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Wednesday 17 November 2010

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Mercredi 17 novembre 2010

**Standing Committee on
Estimates**

Ministry of Economic
Development and Trade

**Comité permanent des
budgets des dépenses**

Ministère du Développement
économique et du Commerce

Chair: Garfield Dunlop
Clerk: Douglas Arnott

Président : Garfield Dunlop
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON ESTIMATES

COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Wednesday 17 November 2010

Mercredi 17 novembre 2010

The committee met at 1618 in room 151.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE

The Chair (Mr. Garfield Dunlop): We will call the meeting to order. Good afternoon, ladies and gentlemen, members of committee, Minister Papatello and all the staff from the Ministry of Economic Development and Trade.

We are here this afternoon for the consideration of the estimates of the Ministry of Economic Development and Trade for a total of six and a half hours. The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has 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 here.

I now call vote 901. 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. In that time, of course, you don't have to make a statement. You can go right into questions to the minister. Then, the minister will have up to 30 minutes to respond for her reply. In that time, Minister, you have to spend all the time responding. It's not a question-and-answer period from the government members. Following that 30 minutes, we'll go right into 20-minute rotations until we complete our time.

With that, I should point out that we are done next Tuesday afternoon regardless. That's the end of the estimates for this year. So when we finish off this afternoon, any time we spend Tuesday morning and Tuesday afternoon will be the end of estimates for this year.

Mr. Bob Delaney: We'll miss you.

The Chair (Mr. Garfield Dunlop): I know you will, but you'll see me in question period.

With that, Minister Papatello, you have 30 minutes to start. Please go ahead.

Hon. Sandra Papatello: Thanks, Chair. Would you do me a favour and give me a five-minute mark after 25 minutes?

The Chair (Mr. Garfield Dunlop): I will.

Hon. Sandra Papatello: Thanks, Chair. I do welcome everyone. We're delighted to be here in front of the estimates committee. We believe we have a lot to talk about in terms of what the Ministry of Economic Development and Trade has been busy doing over this past year, and we're anxious to see the types of questions we might get so that people can get a feel for what we'll be doing in the year to come.

I want to take this opportunity to introduce our deputy of economic development and trade, Wendy Tilford, who began her journey with us as deputy this past February. I think sometimes it feels like longer but sometimes shorter. It's been wonderful to have Wendy Tilford, who comes to us from the private sector and has done a marvellous job since beginning with us in February.

To my right is Assistant Deputy Minister David Clifford. He's in charge of the corporate division. He's essentially the CFO of our corporation. He's the bagman. He monitors all of the money. When our ministry wasn't all three put together, he managed to watch the funding across the small business division, international trade, as well as economic development. Now, of course, we're delighted that we have these three divisions in one ministry, and we see the kind of synergy that's being created across the various divisions. We believe this is a very good thing.

I'd like to take the time as well to note that we have a number of senior executives from economic development and trade who are here in the room with us, representing all of the divisions, so that when there may be questions that are pertinent to that division, we may need some help and call on our assistant deputy ministers or our associate deputy responsible for Open for Business, for example, to come and give us some detail.

I'm delighted to have these folks here. I can tell you that we have experienced some great commentary from the business community in Ontario. We are getting feedback that is very, very positive about how our ministry officials work with business here in Ontario—very professional, doing some tremendous work, seeking out new markets for them, learning of new trade opportunities and getting that information to our business community, and bringing foreign direct investment into Ontario at a time when, frankly, it's been very difficult.

I don't want to paint this too rosy a picture. We have had a tremendous world recession the like of which none of us in our generation have ever seen. We've been dealing with these challenges to find opportunities despite

what's been going on around the world; despite having a dollar that nears parity on a regular basis with the American dollar that, today, has 80% of our trade; and despite this world recession that sees availability of capital for companies who want to make investments and who want to continue to flourish but are having trouble with the banking system.

