard repeatedly since your first budget that happened before the start of the fiscal year is how helpful that is in being able to make a realistic appraisal of a school board's, a hospital's or a charity's budget, and how helpful it is not to be making guesses part way through the year as to where some of your grants and allotments are coming to you and making your best guess, where at least with delivering a budget before the start of a fiscal year, it enables our partners at other levels to do much more intelligent forecasting themselves. So I pass that along, for whatever it's worth.

To move on to a different topic, one of the things that we know governments do in the name of prudence—I know that you've talked about this in the past in the House and outside: Is there a reason for, and can you discuss your strategy on, using the government's reserves and contingency funds to lessen the impact of the revenue decline and whether or not to commit it for auto sector support?

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Hon. Dwight Duncan: As a result of a whole range of challenges in the economy, we did establish a large contingency and reserve. Because of the increased challenge, the increased volatility in revenues and expenditures—when we were in the budget phase, we were also, at that time, negotiating with the Canadian government and the government of the United States around the auto sector deals. I set aside $2.5 billion in contingency in recognition of those challenges. We're leaving an amount in the contingency fund in case additional resources are required before the end of the year. Again, there is greater volatility now than there has been in the past, so if you look at expenditures, you'll see that a big item this year was increasing contingency and reserve to allow us the cushion to deal with the unanticipated in the economy.

Again, I believe there's still about $1.3 billion left in contingency, Deputy, for the year. But we did increase the contingency and reserve in order to give ourselves flexibility to respond in the event of unforeseen circumstances.

Again, the whole automotive sector—you raised that specifically—when we got into this, we weren't sure what the cost, particularly of General Motors, was going to be. When the government of the United States indicated $50 billion, and then, therefore, Canada's contribution would be higher than we anticipated, that's where the difference was, principally on the auto side. Again, we built in contingency to help deal with that. There's still considerable contingency left in the budget, recognizing that we are still in a very volatile economy and it's very difficult to predict what could be just around the corner.

Mr. Bob Delaney: Thank you.

Hon. Dwight Duncan: Am I right about that figure in contingency?

Interjection.

Hon. Dwight Duncan: It's $1.3 billion that is left in the contingency. That was the accurate figure.

Mr. Bob Delaney: I believe the parliamentary assistant has a question.

Mr. Wayne Arthurs: Minister, it's good to see you. We often don't get as much time as certainly I would like, given your schedule. More often, it's at briefings that we have a chance to see each other.

I want to follow up on Mr. Delaney's question a little bit. You mentioned your past history in municipal government. Many of us around this table and in the Legislature have a history in municipal government as well as a history here now. We understand the value of reserves and contingencies, from the standpoint of providing for unexpected swings in a budgetary context and from the standpoint of expenses that might not have been anticipated or changes in revenue streams. Certainly, provincially, that's more significant than it is municipally, because municipally, you're in a better position to project your revenue streams by virtue of the tax base from which you work.

Provincially, I've had the distinct pleasure to serve on Management Board and treasury board, so I've had a chance to see all the ministries during the course of a fiscal year as they bring forward their plans for initiatives that were budget-approved but may not have been fully fleshed out at that point in time, and they build their business case.

I've had the chance to see those unique situations during the year where government has needed to respond to particular issues that might not have been readily identifiable at the point of the budget, and the value that contingency can play in that. I've seen that over the period of time where, both on the contingency and reserve side, it's fluctuated during various points in time and it varied here, in an effort to provide some stability.

But as we all know, we're into a very unique set of circumstances that we, as a government, hadn't experienced and, quite frankly, over the past I think 80 years, no one had experienced, so it has made things particularly challenging.

I'm interested in your further comments around issues such as contingency and reserve; the matter of prudence; for those who aren't aware, the risk during the year, in individual ministries, particularly, presumably, those that will draw the greatest on our capacities within government—health in particular; the kinds of risks that get identified to you as the Chair of Management Board, as the chair of treasury board, as the finance minister, and how establishing appropriate contingencies provides the type of stability as best one can. I know during our budgetary debates in the Legislature there were those who would either applaud providing the level of prudence in a larger contingency that we would otherwise have put in maybe in a different year, and there were those who might have argued that the contingent was too large, that if you had put less there, you would have been able to bring the budget in with a slightly more modest deficit position on it, but probably run a somewhat higher risk along the way. We heard all of that during the debate, and I'm wondering if you could take a little more time and just comment a bit more on the value of the contingencies, the values that provide for a level of stability, and why in this particular year, given what happened, you felt it was appropriate to move in the range that you did and how doing that has helped to weather part of the storm that we're still in in a very significant way.

Hon. Dwight Duncan: First of all, just to be precise about what is left in contingency/reserve, there's $900 million left in contingency and $1.2 billion in reserve, for a total of $2.1 billion. That is part of the art side of budget-making. Obviously, the more volatility there is in an economy, the more volatile our revenues and expenditures are, and inevitably, on the expenditure side, that volatility manifests itself in the big spending items: health care, social services, post-secondary education.

When we were crafting the budget—and I think I delivered the budget on March 26. As you know, Wayne, because you participate in a lot of the briefings, you're generally, by the beginning of January, two to three months out, starting to land on numbers, and you've got to go to print roughly a week and a half before budget, so there's this process. We made the decision early on, because we knew that the auto sector stuff would crystallize during this fiscal year. We didn't know how much. As it turned out, we completed negotiations on the Chrysler deal on Easter weekend, which fell about two or three weeks after the budget, and the General Motors deal crystallized around the long weekend in May, so we increased contingency and reserve there.

We also know that in an economic downturn, there will be increased pressure on social services, Ontario Works particularly. Given the employment insurance rules and the unfair treatment Ontario gets, we also knew that more people would fall into that system more quickly than they would in other parts of the country, so we did that across all programs and services.

We also had a very robust results-based planning process this year at treasury board, as you know, where ministers had to come in with budgets that were 98% of what they'd spent in the previous year, which forced looking at some difficult choices. Once you complete all of that, then you take into account the volatility, and at the time we were making this budget there was enormous volatility. At the time we were writing this budget, we weren't sure that the financial sector in the United States was going to get through the challenges they were faced with, and we weren't sure that General Motors or Chrysler could be sustained either in the United States or around the world. So as a result of that, we did increase the contingency and reserve to provide flexibility as we go out.

As I say, we're a quarter of the way through the year. There's $900 million left in contingency, a further $1.2 billion in reserve, for a total of $2.1 billion. Again, that gives us considerable flexibility to respond to things that may or may not be on the horizon, things that we can see and things that we can't see. I think most Ontarians would agree that there have been a lot of surprises in the last year that nobody saw coming, and hence the emphasis on contingency and reserve in this fiscal year.

The Vice-Chair (Mr. Garfield Dunlop): You've got a couple of minutes there, Mr. Arthurs.

Mr. Wayne Arthurs: Minister, the auto sector support, which has been so significant to us—and you may not even have enough time, in the minute or so we have left, to respond to this; I may take a bit of it. Maybe in our next round you'll have a greater opportunity. I certainly would appreciate it if that opportunity presents itself. Early on in our first mandate, we recognized the importance of the auto sector, fiscally—certainly, the leadership recognized it in a broad way. But it was a $500-million fund we set aside in our first mandate to support the auto sector, both from the standpoint of generating new technologies, supporting existing jobs as well as growing jobs. I think that set the stage well—a good understanding of the importance of the sector—no less so than what we have seen most recently. Can you speak a bit in the minute or so we might have left—and maybe I'll have the opportunity to pick it up later and speak more about it—about the auto sector support, the breakdown of that support, and how important that remains, and how you see the situation today, or more currently, to the extent that you can, compared to how you might have envisioned it even a few months ago?

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Hon. Dwight Duncan: Very quickly, we know that there are 150,000 direct jobs in the automotive sector in Ontario; 400,000 direct and indirect; more than 450 auto parts manufacturers in 2008. In 2008, the most recent year we have numbers available for, the auto sector accounted for 3.7% of our GDP. More to the point, in your neck of the woods, General Motors is a major employer in Oshawa, St. Catharines; Chrysler in Windsor and Brampton; Ford Motor Company in Oakville. I think one of the reasons Ontario is coming out of this stronger than, say, Michigan, which has had enormous challenges, is the presence of Toyota and Honda—Toyota with their new plant near Woodstock; Honda up in Alliston. You've got GM CAMI in Ingersoll. So we have a very diverse base of automotive manufacturers, assemblers—obviously, the dealer network, the parts suppliers.

I want to applaud the federal government for agreeing with us on the importance of the sector, both to the Ontario economy and to the national economy. Ontario, I think, is the only subnational jurisdiction in the world—I think there may be one German state. But Ontario is certainly far and away the only subnational jurisdiction in the world that has participated, as have national governments, in the stabilizing of the automotive sectors in their respective jurisdictions.

The Vice-Chair (Mr. Garfield Dunlop): Thank you, Minister.

Mr. Sterling from the official opposition?

Mr. Norman W. Sterling: I want to thank Mr. Arthurs for providing me with a segue into the issue that I want to talk about, and that is your lack of support for Nortel and the high-tech industries in the province of Ontario.

Nortel is a company that's older than General Motors. Its world head office is in Brampton. Its world head office for research and development is in Ottawa. It has been failing for, I guess, the last three or four years. We've seen other high-tech companies in the Ottawa area sell out to American buyers because of lack of capital, the most recent being Tundra Semiconductor, which sold out, much to the chagrin of the chair of the board, Adam Chowaniec, in that area.

My question to you is, while you have given money, studies etc. to the auto sector, what have you, the province, or your government done in the last five years, prior to your intervention yesterday or the day before, with regard to the sale of part of Nortel—for the high-tech and Nortel in trying to find an alternative to the sale of this most valuable jewel in the province of Ontario and an extremely important employer in the city of Ottawa?

Hon. Dwight Duncan: First of all, I would characterize the efforts of this government and predecessors around research and development tax credits as being very substantial over the years, and they continue to be.

For instance, last year, in my 2008 budget, we brought forward something called OTEC, which will exempt Canadian companies commercializing Canadian research done in any research institution, an exemption for up to 10 years on their corporate income taxes. That's unique in North America.

In this year's budget: $250 million over five years for the new emerging technologies fund, which will include investments in green technology companies; approximately $390 million to match Ontario's share of the federal green infrastructure fund to develop initiatives to implement those kinds of things; $50 million over five years to develop a smart electricity grid in Ontario; $30 million to support emerging innovative technology companies by making initial purchases of their products and showcasing—a whole range of these initiatives; that's just this year's budget. There's $300 million over six years to build needed research infrastructure; $100 million in new support for biomedical research focusing on genomics and gene-related research; $5 million to support the Ontario Genomics Institute; $250 million over five years for this emerging technologies fund that I referenced a moment ago; $50 million for the innovation demonstration fund; $10 million over three years to the Colleges Ontario Network for Industry Innovation to help small and medium-sized business with hands-on applied research, technology transfer and commercialization; $110 million in tax relief in 2009-10 from paralleling the proposed federal temporary 100% accelerated capital cost allowance; $2 million a year in proposed tax relief to extend the 10% refundable Ontario innovation tax credit to more small and medium-sized corporations. So there are a range of responses.

I would agree with you that in terms of venture capital, we've always had a challenge; other jurisdictions have a similar challenge. We've attempted a number of programs and begun implementing them to encourage the development of new technologies and, more importantly, the commercialization of those technologies. I think there's still a lot to do on that side. That's a challenge we're seeing emerging in other countries that historically have had a better performance on that than we have.

Mr. Norman W. Sterling: When President Obama faced a problem with the auto sector in the United States, he put together the best people he could find to come up with a solution to keep that industry alive in the United States and Canada. You yourself became part of that deal. Where was the initiative on the part of Ontario? This was their home base; Nortel is an Ontario incorporated company. Its head offices are here. Why didn't your government take some steps prior to complaining, yesterday or the day before, with regard to the sale of some of its assets? Why didn't you do something about it?

Hon. Dwight Duncan: In fact, we had been very actively involved with companies like RIM and others. Nortel has been in some difficulty for a number of years, both with accounting irregularities and so on. So in terms of the sale of the assets, the financial problems have been there for quite some time, I think predating this government, as a matter of fact. The board of the company has attempted on a number of occasions to set things straight; they weren't successful. There are assets with considerable value. The federal government has Investment Canada legislation which will allow them to intervene here. Bankruptcy, companies that are in protection—that is federal legislation.

We have offered on a number of occasions with respect to the high-tech sectors, both in Ottawa, Waterloo and indeed right across the province—we've partnered with industry. We've seen some enormous success and we believe that it's in Ontario's and Canada's interest to maintain particularly the LTE patents in Canada. Enormous tax credits were made available to companies to help develop that technology. As I indicated, we are spending considerable amounts of money to encourage research, innovation and commercialization here in Ontario. Given that the bankruptcy act is federal legislation and the Investment Canada Act is federal legislation, our hope is that the federal government will intervene to try and keep some of these patents in Canadian hands.

Mr. Norman W. Sterling: You know that John Manley was part of the Nortel board, a former Liberal finance minister, a former Liberal candidate for the leadership of your federal party. Did you have any discussions or did your party have any discussions or did anybody have any discussions with him to try to come up with an alternative plan for Nortel?

Hon. Dwight Duncan: I speak with Mr. Manley quite often, not just on this but on a range of issues. The advice we had from all sectors was that the issues before us are federal in nature and required a federal response. Mr. Clement, as I understand it, has now indicated they're preparing to look at it. I think Mr. Balsillie raised alarm bells last week around these patents, particularly the LTE patents, and clearly they've established a value. Some speculation is that they may be undervalued. And so I hope that the federal government will exercise the responsibility it has and do what it can to keep the ownership of that intellectual property and those assets in Canadian hands.

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Mr. Norman W. Sterling: Is your position that they should block the sale to Ericsson of the 40% wireless unit?

Hon. Dwight Duncan: Our position is that they should do everything they can to keep those assets in Canadian hands. They have a number of levers at their disposal. As I understand it, Industry Canada officials are actively looking at options that are available to them. I would simply again restate the view of the province of Ontario, that these assets have an enormous value, and they have been in part developed with the assistance of tax credits offered by the federal and provincial governments. Canada has historically been a leader in telecommunications, a federally regulated industry. We have a long history of leading. We have great companies here, some big ones such as RIM, some much smaller. It is our hope that, given that governments at all levels are investing to encourage research and innovation, we don't let these patents slip through our fingers without doing everything we can to keep the technology here in Ontario and Canada.

Mr. Norman W. Sterling: Now, Mr. Minister, the opposition you have shown to the sale to Ericsson may have negative consequences for the city of Ottawa. Eight hundred people work at Nortel with regard to the division that was tentatively sold to Ericsson. Ericsson has a choice, really, in terms of where they locate or keep those jobs. They've said they're going to keep them. It could be in Montreal, it could be in Ottawa. They are heavily invested in Montreal at the present time. People in Ottawa are very, very upset that Ontario has stepped in to a federal area of jurisdiction with regard to this particular part of the sale, because you have jeopardized those 500 jobs that now exist in Ottawa, that they might now go to Montreal.

What is Ericsson going to think of Ontario when its finance minister, its government, stands up and says, "We want to block this sale to Ericsson"? Are they going to favour Montreal or are they going to favour Ottawa? What do you think your actions will mean with regard to those 500 jobs that are presently in Ottawa but may end up in Montreal as a result of the position you took?

Hon. Dwight Duncan: We believe those jobs should stay in Ottawa and that more jobs should come to Ottawa, and we believe the best way to do that is to keep the technology in Canadian hands. There are no guarantees from anybody as to where those patents will be developed. There is absolutely, when this company does have extensive investments outside of Ontario, no question about that. There's no question that they could, in fact, move it around. What I've heard from them is that they're quite willing to stay in Ontario.

We want to make sure that as many jobs are preserved in Ontario as we can. That's one of the reasons we're cutting corporate taxes. Our corporate tax rates will be considerably below Quebec's when fully implemented. That's one of the reasons why we did OITC last year, to eliminate taxes on innovation. So I think there are a lot of reasons for the owners to stay in Ontario and for that technology to stay in Ontario. It's a good place to invest. I hope that whoever has those patents will in fact make investments and guarantee that they'll make those kinds of investments. That's precisely what we did with General Motors and with Chrysler. Part of the deal was to maintain employment and maintain product mandate in Ontario. So I'm very much interested in keeping that technology here. We think it's an appropriate discussion to have as to who should own that, and I hope the federal government will use the powers that it has to ensure that those technologies are not moved out of Ottawa.

The Vice-Chair (Mr. Garfield Dunlop): About seven minutes left, Mr. Sterling.

Mr. Norman W. Sterling: I'd like to go just briefly to the HST. I believe it was Steve, was it—

Interjection.

Mr. Norman W. Sterling: Could I just ask him a few questions about some of the—

Mr. Peter Wallace: Go ahead with the question.

Mr. Norman W. Sterling: Yes. I think you identified $10.6 billion worth of tax relief in terms of the overall package, with regard to the HST, in response to the HST.

Mr. Steve Orsini: Let me just repeat and clarify: The $10.6 billion is over three years, for people. The minister also mentioned $4.5 billion in tax cuts for corporations.

I should go further to say that the budget also had targeted tax measures, over and above those elements, of providing for apprenticeships, co-op students and R&D tax credits—over and above that. That's over $300 million a year.

Mr. Norman W. Sterling: Three hundred million?

Mr. Steve Orsini: Three hundred million a year. That's for the targeted tax cuts.

Mr. Norman W. Sterling: Okay, so the total is, over three years, $10.6 billion plus $4.5 billion?

Mr. Steve Orsini: Yes. If I can refer you back to page 134 again, it lays it out, both by element and also by summary. If you go to the very bottom line—I'll just read it out to you, because you won't have your budget in front of you. For total tax change—

Mr. Norman W. Sterling: No, I just want the total numbers. I want the total number for tax relief.

Mr. Steve Orsini: Okay. So, all-in, this is all the changes. For 2010-11, it's $3.25 billion in total tax relief. In 2011-12, it's $1.9 billion. In 2012-13, after the transitional payments end, it's almost a billion dollars of annual tax relief that continues in perpetuity.

Mr. Norman W. Sterling: And is that included in the $10.6 billion or not?

Mr. Steve Orsini: The $10.6 billion is only the personal income tax carved out of that. That includes the transitional payments. I could break it down further. There's—

Mr. Norman W. Sterling: Okay, what is the HST revenue-neutral with? What is the number it is revenue-neutral with?

Mr. Steve Orsini: The sales tax component—if you just look at the conversion of RST base to the new sales tax base, so this excludes the low-income tax credits and the personal income tax, it increases by $1.67 billion in 2010-11.

Mr. Norman W. Sterling: And then—

Mr. Steve Orsini: And then it goes to $2.175 billion in 2011-12.

Mr. Norman W. Sterling: Okay.

Mr. Steve Orsini: So that's a change in sales tax revenue. Then you add in all the tax cuts that follow from that.

Mr. Norman W. Sterling: Now, according to the agreement that you have with Canada on this deal, there is an input tax credit—you can "temporarily deny for a period of up to five years a portion, up to 100%, of allowable business input tax credits ... based on a select list of items to be determined by Ontario...." What is that?

Mr. Steve Orsini: It's similar to what BC announced the other day. Essentially, under the memorandum of agreement with the federal government, the federal government had given the province flexibility in several areas. Besides the $4.3 billion in transitional payment support, allowing point-of-sale rebates, they've given provinces that move towards the GST base what Quebec has. Quebec, right now, as part of their harmonizing with the GST, restricts certain business inputs. These are restrictions on business inputs that they would otherwise get, so they're restrictions on the input tax credits. They're temporary and they will be phased out. That was part of the transition from the old system to the new system.

Mr. Norman W. Sterling: So while you're going to get more in, in terms of the wider tax base—the HST does, in terms of a wider tax base for PST—you're going to deny the businesses the input tax credits. Is that correct?

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Mr. Steve Orsini: We are temporarily restricting input tax credits for things that are—many of them are currently taxable under the sales tax.

Mr. Norman W. Sterling: Which ones are you going to restrict?

Mr. Steve Orsini: The budget lays out a couple: businesses with over $10 million in taxable sales—all small businesses are exempt—so if you're a financial institution or with sales over $10 million. The restrictions are in the following areas: energy, more or less for own use—not for resale—so if you're buying fuel and selling it, it's not captured; it excludes manufacturing and farming; telecommunications; vehicles less than 3,000 kilograms, so vehicles that are taxable now; and then meals and entertainment. So if a business goes out and spends money on meals and entertainment, we're holding back savings on that. There are some restrictions now under the GST, and we're just restricting it a bit further.

Mr. Norman W. Sterling: So what credits are you denying? How much is the total?

Mr. Steve Orsini: If you go to page 134, it's $905 million, so it's a little over $900 million in 2010-11, and then $1.26 billion in 2011-12.

The Vice-Chair (Mr. Garfield Dunlop): It's down to a minute left here.

Mr. Norman W. Sterling: So in essence, what you're doing is you're saying to the business community and to us, "We want to improve business by implementing this heavier and wider provincial sales tax," but then you're going to deny some of the businesses the benefit they were expecting. Is that correct?

Mr. Steve Orsini: As part of the transition, and to help fund the corporate income tax cuts that will mature to more than $2.3 billion a year when fully implemented—this is part of a transition, but when you look at the total tax package, we're cutting taxes by $2.3 billion over the next four years, excluding the temporary transitional payments.

Mr. Norman W. Sterling: I'll take that as a yes.

The Vice-Chair (Mr. Garfield Dunlop): Thanks very much, Mr. Sterling.

Now to the third party: We'll do one rotation and then we'll break for lunch. In the cafeteria, for the committee members, there's a bit of a luncheon being put on—

Interjection.

The Vice-Chair (Mr. Garfield Dunlop): Sorry, in the dining room, at 1 o'clock.

Mr. Prue.

Mr. Michael Prue: Just one question came up while I was thinking, before I go back on the municipalities and the MUSH sector, and it was back to the aboriginal community. The other provinces that have blended the sales tax or have an HST, none of them offer point-of-sale exemption; we were the first one. So what makes the Ontario government think that you will be able to have any impact and stand alone on this issue?

Hon. Dwight Duncan: Well, we wouldn't be able to. The harmonized sales tax will be collected by the Canada Revenue Agency. You're absolutely right: In Ontario, of the harmonized provinces—and British Columbia, which is about to harmonize as well—by practice, we have had a point-of-sale exemption on the provincial RST. By harmonizing, it would require Ottawa to allow that practice, that administrative policy, to be pursued by Ottawa. We've urged them to do that. You're right: They would have to look at it similarly in all the harmonized provinces, and our hope is they will.

Mr. Michael Prue: So you're hoping against hope that the federal government is going to go against the policies of four other provinces and adopt Ontario's and then impose that on the four provinces that have never had it before?

Hon. Dwight Duncan: That has been our recommendation to them. It is their decision to do that.

Mr. Michael Prue: Back to the municipalities. I asked a question or made the statement specifically about Peel region, which, for example, estimates that the HST will cost them $5 million. Has anyone met with Peel region to go over their figures or to see whether in fact they're right and we're wrong or vice versa?

Hon. Dwight Duncan: Have you met with them, Steve?