These issues still persist and these are still the kinds of barriers that our companies find. These are still the kinds of things that we are trying to address on a regular basis. So, while south of the border the US economy receives 80% of our exports, they posted a disappointing 1.6% growth in the second quarter. We're disappointed in that because that's less and it accounts for 80% of our exports.

We watch the US market very carefully because despite many, many governments' good intentions of increasing market share elsewhere in the world, we're still married to the US economy. The good news is that 20% of our exports aren't in the US, and they are growing in markets that are emerging markets, markets that are growing despite a worldwide recession, largely because of domestic demand. We're finding that our Ontario products that are suitable to that growing middle class—people with money to spend in these emerging markets—they are taking a great liking to Ontario products, and that's very exciting.

We believe that we've just scratched the surface of what our opportunities are, yet we've got to look at a comprehensive plan of what we're going to do on all fronts across our entire ministry in economic development for our companies that are already here so that we can retain them and have them grow.

On the international front, we need to seek out new markets, and the markets we are in, we want to do more work in them.

On our small business front, we are working diligently to reach out to our small business like never before so that they're aware of the services that our ministry provides, because when they know of them, then the regular refrain we get from them is, "Wow, we didn't realize that you did this." Half the battle is communicating to so many of them—379,000 of them—the kinds of services we can provide as a ministry to them.

We're delighted to have an opportunity to talk about that in these opening remarks that I hope will set the tone for one, understanding the challenges that we face, and two, we may actually find good ideas that come from this floor from all sides of the House about what else we can be doing to assist businesses in Ontario.

We recognize there have been challenging reports that have been issued that often are contradictory. Just as an example, in April 2010, a monthly report from Statistics Canada reported that manufacturing was the fastest-growing sector of the Canadian economy, ahead of construction, oil and gas, real estate, retail, public admin, and yet in that same month the Conference Board of Canada came forward with a different view, forecasting the manufacturing sector's difficult road ahead. We're often

seeing this sort of bumpy trail of volumes—volumes growing, volumes stagnating—and what that really means, in particular to southern Ontario, where life in the manufacturing sector is strong.

Our struggle: a strong Canadian dollar and the need for Canadian manufacturers to become more innovative, to become more productive, to really address the pressing need to increase Canada's productivity rate. It's not just an Ontario problem, but Ontario is the heartland of Canada's industry, so we see this every day. Canadian productivity has increased by a mere 2.1% while the US rate increased by 9.8%, this despite a world recession. We do see our colleague American companies moving ahead on that productivity score, and we've got to find ways to address them and to identify the things that an Ontario government can do to provide the lever to make a difference on the productivity front. We know that's a huge challenge for us. So I think that against this backdrop it is important to highlight strengths that we have in each of our sectors—to understand which ones are growing, which ones face challenges—and then, whether it's through a budget process or additional services that our ministry, EDT, provides, that we start to address this when we can.

We think we've come up with some good tools since 2003 that have been right for the time, but we've had to acknowledge that our times are changing. Some of the tools that we might have had in place in 2005, like the advanced manufacturing investment strategy, were good for that time but not so good now. As the take-up waned, we had to change up how we were offering our levels of support for companies. For example, as of February of this past year, that AMIS program isn't accepting new applications. It was a half-billion dollar loan program that provided up to 30% of the investment loan to a company, and in exchange that company was committing to at least 50 jobs, a \$10-million investment, and we focused the projects on advanced technologies, innovative practices and retaining and growing high-skilled jobs in a whole variety of sectors. We wanted to do this so we could leverage new investments and enhance Ontario manufacturers' global competitiveness.

All told, we did provide \$150 million in loan commitments to support those innovative projects. Those will generate \$1.1 billion of investments by companies. That, in fact, would create 5,100 new jobs; that's like a couple of Toyota plants. So I think when we do a review, it was certainly 23 separate projects, but all told, a significant number of new jobs being created because we could walk in there and extend a helping hand that tipped the scale in favour of making the decision to invest in Ontario. Some of those programs were for brand new investments; some of them were for expansions of companies that were here. We're delighted at some of its success.