Mr. Steve Orsini: We met with their working group.

Hon. Dwight Duncan: Officials have met with their working group. I have met with Mayor McCallion. I have not met with the region. I'm not certain if they've requested a meeting either.

Mr. Steve Orsini: We've had several meetings with municipalities. There are two different groups: There's the AMO city of Toronto working group, and then there's the municipal finance officers. There were a number of people. I'm pretty sure Peel was represented. What we've agreed to do is, as they try to assess all the different changes as it would apply to them and then apply the rebate—the 78% rebate is a sizable rebate back to municipalities overall, and they're working through their numbers. I don't know whether they've completed all their due diligence on their estimate, but we know from talking to a lot of their suppliers, especially in the construction sector, that significant savings will be rolling through to those municipalities when they build roads and bridges. RST applies a lot to those materials used in construction, and that's going to be a significant savings. It's hard, from our analysis of what they prepared—whether or not they factored that in. So one of the things we've committed to do with the municipalities is work through the numbers with them.

Mr. Michael Prue: I don't know whether I got all the numbers down. You were rattling them off pretty fast before. I got down 87%, 82%, 93% and 78% for four different groups of the MUSH sector. Was that—

Mr. Steve Orsini: That's correct.

Mr. Michael Prue: I think the 93% was for school boards and—

Mr. Steve Orsini: It's 78% for the municipalities, 78% for universities and colleges, 93% for school boards, 87% for hospitals, 82% for charities and qualifying non-profit organizations.

If I can add, these definitions—what they call public service bodies is how the federal government defines them. What we negotiated, flexibility, was to adjust the thresholds to ensure that what they're currently paying in RST on their inputs—there'll be no net fiscal change for the sector as a whole once we're into the new system.

Mr. Michael Prue: Can you tell me—because the numbers, although they're all fairly high; they're all 78% or above—what the difference is, say, between a municipality and a school board, between 78% and 93%? Why would the school board get 15% more?

Mr. Steve Orsini: It's based on their current consumption of goods and services that were subject to RST. Municipalities are spending a lot in capital, and there's a lot of RST built in capital. That's what the business community says. They turn to capital investment. So by removing the tax on those inputs—school boards might have been paying less in RST before, and therefore they would be getting a greater rebate back. So the less RST you paid before on your inputs, the bigger your rebate.

Mr. Michael Prue: So it's the reverse of what I was thinking: that the municipalities, because they already got an RST rebate, won't be getting as much of an HST rebate.

Mr. Steve Orsini: Because municipalities are paying more relative to, let's say, hospitals and school boards on their inputs now, the rebate that we would be giving them would be relatively less. It reflects the fact that they're currently paying tax on their inputs.

Mr. Peter Wallace: It's not the tax they pay directly; it's the tax that's built into the goods that they are buying. This is a critical construct that we need to go back to, as Steve went through the notion of—it's not about what you're actually paying in terms of a visible receipt; it's what's actually built into the cost that has been cascaded up. That has been, in an economic sense, one of the more problematic aspects of retail sales tax; that simply hides this and provides an incidence on, for example, the MUSH sector that is deeply problematic from an investment and other standpoint. So this is an effort, from that perspective, to both correct it but also ensure that the MUSH sector remains fiscally neutral as a whole.

So these rebates are essentially our best estimate, which we're working with the sectors on to confirm, about what the tax burden was that they were already carrying. Then we'll make sure that they are no worse off than they otherwise were—at least as well off.

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Mr. Michael Prue: I would assume that all four of these groups—the hospitals, the charities, the school boards and municipal sectors, and I guess the universities—have been consulted and are in agreement with the amounts that have been suggested.

Mr. Steve Orsini: We are working through—as I mentioned, municipalities, given their size and scale, we've had meetings with two of their groups, two of their representatives, and the work is still ongoing. We've had discussions with the school boards; charities and non-profit organizations are more dispersed, but we've had discussions with some of their representatives, as well.

Part of the discussion is more educational, for the same reasons we're having this discussion today: It's to understand the hidden part of the retail sales tax, and it is hidden. Then, once you explain the cascading effect through the system, they do have a much better appreciation of the purpose of moving to a value-added tax; so there's a much better appreciation of the benefits of doing that, but also how we arrived at our numbers.

Mr. Michael Prue: Would it be accurate to say—this is very complex, extremely complex, and I don't know how this is ever going to be explained to the general public or even to the school boards or some of the municipalities or the councillors and mayors across the 450 or so municipalities. Would it be accurate to say, though, that the Ministry of Finance designed the rebate system to ensure that overall sectors are fiscally neutral but that the HST may not be fiscally neutral for each individual organization within them?

Mr. Steve Orsini: I think in a sense we have modelled it for the sector as a whole. Is that to say that there might be some adjustments within the membership of that sector? That would be a correct statement.

Mr. Michael Prue: All right. So before the adjustment takes place there may be in fact winners and losers within that as well.

Mr. Peter Wallace: There will have to be, almost by definition, unless—and we should be clear as we talk about this. Remember that even within the context of a static situation there are winners and losers as various institutions within that mix end up changing their consumption patterns of goods versus services, things that have embedded taxes in them or not. So from a practical standpoint, it's simply not possible even under a status quo scenario to imagine a situation in which the mix did not change.

Mr. Steve Orsini: In fact, under the existing sales tax system, depending on what they purchase in any one year, their net effect would have gone up or down. So year to year, even under the current sales tax system, there might be so-called—those that are benefiting and those that are not.

Mr. Peter Wallace: A school board that invested heavily in capital one year would be relatively disadvantaged relative to a school board that didn't, for example.

Mr. Steve Orsini: Exactly.

Mr. Michael Prue: Mr. Chair, how much time approximately?

The Vice-Chair (Mr. Garfield Dunlop): You have 10 minutes.

Mr. Michael Prue: All right. I'm not going to launch into the big one. I'll do a couple of the smaller questions that I had.

Auto executives' salaries are in the news today. First question: Ontarians have invested billions of dollars in making critical investments in GM and Chrysler. Ontarians are now major, major shareholders, and this government as well. Why are the compensation packages of senior officials being kept secret?

Hon. Dwight Duncan: First of all, we have a considerable amount of money in; you're right. We still are a small interest relative to other investors, including the government of the United States and others. We have, in fact, by agreement, appointed a board of directors at both General Motors and Chrysler to oversee. Canada has one representative on the boards of those organizations out of a total of, I think, 12 in both cases. Deputy, is that—

Mr. Peter Wallace: Thirteen.

Hon. Dwight Duncan: Thirteen. And we will rely on those boards to exercise their fiduciary responsibilities. Also there are a number of reporting requirements these corporations would have, but again our objective is to rely on the boards of directors to make decisions with respect to the operation of those companies that are appropriate.

Mr. Michael Prue: The automakers say they are private companies and won't reveal the compensation packages for senior officials, but they're not private companies the moment that they've asked for government bailouts and for the government to become co-owners. Surely to God they have a responsibility to be more open, more direct with the taxpayers who are bailing them out.

Hon. Dwight Duncan: Again, we are part of the board of directors of those organizations. We will rely on the boards to exercise their fiduciary responsibilities to the proper management of those corporations, and we'll continue to rely on them for advice, moving forward. I think the Premier, President Obama and others have indicated that as governments we don't want to be running these companies. We are lenders at this point in time. We do have representation on the boards of those organizations and we will have to rely on those boards to exercise due diligence in fulfilling their responsibilities to the corporations, to the lenders such as ourselves and their employees and the general public.

Mr. Michael Prue: But surely we're much more than lenders. The government announced last week or the week before that there was to be a $10,000 rebate to General Motors on their new Volt car, which caused huge consternation with Toyota, Nissan, Hyundai and all the other groups that have fuel-efficient cars. They have accused the government, and at first blush it looks reasonable, that we're giving rebates to a company that we partially own. Do we not partially own it?

Hon. Dwight Duncan: We have an interest in that, obviously. Relative to Canada and the United States, it's a smaller portion. Our interest, and the reason we appointed a board of directors, is to manage the day-to-day affairs of those organizations. As the Premier, the Prime Minister of Canada and the President of the United States have said, it is not our intention to run the day-to-day affairs of those operations. Obviously we have a vested interest in their success. We believe we've given them the tools to perform successfully. I believe the boards of directors that have been appointed in both corporations are good boards, and I remind you that the auto workers have representation on both boards. We will rely on those boards to manage the affairs of those corporations to the best of their ability.

Mr. Michael Prue: You alluded to what the Premier said today, and I'm quoting from the Toronto Star. He said "I'm not looking ... to reach in and interfere with salaries awarded to executives." Do you agree with the Premier in saying that it is not the role of the province—I think you've already said that—as a shareholder in the auto companies to make sure executive compensation is reasonable?

Hon. Dwight Duncan: We believe that the affairs of the corporations should be managed by the board of directors of the corporations. We do have representation on the board, Canada has one person on each board—two people at GM, correct?

Mr. Peter Wallace: Just the one.

Hon. Dwight Duncan: Just the one on the board. We will rely on the boards of directors of those organizations to exercise their fiduciary responsibilities to the proper management of the organization, to lenders including Ontario, Canada, and the United States, with other stakeholders, with other interested parties.

Mr. Michael Prue: Workers at GM and at Chrysler—and I'm not sure about Ford, but we're not owners so I'm not that concerned—have made considerable concessions, huge concessions: reductions in salaries, benefits, pension benefits—huge concessions. Is the government at all, as a major player now, making sure that executives are making sacrifices as well, or are we content to let things go on as they always have been at Chrysler and General Motors?

Hon. Dwight Duncan: In the case of General Motors and Chrysler, I believe the UAW, the auto workers, do have representation on the board as part of their package. Again, we will leave the running of the companies to the boards of directors of the companies, which include representation from Canada as well as the auto workers in the United States, as I understand it. We'll have to rely on them for their best advice as to how to manage the affairs of the corporations, going forward, acknowledging the enormous sacrifice that auto workers have made, bond holders have made and creditors have made, and the undertakings by taxpayers as well.

Mr. Michael Prue: You stated in your opening statement that the whole fight against poverty will be "steeper and more rugged," and I think those were your exact words, than had been envisaged. Given the fact that the deficit has ballooned again and is now $20 billion and seems to be changing—and, as you rightly said, every month there's a new forecast; sometimes it may be better; sometimes it may be worse—is there any realistic possibility that a real, concerted effort can be made on poverty, disability issues, housing, all of the things that the ministers are out there promoting?

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Hon. Dwight Duncan: Absolutely, and I outlined in my opening statement the kinds of undertakings we have made this year: increasing the child benefit, a considerable amount of money invested in affordable housing.

I was very pleased with the endorsations the budget received from a number of groups interested in poverty issues and addressing the challenges that those with very modest incomes face in the current economy. And while it has become steeper and more rugged, we're still climbing, and we're still going to keep climbing.

I can review some of the initiatives that I spoke about in my opening statement, Mr. Prue, if you like, but suffice to say, a number of those are proceeding. A number of them are part of the deficit. We think they're the appropriate response at this point in time, striking that balance between—there's also an issue around intergenerational equity, and that's where the deficit comes into account as well. But we are proceeding. My colleague Deb Matthews has laid out the plan, and we think it's appropriate.

Everything is affected by the economy. A strong economy will indeed help us lift more people more quickly out of poverty, but a weak economy does not, in my view, give us the excuse to simply do nothing, and that's why we had the announcements we had in the budget.

The Vice-Chair (Mr. Garfield Dunlop): Just a minute left here.

Mr. Michael Prue: Okay. In just a minute, then: You are running a $20-billion deficit, and you've given the rationale for that. Are you prepared to increase that deficit in order to lift people out of poverty and disability? Are you willing to increase that, or are they going to have to wait until the economy improves?

Hon. Dwight Duncan: We outlined a very aggressive package of initiatives that are included in that deficit as first priorities; for instance, the near doubling of the Ontario child benefit from $600 to $1,100 for every child; $3 million to establish community hubs; increasing Ontario Works and Ontario disability support program benefits by 2%; we increased the minimum wage by 75 cents on March 31 of this year to $9.50 an hour, the sixth increase since 2003; $700 million over the next two years with the federal government for rehabilitation; energy retrofits of 50,000 social housing units; more than $360 million over the next two years with the federal government to help create 4,500 new affordable housing units for low-income seniors and persons with disabilities; $175 million over the next two years with the federal government to extend the Canada-Ontario affordable housing program, which is creating new homes for low-income families; and helping low-income tenants avoid eviction by providing more than $5 million annually in stable funding for municipal rent banks. We've doubled the senior homeowners' property tax grants so that low- and middle-income seniors living in their own homes will receive $500 in support for their property taxes. We've enhanced the Ontario property and sales tax credits for senior couples as well. We've increased the amounts of unlocking permitted for Ontario life income funds from 25% to 50%. We've made an enormous investment this year.

But more importantly, and the thing that I think makes our effort particularly salient as we move forward, is that we're establishing measurables; that is, a very clear, defined set of measurables against which we will compare progress. I suspect that, as we measure and see what results are achieved or not achieved, that will give us a better basis upon which we can make future policy decisions. There's no doubt in my mind that we will have some success in some areas, and we will likely fall short in other areas.

I think I've outlined more than $5 billion in new initiatives that were contained in this budget, and we intend, Mr. Prue, to continue to make those kinds of investments.

The Vice-Chair (Mr. Garfield Dunlop): Thank you, Minister. We'll now go to Mr. Flynn from the government members.

Mr. Kevin Daniel Flynn: Last night, I was talking with some friends from the CAW about the Ford situation at the Oakville assembly. They tell me that they're moving to pretty regular overtime shifts now. They're all working 10-hour shifts. The cars are starting to sell. So it just goes back to, I think, the wisdom of the auto strategy that allowed that plant to move to flex manufacturing. It can be pointed to as something that, I think, is a real success story for Ontario.

If we look at other areas of the economy, there's some good news out there but there are also some areas that do continue to struggle. It seems to me that as you were planning, as you were making the financial plan this year, you would have to inject a certain amount of prudence and a certain amount of caution, in these uncertain times, to ensure that the targets that were contained in the plan were achievable targets. I just wonder if you could elaborate on what prudence, what examples of caution, we might find in the plan for this year.

At the same time, I think, traditionally the first-quarter finances are released with public accounts, and you decided to go a different route this year. Could you just expand on that a little bit as well?

Hon. Dwight Duncan: Sure. We spent a good deal of time talking about some of the prudence contained in the reserve and contingency, which we have expanded. The intent of that was to allow ourselves flexibility both in the short and long term.

The medium-term fiscal plan includes a reserve of $1.2 billion in each year. The 2009-10 fiscal outlook still includes approximately $1 billion in contingency, to help mitigate against expense risks that may otherwise have a negative impact on results.

So, Kevin, as you well know, with ministry by ministry, program by program, sometimes there are overexpenditures in one area and underexpenditures in another, and sometimes there are overexpenditures in a range of areas, so we have the contingency and reserve. For instance, at the beginning of the year, we don't know how many people are going to go to hospital. What we do know is that it has been growing relatively rapidly in the last few years.

At the beginning of the year, we didn't know what the impact would be on social services associated with the down-town in the economy, or the impact of the federal employment insurance rules, which tend to harm Ontario. That means that an unemployed worker in Ontario will qualify for fewer benefits over a shorter period of time. Therefore, there will be a greater impact on Ontario Works and other social programs.

So we do that, and this year we provided considerably more contingency to respond to those unforeseen circumstances. I say in my public speeches, a year and a half ago who would have imagined General Motors and Chrysler effectively in bankruptcy? Who would have imagined Great Britain on credit watch? Who would have imagined the government of the United States being a major bank owner in the United States?

It appears as though things have stabilized. At least it appears as though we're not going to have any more of those giant sort of surprises, for lack of a better term, but it is because of that, because of that volatility, that we built in that contingency.

In terms of previous Q1 finances being released with public accounts and why not, the Fiscal Transparency and Accountability Act of 2004 requires that the government release updated information about our revenues and expenses for the current year on or before August 15 of each year. The Ministry of Treasury and Economics Act requires that public accounts for each fiscal year, commencing on or after April 1, 2003, are submitted on or before the 180th day after the end of the fiscal year, which is September 26 of this year.

In compliance with the FTAA, over the past 10 years, the first-quarter finances have been released in July or August, generally prior to the release of Ontario public accounts. In addition, since some revenue and expense information is unknown for a number of months after the end of the fiscal year, as is the case this year, public accounts are not being released simultaneously with the first-quarter finances.

So when public accounts come out, they will come out according to the statute that governs them. They will be much more robust in terms of final numbers on tax revenues and so on, both from last year and this year—the last fiscal year; excuse me—and how they impact on the final statements.

Mr. Kevin Daniel Flynn: Thank you, Minister. A lot of ordinary Ontario families have had to show a degree of restraint during these economic challenges. They expect the government to do the same. I'm just wondering if you could take us through some examples, perhaps, where you show that you've exercised that restraint.

People often talk about government spending; overspending, perhaps, is the catchphrase that is used. At points in our history like this, that becomes a much more sensitive issue. I'm wondering if you could point to some areas of the fiscal plan where you can show that you've actually exercised restraint in spending.

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Hon. Dwight Duncan: Absolutely. We've been doing this throughout our mandate. Last year, we identified $111 million in savings just through better management practices and so on.

Some of the specific examples this year: We've adopted a number of efficiency practices in holding the rate of growth in program expenditures below the rate of revenue growth. That's that 0.8% that I pointed out to you. We always strive for that. Anything that breaks out of that box is not sustainable in the long term. We froze MPPs' salaries for this year, as you know. We're limiting salary increases for deputy ministers and senior managers earning $150,000 or more in a year. We're reducing the size of the OPS by 5% over three years through attrition. And as I indicated in my opening statement, we are expanding the mandate of Ontario Buys and making it compulsory.

We have managed, since coming to office, spending internally while continuing to invest in vital public services. I always get nervous—because many of the investments we made, I think, are the kinds of things we need to have a competitive economy. We need good education. We need good public health care. Those are enormous competitive advantages. I think Ontarians are naturally cautious and, to use Mr. Prue's word, wary when governments talk about cost containment and so on, particularly in the areas of health care and education.

So, internally, we strive to manage the resources we have; we help manage the resources we give to the broader public sector, and that will continue to be a challenge as we move forward. We want to make sure that every dollar we spend—most of that—goes directly to front-line services for people.

The Vice-Chair (Mr. Garfield Dunlop): Mr. Kular?

Mr. Kuldip Kular: As you know, there is a Chrysler assembly plant in my riding of Bramalea–Gore–Malton, and I want to thank you on behalf of some of the workers who have retained their jobs through the auto sector support you have committed through our government.

In the 2009 budget, I see there were a lot of things for seniors. Very recently, you announced some funding for affordable housing units. There were some to be built in my riding of Bramalea–Gore–Malton. I see the affordable housing unit funding is mostly for low-income seniors as well as persons with disabilities. Minister, can you say how all of that funding has been broken out?

Hon. Dwight Duncan: Yes. There was $233.1 million announced for new affordable housing programs for low-income seniors and persons with disabilities, and to extend the Canada-Ontario affordable housing program. Overall, the province plans to invest, with the federal government, more than $700 million over the next two years for social housing rehabilitation and energy retrofits; more than $360 million to help create new affordable housing for low-income seniors and persons with disabilities; and $175 million over the next two years to extend the Canada-Ontario affordable housing program, which is creating new homes for low-income families, senior citizens, persons living with mental illness, and victims of domestic violence. Altogether, this investment will be over $1.2 billion over the next two years.

The Vice-Chair (Mr. Garfield Dunlop): Mr. McNeely?

Mr. Phil McNeely: I'm very interested in this significant change in tax policies, probably the most significant that we've seen—I'm not sure—in my lifetime. I think it's a whole different approach, and the basics behind it are making Ontario more competitive—and that's jobs for our kids and our grandkids. The federal government is contributing $4.3 billion—they realize how important it is to Ontario—and $1.6 billion to BC. There are groups that have been advocating to make this major shift, and jobs seem to be the biggest element of it. Who are the groups that are advocating for this major change, and why, in your opinion, are they so strong in support of making Ontario more competitive?

Hon. Dwight Duncan: There are a number of individuals and organizations. I'll start with the federal finance minister, Mr. Flaherty, who said in his budget that it is the single most important step that provinces with RSTs could take to stimulate new business investment, create jobs and improve Canada's overall" economic "competitiveness.

The Ontario Conservative Party in their 2009 pre-budget submission stated, "The official opposition calls on this government to heed the call of the federal government and take immediate action to fix Ontario's uncompetitive tax structure." The day before the budget, the then-leader of the official opposition, Mr. Runciman, said, "I think, in theory, our party is supportive of harmonization."

Last week, Premier Gordon Campbell of British Columbia said, "This is the single biggest thing we can do to improve BC's economy. This is an essential step to make our businesses more competitive, encourage billions of dollars in new investment, lower costs on productivity and reduce administrative costs to BC taxpayers and businesses. Most importantly, this will create jobs and generate long-term economic growth that will in turn generate more revenue to sustain and improve crucial public services." His finance minister, my colleague Colin Hansen, said, "The PST is an outdated, inefficient and costly tax, some of which is hidden in the price of goods and services and passed on to and paid by consumers. Evidence from the Atlantic provinces showed that the hidden tax is removed very quickly, with the majority of the savings passed through to consumers in the first year."

Mr. Jack Mintz, Palmer Chair in Public Policy, School of Public Policy of the University of Calgary: "Nonetheless, sales tax harmonization will reap large benefits to the Ontario economy. The McGuinty government will go down in history for its leadership in moving ahead with a major tax reform that will only help the Ontario economy in the long run."

Carol Wilding, the president and CEO of the Toronto Board of Trade: "We looked for significant tax reform. There are big, bold moves in there that will make quite a significant difference." The Ontario budget is "very powerful from a business community perspective."

Ian Howcroft, the vice-president of the Ontario division, Canadian Manufacturers and Exporters: "Overall we're very pleased with today's budget, it addresses many of our longstanding issues and priorities. I think that it shows that the government was listening. We're particularly pleased with regards to the harmonization of the GST and PST, we've been advocating that for a long, long time. We're also very pleased with the announced reduction in the corporate tax from 12% down to 10%, so I think that is a very positive step for Ontario manufacturers, which ultimately will help the whole economy and all Ontario residents."

I could go on and on. The list includes people like Hugh MacKenzie, an economist and research associate at the Canadian Centre for Policy Alternatives: "Ontario's 2009-10 budget establishes the right direction for the next few years. It provides substantial economic stimulus. It is consistent with the new orthodoxy that relies heavily on governments to help rebuild damaged economies. It imposes some coherence on an incoherent federal plan. It increases support for low-income families and individuals. It modernizes Ontario's consumption tax."

The list goes on. I've got pages of them. Suffice to say that it is incumbent upon governments, in my view, to take a leadership role. We have been called upon to take decisive steps to help make this economy more competitive and therefore create jobs. When we looked at the available evidence, when we spoke to the experts, when we spoke to average businesspeople, the message that kept coming back was, "Have the courage to do the harmonized sales tax. It will pay dividends both in the short and the long term."

There's no doubt that consumers are wary of it. We have set up a range of tax reduction measures to help them deal with the change in patterns, and I believe that most individual Ontarians will be ahead, and certainly the competitiveness of this economy will be stronger, going forward. I will predict that you'll see other Canadian provinces do what we've done in the very near future, because I think it cuts across political lines. I think that all of us see the enormous advantage in a value-added tax system coupled with lower personal taxes and lower corporate taxes to make this economy more competitive. The most heinous part of the existing provincial sales tax is that it's in some measures a hidden tax, and consumers pay tax on tax on tax. This is fairer. It's more transparent. It's a stimulus to business, a stimulus to job growth. I believe very strongly, as do—and I've given you some of the quotes that we've had in support. Our job now, as a government, as a Legislature, is to convince Ontarians of the importance of that, to help them get over the wariness that has been identified, to help them understand a very complex piece and move forward. I believe that the results will be evident in fairly short order once we have things fully implemented.

1240

The Vice-Chair (Mr. Garfield Dunlop): We've just got a couple of minutes here.

Mr. Phil McNeely: I just have one last question. People who speak to me have the concern—and we've said it's revenue-neutral, that this is not to increase government revenues. Actually, they will be reduced somewhat. So how will we tell the people—in the future, how will it be clear that this is a revenue-neutral and a better situation from their perspective?

Hon. Dwight Duncan: We outline that right in the budget, and we've taken members through it earlier this morning in questioning. You can see it on page 134. There are a range of tax cuts. There are personal tax cuts I described in my speech. There are corporate tax cuts.

Both on the personal and corporate side, people will be further ahead. When you look at the sales tax credit we have offered, the new housing credit we've offered, when you look at the input tax credits that we're giving back to businesses—when you add everything up, you'll see that overall total tax reform measures in the first full year of implementation will save businesses and individual taxpayers $3 billion in taxes; in the second year, $1.7 billion; and in the third year, $680 million less in taxes, and that goes on into the future. What we will see is a more competitive economy. What we will see is an increase in exports. What we will see is the removal of hidden tax. There's a hidden tax in everything you buy. So, over time, with a more efficient economy, with a growing economy, we'll see more people working; we'll be more competitive. That's why, particularly in the manufacturing sector—the forestry sector welcome this. You know the challenges we've faced in the forestry sector, particularly in northern Ontario. They've all welcomed this.

Again, in our view, it is the right policy choice to make now. It is incumbent upon all of us to help people understand it, to see how they will benefit both directly from it in the short term and in the long term—and in the medium and short term even benefit from it, in terms of the context of a more competitive Ontario economy.

The Vice-Chair (Mr. Garfield Dunlop): Thank you very much, Minister. Before we go to lunch, we'll have Mr. Miller for the last 20 minutes.

Mr. Norm Miller: Minister, I'd like to ask you some questions to do with the community development trust fund. In question period, I previously asked a couple of different questions of ministers to do with the community development trust fund. On March 27, 2008, Prime Minister Harper and Premier McGuinty announced that Ontario would receive $358 million from the federal community development trust fund, which was meant to assist one-industry communities. It's my understanding that Ontario has received that. I originally raised this issue because I was speaking with northern mayors in my past job as northern critic, and they were asking me, "Where'd the money go?" It was their understanding that it was to help these struggling one-industry towns that were and are still facing great challenges, so they wanted to know who got the money and where it went. It's my understanding that the Ministry of Finance is the lead ministry on this initiative. Is that correct?

Hon. Dwight Duncan: My recollection is that that money was used to enhance our skills training programs, such as Second Career and others. I am going to have to get back to you with respect to the precise allocations of those dollars. My recollection—and my officials are checking into this now—is that that money was in part used to fund retraining initiatives in the north and in the south; indeed, across Ontario. But if you'll permit me to respond to you later, I will.

Mr. Norm Miller: Yes, I would appreciate that, because I have asked two different questions in question period specifically to do with this and have not received satisfactory answers to this point. As I say, it comes from northern mayors wondering where the money went. So I would appreciate receiving a detailed response as to where that $358 million went. Specifically, it was supposed to go to the north as well, so I'm sure that folks in the north would like to know what money went to northern Ontario.

Moving on to the harmonized sales tax, tourism has been hard hit this year with the state of the economy, not to mention the weather; it's kind of a double whammy this summer. I know that a lot of the tourism businesses are really struggling. Your proposal, through the harmonized sales tax, is to increase the tax rate for tourism businesses from 5% to 8%, and I understand that the plan is to invest some $40 million in marketing to newly created destination marketing organizations.

I just received an e-mail from a resort in my riding to do with that issue. They say, "I am very disappointed in the Ontario government's support of the tourism industry. I feel the tourism industry has been betrayed by the government.

"What was billed as a study to raise the awareness of the value of tourism to Ontario has turned into another source of revenue for the finance ministry.

"I participated in the tourism effectiveness study, made presentations and provided feedback and suggestions for the Sorbara report on a number of occasions. Now I wish I hadn't done so.

"As the new Ontario finance critic, I hope you can bring the tourism funding issues to the attention of the government at the appropriate time." So having received that e-mail, that's what I'm doing.

How much extra revenue will be generated by that extra 3% increase in the tax rate on tourism accommodations and attractions?

Hon. Dwight Duncan: The government has also committed some $40 million to help offset that through marketing, so there again—and those tourism operators are going to see significant cuts in their corporate taxes. Larger operators will see their rate go from 14% to 10% over the next three years. Smaller operators will see their tax rate go from 5.5% to 4.5%, and they'll see a clawback. So overall, again, we believe that the combination measures we've taken—and we are, Steve, I think, continuing to discuss and work with the tourism sector, if you'd join us, on some of the transitional rules and how to implement. But overall, tourism operators will see a significant tax savings on the corporate side. Steve, I don't know if you want to comment.

Mr. Steve Orsini: Yes, Minister. Just by way of background, so the committee understands it, moving to the single sales tax: There's right now 5% on accommodations; that will be moving to 8%. On admissions it's currently 10%; that will be going down to 8%. So for the tourism sector there are changes, some going up and some going down, but now it's the 8% rate.

There are a couple of key points. I think the minister talked about one of the key ones, back to the input tax credits. We know, based on doing some case examples on the hotel sector, that a small hotel, given their current consumption patterns—we've shared this with the industry—would save on average about 3% on their total costs moving from the retail sales tax to the single sales tax. You can imagine a hotel—you're paying sales tax on all the linen, towels, furniture, appliances and all that. That's a cost of doing business that they'll now get input tax credits back for, so that's the first piece. The budget commits that by moving from 5% to 8%, that three percentage points, the province commits to give back the net revenue that the province receives from moving from 5% to 8%.

Mr. Norm Miller: So, to interrupt, is that the $40 million?

Mr. Steve Orsini: That's the $40 million. We explained to the industry, because they were saying, "We're trying to understand how you got the $40 million." It's because of input tax credits. A lot of businesses use hotels when they're travelling within the province. They may incur sales tax when they stay at a hotel. They then apply for input tax credits, so we factored that in to arrive at the $40 million.

1250

Mr. Norm Miller: If I may interrupt, though: You also said, in response to Mr. Sterling's question, that one of the denials of input tax credits, of the $1.3 billion of denials, is meals and accommodation, or meals and entertainment—

Mr. Steve Orsini: Meals and entertainment.

Mr. Norm Miller: —which obviously is the tourism sector, so they aren't going to see—

Mr. Steve Orsini: Oh, that's for restaurant meals. I think we factored—all that has been captured in our analysis, and that's a net $40 million. We can break it down further. We've done some case examples to share with the industry, and we've worked through the numbers. We've had many, many discussions, in fact involving Statistics Canada, to sort through the numbers. It was an important question from them, and they raised that. It's an important, serious question, so we spent time working with them on that.

So for a small hotel, it's about 3%; for a larger hotel, it's about 2%. That's important to keep in mind.

Also, one last point, if I may: We know that when the GST was at 7%, hotels also had, in many parts of the province, their destination marketing fee on top of that, so going from 5% to 8% is not that much different from when the GST was at 7% and our sales tax was at 5%. But I think the key thing is the input tax credits for hotels and the corporate income tax cuts that provide sizable benefits.

Mr. Norm Miller: Okay. Still sticking with, basically, tourism, part of the new face of tourism, certainly in my area—when you look at some of the traditional resorts that used to be there, they're being reinvented these days as fractional ownership properties. You're seeing old properties that were basically in danger, were either closed or not doing much business, pretty tired old properties, and all around my region they are being reinvented as fractional ownership properties. So there's a tremendous amount of money being invested in capital, and a number of very successful operations.

I guess two points on that: First of all, I've just received quite a few letters from people in the business and also people who have purchased fractional ownership properties, because your government is now going after a land transfer tax to do with fractional ownerships. Give me a second; I shall read part of a letter I received. I've received 20 or 30, from various people.

"As citizens living in your riding and purchasers at the Landscapes in Baysville, we are writing to you to express our concern regarding a position that the Ministry of Revenue appears to be taking regarding implementation of land transfer tax on fractional resort ownership in Ontario. We have been recently informed that the ministry not only intends to tax the industry in the future, but also intends to make this tax retroactive seven years.

"When we purchased our fractional interval, we basically joined a club that affords us certain booking privileges for a number of weeks each year. We did not purchase real estate and our names are not on title; therefore, this transaction should not be subject to land transfer tax.

"During these tough economic times that have been devastating for the tourism industry in Ontario, we find it incomprehensible that the Ministry of Revenue would be proposing such a blatant tax grab on a segment of the industry that is essentially in its infancy and holds out such promise for enhancing the future of tourism in the province of Ontario. We would assume and hope that a policy decision or interpretation involving a matter of this importance would have included involvement and input from various levels of management and staff, not to mention the minister's office. To date, our association has seen no evidence that such a process exists or has ever taken place regarding this matter.

"We urge you to please pass our concerns on to the Minister of Finance and let him know that he must look into this situation. We look forward to hearing back from you...."

As I say, we're seeing traditional resorts that have been reinvented, if you will, and many of them are these fractional ownership properties where people go. They still do what they did in the past: They may stay a week or two at different times of the year. But this is another impediment to the success of this business. Minister, will you look into this situation?

Hon. Dwight Duncan: Yes, I will.

Mr. Norm Miller: Okay, thank you very much.

In talking to other people involved in the tourism industry just in the last day or so—and you say that business should be in favour of your proposed harmonized sales tax. Yet, speaking to people involved in the tourism sector, they're very concerned because they see—a gentleman I was speaking to yesterday sells fractional ownership properties. I don't know what one costs, but if it's, say, $80,000 or $100,000, it's basically an extra 8% on the price, so obviously that's going to pretty negatively affect sales of those fractional ownership properties. The same gentleman was in the golf course business. The new proposed sales tax would also be 8% on the cost of these golf memberships as well, so obviously that's another huge impediment to sales. What do you say to somebody in those businesses?

Hon. Dwight Duncan: First of all, I'm going to have to look at the whole question of new versus older properties and resale. As you know, this tax would not attract to a resale. So I'm going to have to undertake to get back to you on the specifics of your question.

Mr. Norm Miller: I assumed that the person is in the business, so I assumed that it does apply.

Hon. Dwight Duncan: Again, what I'm discovering in my travels and meetings with people is, in fact, there is some misunderstanding. I think you raised the question in good faith, and I want to have the opportunity to give you a completely accurate answer, so I undertake to follow up with you on that.

Mr. Norm Miller: Okay. If we can come back to the deficit and your plans to eliminate it over time—because that's something, as I've stated previously, that I'm just a little skeptical about. I know you've laid out plans that show the deficit disappearing in 2014-15, I believe it is. We now know that the projection of the deficit has gone up $4.4 billion more than you planned on it at the beginning of this year. What about all the other unforeseen aspects that may cause you to not be able to pay off the deficit; for example, the value of the Canadian dollar? It's at 92 cents right now. I believe in your budgeting for this year, you had a high of something like 85 cents. Have you got any contingencies built in for the next couple of years if it goes to par or higher than par, for example?

Hon. Dwight Duncan: All of those factors do go into our calculations; you're right. As I was talking about in questions from my colleagues, we have built in considerably higher contingency and reserve this year to account for that volatility. Again, be careful looking at anything at one point in time. Those numbers reflect a year-average price, whether it's on the value of the dollar or the price of oil and so on. But all of them are taken into account in our econometric modelling and, I should say, taken into account by the private sector analysts we rely on for advice in those areas.

With respect to the budget deficit and the projected time for elimination, you're right, there are going to have to be a number of tough decisions taken. For instance, we have laid out a path that eliminates the deficit over five years. The private sector economists have generally said that's a reasonable expectation. The federal government said they could do it in three years, and I think that's kind of all gone by the board now. There are challenges in that, and we do have to bend cost curves, and we do have to look at what I would call a transformational agenda in the years ahead on the spending side. I look forward to working with all of my colleagues in the Legislature as we move toward that.

Are there risks on the horizon? Absolutely. And do they involve the sorts of things that you've talked about? Absolutely. We will have to adjust and make changes as challenges become evident.

Mr. Norm Miller: What's your forecast for the Canadian dollar going forward to 2014-15?

Hon. Dwight Duncan: We don't publish five years out on that. We do various econometric analyses of the factors—that's for this year. We will make projections for the two years ahead, not necessarily outlining each of the specific undertakings line by line. What you'll find if you look at the budget, if you look at all the factors that go into it, some of them wind up being more than we thought, some being less, and there generally tends to be overall a wash. That's one of the reasons why we're generally on the expenditure and revenue side within 1% or 2% of our projections. But again, I remind you that a 1% variance in our expenditures is over $1 billion and a 1%—plus or minus, by the way—variance in revenues is in the same order of magnitude.

So there are any number of factors that go into it. We do not generally make five-year projections. Doug Porter—

Mr. Norm Miller: But you're predicting—

Hon. Dwight Duncan: If I may, I'm trying to answer your question as completely as I can. Doug Porter, the chief economist at the Bank of Montreal, when we were developing this year's scenario, said that trying to make forecasts about the economy in today's environment is like trying to sell your house while the kitchen is on fire. So there is inherent risk, there is inherent volatility, and that's why we provided so much contingency and reserve this year as compared to past years.

The Vice-Chair (Mr. Garfield Dunlop): You've got about a minute and a half there.

Mr. Norm Miller: Okay. I will just stay on the same subject and ask about interest rates. Obviously we're at historic low interest rates right now. As we come out of the recession, I think it's safe to say that interest rates will over time go up. So what are you planning on going forward, over the five years that you say the deficit will be eliminated?

Hon. Dwight Duncan: Rising interest rates, I think, are on everybody's radar. I don't think I would conclude necessarily that they'll go up, and if they do, by how much. There's a divergence of opinion on that. But we do take interest rates—I mean, they have a direct consequence for us. We borrow. You'll see that, I think until this year, overall borrowing costs have come down. The Ontario Financing Authority has done a very good job at refinancing our debt, getting it profiled at lower interest rates. So there is a risk in out-years around that. Again, the way governments manage those risks is through contingency, through reserve, through proper planning, and we will provide for that.

Like you, I've heard various economists talk about rising interest rates in the coming years. I wouldn't hazard a guess today to say if they're going to go up or by how much, but suffice to say through our planning processes, we do provide, I think, adequate contingency and reserve to deal with those changing circumstances.

The Vice-Chair (Mr. Garfield Dunlop): Okay. That just winds it up for now. We'll recess for lunch and be back here at 2 o'clock.

The committee recessed from 1304 to 1405.

The Vice-Chair (Mr. Garfield Dunlop): We'll reconvene the meeting. Minister, welcome back. We'll be starting this round with the third party. Feel free to go ahead.

Mr. Michael Prue: You're both safely ensconced in the seat. All right.

Hon. Dwight Duncan: Well ensconced.

Mr. Michael Prue: All right. Just a comment, but you can answer it if you'd like. When you were answering the question about poverty just as I concluded, and what the government might be expected to do, the answer came back on what the government has done in the past. Increasing the minimum wage: I don't believe that cost the budget any money at all, and if I'm wrong, correct me. You talked about the 11% over six years that has been given to people who live on ODSP and Ontario Works, which is slightly under the rate of inflation over those same six years, but you didn't talk at all about the clawback of the monies that the disabled make. Though you listed those as accomplishments, is that what we can expect in the next round?

Hon. Dwight Duncan: First of all, what we did this year was indicate the measures by which you judge your success or lack of success. Clearly, minimum wage is an important component of that, so we do include that. Governments do have a choice. They can not raise it, if they choose, or delay raising it—I think it hadn't been raised for a number of years prior to us coming to office. So we have taken many steps on a number of fronts, and I want to re-emphasize that. These are not things that we've done in the past; a number of the things that I outlined today are things that are being implemented now that were contained in the budget. So, not to put too fine a point on it, but we've taken a number of steps. We've invested a lot of money, it's been endorsed by a range of groups active in assisting people of more modest incomes, and we'll continue to work towards a meaningful reduction of poverty. I think what's most important, however, is that for the first time we've established what those measures are, and we're going to judge our performance against them going forward.

Mr. Michael Prue: I have a number of questions in other areas. I'd like to start with pensions. Recent rule changes related to shortfalls in pension solvency valuations allow businesses to spread their solvency payments from five to 10 years with the consent of active members or their collective bargaining agent and retired plan members. Have I got that right? That's what's happened?

Hon. Dwight Duncan: That's correct.

Mr. Michael Prue: Okay. Are these rule changes temporary or permanent?

Hon. Dwight Duncan: Those are temporary, the ones we've announced. We are looking at pension reforms and responding to the Arthurs report, and as I indicated here earlier this morning, we will be responding—I think there were 122 recommendations in the Arthurs report—likely with two pieces of legislation: one this fall and one next spring, responding to all of the recommendations contained therein.

Mr. Michael Prue: Okay. Can you explain how the consent process works, where a business is allowed to spread the solvency payments with the consent of active members or the unions? How does that process work?

Hon. Dwight Duncan: Peter?

Mr. Peter Wallace: I'm going to ask Steve Orsini to come up and explain this.

Mr. Steve Orsini: The solvency measures were first announced in December. We consulted with various groups, business and labour. We announced the parameters in the budget and the regulation has been introduced. Essentially, what we've done is adopt similar to what the federal government has done in terms of a consent mechanism. So it's really that one third have to vote against moving to a 10-year solvency from five years.

Mr. Michael Prue: I don't understand; one third have to be against?

Mr. Steve Orsini: Yes, that's correct.

Mr. Michael Prue: So if one third is against, it doesn't happen?

Mr. Steve Orsini: That's correct. There has to be proper notification, and there has to be a chance for—and if the union represents both the retirees and/or the union members themselves.

Mr. Michael Prue: So if the union were to say no, as an example, it wouldn't happen?

Mr. Steve Orsini: That's correct—the combination of both.

Mr. Michael Prue: Can you tell me how many plans or how many companies have approached the government for solvency relief since this was announced?

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Mr. Steve Orsini: I wouldn't have that on hand. I don't know when we received that. It's based on the first valuation, so a couple of points: One is, we made this retroactive until the end of September last year, because that's when the markets, as you recall, changed dramatically. There were a number of other measures. So we made that retroactive in the spring bill, and then we brought the regulation forward. Essentially, eligible plans at the first valuation from that date would be eligible. Some of them have yet to bring in their valuation, so we'll wait to see as it unfolds.

Mr. Michael Prue: Have there been a few? None? Hundreds?

Mr. Steve Orsini: We have gotten a lot of feedback that this has been well received. We can only go by what people have said: that this is important for them to meet their payroll obligations—but knowing that the markets fluctuate—and this gives them a little bit of breathing room by amortizing it over 10 years. In addition—and it's outlined in the budget—if you're amortizing your solvency shortfall over 10 years, that can count toward your 15-year going concern payment. So it has a bit of a double benefit.

Mr. Michael Prue: You can't answer that today, but can you provide me with the number and the list of companies that have requested relief?

Mr. Steve Orsini: We may not have that immediately—and as they come forward—but we'll certainly endeavour to inquire on that.

Mr. Michael Prue: If you can provide me with a list of those that come forward by the end of this month or some time early next month, that would give me a fairly good indication.

Mr. Steve Orsini: There might be a lag as to when we get that information, so we'll have to endeavour to find out what we can give you and when.

Mr. Michael Prue: But it can be done.

Mr. Steve Orsini: I'll have to—

Mr. Michael Prue: Okay. I'm not getting unequivocal answers here.

My next question relates to what the minister has already talked about. Harry Arthurs released his final pension report last November, and he made 122 recommendations. Three of the key ones, though, were to increase the monthly benefit guarantee to $2,500 a month; the second one was the vesting of employer contributions from day one, as opposed to two years; and the third one was to establish an Ontario pension agency to receive, pool, administer, invest and disburse pension funds. This is in two stages: one in the fall, one in the spring. When are each of those three main ones going to be dealt with?

Hon. Dwight Duncan: We haven't finalized that. One of Mr. Arthurs's other recommendations was an actuarial assessment of the PBGF, which is under way now. We have to discuss how, in the future, that will be funded, who will pay for it, how much. These are large issues. I'm not in a position to say at this point precisely when, but we will be responding to all of the recommendations in Arthurs in two phases, one beginning this fall, and the second likely in the spring session next year.

Mr. Michael Prue: I understand that, but am I safe to assume the key ones will likely come in the spring, as opposed to this fall?

Hon. Dwight Duncan: I wouldn't make those assumptions right now.

Mr. Michael Prue: I can't make the assumptions the other way, either.

Hon. Dwight Duncan: That's correct.

Mr. Michael Prue: Therefore, I can't get an answer at all.

Hon. Dwight Duncan: That's correct.

Mr. Michael Prue: I guess that begs, why can't we get an answer now?

Hon. Dwight Duncan: Because these are big, complicated issues. We have not, as a government, made the determination which ones we're going to proceed with immediately. There are a number of pressing realities before us today that compel us to, I think, be prudent in moving forward. Members of the Legislature will have adequate opportunity to address or to debate the government's response or lack of response to any or all of the recommendations contained in Mr. Arthurs's report. Suffice it to say that we engaged this report some two years ago. We have already begun to respond to a number of his recommendations. You're right, those are big ones.

I think we do have to have a debate on pension solvency. I think we have to talk about the PBGF. We have to talk about the fact that it has been underfunded for some 30 years, that specific exemptions were granted under a so-called "too big to fail" clause. We can't repeat those mistakes, and we have to come to terms with the cost of this and then weigh that against alternative ways of dealing with things. So we will respond in due course. Mr. Arthurs spent a good deal of time in consultation; we in turn took his recommendations, put those out for further response, and now we're undergoing, in terms of the PBGF recommendation, an actuarial study of the PBGF, and we will have the government's response, as I say, either in the fall or the spring.

Mr. Michael Prue: At the last federal-provincial finance ministers' conference, a working group headed up by Ted Menzies was established to look at the whole question of pension coverage. This was not formally part of Dr. Arthurs's report, although he did briefly address it. What is happening with that?