I want to tell you about a couple. Combat Sports is one I'd like to highlight. Phil McNeely will probably remember that Combat Sports is from Ottawa. It's a sports equipment manufacturer. They were granted \$2.5 million in an AMIS loan. They were making recyclable hockey

sticks and baseball bats. As a result of this, Combat Sports will earn the distinction of becoming the first company worldwide to successfully commercialize cutting-edge thermoplastic technology to produce baseball bats and hockey sticks.

For the member from Kenora, I had to mention the example of hockey because I know he'd appreciate that. In fact, I understand that the MPP from Kenora played with my deputy's brother back in the day; or perhaps is still playing, because I know the member from Kenora is still playing hockey.

Mr. Howard Hampton: I have a Combat baseball bat.

Hon. Sandra Pupatello: And he does have a Combat baseball bat, to boot.

More importantly, the local Ottawa community will benefit. It's a creation of 112 new jobs, and it helps to retain the 47 that they had before that announcement.

Another AMIS announcement of interest involved ITS Electronics, a broadband satellite communications company based in Concord, Ontario—an almost \$3.5-million AMIS loan program. It will design and manufacture advanced satellite and communications equipment with multiple applications, including enhancing mobile satellite communications systems, broadcasting high-definition television signals and providing in-flight or at-sea broadband Internet access. Imagine how this is changing the world for people who are using these various modes of transportation.

ITS Electronics is a good example of an inspirational made-in-Ontario success story. It was founded in 1987. CEO Ilya Tchaplja started his company in a North York garage, and it's grown from there. When I met him, he told me a great story about how he made his first gadget and baked it in his mother-in-law's oven, and he continued to use his mother-in-law's oven as he was making his various prototypes until he could see that he had a saleable product, and then off he went to eventually invest in equipment and take his show on the road. It was just a great day out there to see this great success by this fellow who was originally from North York, and his garage.

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The Next Generation of Jobs Fund was a fund that came out later, again trying to respond to what our focus would be as a government, what kinds of sectors it was we were chasing. You'll remember that the focus there was looking for those cutting-edge industries, cutting-edge companies. Clean tech, companies that were going to focus on the green economy, served as the cornerstone of this government's strategy to stimulate economic growth by creating a sustainable, globally competitive workplace for our next generation of workers here in Ontario. Clean automotive; other forms of clean technology; health biotechnology-related research and development; creative clusters such as the digital media and ICT, the information communication technology sector, a sector that, quite honestly, despite the worldwide recession, has continued to grow in Ontario, as has the

financial services industry here, largely in the greater Toronto area; pharmaceutical-focused research and manufacturing—all of these were beneficiaries of the Next Generation of Jobs Fund.

While it was in operation, we supported 26 projects. These projects leveraged \$3.5 billion of investment from companies into Ontario and secured 7,500 high-skilled jobs. That's about five new Toyota plants. So when you put it in that perspective, that despite the times, despite how Ontario, frankly, suffered before the worldwide recession was dubbed a worldwide recession—we were already suffering from an increasing value in the Canadian dollar; we already started to see the major effects in the manufacturing sector, for example—we still found those companies who were prepared to live on the edge, to take the plunge, to be prepared to take risks. With a little bit of help from the Ontario government, it helped tip the scale to make the investment in Ontario—and in that instance, it was typically between 10% and 15% of what that total investment would be that they would get from the Next Generation of Jobs Fund.

A couple of examples from that fund: The first is L-3 Wescam. I remember talking at the time about this great technology company. We've seen the movie *Titanic*. There's one scene in that movie where they show the two lovers at the bow of the ship, and she's standing at the edge with her arms outstretched, and you see him holding her, maybe wanting to push her off—we don't know.