Hon. Dwight Duncan: We had our first working group meeting last Wednesday in Calgary. My parliamentary assistant, Wayne Arthurs, attended that. There was agreement on establishing some working papers. In addition, a number of provincial finance ministers are meeting this Friday in Vancouver to discuss—I would term it broader than pension adequacy; the real issue for Canadians, in my view, is retirement income adequacy. Most of us do not have a pension. For instance, the OAS, which is federal, is funded out of tax dollars. That's expected to rise quite dramatically in the next number of years. So Mr. Menzies's group's work has begun. It was attended mostly by parliamentary assistants—I think one minister was there—and a number of ministers are meeting again this Friday. I know that the issue is going to be on the agenda of the Council of the Federation, which I think is meeting in Regina on August 6.

Wayne, I don't know if maybe you can add to the other things you talked about there.

Mr. Wayne Arthurs: Minister, I think you have it pretty clear at this point. A number of officials were there from Ontario and elsewhere. I think it was a very good sharing of information. Some provinces have done some considerable work with a particular focus, and we were certainly there to lend our hand and our expertise to that process. Jack Mintz is going to do some considerable work on behalf of the working group in pulling together the necessary research and to prepare papers for year-end.

Hon. Dwight Duncan: In addition, Ontario is going to be commissioning some of its own work on retirement income adequacy going forward, but we haven't done that yet. And it's interesting, in the case of British Columbia, for instance, they're now moving off of their original recommendations.

I've said publicly, and I'll say it again here, I think this is going to be one of the most important issues we deal with. It goes beyond what I would call pension adequacy and deals with retirement income adequacy. There is going to be a vigorous public debate about that and how we move forward.

You would know this, Michael, because I know you've had a deep interest in poverty issues throughout your public life: One of the great successes of the latter part of the 20th century in public policy was the dramatic reduction of poverty among the elderly—

Mr. Michael Prue: Absolutely.

Hon. Dwight Duncan: —and we don't want to lose that. So we're engaging in a process.

I've had the opportunity to work quite closely with Greg Selinger, the NDP finance minister in Manitoba. I have not met my counterpart from Nova Scotia, but one thing I think all finance ministers agree on—and I believe there is a consensus now emerging among the first ministers as well—is that we do have to pursue this discussion about retirement income adequacy. As I said, I expect it will form part of the discussions at the Council of the Federation next week and we'll look forward to participating in that and to the input of members of the Legislature into that process as well.

Mr. Michael Prue: Is this a unanimous consensus going forward, or is Quebec going to be the odd person out?

Hon. Dwight Duncan: Quebec certainly has a—it depends on what you're talking about. Quebec is certainly interested in the issue and will participate—they have up until now—but this discussion will go beyond pension adequacy and discuss retirement income adequacy and the three pillars. Alberta and British Columbia have laid out a number of recommendations. Frankly, British Columbia is already talking about moving off some of those and looking at the issue in a different light, and so I think we're beginning the discussion. Here in Ontario, we've now completed the public consultations on the defined benefit portion of retirement income security and now we have to look at the broader range of issues, and I look forward to engaging in that discussion.

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But there is, I think, a desire to have consensus among the provinces, moving forward, if we can achieve that. Can we achieve it? I don't know. At the last meeting up at Meech Lake, there was certainly an expressed desire to try to achieve consensus.

Mr. Michael Prue: Is there a specific date for reporting back? Is there some time frame to put on this?

Hon. Dwight Duncan: Not at this point. I think this Friday we'll begin that discussion, and likely the Council of the Federation, we'll hear more about that from them.

Some provinces want to move very quickly; for instance, again, British Columbia has done a considerable amount of work in preparation, although they are now moving away from their original recommendations. Other provinces, like Ontario, have focused on defined benefits but have not looked at the broader question. That's part of what this research initiative is about. That's part of what we're going to be talking about, moving forward.

Mr. Michael Prue: Is it fair to say that, broadly speaking, a number of possible solutions to the coverage issue will be discussed—I think you've already said that—ranging from some tax incentives floated by the insurance industry, to an expansion of the CPP, to establishment of an Ontario pension plan. Any of these things—are they all being discussed? None of them?

Hon. Dwight Duncan: None of them are being discussed specifically this week. What we are going to be talking about is moving forward. We're beginning to do research. We do have to do consultation on something this broad. We want to look at the broad question of retirement income security, the proper role of the federal government and the proper role of the provinces. How do private plans fit into that?

It's a very large, complicated piece. I know with Mr. Arthurs's report, we were focused just simply on defined benefit plans. There was enormous input over two years. Subsequent to the recommendations, there was again enormous input over I think six months, and additional time to respond.

I think there will be greater clarity coming out of the Council of the Federation next week with respect to the direction the first ministers want to take us in. Suffice to say, we have begun some of our work in due diligence, and there will be, I imagine, considerable opportunity to discuss these issues in the coming weeks and months.

Mr. Michael Prue: That goes down to my last question on this. This is a huge issue for many people and I think for all members of the Legislature. Are there any plans to involve the opposition parties and the people of Ontario in advance of the legislation being put forward into the House?

Hon. Dwight Duncan: To be candid with you, those are the kinds of things that we can talk about. I know that your party has had public hearings around Ontario with respect to defined benefit plans, I think. I think that's a worthy undertaking. As you know, my staff have met with your staff to talk about these issues and have given them considerable briefing on the PBGF particularly, up until now.

My sense is that there will be good opportunity in advance of legislation to debate and discuss these issues. Obviously, on something of this nature, hopefully, we can arrive at consensus on a number of things, and where there's division, where there's debate, fully understand each other's positions and then proceed from there.

The Vice-Chair (Mr. Garfield Dunlop): Okay, you have another minute there, Mike, for a quick question.

Mr. Michael Prue: I'll just let it go. I don't want to start a question in a minute.

The Vice-Chair (Mr. Garfield Dunlop): Okay?

Mr. Michael Prue: Yes, just let it go.

The Vice-Chair (Mr. Garfield Dunlop): All right, then we'll move it over to Mr. Arthurs.

Mr. Wayne Arthurs: Mr. Chairman, thank you very much. One of the interesting parts about estimates is that it gives you a chance with the minister to explore a broad range of files and have the opportunity to have those on the record, and for each of the parties to pursue them accordingly.

One of the matters that we haven't had a chance yet today to discuss and get the minister's thoughts on—the processes, successes, and challenges—is the entire auto insurance file.

When we came to office in 2003, there was some substantive work that was undertaken at that point in time to make legislative changes. As part of that legislative change, there was a built-in requirement that the province undertake a review through FSCO after five years, or in that kind of time frame. The process of that review has been ongoing now for some time.

Minister, would you provide me with an update, your sense of what has transpired in regard to that review and how you see things today on that particular file? I'll have a couple of follow-up questions as well, but the overview would be certainly helpful.

Hon. Dwight Duncan: Thank you, Wayne. In your capacity as my parliamentary assistant, you've led the way on a number of the consultations that went on over the course of the last year. I think we started them last summer. We had over 90 submissions from various stakeholders.

FSCO has posted and made public a number of recommendations that we have, again, taken out and consulted on. We have heard back from a number of stakeholders. I had hoped to have this wrapped up by the end of June, middle of July. The complexity of the issues and the response has led us, as a government, to sort of say, "Okay, let's pause. Let's reflect again on these." I do believe we'll be coming forward with recommendations fairly shortly, but I think this five-year review is very healthy.

FSCO had a number of recommendations, some of which may or may not be adopted by the government; others may or may not. We haven't concluded that at this point, as you know. Hopefully we'll be in a position to respond publicly fairly shortly.

Mr. Wayne Arthurs: One of the challenges, I think, in insurance, on an ongoing basis, has been either fraudulent activity or insurance scams of one sort or another. Certainly, over the years we hear a lot about issues around car repairs, towing and all kinds of things related to it. Are there any particular initiatives that have been taken recently or that are proposed to be taken that would provide some assistance in ensuring that the public is not the victim of fraudulent activity or auto-related insurance scams, whether it be the physical vehicle or the health of individuals, as consumers, particularly those inadvertent victims of injury that are, obviously, under the stresses of dealing with their injury? Certainly we want to avoid them being taken advantage of in the system in any way.

Hon. Dwight Duncan: Again, this is part of the overall package. You're trying to strike that balance between fair premiums, adequate coverage, cost pressures or related things like fraud and so on, and FSCO has provided a number of recommendations in this area. That is the balancing act you try to find, the balance between a fair premium and good coverage for the consumer, making sure that we have the regulatory environment that allows us to minimize things like fraud so that more benefits can be paid to those that lay claim on insurance policies. We'll continue to work with FSCO on this balanced package of insurance reforms that will help stabilize auto insurance premiums and continue to protect consumers.

Again, you pointed out that since 2003—premiums are lower now than they were in 2003. In the last couple of years, they have gone up, so they've eaten into some of those savings we've found. Our desire is, again, to strike that balance between fair premiums and adequate coverage, and that's why we're looking at a range of these reforms, including recommendations around fraud and accident/sickness benefits. All of these things weigh into it and weigh into the cost of auto insurance.

Mr. Wayne Arthurs: One of the particular challenges, I think, that we see—and Mr. Christie has led this from the standpoint of FSCO and has pointed it out—is the capacity to provide consumers with information, both information about selecting insurance, about availability, about cost and choice, as well as providing information to those who may find themselves in particular need. That has been a challenge, and remains so, to some extent.

Any particular thoughts or initiatives you can see coming forward that's going to provide a window of opportunity for the public to have the opportunity to take maybe a greater degree of control? I've seen in the media that there has been an increasing focus on opportunities to take advantage of the new technologies as one searches out opportunities for managing costs and product.

Hon. Dwight Duncan: Well, first of all, in this five-year review, recommendations are posted online. People have the chance to respond. The government has implemented a series of initiatives, again, to better protect and inform consumers. We've created a new website to provide more consumer-friendly information about auto insurance, including an online educational rate tutorial that helps consumers better understand how their rates are set;

—protecting consumers by prohibiting insurers from cutting them off after one inadvertent not-sufficient-funds cheque;

—ensuring that all insurers offer endorsement that permits policyholders to exclude specific drivers from their policies;

—banning credit scoring and the use of other economic and lifestyle factors for setting auto insurance rates or determining who gets coverage;

—disclosing commission rates by insurers and brokers after a request from the province, and disclosing contingency commission arrangements by brokers and the number of insurers they represent;

—releasing an auto consumer bill of rights in the form of a brochure for consumers in a number of different languages.

The best defence against fraud and so on is a well-informed consumer. So not only in terms of the recommendations, we will come forward with some of the steps we have taken to date to deal with those kinds of issues.

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Mr. Wayne Arthurs: Mr. Chairman, I believe that Mr. McNeely has some questions he'd like to pose.

The Vice-Chair (Mr. Garfield Dunlop): Mr. McNeely, please go ahead.

Mr. Phil McNeely: I know that the Nortel pension issue was discussed earlier, but I've met with several people in my riding of Ottawa–Orléans who are very concerned about the issues around that. One of the issues that you discussed this morning was the crystallization of the pension funds, as you put it, and the requirement to purchase that annuity at a very bad time. You said you were looking at the Quebec legislation, that there were certain investment risks that were of concern to you.

When do you feel that there might be further information coming forward to the people who are concerned with the pension and whether there will be added flexibility beyond the annuity option?

Hon. Dwight Duncan: As I indicated earlier, I've also heard from pensioners at Nortel, as I know you have. Thank you for passing on the concerns of your constituents.

We are looking actively at a range of options, as we speak. There has been no formal request up until this point. The issues raised by your constituents and others are an intriguing part of that mix of potential options available to the government to respond, and so we will continue to look at those options, not just in the context of Nortel, but in the context of the pension benefits guarantee fund going forward. We have looked at Quebec. We're not sure that the Quebec legislation achieves what some think it achieves. We are looking at that actively among a number of other options. Obviously, this could come to fruition soon. I don't want to give a specific date. We may be driven by court processes and by what the stakeholders themselves do. Suffice to say we're looking at a range of options that may or may not assist us and assist those employees who could be impacted by the situation and the pension plan at Nortel.

Mr. Phil McNeely: Thank you. Chair, I think Mr. Flynn has a question.

The Vice-Chair (Mr. Garfield Dunlop): You still have 10 minutes in this rotation.

Mr. Kevin Daniel Flynn: Okay. A few of us spent some time last week down in Philadelphia speaking with some of the state legislators. When you see some of the challenges that they were facing at the state level, to be honest, I felt very fortunate to be from Ontario. I just wonder, do you do a ranking of the economy in our jurisdiction as compared to other jurisdictions? How well have we fared? Can you sort of quantify the drop that we've experienced in comparison to other jurisdictions, at the state level particularly?

Hon. Dwight Duncan: In my opening remarks, I think I indicated that Ontario has the seventh-largest economy in North America. So we're big relative to a number of the states in the United States. It's difficult to compare state governments with provincial governments because of the different legal environments. As I understand it, a number of states can't borrow money, for instance. So there's a range of challenges there, comparing apples to oranges and apples to apples.

I think it's fair to say that because of the downturn in manufacturing—particularly the auto sector—and forestry, Ontario went into this downturn sooner than other Canadian provinces and probably will be slower coming out of it.

Anecdotally, I remember attending a finance ministers' meeting just a little more than a year and a half ago, and normally you go around the table and you start on that side with Quebec and it ends up on this side with Ontario. All of the finance ministers were giving very rosy outlooks about what was happening in their provinces, and Ontario's wasn't as rosy at that point in time, because we'd already seen the manufacturing and forestry sector. But what's interesting is how things have changed since then. I don't say that with any particular satisfaction, because we as a country—all our prosperity is linked to one another. Alberta's had enormous challenges resulting from the decline in the world price of oil. Saskatchewan, which had been doing relatively well, and still does well relative to other provinces, has even seen things because potash prices have fallen. Other provinces have experienced challenges sector by sector, some worse than others, some more than others, but we still are the largest part of the Canadian economy. We will lead—Canada will come out of this when Ontario comes out of it. We've been able to partner with the federal government on a number of initiatives related to the economy. And so we have our own unique challenges but we have our own unique strengths. Moving forward, you can look at any number of indices that indicate relative performance. Stats Canada provides those.

I watched this morning on CNBC—they spent a lot of time discussing the situation in California, for instance, and the situation in New York state and the situation in a number of state governments. It's difficult to compare us with them, but I think overall our economy has remained strong. We have a number of things to be positive about. We have taken steps on tax competitiveness to continue to build on that strength. We believe education is crucial, a crucial competitive advantage. Public health care: I don't know about you, but I've been watching the debate in the United States with just enormous interest, and they are wrestling with enormous challenges. Our sister provinces have their own challenges that, through no fault of their own—I would say it again, this cuts across political lines; some governments are Conservative, some NDP, some Liberal—we've all faced. I think the one thing most people I've talked to understand is that a lot of what's gone on in the economy today is beyond the control of any one government. I think watching the G20 work well together, the G8 work well together, seeing the stimulus packages that have been agreed to around the world, that's one of the things that has now stabilized, at least for the moment, the financial sector.

I believe strongly that the investments we've made in the automotive sector are going to bear fruit. I think we're already starting to see that. You spoke eloquently this morning about flex manufacturing and the importance of that to the Oakville Ford plant. And so I think, relatively speaking, we are and we'll continue to be a very strong component of Confederation. I believe the policies that we've put in place will help us come out of this bigger, better and stronger than we were when we went into it.

Mr. Kevin Daniel Flynn: One of the issues, certainly in the States, that a lot of our colleagues down there were talking about was obviously the real estate product and the subprime mortgages. That certainly has been a major thorn for them. You mentioned auto and forestry. Is there any other part of our economy you can point to that is either going to be a real challenge or is one that holds some real promise?

Hon. Dwight Duncan: Manufacturing in general and forestry will continue—I mean, the real promise is in high-tech wireless communications. Financial services: One of the things we saw coming out of what happened in the US last year is how much better regulated our financial institutions are. Back 10 or 12 years ago, when there was a huge move to deregulation, the federal government resisted that. We've come through this, relatively speaking. Our banks are viewed among the best in the world. Toronto is the third-largest financial centre in North America. There has been a huge increase in employment in the financial services side. Not only are we big, but we're good at it, so you'll see growth, I think, in the coming years in that sector. The high-tech sector: We've invested in a lot of media development, digital media. We're attracting some of the best companies in the world. We're attracting all of the auto sector, not just the Detroit Three. But all of them, as you know—Toyota and Honda—have been challenged. The governments at the national level have been involved in helping to stabilize that sector.

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So we will see. Some sectors do well, others won't do so well. Manufacturing will continue to be challenged, moving forward, but Ontario's economy has, over time, lessened its dependence on manufacturing. I think manufacturing accounts for about 17% now. Pat Deutscher, our chief economist—maybe, Pat, you could address a bit of that, some of the sectors that are doing relatively well, or we expect well, and maybe there are some others that we don't expect such positive results from.

The Vice-Chair (Mr. Garfield Dunlop): Your name please, just for the record.

Mr. Pat Deutscher: Pat Deutscher, ADM of the office of economic policy at finance.

The Vice-Chair (Mr. Garfield Dunlop): Thank you. Go ahead.

Mr. Pat Deutscher: Minister, I think you did address and identify many of the sectors that have real strengths in Ontario, going forward. The financial services sector is one that has been particularly prominent. It's striking that our financial services sector, despite being subject to those same forces as other parts of the world, continued to grow in terms of output and the number of employment, even as the overall economy has weakened. That really is a sign of fundamental strength.

I think that a lot of the vigorous sectors that we see in Ontario are really based on knowledge. I think that the strength of our universities and our health system, for example, means that our biotechnology industries and pharmaceuticals and medical imaging sectors like that that Ontario has had—they've been really prominent.

I think the key point is that the economy will always continue to evolve. Sectors come, rise and fall in relative strength. There's a report out yesterday by Statistics Canada about the evolution of Canadian manufacturing over the fairly long term. Taking a quick look at it, it looks like an awfully good study. When you talk about Canadian manufacturing, to a large extent you're talking about Ontario manufacturing. Basically, it addresses the question, are we deindustrializing? Is there any evidence for deindustrializing? The answer, basically, is no. The manufacturing sector has continued to grow over time; it has cyclical ups and downs. But the rest of the economy, the service sector in particular, has grown faster, so that over time, our relative dependence on manufacturing has declined.

Mr. Kevin Daniel Flynn: Just so I'm clear—

The Vice-Chair (Mr. Garfield Dunlop): I think you're pretty well cleaned up on your time here. Quick question?

Mr. Kevin Daniel Flynn: It was really short.

The Vice-Chair (Mr. Garfield Dunlop): Okay, do it real quick.

Mr. Kevin Daniel Flynn: You said that the manufacturing sector has continued to grow; it's just taking up a smaller proportion of the overall economy. Is that true year after year?

Mr. Pat Deutscher: No, it absolutely is not. Manufacturing is a cyclical part of our economy, a cyclical part of any economy. So if you look at the recent years, there is no mistaking the pressures on manufacturing, both in terms of output and, more importantly, in terms of employment. So no, that's a long term—

Mr. Kevin Daniel Flynn: I just wanted to be clear on that, Mr. Chair. Thank you.

Mr. Peter Wallace: Just as a broader structural point, one of the unique challenges of this particular economic downturn is how much of it is externally driven. Many of the sectors that the minister talked about are sources of relative strength, sectors that are based largely in Ontario, with suppliers and links largely within Ontario. The manufacturing sector is, of course, extremely open and extremely prone to trade, a great deal of that with the United States, particularly in vehicles and parts. We are therefore kind of side-swiped very severely by the US decline in demand.

The really good news story is that that US decline in demand and credit-freezing that happened also really badly damaged their markets in a way that hasn't migrated north; we have been insulated from that to some considerable extent. But it does kind of exacerbate and exaggerate the cyclical aspects of manufacturing.

The Vice-Chair (Mr. Garfield Dunlop): Thank you very much, and we'll now go to Mr. Miller.

Mr. Norm Miller: I'd like to ask questions to do with GM and Chrysler government assistance. According to an article in the Globe and Mail from June 2, "Under the deal, GM will have an initial public offering in 2010. Canadian governments must divest 35% of their stock within three years, 65% within six years, and the rest within eight years—regardless of the share price and potential for taxpayers' losses. Officials said that there is a certain flexibility around the timing of the share sale, but those minimums must be met regardless of the state of the economy at the time."

Given that the Ontario government cannot time the sale of the GM shares so as to get the best price, does the Ministry of Finance have any projections as to the loss on the investment made by the Ontario taxpayers as a result of the sale of GM shares at those set dates?

Hon. Dwight Duncan: I'm going to allow my deputy to respond to that first.

Mr. Peter Wallace: The accounting for it is fairly straightforward. The total investment in the auto sector is approximately $4.8 billion. The actual fiscal cost associated with that is $4 billion. That is, of course, the dollar amount that is reported in quarterly Ontario finances and consistent with the minister's remarks back in June of this year.

The question of the value of the equity we hold will be something that will be determined by the markets. At some point, Ontario and Canada will move—I think there will be a policy move—to devolve some of that. That will likely occur through some part of an initial public offering. That will be determined by a discussion between governments. It will be a function of the state of the markets. It will likely be heavily influenced by the nature of the recovery the companies demonstrate and it will also be heavily influenced by actions of the US Treasury in terms of its share. So all of those things mean, quite frankly, it's very difficult to put a definitive price on that. The cost is the $4 billion that we have outlined. If there is value to those shares, that will serve to reduce that cost.

Mr. Norm Miller: Okay. So is this article correct when it says that Canadian governments must divest 35% of their stock within three years and 65% within six years? Is that part of the arrangement?

Mr. Peter Wallace: There are various arrangements. I don't think that's a fully accurate description. I do not believe that the government of Canada and Ontario have put themselves into a straitjacket in terms of a specific timetable associated with the devolution of those assets.

Mr. Norm Miller: Okay, thank you. As of November 2007, GM Canada had a pension deficit of about $4.9 billion. Reports say it ballooned to $7 billion after financial markets crashed last year. Could you please inform the committee of the real, current value of GM Canada's pension shortfall?

Mr. Peter Wallace: The restructuring of General Motors and General Motors Canada achieved a number of critical pieces, and I'll ask Steve to talk specifically to the current value of the GM pension. The company itself, the parent company and of course the Canadian subsidiary, was in very significant financial difficulty through a whole variety of factors, including pension liabilities, liabilities to suppliers, a whole variety of other questions. Through the combination of investment by the US Treasury, investment by the government of Canada, investment by the government of Ontario, a range of very significant concessions by labour groups on both sides of the border and of course some significant changes in the value of the bonds associated with those enterprises, we ended up with a substantially restructured new corporation.

For Ontario—and this is not the case in the US—we were able to take all of the existing General Motors assets and liabilities and move those over into a fundamentally restructured new corporation. So all of the existing productive facilities, unlike in the United States, where there will be some additional closures and other elements continuing, we were able to secure those assets. At the same time, we were able to fundamentally address the liabilities that had made the company into a company that was on the verge of bankruptcy, both in the United States, where it did file for bankruptcy, and in Canada, where it managed to work through the process without a formal CCAA filing.

As part of that, the pension liability has been effectively defeased as a threat to the viability of the company. We have also been able to ensure that residual aspects of that which were problematic from a public policy perspective, particularly the 5.1 election or the earlier "too big to fail" decision, were effectively moved out of existence as well, and that was agreed to by the company and of course the bargaining agent.

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Mr. Norm Miller: Therefore, is it true that GM plans to use the savings generated through their union agreement, and as much as $2 billion from the government loans, to make a $4-billion contribution to its pension shortfall?

Mr. Peter Wallace: All of General Motors has been restructured as part of a north-of-$50-billion enterprise-wide restructuring, with contributions from US Treasury, the government of Canada, the government of Ontario, some contributions in kind from UAW, CAW, and some involuntary contributions from bondholders. That in effect allows the US company to defease its obligations and allows the Canadian arm to defease its obligations. As part of that, yes, the pension issue was a significant impediment to the future operating structure of the company, so there are contributions made by the Canadian enterprise into the pension fund that put it on a stable basis and make sure that it is no longer a threat to the viability of the enterprise going forward.

That is tremendously important from the perspective of active workers, pensioners, and of course simply the existence of the employer and the ability of the company to continue producing cars in a competitive way.

Mr. Norm Miller: To be clear, you're giving GM Canada provincial tax dollars to pay for its pension obligations, even though 70% of Ontarians don't have a pension of their own.

Mr. Peter Wallace: We have ensured that the competitive dynamic of the company—this is a company that was ill, that had no reasonable prospect of continuing operations in its current structure. It shared that precisely with the US parent as well.

As part of the overall restructuring, we have addressed the liabilities, in conjunction with US Treasury, the government of Canada and the government of Ontario, to ensure that the liabilities that were outstanding, the liabilities associated with the pensions, the liabilities associated with parts suppliers, the liabilities associated with bonds, revolving bank accounts—all of those have been effectively addressed so that the company is put on a solid footing going forward, and it's now essentially in a strong competitive position.

Mr. Norm Miller: But to be clear, there are provincial tax dollars going to bail out the pension, whereas the federal Minister of Industry has said that federal dollars are not going to bail out the GM pension.

Mr. Peter Wallace: We have all put money into the broad restructuring of the fund. That money went to US Treasury. Ontario money goes into the government of Canada. That's then distributed to US Treasury. That then works its way through to the parent company and then through into the defeasement of the liabilities associated with the Canadian operations.

Mr. Norm Miller: So is the Ontario money being used differently than the federal money?

Hon. Dwight Duncan: No. In fact, our money went to the federal government. It did not go directly to General Motors. The federal government then, as the deputy said, took that money, and it went to the United States Treasury, and through the United States Treasury the flow of funds has gone to—the newco, I guess?

Mr. Peter Wallace: Yes.

Hon. Dwight Duncan: The newco. So our money in fact went to Ottawa. We didn't pay anything directly.

Mr. Norm Miller: How can you justify taxpayers' dollars to support the GM pension fund when Nortel pensioners are left wondering just what will happen to their pensions?

Hon. Dwight Duncan: First of all, the terms of the agreement are that GMCL will put a $4-billion contribution into their own pension. Over the next five years, they'll be paying $200 million in. The company is still viable. We have loaned the newco money. So there was no direct payment into the pension plan.

With respect to Nortel, first of all there has not been a filing yet under the PBGF. I would not draw conclusions at this point with respect to what will happen. As I indicated this morning to your colleague Mr. Sterling and to Mr. McNeely, there have been a number of ideas put forward. We're looking at them from an overview perspective as to how to respond in the event that there should be a claim, but the money for General Motors Corp. is actually, again, Ontario's money. It went to Ottawa, from Ottawa to the United States Treasury, then the loans to General Motors Corp., and they in turn have undertaken certain obligations with respect to managing the pension issues.

Deputy, did you want to add to that?

Mr. Norm Miller: On the point, though, you differentiate between Nortel and GM by saying GM was viable. They were bankrupt and Nortel was bankrupt as well, so GM wouldn't be here if there wasn't a whole bunch of government money in it right about now.

Mr. Peter Wallace: I want to spend a second on the GM context, and this applies to the Chrysler context as well. I want to remind members of the context that was faced by the government of Ontario and the government of Canada in late fall of 2008. It became apparent in the late fall of 2008 that the companies were going to file, that they were technically bankrupt, that they did not have the cash flow relative to the market that they had to allow them to continue in terms of operations.

To be very frank and very direct, the full depth of the commercial dysfunction in those enterprises was not fully apparent, nor was the complete absence of partnerships other than Fiat which would be viable, so it was very difficult, speaking very frankly, for the US Treasury, for the government of Canada, for the government of Ontario to make a realistic estimate of the ultimate cost of any type of element. But even under the Bush administration, it became apparent that the government of the United States was going to intervene directly in these enterprises and it was going to intervene to put them on a stable footing. That basic policy thrust was carried forward by the Obama administration. In that sense, and I think the Prime Minister has been very eloquent and clear on this subject, the opportunity for a normal commercial restructuring, to the extent that such an animal ever does exist, a commercial restructuring in which the assets are deployed through commercial mechanisms, was simply never going to be available in that context.

We faced a very difficult policy choice in conjunction with the government of Canada. The minister spoke to this earlier: We either participate or we lose at least GM and Chrysler as part of the assembly industry. We know that there is a strong link between the assembly industry, the parts industry and, of course, with the parts industry, between that aspect of the assembly industry and the whole industry. The government of Canada took that very seriously. They came to a conclusion that this was simply too big a risk from a macro perspective to accept. They looked to the government of Ontario to participate in that arrangement. We worked as full partners—one third, two thirds—in order to support a proportionate restructuring of the industry in which we were able to ensure that Ontario's share—and it is Ontario's share—of the industry was going to maintain, was going to be stable. At the same time, we were able to secure appropriate commitments around new investment, R&D and a few other areas as well, going forward.

So that was basically the approach, but one of the critical aspects—I apologize for taking so much time, but one of the critical public policy differentiations between this and any other period was simply the role of the government of the United States in indicating that if the governments were not there to support this, US taxpayer money was not going to support subsidiaries of these operations. In that context it was very clear that those subsidiaries would not likely exist for a long period of time. That would have the potential—and the government and the Prime Minister have been eloquent on this—of a cascading effect through the economy, with macroeconomic consequences. In that sense it was a little more analogous to some of the interventions in the financial sector than it would be to other aspects.

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Mr. Norm Miller: How much time do I have?

The Vice-Chair (Mr. Garfield Dunlop): You're down to five minutes.

Mr. Norm Miller: Okay, very good. Maybe I'll switch to another topic that I think will fit in five minutes, then.

I'd like to ask about MPAC briefly. In its financial statements for the 2008 calendar year, MPAC budgeted $2.2 million for consultants but, in fact, spent almost $5.2 million for consultants. Can you explain why the agency went so significantly over budget on consultant fees?

Hon. Dwight Duncan: There were a number of recommendations, and I'm going to undertake to get back to you with more specifics on this. My recollection was there were, as you'll recall, a number of recommendations from the Ombudsman with respect to MPAC. We undertook the implementation of those. Some of them had to do, as I recall, specifically with computer applications. But before I give you a definitive answer, Mr. Miller, I'd like to take your question and respond to it entirely.

Mr. Peter Wallace: I apologize as well; I don't have that information with me. We will get back to you.

Mr. Norm Miller: Do we know if this extra $3 million in consultants was tendered contracts or untendered contracts?

Hon. Dwight Duncan: Off the top, I don't know that, but I will undertake to get back to you.

Mr. Norm Miller: Do we know if that extra $3 million was spent on communications and marketing consultants?

Hon. Dwight Duncan: I don't know the answer to that. I will get back to you.

Mr. Norm Miller: Okay. Well, if you could get back to me on that, that would be appreciated.

Okay, just following up on the pension line: The budget bill included an amendment to permit the Lieutenant Governor in Council to make grants to the pension benefits guarantee fund. Why was this amendment necessary?

Hon. Dwight Duncan: We brought that forward. It provides governments with greater flexibility to respond to challenges in the pension benefits guarantee fund.

We talked earlier today about the situation that that fund is in. It has never been properly funded over the 30 years of its existence, and those amendments were, by and large, developed and introduced and part of the budget, again, to give governments greater flexibility to respond to challenges that come forward, much the same way as we allowed the 10-year amortization that we announced in December and so on.

Mr. Norm Miller: The Premier said, "What we're doing, through our budget, is making it clear that we don't have that responsibility, but we are reserving the right, that maybe at some point in time it may be—" Now that you've bailed out GM Canada's pension plan, do you have any intention of making grants or loans to the pension benefits guarantee fund which the Premier himself has said is grossly underfunded?

Hon. Dwight Duncan: To reiterate what the Premier said and to put it into proper context, that fund has never been properly funded. I would disagree with your characterization of the General Motors situation. I thought my deputy minister explained it quite well with respect to the response to General Motors. We have indicated—

Mr. Norm Miller: He did explain it well; I would agree with that. But the truth of the matter is you did bail out the pension fund.

Hon. Dwight Duncan: He explained it very well, and I would not draw the same conclusions that you did from that explanation.

Suffice it to say we have indicated there have been challenges with respect to the pension benefits guarantee fund. The fact that successive governments of all political parties did not fund it properly is posing real challenges today. We will continue to respond to individual circumstances. We'll be bringing forward legislation in the fall dealing with some aspects of it.

As you know, Mr. Miller, Mr. Arthurs had a number of recommendations, and we have begun an actuarial study of the pension benefits guarantee fund to ensure that members of the Legislature have accurate and up-to-date information with respect to that fund on a go-forward basis.

The Vice-Chair (Mr. Garfield Dunlop): You've got just a few seconds.

Mr. Norm Miller: It's okay.

The Vice-Chair (Mr. Garfield Dunlop): Okay, we'll move over, then, to the third party. Mr. Prue?

Mr. Michael Prue: Thank you. A couple of little areas: I'd like to talk about auto insurance for a few minutes. Your government took considerable pleasure in answering questions in the House as auto rates went down, but auto rates today are going up and sometimes pretty fast. Drivers are seeing, on average, a 3.2% increase in quarterly rates. Four companies are increasing their rates by more than 10%. It's the highest quarterly rate since your government was elected. Do you consider this to be acceptable?

Hon. Dwight Duncan: We created the opportunity for a five-year review of auto insurance. We are undertaking the first of those five-year reviews. You're right: We were pleased with the results of the 2003 initiative. At one point, premiums had dropped 14%. Recent changes have eaten into that. We are still below where we were on average in premiums in 2003. As part of the five-year review, we have received a number of recommendations from FSCO. Moving forward, we are evaluating those recommendations, again, consulting with various people, and we'll be responding fairly soon with specific proposals as to how to regulate the sector going forward.

Mr. Michael Prue: When exactly do you plan on responding to those 39 recommendations?

Hon. Dwight Duncan: As I indicated earlier, we'd hoped to be out by now with it. We're still reviewing. We had quite a lot of feedback with response to FSCO's recommendations. As a result of that, we've done some more work. My hope is to have the response in the next few weeks, but we are taking our time in an effort to try and get it right the first time.

Mr. Michael Prue: Okay, because you did state in the House earlier that it would be in June—

Hon. Dwight Duncan: Yes.

Mr. Michael Prue: —and then it became July. Now it's obviously going to be August.

Hon. Dwight Duncan: Yes, that's right.

Mr. Michael Prue: August for sure?

Hon. Dwight Duncan: That's our intention and, as I say, this has become a very complex process, one in which we've engendered enormous dialogue with stakeholders and the public, and we want to make sure we get it right.

Mr. Michael Prue: The most contentious issue by far that I have seen on the streets and in protests and letters to the editor and reviews is to cut medical rehabilitation benefits from $100,000 to $25,000. In a Globe and Mail article, the medical director of one Toronto hospital said that reducing the cap would not cover the therapies needed. I know you're going to respond in August but many, many people out there are watching this one particular issue. Is this going to be addressed in August?

Hon. Dwight Duncan: We will respond to the recommendations in August. The other issue we hear a lot about—we just heard it from you—is auto insurance premiums. So the point of the exercise is to try to find the right balance between appropriate premiums associated with adequate benefits for consumers, and that's the balancing act. So we have heard—you're right—a lot on that issue, we've heard a lot on a range of issues. We've also heard a lot from people who don't want to see premiums go up. So we take all of that into account and are trying to come forward with regulatory recommendations that will find that right balance.

Mr. Michael Prue: The difficulty that I have is that people may not want to pay an increased premium, but a person walking along the street who is struck by a car doesn't have any choice as to how much the insurance company is going to pay. They didn't buy the insurance, they're not driving an automobile. Some non-catastrophic injuries can be severe to the point that $25,000 won't cover things like brain injuries, spinal cord injuries and the like. Why would the government consider reducing an amount which is probably too low as it stands?

Hon. Dwight Duncan: There have been a number of recommendations that have been brought forward: some longer-term recognition, for instance, of the definition of catastrophic injury. Those form the body of recommendations that have been brought forward by FSCO, again trying to strike that balance between insurance premiums and how much they should rise versus an adequate level of benefits. Obviously we're striving to find the right balance so that there will be adequate protection for those people who experience the kind of misfortune you have described and recognizing that those benefits do have a cost associated with them that has to be borne in what I would call an equitable manner. So we're trying to find that balance, Mr. Prue, through this process and, as I say, the government will be in a position to respond fairly soon.

Mr. Michael Prue: With these new increases in rates, Ontario has again become the province with the highest automobile insurance rates. We weren't the highest for a little while, but we're back there on top again. There has been some editorial opinion in, of all places, the Toronto Sun questioning whether or not this is the time to start looking at public auto insurance again. Is your government looking at this in terms of the FSCO recommendations as an alternative to insurance that will not adequately cover those who are injured?

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Hon. Dwight Duncan: No, we're not looking at public auto insurance, and I would also remind you that, yes—I apologize, I hadn't seen that analysis that our premiums were the highest. We also have the highest benefits. I don't believe there is another province that has $100,000 accident. I may be wrong; I'll double-check that. We do have, by any measurable standard, the highest benefits overall, and again, that's part of the balancing act. As I say, we will be responding to the recommendations of FSCO fairly soon, trying to maintain that balance as best we can.

Mr. Michael Prue: Has the insurance industry indicated to you at all why not only do we pay the most, but in terms of some of the other provinces, they pay so considerably much less?

Hon. Dwight Duncan: Their view is that it is because we do have high benefits relative to most other provinces. Again, you have to look at what they say, try to assess that, compare that to other jurisdictions, and we're in the process of doing that. The insurance companies themselves are one stakeholder. You're absolutely right we've heard from a number of others that provide services that derive their income from insurance claims about the level of benefits and the need to protect them, but again, to your specific question, what the insurance companies have said is that one of the reasons our premiums have been going up is that we still offer benefits that are generous relative to other provinces.

Mr. Michael Prue: The insurance companies paradoxically state that they made $2.4 billion last year on general insurance but lost money on auto insurance. Why are they struggling so much to stay in this game if they keep losing money?

Hon. Dwight Duncan: You'd have to ask them. FSCO does keep a record of the companies in Ontario, and I think there are some 25 of them that operate. The money they make or lose on the auto side—as I understand it, some companies see that as a loss leader; they would describe it that way. You'd have to ask them about that. There's always this give and take in terms of what the right balance between premiums and benefits is, and we have a number of recommendations from FSCO, and we'll be responding to those in due course.

Mr. Michael Prue: The Quebec government has gone midway between what some of the other provinces that have public auto have and what Ontario has, and that is by offering a Quebec auto insurance to cover the first portion of it so that everyone is covered at least minimally. Would we consider going down that road at all?

Hon. Dwight Duncan: We have not looked at that specific model in the context of this review. We will respond to the recommendations of FSCO and continue to regulate the industry to the best of our ability, trying to find the proper balance between premiums and benefits.

Mr. Michael Prue: I was watching television a couple of days ago, and I heard your voice. I instantly perked up and I saw you talking about Nortel. Then, you were followed immediately on the television program by Minister Clement. Minister Clement said words to the effect that in all the period of time that he had had discussions with you and with former Minister Bryant, the issue had never once been raised about Nortel, about holding on to the Canadian content. Was he right? It was never once raised?

Hon. Dwight Duncan: It is certainly the responsibility of the federal government. Bankruptcy legislation and Investment Canada are federal jurisdictions. It became apparent, not only to Ontario but to a number of other Canadians last week when they were moving to dispose of assets that, in fact, those considerations had not been undertaken. We don't have the legislative authority nor mandate on that particular side of the issue. We have made considerable investments in technology, in new technologies. As I understand it now, Mr. Clement has agreed to review the options they have available to them subsequent to the intervention of a number of people, a number of organizations throughout the country.

Mr. Michael Prue: But he was not incorrect in stating that it had not been raised.

Hon. Dwight Duncan: The federal government has responsibility for this area and we would expect them to fulfill their obligations, yes.

Mr. Michael Prue: But in terms of the Ontario government having invested—and you outlined quite lengthily all of the investments that have been made around new technology, new industries, research and innovation, and surely electronics and Nortel and RIM and all of this as part of our telecommunications—surely we must have had a vested interest, to at least have expressed an interest.

Hon. Dwight Duncan: We rely on the federal government to fulfill its mandate and obligations under its own legislation. It became evident to a number of individuals last week that there was a potential sale or licensing of a number of federally issued patents in a federally regulated industry under federal legislation to review. We had the opportunity to discuss the situation and decided to respond at the time that indeed our hope was that Ottawa would respond, and as I understand it, Mr. Clement has now indicated that they are looking at those options.

Mr. Michael Prue: I take it I still have about 10 minutes?

The Vice-Chair (Mr. Garfield Dunlop): You have eight minutes.

Mr. Michael Prue: Eight minutes. Okay. Just for the record, there were some questions I wanted to ask this morning. I was given an indication they would not be answered, but I would just like to put them on the record in the hope that maybe they can be answered if not today at least in writing later. There are four questions.

The first one is, how much more would the average individual consumer and average household pay in higher sales taxes as a result of the harmonized sales tax taxing goods and services that were previously exempt?

The second question, which I hope will be answered in writing, if not today: What's the total increase in provincial revenue from the implementation of the harmonized sales tax?

Third question: How much more would the average individual consumer and average household pay in higher sales taxes on energy, broken down by utilities and by gasoline and/or diesel?

The last question: How much more revenue would the government raise in energy costs, broken down by utilities and gasoline and/or diesel?

Hon. Dwight Duncan: On the second question, you'll find the answer on page 134 of the budget. With respect to question 1, I thought the ADM had answered it earlier this morning. We will respond in writing. On question 3, we'll respond to that in writing, and question 4, I apologize, I didn't hear that question this morning, but yes, we will respond in writing.

Mr. Michael Prue: Okay. I did not ask it because of the questions above. When I said I was going to go into that, you said you would not answer them or you could not answer them.

Hon. Dwight Duncan: We did provide a response, but I could not respond to them in the context that you had described.

Mr. Michael Prue: All right. Going back to some questions from earlier—one of my staff members had an opportunity over lunchtime—about corporate tax, I want to ask you specifically about corporate tax rates. Each of your government's budgets—and that's for all of the budgets since 2003—talk about how Ontario has a competitive corporate tax structure. For example, in the 2005 budget: "Ontario already has a competitive level of corporate tax rates. The rates remain lower than those in the neighbouring states of the United States."

In the 2007 budget, a table was presented showing that Ontario's corporate taxes are lower than neighbouring US states. In other words, Ontario's corporate tax system could be described as "competitive," even before the corporate tax reductions, corporate income tax and HST announced in the 2009 budget. Do you agree that we were already competitive?

Hon. Dwight Duncan: Yes, we were competitive, as you point out, with those jurisdictions in the United States and we'll now be more competitive. In that same period of time, a number of provinces have reduced their corporate tax rates. New Brunswick was the most recent. I think they're actually proposing to bring the corporate tax rate down to 8%.

The other issue that was pointed out in the 2009 budget, and I spoke about again this morning, is the marginal effective tax rate. It was argued by a number of economists, by the federal government and others that our marginal effective tax rate—that is, the effective tax on the next dollar of investment—was higher than it could be. By taking the steps that we've done, not only are our corporate tax rates at the manufacturing level and at the general level now going to be—and upon implementation, we'll be tied for the lowest. Should New Brunswick proceed to the point they're talking about, they would become the lowest. But our marginal effective tax rate—that is, the effective taxes on the next dollar of investment—would be cut in half and would allow us to be among the most competitive jurisdictions in North America.

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So, absolutely, they were correct at the time. The combined corporate tax rate in most of our surrounding American jurisdictions, I think, is 38%. Steve?

Mr. Steve Orsini: Thirty-six.

Hon. Dwight Duncan: Thirty-six per cent. So, yes, we acknowledge that the goal of a combined national corporate tax of 25% is a good goal to strive for. The federal government provided us with some $4.3 billion this year in order to allow us to harmonize the sales tax and to proceed with the personal tax cuts and the corporate tax cuts. But in that dynamic environment, the corporate tax rates in sister Canadian provinces are being reduced: British Columbia, Alberta, Saskatchewan, New Brunswick among the most recent. We felt that we had to continue to be competitive. Indeed, my British Columbia counterpart, upon announcing their intention to harmonize their sales tax, talked about their ability to compete with Ontario in terms of a competitive tax structure.

Mr. Michael Prue: So we're all racing to get less tax dollars from corporations.

Hon. Dwight Duncan: We are adjusting the balance to do what a value-added tax should do, and that is it is better to tax consumption than investment and income. That's why, again, 130 countries around the world have value-added taxes and why four Canadian provinces harmonized before us. British Columbia has now decided to move forward, and I suspect we'll be seeing other provinces in the very near future taking similar steps.

Mr. Michael Prue: I can see the Canadian provinces trying to outdo each other.

Will we still have a lower competitive rate than all of the neighbouring states with whom we trade? They were at 38%. Have they gone down as well?

Hon. Dwight Duncan: Our rate will be lower, so as we attract new investment, that will give us the ability to help attract new jobs, new investment. That is the point of this.

Mr. Michael Prue: Until such time as they do exactly the same thing, which undoubtedly they will be forced to do.

Hon. Dwight Duncan: I suspect they're not going to be in a position to for some time because of their own particular circumstances.

We believe the package of policies we've brought forward is going to allow us to continue to create jobs, to make the investments in public health care and public education that we have been making over the last five years.

The Vice-Chair (Mr. Garfield Dunlop): You've got about a minute and a half.

Mr. Michael Prue: Oh, I still have a minute and a half? Okay.

The Vice-Chair (Mr. Garfield Dunlop): A quick question.

Mr. Michael Prue: Okay. When you continue to take less and less money from corporations, how do you see that you're going to get more? This all presupposes that there's going to be a huge boom in the economy and hundreds of thousands of people will come back to work and the corporations will spend money wildly, buying new machinery. Is this all predicated on that?

Hon. Dwight Duncan: Our view is that we need to incent corporations to invest and create jobs. We had to be cognizant of what was happening in Alberta, what was happening in British Columbia—Saskatchewan, by the way, under an NDP government, was reducing corporate taxes—Manitoba and New Brunswick. We believe we have the right package of tax reforms that will allow us to continue to offer, over time, the quality of public services that we've offered over the last five years and have a competitive tax situation to spur jobs and investment growth in Ontario.

The Vice-Chair (Mr. Garfield Dunlop): Thank you very much. We'll now go to the Liberal caucus.