The Chair (Mr. Garfield Dunlop): I remember that part.

Hon. Sandra Pupatello: Right. And if you recall, how did they take that most wonderful shot in that motion picture? That was taken with Wescam technology from Ontario. In fact, nine out of 10 of the Oscars that have been won in Hollywood for the last two years running that have been based on technology are based on a technology from Ontario. This is how successful this sector is here. So every time you think of *Titanic*, I want you to think of L3 Wescam technology that has been made world famous.

How did you translate that? That's what I want to know.

The Chair (Mr. Garfield Dunlop): He did get a visual.

Hon. Sandra Pupatello: He did get the visual; right.

Get this: It's a Burlington-based aerospace company, but the beauty is that this kind of technology gets used across many sectors, and I believe that there are more sectors that can use this technology, which essentially is a stabilizing optical technology. So this helicopter was going around the bow of the ship, but the technology was allowing the camera to be still and take a perfect, pristine picture while it was doing so. That's the technology that was discovered by L-3 Wescam.

They are an aerospace-based customer. We supported their big project with \$17.5 million. It was a loan from the Next Generation of Jobs Fund to develop more technology, the next generation of their imaging technology, and because of that, the company will create 375

new jobs here in Ontario. This is really exciting. This, at a time when the whole world was coming to grips with what kind of recession was coming to the world.

This project also reinforces our role as a leading player in aerospace. Aerospace goes through ups and downs around the world—emerging markets getting into it, looking for partners etc. But where we play in that game is in all the cool stuff. The environmental systems in an airplane—if you're breathing clean air, it's because of Ontario technologies—the dashboard of the airplane, that's the kind of stuff we do. All of the next generation that aerospace industry requires—they're getting all that cool stuff from Ontario, not to mention the landing gear: 70% of the planes that fly up in the air in the world land on Ontario landing gear.

We've got two great companies here in Ontario. Ontario hosts the world's largest test facility for landing gear, Goodrich, and they do a great job of that. So when you look at all of these new, huge aircraft coming out of Boeing or EADS, they're chasing our companies here in Ontario. A company like Héroux-Devtek, that makes the massive shafts that are part of that landing gear—they just had a massive investment in the Kitchener area. Why? Because they're chasing and getting more and more business for the world aerospace business. We're very excited about that.

Another success story is Ubisoft. Ubisoft is in the digital media sector, which is a subset of the information communication technology sector. We knew that because we've got these great schools producing great graduates who work in the digital gaming sector—they were all going off outside of Ontario to actually land a great job. These are jobs that start around \$80,000 to \$90,000 a year. So they walk out of a university or college program and they're landing terrific jobs, but they're not staying in Ontario because we don't have enough of those companies here to be hiring them. We needed to change that.

We started meeting with the digital media association that represents these companies we have and they said to us, "We need a publisher here." Very much like the automotive sector, if you've got the assembler, if you've got the Ford, Toyota, Chrysler, GM, Honda, you will get the supply chain. What Ontario has in digital media is the supply chain; we need more of the publisher, the guy at the top. We committed to them that we would chase a publisher until we landed them. It took two years, but we landed Ubisoft, and with some support from the Next Generation of Jobs Fund, we did just that. This company alone is creating 800 jobs in the Toronto area in the digital media sector, and frankly, it put Ontario on the map, because Ubisoft is one of the world's largest digital media companies and everybody in the world was calling to say, "What is going on in Ontario in this sector?" It created the kind of buzz so we could talk about the great skill sets that you find.

They came to Toronto because when they make games today in that sector, they're making them for the world. They know that if they have to change the culture or the

language of one of their games, they can sit right here in Toronto and find that kind of diverse workforce that can service the whole world from the same space. More to the point, they're finding very cool space in Toronto, so we're going to hear more about Ubisoft and their growth here in the Toronto area. That's the kind of exciting activity that we've had, and we've had some great successes despite being in the centre of a great recession.

A couple more I thought I'd bring to show you: This is a product from Dalsa. Dalsa is a company in Kitchener—we were there not too long ago making an announcement—and they are creating jobs in the Kitchener area. This is the next generation of digital imaging technology. Manufacturers around the world use Dalsa cameras to visually inspect products on the assembly line. It's like an error technology: It helps companies make perfect product.

They took the guts out of this particular camera because apparently, with the guts in it, the value is about \$1,500 for this little box. That's the kind of really cool stuff that we're making in our companies here.

We've got Electrovaya, another company that we assisted. This is just a piece of the lithium ion super-polymer battery that we make right here in Mississauga. The beauty of Electrovaya is that they are landing contracts with international companies—not companies here in Canada; companies around the world—who are looking for their battery because they're supercharged. In the same space of battery, they can infuse more power and energy than your average battery bears.

We're pretty excited that we've got one of these hot battery companies right here in our own backyard. When we were meeting with Volkswagen not that long ago in Germany and I was talking to the fellow in charge of their electrical program, or electrification of their vehicles, I said, "You haven't heard of Electrovaya, but you need to meet these people." That's our job. We set them up, every time we have an opportunity to sell our great company and their products from Ontario.

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There's another company. This guy is in my hometown in the west end of Windsor. It's called Supersonic Spray Technologies. He actually let me try his product. It's like a gun. He services the aerospace and military industries, and that's just the tip of the iceberg. It's actually a product that shoots minerals at such a high speed—supersonic, literally—that it gets to essentially weld without welding. So once they've shot this mineral, it liquefies it. I tried to do my name on this particular little thing. I tried to make an S. I could have, if I were any good at it, but it actually is so strong, it's stronger than the original. Think of a massive cast-iron piece in the railway industry or the shipping industry: Instead of having to throw away the whole thing, you could use their supersonic technology to actually fix it, and the metals are stronger than before the break. This is fabulous technology, and we're now helping this company take their product around the world. It's very cool, and plus, guys like to work with guns, apparently.

Here's the last little piece that I brought you for show and tell. David's going to help show what this is. Many of you won't recognize this because I hope none of you need to use it. This is an airbag. This particular airbag goes into the Volvo, in the Audis—anyway, this is from Autoliv in Tilbury. We were in Tilbury visiting this company—I'll keep it here so everybody can see; it's an airbag. They have a woven technology using their machines, highly skilled training on these machines, to weave this fabric better than anyone else. It's very lightweight, so we can give our automotive sector this kind of safety feature without adding the weight to it, which is important because of fuel efficiency etc.

We went to Autoliv; we did an announcement about lean manufacturing. We worked with EMS, an organization that works with companies in the manufacturing sector to do training on lean manufacturing. A minimum investment by our ministry, at that point, I think it was about \$800,000, would service multiple companies all getting training so all of them could see where in their processes they could tighten up and become more productive. Those are the kinds of programs we've been focused on where we know that sometimes it's just a little bit of money but it has a tremendous impact out there in the world.

My deputy was at a speech last evening by the CEO of Home Depot, Annette Verschuren. Annette was talking in her speech about an upcoming event with Home Depot. Unprompted by our ministry, she was telling the whole crowd that the Ivey School of Business brought together about what they're doing with our ministry.

We are collecting all kinds of companies who are going to show their wares. Their best new product in the clean space—an eco-friendly product—and we get together; develop a supplier fair; work with one big company, which has major retail opportunities across the province and the country. We come together, and in one day, Home Depot gets to meet our Ontario companies and actually have a look and see which of their products might work for them on their store shelves. They may pick several, and when they do, they're going to watch and see how those products move off the shelf. And when they do well, Home Depot is prepared to take their product and put them across their whole chain.