Mr. Wayne Arthurs: The government caucus will stand down its rotation time at this point, as long as the opposition parties are both in agreement, and allow the rotation to continue to the official opposition.

The Vice-Chair (Mr. Garfield Dunlop): And that time will be taken off the end and we would be sharing that time.

Mr. Wayne Arthurs: The intent, I understand, of standing down the time that is it's set aside at this point, as opposed to—

The Vice-Chair (Mr. Garfield Dunlop): Are we in favour of that? Do we consent to that?

Mr. Norm Miller: We should be clear on what he's proposing. I think he's proposing that they're standing down their time so the committee would end earlier in the day.

The Vice-Chair (Mr. Garfield Dunlop): Yes, that's the intent, that we would in turn share that—

Mr. Norm Miller: Not that other parties would use their time, but we would still have our time, then.

The Vice-Chair (Mr. Garfield Dunlop): We would still have our time, but we wouldn't share their time. They're standing down.

Mr. Michael Prue: I don't need their time. Okay.

The Vice-Chair (Mr. Garfield Dunlop): We get out of here earlier, if that's the case. Do we have unanimous consent on that? Agreed? Okay. Mr. Miller, it's your turn.

Mr. Norm Miller: I'll continue with the pension benefits guarantee fund and the Arthurs report. As of the end of March 2008, the pension benefits guarantee fund was $102 million in deficit. What is the deficit now?

Interjection.

Hon. Dwight Duncan: My assistant deputy minister informs me we'll have a more accurate number when public accounts become available in September.

Mr. Norm Miller: September?

Hon. Dwight Duncan: Around September. That's the number we are using now for our own purposes.

Mr. Norm Miller: Thank you. How many companies pay into the PBGF and are eligible to benefit in case of bankruptcy?

Mr. Peter Wallace: I'm afraid we don't have that number right now.

Mr. Norm Miller: Okay.

Mr. Peter Wallace: It should be readily available, though.

Mr. Norm Miller: How many of these pension plans are currently underfunded, of the companies that do pay in?

Hon. Dwight Duncan: We'll get that information.

Mr. Peter Wallace: That may be a little bit more ambiguous depending on filing dates and a variety of other things, but we'll endeavour to get you the best information we can on that.

Mr. Norm Miller: Thank you. How much did the Arthurs report cost the government in total?

Mr. Peter Wallace: That's not something I think we'd have in our mind, but we can certainly—

Hon. Dwight Duncan: Yes, we'll get back to you on that.

Mr. Norm Miller: You're going to be sending me a lot of information.

Mr. Peter Wallace: It'll be our pleasure.

Mr. Norm Miller: With respect to the pension benefits guarantee fund, the Arthurs report recommended that, "The pension benefits guarantee fund should be governed by the following principles:

"The fund should be self-financing.

"It should not receive government grants or subsidies in order to meet its obligations.

"It should be allowed to borrow funds from the government on a commercial basis, for defined purposes and at defined times.

"The terms on which the fund itself should be deemed insolvent, and the effects of such insolvency, should be clearly set out in the Pension Benefits Act."

Further, with respect to the failure of a major pension plan, Arthurs goes on to say, "However, when and if the government feels it must intervene, it ought to do so outside the framework of the PBGF.... But it is inappropriate, in my view, for government to make ad hoc decisions that will affect the solvency of an insurance fund...."

Why, then, have you ignored the Arthurs recommendations that the fund should not receive government grants or subsidies and that if the government feels the need to intervene in the failure of a major pension plan, it should do so outside the framework of the plan?

Hon. Dwight Duncan: I would not characterize us as having ignored Mr. Arthurs's recommendations. In fact, we've already begun to respond on one of them; that is, calling for an actuarial review of the pension benefits guarantee fund, which is under way as we speak. The principles he's outlined are responding to the fact that for 30 years now, Ontario has not properly funded this, and all of us have to come to terms with that. The reality has caught up with us in the last year to year and a half with respect to that.

I would respectfully disagree, Mr. Miller, that we have not paid attention to Mr. Arthurs. In fact, it was this government that commissioned his report. We received all of his recommendations. We submitted those to stakeholders for response to the recommendations. That period concluded at, I believe, the end of February. We are now in the process of drafting our legislative response to them. As I indicated earlier, I believe that it will take—actually, because of the size and the order of magnitude of the legislative changes, there will likely be two different bills, one this fall and one in the spring. I think the recommendations of Mr. Arthurs and those who worked with him are worthy of very serious consideration, and I think he points out a lot of the challenges associated with the PBGF.

Mr. Norm Miller: Isn't the provision in the budget permitting the government to make grants to the fund the very ad hoc decisions that Professor Arthurs is recommending against?

Hon. Dwight Duncan: It provided the government with more flexibility as we move to implement recommendations, depending on which ones we decide from Mr. Arthurs to recommend. I think Mr. Arthurs was speaking prospectively to a new regime that would see that if there's a pension benefits guarantee fund, it be properly funded in the first instance, cost-apportioned appropriately and all those kinds of issues. Unfortunately, Mr. Arthurs's report was not done seven or eight or nine or 10 or even 15 years ago, and so we now are looking prospectively at the future as to how to respond to that issue and a range of other issues in the defined benefit pension sector.

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Mr. Norm Miller: Although he was pretty clear on loans, not grants, in his report, and that change in the budget allows—

Hon. Dwight Duncan: Prospectively, yes. And he was pointing out the inadequacies of the existing regime, which is one of the reasons why we asked him to do the work he has done.

Mr. Norm Miller: Yes, and according to the Arthurs report, 89% of the payouts made by the pension benefits guarantee fund have taken place in the last five years, all under your watch. So clearly the signs were all there that the fund was headed for a "shipwreck" scenario, as Arthurs describes it, and action needed to be taken.

Other than commissioning the Arthurs report, why have you not taken other steps to deal with problems in the fund?

Hon. Dwight Duncan: I think he also points out in the report that pension funds have been historically underfunded in some instances, some of them going back many years. And we have responded with loans in the past—for instance, Stelco is a good example of that.

So we appointed Mr. Arthurs to give us these recommendations. He has come out with them. We will be responding with legislation in due course.

Mr. Norm Miller: Mr. Sterling wanted to ask some questions on the same issue.

The Vice-Chair (Mr. Garfield Dunlop): Go ahead.

Mr. Norman W. Sterling: Five months after you assumed the reins of power, you knew that there was a problem because you had to lend the pension benefits guarantee fund $330 million at zero rate of interest, with repayment back, I think, over 30 years, at $11 million a year. Yes, that makes sense; it's $330 million. So you had warning and your government did nothing, save and except appoint a commission two years before.

Our concern here is the same as it is for GM workers, Nortel workers etc., that the government has a pension benefits guarantee fund and therefore those people who have defined benefit plans are entitled to believe that there is a guaranteed fund backing them up, notwithstanding the failure of any number of governments to see that it's properly funded. But the crisis has occurred during your term in power, and you have done nothing to date to do that, save and except in Bill 162. In the budget bill, you gave yourself—you, not the Lieutenant Governor in Council, which my colleague thought—the right to write a cheque unilaterally to the pension benefits guarantee fund.

Why I object to that is that the other 67% of the people, who have no pension and have seen their RRSPs and pension funds being decimated, are going to be required to pay their taxes to support the pension benefits guarantee fund. I believe the pension benefits guarantee fund should be funded by those people who benefit from the guarantee—their employers, the employees should be the people who pay the price. That's my concern here. Why should any citizen who does not have a defined benefit pension plan have to write a cheque to do this?

Hon. Dwight Duncan: I think those are legitimate concerns. So does that mean we—

Mr. Norman W. Sterling: Well, then, let's get on with finding a way to properly finance—

Hon. Dwight Duncan: We are. That's what the Arthurs report is all about.

Mr. Norman W. Sterling: Right, and you've had that for eight months.

Hon. Dwight Duncan: And he's got specific recommendations. So then, do I take what you've just said to mean that we shouldn't intervene at Nortel?

Mr. Norman W. Sterling: No, I didn't say that at all.

Hon. Dwight Duncan: You just said the taxpayer shouldn't be funding the pension benefits guarantee fund.

Mr. Norman W. Sterling: No. I mean, you can loan the pension benefits guarantee fund at commercial rates—

Hon. Dwight Duncan: So you would support a loan.

Mr. Norman W. Sterling: —that's what Arthurs agrees with, and I don't have any problem with that. But I do object to you giving them a no-interest loan, and I do object to you giving them a grant.

Hon. Dwight Duncan: I appreciate the advice as we move forward on Nortel and others, recognizing that, you're right, contributors have not paid adequately into it.

This situation, I think it would be fair to argue, has reared its head on a number of occasions in the past, and government's haven't, so we have said that we're going to take it on, and that's why we appointed Mr. Arthurs. We now have a number of recommendations, and we are looking at the PBGF. So I appreciate your insights and thoughts on that as we move forward. As I indicated, we will be bringing forward legislation. For instance, one of the issues you raised this morning has been raised with us by people in Nortel, and that is when you crystallize the pension values and how we can manage through this situation. But you're right: The people in that plan have not paid enough into it to sustain the challenges we've seen. As markets come back, hopefully, fewer pension plans will be threatened. In the case of the auto sector, keeping those companies viable was the key. It wasn't payouts by the pension benefits guarantee fund, and that's what both the Premier and I said all along as we acknowledge the need to make sure that, going forward, the PBGF is properly funded.

Mr. Norman W. Sterling: You bring up GM and you try to avoid the responsibility that you had to GM workers with regard to their pension rights under the pension benefits guarantee fund, which they had the right to believe was properly funded and would pay them. The federal government had no responsibility to the GM workers with regard to their pension rights. They had no responsibility at all. That was the responsibility of the Ontario government.

Hon. Dwight Duncan: As I understand it, the GM pension plan, there's a $4-billion payout this year, $250 million over each of the next five years by GMLC. Our money went to Ottawa and so our objective—

Mr. Norman W. Sterling: Yes, but you knew where it was going.

Hon. Dwight Duncan: As did the federal government—

Mr. Norman W. Sterling: Who negotiated that part—

Hon. Dwight Duncan: That money was quite fungible, with respect. Our money went to Ottawa, Ottawa's went to the Treasury of the United States, and the loans were given out to—

Mr. Norman W. Sterling: To meet your responsibility, not the federal responsibility.

Hon. Dwight Duncan: What we have done is keep two major companies in operation, employing people and continuing to honour pension benefits.

Mr. Norman W. Sterling: So how do I say to Nortel workers who may or may not receive help here or anybody else who doesn't have a pension, "Please pony up $300-plus per person in this province—man, woman and child—so that GM workers can get 100% of their pension while you have nothing"? How do I say that?

Hon. Dwight Duncan: First of all, if I just heard you properly, you said that the taxpayers shouldn't be paying for Nortel's pension.

Mr. Norman W. Sterling: No, I'm saying, that's your—

Hon. Dwight Duncan: I'm sure I heard you say that.

Mr. Norman W. Sterling: You wrote the cheque, sir.

Hon. Dwight Duncan: On General Motors Corp., as I indicated, the newco is, in fact, paying for that. We did not put any money into the pension benefits guarantee fund.

Mr. Norman W. Sterling: I'm not talking about the pension benefits—I'm talking about GM. You wrote a cheque for $4 billion, which is going into the pension fund.

Hon. Dwight Duncan: In part—well, it's going to the federal government, which is going to the United States Treasury, which is going to the newcos of Chrysler and General Motors, and they continue to be viable operations.

Mr. Norman W. Sterling: And you didn't know this was going to happen?

Hon. Dwight Duncan: Pardon me?

Mr. Norman W. Sterling: You didn't know it was going to go into pensions?

Hon. Dwight Duncan: We knew exactly what was happening. You opposed it at the time; I understand that. What we have done is kept two large corporations that employ, in this sector—

Mr. Norman W. Sterling: That's not true, sir. I said to your Premier, "If you're going to bail out this pension, what are you going to do for the rest of the people of Ontario?"

Hon. Dwight Duncan: We have successfully kept two large corporations employing literally hundreds of thousands of people working and paying taxes. We think that's the appropriate step to take. We also think, and the Premier said and I have said, that we do have to be candid about the state of the PBGF. It has not been properly funded. Mr. Arthurs quite properly points that out.

Mr. Norman W. Sterling: I agree. Let's do something—

Hon. Dwight Duncan: And that's over 30-some-odd years.

Mr. Norman W. Sterling: Let's do something.

Hon. Dwight Duncan: We are. I remind you that we brought forward this study. It has been undertaken. We have engaged in enormous consultations. There are difficult challenges with implementation—enormous challenges with implementation, including who pays. Who pays?

Mr. Norman W. Sterling: Yes, I know, but you had five years to do that.

Hon. Dwight Duncan: Well, you had two very dramatically unsuccessful attempts. Bill 198 is a good example. Then we also had an example where General Motors was given a specific exemption from paying in—not by this government. We're the first government that's come forward. As I say, we appointed Mr. Arthurs back in 2007. He handed us that report, I think late last year—September or October.

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Mr. Steve Orsini: November.

Hon. Dwight Duncan: I'm sorry, November. We in turn asked for a response to the recommendations contained in that report. We had that process wrap up in February. We are going to be responding with legislation in the fall session and, as I indicated earlier, Mr. Sterling, I believe it will take probably two pieces of legislation—one in the fall, one in the spring—to respond completely.

The Vice-Chair (Mr. Garfield Dunlop): There are about four and a half minutes left.

Mr. Norm Miller: Switching to another issue, then, there has been a lot of money spent on infrastructure, and in the past, the McGuinty government has been criticized by the Auditor General for handing out grants without appropriate accountability measures. Generally, these have been end-of-year grants, which have had to be distributed quickly to ensure the funds counted against the fiscal year's budget. Famously, of course, we have the cricket club that asked for $300,000 and got $1 million. The infrastructure funding that's going out right now is also being accelerated to help stimulate the economy. What changes have you made to your accountability measures to ensure that complete accountability is maintained despite the accelerated process?

Hon. Dwight Duncan: With respect to the year-end money, you'll know the Auditor General made a number of recommendations and we've implemented, as I recall, all of those recommendations. With respect to the new infrastructure money, we have normal accountability processes in place. The head of internal audit is here.Rick, are you here?

Mr. Rick Kennedy: Yes.

Hon. Dwight Duncan: Did you want to respond to that more specifically in terms of the processes we have in place for managing?

Mr. Peter Wallace: As Rick comes up, I just want to point out very quickly that there are two fundamental mechanisms that we rely on, one of which is, of course, a great deal of this is being done in conjunction with the government of Canada through joint processes; the other of which, just while Rick is head of internal audit for the whole audit, we should remember that this is properly within the administrative lines of the ministry of public infrastructure.

The Vice-Chair (Mr. Garfield Dunlop): Your name please, and you have about three minutes.

Mr. Rick Kennedy: Rick Kennedy, chief internal auditor from the Ministry of Finance.

With respect to the infrastructure spending, we've been working proactively with the federal government to share better practices and we're also working, as the Deputy Minister of Finance has said, with MEI to put appropriate criteria in place proactively in order to define better practices and accountability and mechanisms as well as reports to come forward on a timely basis. We're also sharing this information with the Auditor General of Ontario so that we can coordinate efforts and approach.

Mr. Norm Miller: Minister, you said you've implemented recommendations. Do you know any specific recommendations that have been implemented?

Mr. Rick Kennedy: The recommendations that were implemented were, to the extent practical, to rely on established mechanisms, proven mechanisms, through transfer payment mechanisms that are operating effectively, which is what we're doing with the infrastructure spending, to have more proactive processes in place with respect to performance metrics in order to get more timely information. So again, in response to the report, we've been putting those measures in place.

Mr. Norm Miller: The goal of the infrastructure funding is to obviously address some of the need out there in terms of long-term infrastructure, but it's also to create jobs and stimulate the economy. How are you measuring whether that's been a success? I actually just did an interview on the break and that was one of the questions that was asked by the media: "All this infrastructure money has gone out there. Is it working or not?" My answer was, "You know what? I really don't know. I can't tell you and I don't know whether the government could either."

Hon. Dwight Duncan: We did provide projections over the two years of the funding. Obviously how that funding flows out will indicate how quickly jobs are created as a result of the funding. We were a bit more fortunate than the federal government. The federal government did not have the extensive involvement in infrastructure until they made their moves in the last budget. As you recall, last year for instance, we gave $1 billion to municipalities as part of the Investing in Ontario Act. Those monies are already out creating jobs. For instance, you can drive along virtually any highway and some of the money that was announced last year and in our previous infrastructure programs is out there in the ground now.

So we track a whole range of things: first of all, when the approvals for spending are given, when the money flows. In the case of the most recent announcements, I believe these had to be shovel-ready; that is, municipalities and others had to be prepared to get into the ground. We matched the federal requirements around projects being completed, at least on those shared programs, by March 2011, I believe it was. So we are tracking how that money flows out, how much is actually in the ground, and we'll be in a position of clear accountability shortly in terms of that. Is that fair to say, Rick?

Mr. Rick Kennedy: Yes.

The Vice-Chair (Mr. Garfield Dunlop): Thank you very much, Minister. Now we're over to the third party for their rotation.

Mr. Michael Prue: In the last round, I was asking you questions of statements that were made during the 2005 budget process and 2007 budget. You told me about a number of provinces and what they were doing.

Just to go on, though, let's move it up just a little bit to last September. You made the following statement in response to Mr. Hudak's call for lower corporate tax rates, and I quote you directly: "Ontario's corporate taxes are very competitive, with $3 billion in tax cuts. Those tax cuts in the US haven't been working."

How is it, Minister, that only six months after calling Ontario's corporate tax system competitive, you decide it's necessary to table a budget with major corporate tax cuts in the name of competitiveness, to make us the most competitive jurisdiction in North America?

Hon. Dwight Duncan: It's entirely consistent. First of all, at that time, I was talking about our plan to eliminate the capital tax, which had been one of a number of recommendations that we began moving on some years ago. I believe it is finally eliminated in July 2010, if I'm correct. That was among a range of options put forward by investors, by the business community, that would help make Ontario more attractive.

Our rates were competitive at that time—and they still are, if we had done nothing—with the United States. But we had to be cognizant of what was going on all around us, particularly in the Canadian provinces, and decided, with the range of tax reforms that we've brought forward, that in fact we could reduce personal taxes and reduce corporate taxes to make our entire tax system more competitive, one that will attract jobs, encourage investment and encourage people to spend.

So, taken together and given the enormous changes in the economy in the period leading up to the last budget, and given the advice we were given by a number of sectors, we decided to undertake the tax reform package that we did, which we believe will help create jobs, well-paying jobs, in the future and will allow Ontario to be competitive as we move forward.

Mr. Michael Prue: So all of these decisions and actions were taking place since last September, when this was thought not to be a good idea.

Hon. Dwight Duncan: I don't think we ever said that having competitive corporate taxes was not a good idea. You and I don't agree on that. We believe that a competitive corporate tax structure is important to investment. We heard from a range of sectors that in order to continue to be competitive, in order to even gain ground so that when the recession is over, we'll be still even more competitive, that this was the appropriate range of measures to take. We did so because we believe there has to be a job-creating strategy and we think this is the appropriate one.

Mr. Michael Prue: Six months ago, you said—excuse me, it's now about nine months ago—that those tax cuts in the US haven't been working. Can you tell me whether they've worked in the US in the last nine months, if any state, by having made those corporate tax cuts—

Hon. Dwight Duncan: Well, as you know, the US didn't cut corporate taxes. They were cutting personal taxes on high-income earners, the so-called Bush tax cuts. We rejected that. In fact, what we did was cut the lowest rate on personal taxes. We will now have the lowest rate on the first bracket of personal taxes. In addition, we increased tax credits for seniors, and for children through the Ontario child benefit. So we in fact took precisely the opposite approach that the Bush administration had taken. As you're no doubt aware, that's what we were referring to at the time. I've heard the debate going on as recently as this week in the United States around the success or failure of those tax cuts in the US.

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Mr. Michael Prue: Well, you weren't alone in making those statements. Around the same time, the Premier made similar comments—this is from Hansard, October 15, 2008—to Mr. Hudak, who was asking a question: "We have, in fact, a lower combined corporate tax rate than any US state, and I know that my friend recognizes that."

If it's not for the so-called competitiveness, why do we need a corporate income tax cut? The government is in deficit. Unnecessary tax cuts aren't a logical solution to getting us out of deficit. Why is the government pushing a corporate income tax cut when nine months ago you said it was not a logical thing to do?

Hon. Dwight Duncan: We have seen enormous job losses in the manufacturing and forestry sectors, among others. We are in a dynamic economy. It's not static. We reviewed the best evidence available to us at the time of the preparation of this budget. We enacted a package of tax reforms that are designed to enhance our competitiveness on the corporate tax side, that are designed to take what most economists have recommended, and that is that it's preferable to tax consumption versus investment and income, and come up with what we think is the right balance that will, in the words of manufacturers, chambers of commerce and many others, help spur investment, help spur growth.

Everything the Premier said at the time was accurate and remains accurate. The implementation of these tax cuts won't be completed until 2012. But we live in a dynamic and changing world, and a number of our sister provinces had moved before us. A number of economists and others had cautioned us that it simply wasn't, in terms of job creation potential, enough to be competitive with surrounding US jurisdictions; we had to be competitive with our sister provinces. So we undertook the steps we did to respond to the real changes in the economy and to respond to what we project and believe will occur over the coming years, to help attract investment and, most importantly, jobs into Ontario as we come out of this downturn.

Mr. Michael Prue: You have projected that the deficit will decline in each of the next five fiscal years down to a low of, I believe, somewhere around $4 billion five years from now. Where is that money going to come from that is going to allow you to cut the deficit each and every budget cycle for the next five years, if in fact you are lowering corporate taxes and will not have the same resources coming from them?

Hon. Dwight Duncan: First of all, there are a range of assumptions built into the budget that see growth returning to the economy. A whole range of things had come up that were still projecting deficits. It also comes from transformational objectives that we began to outline in the last budget and that we'll be talking more about as we move forward. So we've laid out what we think is a balanced and prudent plan for eventually getting out of deficit. We have done this before. We've taken Ontario from a substantial deficit to a surplus position. We will have to see relatively robust growth return to the economy. We did not lay out as quick a path out of deficit as, say, the federal government has. We don't think we're going to see rates of growth that are robust enough in that short period of time to get us there.

So there's no doubt that there are risks in that plan, that a continued downturn in the economy could change it. We will update things as we move along. We provide a contingency reserve—built in certain assumptions over time. Taken together, if they come true, we believe that's a realistic path out of deficit. For the first time, we laid that out so people could see that. We will continue to report on progress on a quarterly basis and then obviously on an annual basis, both through the budget as well as public accounts in terms of what our actuals versus our projected numbers are.

Mr. Michael Prue: You have already made a statement concerning the marginal effective tax rate on new investment in neighbouring states, saying that we are going to have a much lower marginal rate. Of the provinces, we're going to have the lowest one, although some of the other provinces are attempting to do what we're doing.

I'd also like you, if you could, to comment on international trading partners, about their effective rates. I have not read anywhere, worldwide, particularly in Europe, that the marginal effective tax rates have been reduced there.