This is an opportunity for moving product by a small Ontario company where they'd never have access to the right sales team within Home Depot to get their product into such a big chain. We've done these kinds of supplier fairs with all kinds of big companies. We've done them with Walmart; we've done them with other—

Interjection: Canadian Tire would be another one. Yeah, the three big ones.

Hon. Sandra Pupatello: The three big ones: Canadian Tire, Home Depot—this is going to be our second one with Home Depot—

The Chair (Mr. Garfield Dunlop): You've got five minutes left, Minister. I know you're really into this.

Hon. Sandra Pupatello: I'm on a roll, Chair.

This is big news. We've had other programs that are seeing some great success. The eastern Ontario develop-

ment fund was a response by our government to approach a region of Ontario that quite frankly sees chronic issues in terms of their economy, chronic unemployment where they don't want to see it. We decided that we would focus one program—it's not a big one; it was \$80 million over four years—but we would target eastern Ontario so we could give that little bit of a helping hand to a region in Ontario that could land companies.

The definition to access that fund was different from the other ones that were province-wide. It was a minimum of a company being able to create 10 jobs. The maximum that we would give to any one project was \$1 million or \$1.5 million. But what we're seeing is great success. Often that little bit of money that we can put towards these projects is just enough to tip the scale. It's enough to allow that business to go to the bank and say, "The Ontario government is behind us on this one," and they're going to get that loan that they're looking for, because often the Ontario portion is a minimal portion of the total investment required in that project.

The Ontario government needs to be smart about this, too, because we know we've got to be risk-averse. I have to tell you that over the course of the four years that I've been at these economic portfolios, we've had a very good track record in the companies that we're selecting to partner with. We're seeing how it gives them that kind of confidence to take that plunge and make that investment in Ontario exactly when we need it.

We've had other funds. The communities in transition fund was a response that we developed in 2007 when we saw that communities, especially the ones that were hard hit, needed to have some kind of game-changing plan for their community because they were the ones hit very hard by the economy. We created a small fund—it was only \$2 million per year—yet we could take that little bit of money and offer it up to communities that were going to do new economic development plans.

Some of that money went to the economic development officers of Ontario, an association where we were helping to train all the economic development officers across the province to be at that same level of capacity so that none of our communities would miss an opportunity when they had a knock at the door from a company that was prepared to invest. These are the kinds of investments that we believe have been really worthwhile. These are the ones that we want to continue.

We want to continue to champion taking Ontario to the world. I just got back from China. We spent several days there meeting companies that want to invest in Ontario. Huawei: Some of you may have seen the investment that they're prepared to make in the auto area. A little bit of help from the Ontario government is landing one of China's biggest telecom companies right here in Canada. This is a company that started out with a sales office here and started garnering business right across the country and has now landed a research and development facility in the Ottawa area, where we know we've got all kinds of great, highly skilled workers, very competent people, in the ICT sector. We're excited that we can show proof that the international work we're doing is really tremendous.

We brought some 20 companies with us to Germany at the beginning of October. We had personal intervention with the executives of Volkswagen because that is a company that's placed in North America but needs suppliers—good ones. We know that Ontario has the best automotive supply chain in the world.

Even through a recession, Ontario is still producing more cars than any jurisdiction in North America. We're really proud of that. We want to continue that kind of work.

We want to take Ontario's message to the world, talk about the great workforce that we have and talk about the education system that guarantees them that, when they make a long-term investment in Ontario, they're going to have a great workforce in 20 and 30 years. If I have the opportunity to speak about how our education system parlays great speaking points for our sales pitch when we're abroad, I'll be delighted to do that also.

Chair, I appreciate the opportunity to speak about some of the work of the ministry. I hope I have a chance to speak about some of the other successes and what we recognize are our challenges, given the economy. We always know that we can do more, and we're prepared to do more.

The Chair (Mr. Garfield Dunlop): You did that pretty close; right down to the last few seconds. Thank you very much, Minister.

We'll now go to the official opposition. You have 30 minutes to either make a statement or ask questions etc.

Mr. Peter Shurman: Thank you, Minister. That was an interesting presentation. I'm here with my colleague Mrs. Munro. We'll share the half hour we have.

I want to get somewhat granular—I'll save that for next week—on some of the funds, but I think today we'll spend the time on the macro unit. First of all, let me say that your enthusiasm is quite palpable. I've never doubted for a moment that the goals that we have for Ontario are not very different; the approach that we have might be.

When I called you the grande dame of the theatre last session—

Hon. Sandra Pupatello: I wasn't offended.

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Mr. Peter Shurman: Well, you shouldn't have been, because it was a compliment, even if it went over the Speaker's head—the bottom line being, we need a great salesperson to go out on our behalf, and I think that in the context of Liberalism, they've chosen the right person. Having said that, when you become passionate, as you have, about some of the things that your government has accomplished, some of the companies that exist in Ontario and how you approach what you're doing; when you're on the defensive and pointing your finger at me across the way in the House, what you suggest by doing that is that we're not on the same page when it comes to promoting Ontario.

Again, it comes down to, you like to point out all of the companies that are doing great business in the province—we don't dispute that; there's some great ingenuity here—and the involvement that you've had in them. We

like to look at promoting a sector, for example, by changing the rules of the game for everybody so that we would attract investment on a broader scale.

I want to talk to you now about how you see what we're doing and your references, which you made many of, to the recession—which, if memory serves, ended about five quarters ago in a technical way, but not in Ontario in a very palpable way. I want to give you some figures, and I want you to react to them and tell us what you think your government is doing to address these, because Ontario seems to be—and I've said this in the House—showing indicators that should be going up going down, and showing indicators that should be going down going up.

Let me be more specific than I can be in a question in the House. The consumer price index: The most recent figures that we have show an increase in Ontario of 2.9% in the consumer price index, when the figure in Canada as a whole is 1.9%. So we're a full per cent over on inflation in Ontario than anywhere else in Canada. One could chalk that up to the introduction of a new tax in July. But if you look at British Columbia, which introduced the same tax in July, it's actually below the national number, at 1.6%. So that's a negative for Ontario families and people who want to spend in Ontario or have to spend in Ontario.

Employment insurance: If you take a look at the number of people in 2009 who were claiming EI, it has dropped by 15,000, but in the same period of time welfare claims have jumped by 20,000 in the province of Ontario. Job numbers that came out today have negated all of the gains that we made in the summer, which weren't particularly good gains. So our job numbers are not good. We're showing a slowing now in GDP, which was modest to begin with, in Q2, the most recent numbers that we have. I'm talking about Ontario now, not Canada.

So we have a problem, and the problem is not whether you promoted a company in my riding, in Concord, that does great things in HD television. That's terrific. I'm glad that they're succeeding, and I'm glad that Ontario is making more cars than any other jurisdiction. I am concerned and the PC caucus is concerned and I think the people of Ontario are concerned about where the jobs are coming from in the future and what you're doing on a macro scale to address the fact that everything here doesn't look good.

Hon. Sandra Pupatello: Thanks. I appreciate that. I also appreciate the quips that my critic from the official opposition makes in the House, because I think you've got a great sense of humour, and I think you bring the right attitude toward the work that this ministry does. There are many of us who believe in the same things about what we want to see for the people of Ontario. We want everyone to have a great job. We want them to have the job they're looking for.

Since 2006, when I became involved in this portfolio, my focus has been to break our work down across sectors. It's been very informative and instructive for us to do it in this manner. I don't think folks necessarily realize how dependent we are on the world economy here

in Ontario; more so, in my view, than any other jurisdiction in the country, because we've got the benefit of having so many diverse economies within those clusters. We're not dependent like Alberta is on the price of oil—and they've had great gains, of course, and it's been based on the price of a barrel of oil.