Hon. Dwight Duncan: To be candid, I'll have to get back to you. I'm not familiar enough with the individual tax structures in Europe, and I'm not sure that it would be easy to compare them. But I'll undertake to look into that and get back to you.

We do, for our purposes, if I might, tend to focus on our surrounding jurisdictions—Michigan, Ohio—and on our sister provinces. I'm not in a position to comment about the vast array of corporate tax structures in the European Union, but Steve, or deputy, maybe you can add something to that discussion.

Mr. Michael Prue: If I could, we trade worldwide. The trade with Mexico is increasing because of the trade deals that have been made. I know it's a very large topic, but you provided an analysis in the 2007 budget about some of the neighbouring states and some of the provinces. Could you provide a similar analysis of our major trading partners? I'm not sure which all of them are. I know Mexico is now inching its way into it, and Britain's still there and some of the European trading partners.

Mr. Steve Orsini: In the budget, we did provide a summary on page 118. We compared our marginal effective tax rate, and I think the minister might have mentioned this in his opening remarks. We compared the US and the OECD average. The OECD average is just above 22%, and we nudge below that starting in 2010. So this is a significant step forward to get us competitive with the OECD average.

The OECD has been publishing since 1990, calling on the province to harmonize, and they've been doing that every few years. The International Monetary Fund, as well, has been calling on the province to harmonize with the GST. There are groups that track marginal effective tax rates by country, and we could supply that.

Mr. Michael Prue: You will? Okay. Thank you.

Mr. Peter Wallace: Just trying to be a little bit helpful on this: I'm the deputy of finance. I like revenue and I'm desperate to get it in, frankly.

Mr. Michael Prue: I'm glad to hear that.

Mr. Peter Wallace: We give up these things with some reluctance and some caution, but the reality is that some of the things that have worked so well for Ontario in the past, including our reliance on a big open US market, are a little bit more at risk.

We have gained a lot of investment over the time as a function of a low dollar. The thickening of the border threatens that to some considerable extent. We are discovering that investment flows are very volatile. We are discovering that a number of our biggest companies that we have previously relied on in the mining or other sectors are now internationally owned. When we deal with the management of those companies, they are extraordinarily sensitive to issues that have an impact on the investment returns associated with them, and they are competing now not only with the US jurisdictions, but internationally.

Also, it becomes apparent that the ability of corporations to move money around and to domicile differently in response to variations in corporate tax is increasingly important. Whether we like that to be the case, it turns out to be, in many respects, a reality. And we do hear that from Ontario businesses that are trying to invest and create jobs in the province.

Because of that, the focus on marginal effective tax rates, which is such a jargony, crude kind of tool, has elevated from an issue tracked by economists almost to the level of obscurity to something that is a vital future indicator of our competitiveness. I think it does explain that the government has been persuaded, at any rate, that there has been a need to respond to Canadian competitive conditions by doing things. This is an analysis that has been heavily supported by the government of Canada as well.

Mr. Michael Prue: Okay. Do I still have time?

The Vice-Chair (Mr. Garfield Dunlop): Yes, you have six minutes left.

Mr. Michael Prue: Oh, good. Okay.

I'm worried about struggling companies, companies that are losing money, companies that are laying off workers, companies that are facing bankruptcy, that won't benefit from a corporate income tax reduction. Will they benefit at all? How would they benefit if they're not making money?

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Hon. Dwight Duncan: They actually are benefiting from our capital tax elimination, because you pay that tax whether or not you're making money. That's one of the reasons that was one of the first tax cuts we moved on, corporate-wise. In fact, we accelerated it. It was originally scheduled to be completed in 2012, I think, and we've now moved it forward to be completed by the mid-part of next year. We actually had the opportunity to highlight a couple of companies last year that took those capital tax returns of theirs and invested them in new plants and equipment and employment in Ontario.

Mr. Michael Prue: How much money is involved here?

Hon. Dwight Duncan: In which? The capital tax?

Mr. Michael Prue: Yes. How much—

Interjection.

Hon. Dwight Duncan: Some $1.5 billion—

Mr. Michael Prue: That you accelerated for one year.

Hon. Dwight Duncan: And that went to companies—you have to pay the capital tax whether or not you're making money.

We also moved, in the 2007 and 2008 budgets, on the equalization levelling of the school taxes.

Interjection.

Hon. Dwight Duncan: Pardon me?

Mr. Steve Orsini: The business education taxes.

Hon. Dwight Duncan: The business education taxes. We moved quicker on that because, again, that was a tax that you paid regardless of whether or not you were making money. We did move on those, and we've moved in the fashion that we have to ensure that companies that weren't making money—and last year, when those capital cheques were going out, I remember when we announced that, the auto sector and others applauded the initiative, specifically because of that. It got cash into their hands right away.

These additional measures have been undertaken, as the deputy pointed out. Changing world context—one economist said to me, "You know, Ontario can sustain a one- or two-point differential between itself and Alberta in terms of corporate taxes, but you can't sustain a 4% difference," which accounts to almost a 33% difference in terms of taxes paid. That was part of the evolution of our thinking as we moved forward.

The final point I would make is that we've also moved forward in a variety of areas: first of all, the harmonization in the collection of corporate taxes, which saved businesses enormous amounts of money; and again, the harmonization of sales tax, which we estimate will save businesses in Ontario close to half a billion dollars, simply because we're eliminating the two compliance mechanisms, the two sets of rules, the two sets of regulations. That will be a substantial savings, again, to businesses, whether or not they're making money.

The final point I'd make, on the input tax credits and those that apply: Again, I think one of the reasons so many, particularly the forestry sector and the automobile sector, applauded the move was that those input tax credits will eliminate a hidden tax burden to them and allow them to become profitable more quickly.

The Vice-Chair (Mr. Garfield Dunlop): There are three minutes left.

Mr. Michael Prue: Three minutes, okay. Back to the HST: I have never been clear about when this whole discussion of the HST started or what started it. We note that you signed the deal with the HST with Mr. Flaherty on March 10, 2009. When was your first meeting with Mr. Flaherty in regard to the possibly of implementing a harmonized sales tax, something that had been denied by the Premier just a month before?

Hon. Dwight Duncan: I'm going to have to double-check, because you've asked a very specific question: When was the first meeting?

Mr. Michael Prue: Yes.

Hon. Dwight Duncan: I can tell you that Mr. Flaherty and the Conservative government in Ottawa have been urging us to do this for some time.

Mr. Michael Prue: Oh, I know that.

Hon. Dwight Duncan: Whether or not it was at a meeting set up for the purpose of discussing that, I can tell you that over the course of 2008, particularly in the fall of 2008, prior to the last federal election, Mr. Flaherty had expressed his interest in seeing Ontario participate in the combined corporate tax objective of 25% across the country. We had extensive discussions about that. The prospect of harmonizing was raised on a number of occasions, both publicly and privately. You'll know that in his federal budget, Mr. Flaherty called on Ontario to do that.

In terms of formal meetings, I'm going to have to double-check. I did call Mr. Flaherty. I have a recollection of calling him, in that February-March time frame, to speak to him about whether or not discussions that we had had in public and had had privately the year earlier with respect to support for moving on any of these initiatives in federal government would still be forthcoming. At that time, he was positive in his response, and that began a series of meetings among officials at that time with respect to tax policy. Again, it culminated—the deal was actually signed, as you have indicated, in March of that year and announced two weeks later in my budget.

The Vice-Chair (Mr. Garfield Dunlop): You've just got about 10 seconds left.

Mr. Michael Prue: I'll let it go for the next round.

The Vice-Chair (Mr. Garfield Dunlop): Okay. Liberals?

Mr. Wayne Arthurs: Minister, I wanted to revisit or visit again some of the single sales tax matters. I want to start first with—you've had a chance to mention them but maybe not a chance to provide some additional comment on some of the thinking behind it; why you felt they were a priority; some of the exemptions that you provided for within the single sales tax, what they are and why you felt those things that have an exemption are important matters to consider. Following that, I want to explore a little bit with you some changes that have been made from the first introduction, particularly on the housing front.

Hon. Dwight Duncan: The point-of-sale exemptions, as I described them this morning in my statement, are basic exemptions that the federal government has given us. One of the reasons that notionally the idea of harmonization became more attractive was, among other things, they did give us more flexibility on point-of-sale exemptions, which we have undertaken, things like feminine hygiene products, child car seats and things of that nature. I outlined all of them in my opening remarks.

With respect to housing, it was a very complicated issue. When we first announced, the housing industry expressed some concerns, particularly here in the greater Toronto area, about that $400,000 limit that we had put on. And as it turned out, by the industry's own estimates, there was a 2% hidden tax in new homes. Remember, again, that the harmonized tax will not apply to resale of homes; that's another thing we keep stressing to people.

I'm going to ask Steve maybe to describe a little bit about how we evolve those changes because they do get a little bit technical in nature. Steve kind of led the charge in that throughout.

Mr. Wayne Arthurs: As he comes to the table, Mr. Chair, if I can, what particularly interested me was, as the economy changed, even before we got to this point, in the US when all the indicators were it was the housing market that sent them down that road—we're just now beginning to see a turnaround there, if you can believe what you're reading in the papers as recently as yesterday, and the significance of the housing industry. One proposes a new tax structure with all of its pieces, not just the HST but the whole package; clearly, there's going to need to be time and consideration for matters both transitional and where maybe government didn't get it 100% right on the first day out of the gate until they had time for a little bit more consultation. I think this is one of those matters and—

Hon. Dwight Duncan: Absolutely. I'm going to turn it over to Steve to speak specifically to that, but that's one of the reasons why we allowed almost a 15-month implementation time. We have had ongoing discussions. I believe we've resolved most, if not all, of the issues with the housing sector. There are some other sectors that we continue to meet with on transition rules and so on, but to the specifics of the housing agreement, I'll pass it over to Steve to respond.

Mr. Steve Orsini: There are essentially three elements that I'd like to draw committee members' attention to. One was the design of the housing rebate, as the minister referred to. When we negotiated the memorandum of agreement with the federal government, we had to adopt their structure for the housing rebate but we could vary the threshold. They have a housing rebate of 36% between $350,000—it's phased out to $450,000. A house—new house only—that's purchased at $350,000 and under gets a 36% rebate from the federal government. The province announced a 75% rebate for $400,000 and under, and it's phased out; in other words, between $400,000 and $500,000 that rebate is reduced so that by $500,000 the rebate is gone.

One of the things from consulting with the industry was it does have a steeper slope, and this is, in marginal effective tax rate language, between $400,000 and $500,000. The federal government, in consultations with the industry in the federal government bailout, asked to redesign the rebate so that all homes $400,000 and under get the 75% rebate. That effectively reduces it down to a 2% rate for the first $400,000. That was a significant change. There is no phase-out; all homes, no matter what price, get that benefit. The industry was very clear that they understood that there's embedded RST in the price of a new home, between 2% and 3%. They saw this as making it more progressive. For a home $400,000 and under, there's effectively no new tax change. Anything above that, it's only gradual phase-in. That was the first piece.

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The second from meeting with a number of groups: The builders and also those that represent apartment groups wanted the housing rebate to apply to rental. The way the federal government brought in their GST, it only applied for new homes, not new rental units, so one of the changes we announced on June 18 was applying the rebate also to rental units. That was the second piece. That was well received by groups representing rental accommodations.

The third area was transition rules. These projects are fairly big, and they want to know, "If I buy now and we take delivery of a new home, a condominium or an apartment building after July 1, what are the rules?" We had the benefit of learning from the experience of the GST, the Quebec sales tax and the Atlantic provinces, and we adopted a transition rule that the industry thought made the most sense from their perspective and from our perspective as well. We brought in transition rules we thought were fair, and the industry saw them as being fair as well.

Those are the three changes that were made, and one was well received. I have to say, it's one that BC adopted to the letter of the law.

Mr. Wayne Arthurs: It would seem to me that that inclusion of the full exemption—75% is a full exemption for all practical purposes—up to $400,000 for all new homes being built would engender a degree of stability in the industry over time that one might not have recognized in the relatively short window with the transition and with the tax coming into play and might also have driven some anomalies in purchase choices by homeowners, staying just under a threshold as opposed to just over a threshold. It would seem to open that up.

For my benefit, can you draw the comparators between the GST as it currently exists and what's going to happen with the SST? Do they have the same threshold? I understood the GST threshold to be at $350,000. Do they line up fully, or is there still some distinction—I wouldn't even call it unalignment—between the two pieces? To what extent, in doing that, might we have positioned purchasers on the Ontario portion in a better light than might otherwise have occurred under the current GST model?

Mr. Steve Orsini: The federal GST still has a 36% rebate on homes $350,000 and under, and then it's phased out to $450,000. That has not changed. Ontario still has the most generous—now BC has joined us—housing rebate in the country for provinces that have harmonized with the GST. Quebec has a 36% rebate up to $200,000, and that phases out at $225,000. It's a significant rebate to return it back to where the embedded RST is for those homes below $400,000. In a sense, even with the transition rules, the entire housing sector, over the transition period, will not face any additional tax change overall because of generous rebate and because of the generous transition rules.

Mr. Wayne Arthurs: I haven't personally heard much from the industry subsequent to the appeals that they made, the discussions they had with officials, on this front. I certainly heard from them in the early going as they were trying to evaluate it. I think your comments, Minister, were that we seem to have some pretty good accord with them in that respect at this point. Not having heard from them, subsequently, I'm assuming that's the case.

Hon. Dwight Duncan: Yes, they were positive upon announcement of the final agreement we reached and I believe we resolved the issues that they wanted resolved. I should tell you that Steve is leading discussions with a number of other groups and industries that have transitional rules. We're trying to work with them to make those rules as seamless and as easy to comply with as possible, always saying, first and foremost, we are proceeding with the harmonized sales tax, but obviously we'll work with you to address, where we can, the issues you have. Some of them will involve federal participation. All of them will involve federal government concurrence as well.

Mr. Prue raised the issue of the administration of the RST versus GST for First Nations. That's an issue. In order to address that, the federal government will have to agree to that. There are a range of other issues that we're dealing with and we've had some success so far in the housing sector.

Mr. Wayne Arthurs: I suspect that there's a fair degree of lack of understanding, broadly, with the role that the federal government has and has to play in this process and that it wasn't solely a unilateral set of decisions by the provincial government, by you as a minister, as to things like exemptions or some of these transition rules or the engagement of First Nations. I think often people in Ontario wouldn't understand that. They would simply see it as a single and sole activity of the provincial government to make this happen.

Hon. Dwight Duncan: Yes. In fact, what made it more attractive to do than it has been in the past is the enormous co-operation we've had from the federal government: first of all, $4.3 billion in transitional assistance, which we are passing through to consumers. Now, BC, as I understand, has chosen not to do that with their—they didn't get as much as we did. I think $1.8 billion, BC?

Mr. Steve Orsini: One point six.

Hon. Dwight Duncan: One point six—the same per capita. But then there are the exemptions, the point-of-sale exemptions, the rules and so on. The federal government has been a very active partner in this. We talked about the tax input credits and phasing those in over time as opposed to immediately to help us, again, make sure that the overall tax burden is reduced for Ontarians and Ontario businesses. So it has been very much a co-operative effort and will continue to be. Again, I'd remind all Ontarians that when fully implemented, the Canada Revenue Agency will be the tax collector. I wish I had brought the two rule books around the RST and the GST, but we're getting rid of one, and that's where the $500 million in savings and compliance costs accrues to businesses.

I remember when Steve first worked out what they estimated the savings would be to businesses, I was quite astounded at the order of magnitude we were talking about. So, yes, we've worked very closely with the federal government. In the future the federal government will collect the harmonized sales tax in Ontario and remit on a daily basis, based on an econometric model, as I understand it, our portion of that.

Mr. Wayne Arthurs: You mentioned that there's some sense that Manitoba may be giving consideration or may give consideration to following the more recent leads of both Ontario and British Columbia. Obviously Alberta is the anomaly. They already have a harmonized sales tax, I guess, but that's a whole other story. That would probably only leave, then, for all practical purposes, Saskatchewan, of any reasonable size, save and except PEI, which has a relatively modest population base and obviously economic base as well.

Hon. Dwight Duncan: Again, I can't say with any certainty what other governments will do, but there's certainly—I was surprised, candidly, at how quickly British Columbia moved, and I know that the Premier of Prince Edward Island, as well as the finance minister there, has actively talked about it. We'll see what the other remaining provinces—obviously Alberta won't, but Manitoba and Saskatchewan, it remains to be seen what they will do. I think that the evidence is pretty overwhelming and compelling that in order to compete they will have to take steps along these lines.

The Vice-Chair (Mr. Garfield Dunlop): You're down to six minutes.

Mr. Wayne Arthurs: At this point I'm going to turn to Mr. Delaney with our remaining six minutes or so.

Mr. Bob Delaney: I note with some amusement where Mr. Arthurs and the minister have left off. I just passed him a note saying that, in fact, Alberta has harmonized and their harmonized rate is 0% at the provincial level.

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Just to add one thing on to that, when we did the budget breakfast in Mississauga, we had some assistance from one of the largest CA firms and the senior tax partner, a very conscientious gentleman, said, "Listen, I'll see you guys again in May. I've got to go and do my taxes." And of course, he did all of his tax clients. When I saw him again in May, he said, "You know, I've been thinking about this all through tax season," and he took a number of his clients and he said, "I've stripped out the names, but here are the numbers." And he had very recent numbers and he was comparing the before and the after and he said, "The key thing here is tracking the PST in the business and because these people have been my clients a long time and I have all their data, I did track the PST in their business and the difference in after-tax income to businesses of virtually every size was just stunning." I looked at one of them, particularly a number of ones he did for real estate agents, and I said, "This has got to be wrong." And he said, "I thought so too, so I went back and redid it all." They were looking at enormous, double-digit increases in after-tax income, just for doing the same thing, assuming that prices didn't rise and whatever else. Anyway, I digress.

One subject we've not touched on today has been something that we had talked about just prior to some of the problems that we've had in Ontario coping with the world economic slowdown, and that's been our call for fairness for Ontario at the federal level. I thought that I would ask you for an update on the progress of that.

Hon. Dwight Duncan: Thank you. I must say that the federal government has responded positively in a number of areas. The sales tax harmonization is a good example of that, in fact, to the point where Quebec has actually complained about the assistance we've had in terms of harmonizing. That doesn't mean that there aren't issues between us and that there aren't issues among governments. For instance, for many years federal transfers to provinces for health care were not provided to Ontario equitably and we were shortchanged some $773 million. We have fought to ensure that federal funding for health care provided through the Canada health transfer treats all Canadians equally in response to this campaign. The federal government is now providing the province with an additional $489 million in Canada health transfer funding for 2009-10. They acknowledged that what we had been saying was correct. This gives Ontario now per capita funding equal to other provinces. The increase in the Canada health transfer provides support to our hospitals and increased funding to the OHIP program.

In response to our call on the federal government to provide Ontarians with their equitable share of federal funding for post-secondary education and social services, the federal government placed the allocation of the Canada social transfer on an equal per capita basis starting in 2007-08. So again, we applaud them for that and their response to that. And it should be pointed out that the federal inequity against Ontario has been a part of the fiscal arrangements for health care, post-secondary education and social services for more than 30 years. So this cuts across governments of different political stripes. Getting the federal government to recognize and correct this unfairness has been, in our view, an important achievement.

Again, in the fullness of debate on public issues, we still differ on employment insurance, for instance, on the calculation of the so-called equalization formula. Mr. MacKinnon, who used to head the Ontario Hospital Association, has done a bulk of work about that. I won't get into that in any great detail today, but the federal government has moved in a number of important areas in a positive way to treat Ontario more equitably and we congratulate them for that.

The final piece, of course, was that we couldn't have done the harmonization had it not been for the federal government, both in terms of the flexibility it's given us on the rules around it as well as the cash that's been provided to assist us in that transition.

The Vice-Chair (Mr. Garfield Dunlop): You've just got about a minute left.

Mr. Bob Delaney: About a minute?

The Vice-Chair (Mr. Garfield Dunlop): Yes.

Mr. Bob Delaney: Okay, a quick question, then. Southern Ontario now has an economic development office and that was one of the things that we asked of the feds. Can you comment on that?

Hon. Dwight Duncan: Yes. Again, that was a longstanding issue that we had raised on a number of occasions, and in his last budget, Mr. Flaherty responded. I think the amount was $100 million—I can't remember the dollar figure, if it was specified. It is designed to give southern Ontario—and many parts of southern Ontario have faced enormous challenges in this economy. My hometown of Windsor has the highest unemployment rate in the country. Other communities in the southwest have experienced similar challenges and dislocations. So the federal government, as part of its most recent budget, responded affirmatively to that. I think southern Ontario was the only area of the country that didn't have its own federally and provincially shared regional development agency, and they've responded to our request there as well.

The Vice-Chair (Mr. Garfield Dunlop): Thank you very much, Minister. Are you okay without a break?

Hon. Dwight Duncan: I think I'm fine.

The Vice-Chair (Mr. Garfield Dunlop): We have about an hour left, so we've got a rotation for each group. Okay?

Hon. Dwight Duncan: Okay.

The Vice-Chair (Mr. Garfield Dunlop): So we'll go to the official opposition.

Mr. Norm Miller: Is this the last round?

The Vice-Chair (Mr. Garfield Dunlop): This will be the last round.

Mr. Norm Miller: Okay. Mr. Sterling wants to follow up on—

Mr. Norman W. Sterling: Yes, I'd like to talk a little bit about the accountability in the stimulus package, which Mr. Miller talked about before.

In the United States, their recovery and reinvestment package has attracted a whole number of new mechanisms to account to the public and to members of Congress as to how this money is being spent, where it's being spent etc. In fact, they have set forward accountability principles for the recovery funds which include a whole number of matters that make certain that the funds are being directed toward what they are purported by the government to be trying to do: create jobs, meet goals, targets etc. As well, they must provide spending performance data to the public in a detailed and timely form. As well, they have set up a recovery accountability and transparency board, which acts in some ways at arm's length from the administration, which will be issuing quarterly and annual reports on the use of Recovery Act funds and any oversight matters, will be sending flash reports to the President and Congress on potential management and funding problems that require immediate attention, and will be establishing and maintaining a userfriendly website, recovery.gov, to promote greater accountability and transparency in the use of funds.

Our federal government is doing some of the same things. The federal government has set up a committee of deputy ministers with responsibility for tracking the progress and providing oversight on the implementation of the stimulus measures. Furthermore, the plan will be subject to reports in supplementary estimates and in quarterly reports to Parliament.

This issue raised great consternation with your federal cousins, in terms of their trying to bring Parliament to the brink, I believe, in February. This was part of their demands of the federal Conservative government: that they present quarterly reports of how the funds—where they are, who's getting them, what companies are providing them, how much it is, what area of Canada etc.

Given that the Auditor General has criticized your government on two occasions with regard to year-end spending—in fact, this last blush of money that was sent out in March didn't have proper application processes. He felt that there wasn't enough concern as to priorities with regard to that spending. It favoured one sector of our economy—our public infrastructure or public structure—and it didn't favour others.

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What are you going to do to improve your accountability with regard to this huge expenditure of—I believe it's a total of $32 billion? How are you going to account to the people? How can I or my constituents find out in a timely way where it's being spent, who's getting the dollars and that it's being spent consistently and fairly across the province of Ontario?

Hon. Dwight Duncan: I think Rick took you through a number of the accountability mechanisms that are in place. MEI, the ministry responsible, has implemented, as I understand it, a number of other measures. Deputy, did you want to perhaps—

Mr. Peter Wallace: There's not really much to add to that other than, beyond the broad expenditure oversight and audit oversight within the Ministry of Finance, the actual tracking and reporting and primary accountability mechanisms associated with the overall infrastructure package and the capital package do remain with the Ministry of Energy and Infrastructure.

Mr. Norman W. Sterling: So are we going to get anything in addition? I mean, other governments have clearly made strides to provide additional accountability for this unusual and inordinate expenditure of large amounts of their tax dollars, or creating large amounts of their debt that they're going to have pay tax for. Are we not going to get any of that? Are we not going to get quarterly reports? Are we not going to get websites where we can look and see?

Hon. Dwight Duncan: We have undertaken a website. I don't believe it's up yet. I'll endeavour to check on that.

Finally, I will pass your questions on to the minister responsible, Mr. Smitherman. I'm not sure if he has been called for estimates or not over the summer, but certainly we will pass that question on, and he can respond in greater detail.

Mr. Norman W. Sterling: Will you not commit in any way to providing us with timely reports?

Hon. Dwight Duncan: I believe we have very robust reporting mechanisms in place.

Mr. Norman W. Sterling: But I mean, the normal ones aren't satisfactory.

Hon. Dwight Duncan: There's always more room. I listened attentively to your points today. I've listened to the debate in the United States about the relative effectiveness of some of the measures you outlined. I can tell you that in terms of the stimulus money, we've worked very closely with the federal government.

As I say, Mr. Smitherman does have reporting accountability for the expenditures of those monies. I will undertake to relay your question to him and get a more complete response to you.

Mr. Norman W. Sterling: Thank you.

The Vice-Chair (Mr. Garfield Dunlop): Okay, go ahead.

Mr. Norm Miller: Thank you, Mr. Chair. I'd like to talk a little bit about the harmonized sales tax and a few aspects to do with it.

First of all, one of the things you're trumpeting as being a benefit of the tax is the fact that businesses that pay out the tax can get it back through an input tax credit. Yet, we see that there are restrictions on the input tax credits, as outlined in the budget. In fact, they grow as time goes on so that almost $1 billion in 2010-11—businesses won't get that money back. Then it grows in 2011-12 to $1.2 billion, and it grows in 2012-13 to $1.3 billion. Businesses won't be getting that tax back. It will be an additional tax to them they weren't paying before, because the new tax applies to so many things that the old RST didn't apply to.

First of all, why do you have those? Why aren't you giving the businesses all that—allowing them to receive all those input tax credits, and why is the amount growing over time? I would have thought, if you're phasing it in, it should be going the other way; it should be reducing, not growing.

Hon. Dwight Duncan: I'm going to ask Steve to come up and respond in greater detail, but at a high level, I will respond in two ways: One, those input tax credit restrictions do grow, but they only will last for eight years, and that was by agreement with the federal government. The amount of money there, relative to the total input tax credits, is relatively small. It is a measure that is designed to help with the implementation, over time, of the single sales tax, or harmonized sales tax, here in Ontario. It's designed to phase out over eight years, and has been taken in consultation and as part of the agreement with the federal government.

Steve, I don't know if you want to add to anything.

Mr. Norm Miller: To be clear, businesses aren't getting the full benefit of the input tax credits and it goes over eight years. Is it continuing to climb over the eight years as it does in the three years that show up in the budget?

Mr. Steve Orsini: As part of the memorandum of agreement with the federal government, the federal government gave the province flexibility to restrict certain inputs, similar to Quebec. So if you read the memorandum of agreement, it refers to the Quebec restrictions. These are identical to the scope that Quebec restricts. It's fully restricted for five years and then it's phased out over three, so that's a reference to the minister's comment of eight years. So the first five years it's 100% restriction and then it's a third, a third, a third.

Mr. Norm Miller: So the last three years it goes down?

Mr. Steve Orsini: It goes down. This is a built-in tax cut in a way because it's going to phase out, and I think there are a couple of points. It exists for Quebec now. Theirs is not temporary, at least as far as we know. BC, when they announced last week that they were going to harmonize with the GST, adopted the same restriction. One of the things that is in place here is to allow, as part of the total package of measures—remember, as the minister has said, this is a full package of measures where there are gives here and changes over here. This allows some flexibility to move faster with the corporate income tax cuts because overall the government's cutting taxes by $2.3 billion over four years. That revenue, although temporary, was to help phase in the corporate income tax a little sooner than otherwise.

Mr. Norm Miller: Okay, and to be clear, with BC, they're not applying their proposed harmonized sales tax to some fairly key things that Ontario is. In particular, BC is not applying it to gasoline, which is pretty significant in the province of Ontario, particularly if you live in rural or northern Ontario, particularly for individuals, because if you live in a rural area you don't have any choice but to buy gas. So that's an extra 8% for the end consumer.

Hon. Dwight Duncan: You also know that BC is creating a carbon tax and it's going to be going up in each of the next three years and I think that was the reason they've taken the steps they have.

Mr. Norm Miller: Getting back to the effect that this is going to have on individuals who may just not be able to afford to pay for it, this past year I've certainly seen in my constituency office a greatly increased number of people coming into our office who are unable to afford to pay their hydro bill, their electricity bill. I don't know what the percentage increase is, but a substantial increase of people who are just on our doorstep because they're about to have their hydro cut off. This will mean an extra 8% added on to people's hydro bills. How are those people who are living on the edge right now going to pay their hydro bills?

Hon. Dwight Duncan: As you know, and we've talked about, we are providing the most generous sales tax credit in Canada to people of modest incomes. There are overall tax reductions for people of modest incomes, including personal income tax, as a sales tax credit. We've increased the child benefit. We've increased the property sales tax credit. We have distributed samples of specific circumstances. I should also point out the price of electricity has come down, as I understand it, in the last couple of years due to declining demand for electricity. So overall, people of modest incomes, the types of people who will be faced with this type of situation, will in fact see their overall tax burden decrease, and decrease rather well. Finally, of course, over the first year of implementation, we will be providing families with a combined income of under $160,000 with cheques totalling $1,000. The first one will flow approximately June 2010, the second will flow before Christmas in 2010 and the third will flow just before the first anniversary of implementation. So that is a transitional mechanism that is designed to help people of all income levels, but I hope will particularly assist those types of families you've described that are having difficulty with their bills, help them transition and, as I say, overall, families with more modest means will in fact pay much less in taxes than they are today.

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Mr. Norm Miller: As you point out, unfortunately, the reason some of the electricity prices have come down is that half of the manufacturing is shut down in the province, so the demand is drastically reduced.

On the $1,000 cheque, the perception I'm getting out there is that the reaction from people I run into is not very positive. It's looked at as a bribe, especially with the last cheque coming relatively close to the next provincial election. That is a perception out there: The taxpayers are being bribed with their own money. Secondly, if you're going to try to assist people with this new tax that is applying to so many new services, commodities, whatever, is there not a cheaper way of delivering it versus mailing cheques three times to all the people in the province? It seems to be a very expensive way to try to reimburse people.

Hon. Dwight Duncan: Well, frankly, when we were looking at that, I had similar concerns because you were part of a government that did that.

Mr. Norm Miller: No, I wasn't, as a matter of fact; it was before my time.

Hon. Dwight Duncan: Actually, you were, and people did, in fact, say similar things at the time.

Mr. Norm Miller: You probably said that.

Hon. Dwight Duncan: We looked at a range of options, and this one seemed to make the most sense. These cheques will be posted not by the government of Ontario but by the Canada Revenue Agency. As I understand it, we will probably benefit from bulk postage rates. Frankly, there wasn't a simpler or a cleaner way that we could see to do this.

As I said, the government of Ontario, the previous Conservative government had done something very similar, albeit on a different tax, and I'm aware of those concerns. I suppose if your party would prefer that we not do that, we'll certainly listen to your advice.

But again, we've undertaken to do this as a transitional method because that first year is the year that people get used to the new system, and this is designed to help them with that. There didn't appear to be a better way to do it than this, having made the decision that, in fact, it was appropriate to assist people in that transition year.

Mr. Norm Miller: So what about renters, in particular, certainly in my riding and I'm sure it's true around a lot of the province, where renters are paying their own heat? I've got a long letter, and I can't read what this constituent says about the $1,000 cheque because it probably would be ruled to be not in order.

The Vice-Chair (Mr. Garfield Dunlop): Three minutes left to you, by the way.

Mr. Norm Miller: However, it's a property management company that happens to be from my riding writing to me concerned about how the new proposed tax is going to affect renters. I'll just quote a bit of their letter.

They say, "Point of fact in the past 12 calendar months I have filed for evictions for nonpayment of rent 19 times versus 4 times in the 120 months prior to that! And I can guarantee that it will go up again next summer unless something is done!" They go on to say, "Here in Parry Sound–Muskoka we don't have many buildings with that luxury. The tenants pay for their own heat. The heat source varies from unit to unit and with imminent increases in the cost of hydro, gas, propane and oil, hard choices for tenants are going to be made. Now the Liberals want to add 8% more to the high heating costs that tenants are already bogged down with." So is that correct? Is my constituent correct that a tenant who's paying their own hydro is going to have to pay the 8% and get no help with that?

Mr. Steve Orsini: The GST base has three different categories of tax: zero-rated, like basic groceries, where the consumer doesn't pay it and business gets input tax credits all the way through. Another category is called tax-exempt status, where the consumer doesn't pay it on their rental bill per se, but they pay it on their inputs going into the apartment building. In this case, renters would not pay it on their rent, but their utilities supplying to it would be subject to the single sales tax. I should note—

Mr. Norm Miller: So they're correct in assuming that the renter who's paying their own hydro will pay an extra 8%.

Mr. Steve Orsini: They would pay it like a homeowner would as well, so it would be—

Mr. Norm Miller: They'll pay an extra 8%.

Mr. Steve Orsini: —comparable to a level playing field. In addition to the transitional benefits that are paid in three points, what we're also doing is changing the delivery mechanism for the sales tax credit. Right now, our property sales tax credits are combined, and you pay at the end when you file your tax return for the prior year. To better match the relief, we are now paying the sales tax, or we would be paying the sales tax, in quarterly instalments throughout the year. So renters, in that case, will be getting their tax relief sooner because it will be paid quarterly with the CRA, along with the GST credit as well.

The Vice-Chair (Mr. Garfield Dunlop): Something really quick here.

Mr. Norm Miller: Really quick, okay. One of the supposed savings from doing this is that there will be less bureaucracy involved with collecting taxes. There have been a lot of retail sales tax audits going on in the last couple of years. What happens to the arrears of retail sales tax going forward, and what sort of staff savings will you have from that move?

Hon. Dwight Duncan: I can answer that. First of all, for tax appeal situations that are in process, they will continue on. We estimate that there are 2,500 fewer employees at the Ministry of Revenue. There's—

Mr. Steve Orsini: I think there's a total of—there are positions that have been identified at 1,500.

Hon. Dwight Duncan: Yes.

Mr. Steve Orsini: It's not clear as to how many will—there are negotiations with the federal government. These are positions that are affected by the change. It doesn't necessarily determine the outcome.

Mr. Norm Miller: So you'll have some people who will carry on until, I assume, you get the past arrears.

Hon. Dwight Duncan: Yes, absolutely.

Mr. Peter Wallace: These are mechanisms that will continue, of course, to be—

The Vice-Chair (Mr. Garfield Dunlop): Thank you very much, Mr. Miller. That concludes your time.

Mr. Bob Delaney: Chair, just on a point of privilege, I guess, with regard to the discussion that the member was having with the minister: It should be noted that if the member is speaking as the party critic, then the minister can indeed hit him with guilt by association with regard to the mailing out of the cheques, but if my memory serves me correctly, the member was first elected after the last of those cheques went out in a by-election. Am I correct?

The Vice-Chair (Mr. Garfield Dunlop): Okay, that's your point. Now to the third party.

Mr. Michael Prue: A little bit of a red face, here. Back to the HST, you have promised to fill me in on the details about the signed deal with Mr. Flaherty on March 10, the first meetings. Could you also, in that response, tell me the list of dates? I don't want to breach cabinet secrecy or anything else, but the list of dates either you or your officials met with the officials of Canada to discuss the HST in the months leading up to March 10.

Hon. Dwight Duncan: To the extent that we can, yes, we will. You raised an appropriate caveat, but yes, to the extent that we can, we will.

Mr. Michael Prue: Okay. The next question on this is, in the memorandum of understanding between the federal and provincial governments on the HST, it states that the number of point-of-sale rebates, like children's clothing and feminine hygiene products, may not exceed 5% of the aggregate. What percentage of the aggregate is constituted by the point-of-sale rebates already identified by the Ontario government? In other words, how much more room in dollars does Ontario have to create more exemptions?

Hon. Dwight Duncan: Deputy?

Mr. Peter Wallace: Steve?

Mr. Steve Orsini: That's correct that in the memorandum of agreement, there's a limit. There are a couple of conditions I should point out in the memorandum of agreement in terms of point-of-sale rebates. One is the quantum, the 5% of the GST base in Ontario. The comparable size in BC would be applicable as well. The second one: It has to be measurable under national accounts. In other words, the federal government has to be able to say how much it's going to cost and there's a number associated with that. So we are in the midst of now working through some of the details. For example, there are a number of point-of-sale exemptions—children's clothing and things of that nature—so the government has to announce the size category for that. That's still being worked through with the federal government. Once we have those details, we'll be in a better position to respond to the precise percentage that would be affected. But clearly we haven't used up all that room that's available. A more precise number will need to have the fine details with the federal government and we'll be in a better position to share that with you once the details are finalized.

Mr. Michael Prue: And when do you expect that to happen?

Mr. Steve Orsini: We're working quickly with the federal government. We're hoping to have something as part of the wrap-up of our tax collection agreement by the end of the summer, early fall.

Mr. Michael Prue: In the weeks leading up to the last budget in March, I remember questioning the finance minister and talking about the debt-to-GDP ratio, which was kind of low at that point. There was some discussion that we could afford to tinker a little with the debt-to-GDP ratio without causing problems, but with an $18-billion or $20-billion deficit and deficits for the next five years. What's the debt-to-GDP ratio today, and what will it be five years from now if your projections are correct?

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Hon. Dwight Duncan: I believe we've outlined those numbers in the budget. It will go up; you're absolutely right. It will still be very manageable. I'll quickly try to find it in here for you.

Mr. Peter Wallace: Page 141.

Hon. Dwight Duncan: Page 141 of the budget. Thank you. You'll see that we have two measures: the net debt-to-GDP ratio, as well as the accumulated deficit-to-GDP ratio. You'll see on the accumulated deficit-to-GDP ratio, in 2007-08 it's 18.1%. It will peak at about 23.1% in 2011-12, and decline, based on present estimates, to 20.7% in 2015-16. On the net debt-to-GDP ratio, you'll see it's currently standing at approximately 24.3% and will rise to as high as 32.5%, declining to 30.5% in 2015-16. You can find all the details of that on page 141 of the budget.

Mr. Michael Prue: Thank you.

I asked a number of questions today. At the beginning of the day, I asked some questions, and the minister declined to answer. We can quibble on the words, but he declined to answer. Then I put four questions later on, the questions about how much more the average individual consumer and household will pay in higher sales taxes, the total increase in provincial revenue, how much more the average individual consumer and average household will pay for energy, and how much more revenue the government would raise in energy costs.

My colleague Mr. Rosenstock, who works for the NDP caucus, put a similar question to the Ontario Ministry of Finance through a freedom of information and privacy—to the privacy coordinator. He sent in a $5 fee and got the answer this afternoon.

"Dear Mr. Rosenstock:

"Re: G-09-0037-02 – Decision

"This letter is in response to your access request made under the Freedom of Information and Protection of Privacy Act (the act).

"A search has been conducted and the records you have requested retrieved. After careful review of their content it has been determined that the records are exempt from disclosure in accordance with the following sections of the act"—and it lists cabinet documents, advice to government, relations with other governments, economic and other interests of Ontario.

"If you disagree, you can pay $25."

Why is the government attempting to stop Mr. Rosenstock and the people of Ontario from knowing the average annual cost to a household for higher sales taxes?

Hon. Dwight Duncan: First of all, with all due respect, we're not doing that. We're trying to get accurate answers for you so that—because unfortunately a number of people will try to say things that aren't there.

For instance, your second question is actually answered on page 134 of the budget, as I indicated to you.

With respect to the other questions: For some of them, we are still working through those calculations. I've undertaken to respond to you in writing once we have those answers. Again, I would have to see the precise nature of the questioning. But as I said this morning—and I have undertaken to answer the questions—you tried to preface the questions by separating them out from the entire policy, and I can't respond on that basis.

We will, however, do our best to respond to you in clear, concise terms on question number 2. That is contained in the budget, on page 134, and that has to do with the conversion of the RST base to the new sales tax base. In 2010-11, $1.6 billion; $2.1 billion in 2011-12; in 2012-13, it rises to $2.13 billion. On that same chart, you go down on an annual basis and look at where the tax cuts are coming in. We have to answer and will answer completely and to the best of our ability the questions that you put forward.

Mr. Michael Prue: So notwithstanding what Suzette Collins, coordinator, has written to Mr. Rosenstock—

Hon. Dwight Duncan: Well, I haven't seen what your staff member wrote, and again—

Mr. Michael Prue: I have the copy here if you want to see it.

Hon. Dwight Duncan: We've already answered a quarter of the questions here. It's published in the budget. As I said, I've undertaken to get back to you when we have accurate information, and we will.

Mr. Michael Prue: So there will be no attempt, then, on "cabinet documents," "advice to government," "relations with other governments"—which I take to mean Ottawa—and "economic and other interests of Ontario"? Citizens cannot find out this information?

Hon. Dwight Duncan: We will respect all of our existing agreements as well as our desire to be transparent and accountable. So again, a quarter of your questions are answered right in the budget document itself on page 134.

Mr. Michael Prue: Yes, and three quarters will be forthcoming notwithstanding—

Hon. Dwight Duncan: Subject to all the agreements we have and subject to the limitations. But as I say, we make every effort to be transparent and accountable.

Mr. Michael Prue: In another field, eHealth-related questions: In 2008-09, how much money did the ministry spend on external consultants?

Hon. Dwight Duncan: You'll have to put that question to the Minister of Health.

Mr. Michael Prue: Okay. You don't keep tabs at the Ministry of Finance?

Hon. Dwight Duncan: Ministers—

Mr. Michael Prue: I'm asking about your ministry.

Hon. Dwight Duncan: That money would have flowed to the Ministry of Health, and the Minister of Health would be able to answer those questions.

Mr. Michael Prue: So the Minister of Finance, then, spent no money on external consultations?

Hon. Dwight Duncan: With respect to eHealth?

Mr. Michael Prue: Excuse me. I shouldn't have—it flows from eHealth. Let me rephrase: In 2008-09, how much money did the Ministry of Finance spend on external consultations?

Hon. Dwight Duncan: With respect to eHealth?

Mr. Michael Prue: No, with respect to anything.

Hon. Dwight Duncan: I'll have to undertake to get back to you with that.

Mr. Michael Prue: Okay. Can you provide a list of all of the agreements with consultants that your ministry made during 2008-09?

Hon. Dwight Duncan: We will undertake to get back to you with that.

Mr. Michael Prue: In the last four years, has your ministry ever contracted services from Courtyard Group?

Hon. Dwight Duncan: I will have to get back to you on that.

Mr. Michael Prue: Last but not least, in light of the excesses brought to light around eHealth—and again, I'm talking about your ministry—do you think it's time to include external consultants in the sunshine list? For example, if a consultant is billing $400 an hour and they hit the $100,000 mark in a year, shouldn't they be listed on the sunshine list?

Hon. Dwight Duncan: I think a number of the requests you made may actually be in public accounts already. I'll have to look at that myself. Suffice to say we are interested in transparency and accountability. As you know, as a result of what happened at eHealth, the Premier and the government have undertaken a number of initiatives to provide for greater transparency and accountability, recognizing what occurred at eHealth, and we think those are the appropriate steps to take in this regard.

Mr. Michael Prue: So those questions will be answered forthcoming as well?

Hon. Dwight Duncan: Which questions again, specifically?

Mr. Michael Prue: Well, these are the three. In 2008-09, how much did the ministry spend on external consultants? And you said you would find that out.

Hon. Dwight Duncan: Yes. And that may already be in public accounts. I'm not certain.

Interjections.

Hon. Dwight Duncan: My officials tell me it is in public accounts, so that is readily available to you.

Mr. Michael Prue: All right. So that can be forwarded to me, because I'm not a member of public accounts, or perhaps I can just—

Hon. Dwight Duncan: Well, they're provided to all members.

Mr. Michael Prue: Okay. And the table of all agreements with consultants: Is that also with—

Hon. Dwight Duncan: I'm going to have to respond to you on that.

Mr. Michael Prue: Okay. Public accounts also asked whether or not your ministry has contracted services from Courtyard Group?

Hon. Dwight Duncan: I believe again that would be available in public accounts, but I will undertake to follow up with you.

Mr. Michael Prue: Thank you very much. Those would be my questions.

The Vice-Chair (Mr. Garfield Dunlop): There are no other questions?

Mr. Michael Prue: I have no other questions.

The Vice-Chair (Mr. Garfield Dunlop): Okay. We'll now go to the government members.

Mr. Wayne Arthurs: Mr. Chairman, knowing that this will be the last of our rotations, I believe we're prepared to stand down our final 20 minutes, and if everyone's ready, we're certainly prepared to vote on whatever matters we have before us.

The Vice-Chair (Mr. Garfield Dunlop): Okay. They'll stand down their time. Is everyone prepared to vote, then? We have consent on that? Agreed? Agreed.

Okay, then, well thank you very much, everyone. So we will put the vote now. I'm asking you if it's okay if I put the question. Okay? All right.

Shall vote 1201 carry? Carried.

Shall vote 1202 carry? Carried.

Shall vote 1203 carry? Carried.

Mr. Michael Prue: Excuse me, Mr. Chair, before you go on, I'm not a regular member of this committee; what is 1201, 1202 and 1203?

The Vice-Chair (Mr. Garfield Dunlop): Those are the sections of the estimates under—

Mr. Michael Prue: Oh, it's the sections of the estimates. Okay.

The Vice-Chair (Mr. Garfield Dunlop): We've gotten to 1203; we've got a few more here.

Shall vote 1204 carry? Carried.

Shall vote 1208 carry? Carried.

Shall the 2009-10 estimates for the Ministry of Finance carry? Carried. Do we need a vote on that? We've got a dissension.

Mr. Norman W. Sterling: I said no.

The Vice-Chair (Mr. Garfield Dunlop): No. Okay, that's carried.

Shall I report the 2009-10 estimates of the Ministry of Finance to the House? Agreed. That carries as well.

We'll be meeting back here on Tuesday, September 15 at 9 a.m. for Research and Innovation. I'd like to take this opportunity to thank Minister Duncan, the deputy minister, all the staff in the ministry and the minister's office and all the members of the committee. With that, this meeting is adjourned.

The committee adjourned at 1702.

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