I will get back to you on the economics question regarding the difference in the consumer price index, by the way, because there are things related to inflation. I wish that the Ontario government had levers that could control some of those figures that you speak of. I will get some detailed information and get an answer back for you on that particular question.

What we recognize is that Ontario is the biggest engine in the Canadian economy. It is today; it was last year. Some wanted to dub Ontario, probably in a joking way, a have-not province. It's funny, actually, that we would ever be considered that, because despite what we're called, we are the biggest contributor to the federal government—over \$20 billion. One formulaic calculation resulted in us receiving \$300 million back. It is exactly that: It's a function of the formula. We are still the biggest engine in the country.

When you look more closely at what makes up our economy, you realize that the automotive industry and its volumes—people will say, “Oh, well, that's not the biggest sector anymore.” Manufacturing is such an important sector to our economy because it has the biggest multiplier effect in its region.

You may have Toyota—and Toyota's a most wonderful company to have in Woodstock. It's not just about having Toyota; it's about having Boshoku, Toyotetsu—all of the suppliers who also are hiring people, who we've also brought newly into Ontario. Those are all those kinds of jobs. That's how that sector differentiates itself against other sectors.

Yet it isn't even about how Canadians are buying our cars, because Canadians are buying more cars than Americans are on a per capita basis. Canadian sales have grown. I talked to the Chrysler CEO the other day—it's 30% year over year. This, as we're still coming out of a recession.

Technically, people will say what they will, and I'll let the economists speak. What I hear on the ground is we are still very much in challenging times in Ontario. It isn't even a function of, can we see the end of it? Sure, it's getting better: Our companies are starting to breathe a little bit easier. But things are still tough out there.

Mr. Peter Shurman: Well, Minister, with respect—

Hon. Sandra Pupatello: I'll just end with this, then. Depending on the sector, it depends on just how tough that sector is finding it. The automotive sector is still in challenging times. Its volumes have been increasing, but it's still nowhere near its heyday of the volumes of 2005 and 2006. Yet in the financial service sector, those jobs are growing. You see the job numbers' growth. But as we compare ourselves—and you want to compare to like jurisdictions, I suppose—the job response, based on the recession: We have garnered back 75% of the jobs we

lost pre-recession, compared to our American counterparts, who have gained back 10% of their jobs—

Mr. Peter Shurman: I don't want to compare what we gained against like jurisdictions; I want to compare with what we've gained back, based on what we lost. In other words, I want to look at Ontario and I want to compare it to Ontario. That's what I'm interested in.

I show you great respect, so I really wish you would show me a little more respect in the sense that I'm asking you a legitimate question—don't look so surprised. I am not sitting in the audience listening to you while you lecture the Economic Club; I am here as another MPP, asking you a question about where we were and where we are and the fact that under this government, we were losing jobs, as you well know, long before there was a recession on a worldwide scale or affecting Ontario. I was here two years ago when your Premier was saying things like, “This too shall pass,” and was flogging us on a daily basis in the Legislature on the basis that we had left, purportedly, a \$5.6-billion deficit, which pales in comparison to what's there today.

So what I'm asking you about is the fact that the conditions for success in Ontario by these indicators are not good conditions. I want to know not about how wonderfully we're doing, given the fact that we have 40% of the population—of course we're manufacturing more than any other jurisdiction in Canada—but how are we doing against ourselves? I would suggest to you that the answer is, “Not very well.” So talk to me about that.

Hon. Sandra Pupatello: I think I'm going to tell you that coming from Windsor as I do—that's my hometown—I will tell you that job loss in manufacturing started in 2001. That was the year that the Canadian dollar, against the American dollar, started rising. It affected the automotive sector first, then it moved to other parts of the manufacturing sector.

Because my hometown is a perfect example of what was happening in southern Ontario, which has the greatest concentration of manufacturing, they started seeing the impact of a stronger dollar in 2001-02. Minister Flaherty at the time, who's now the federal minister, acknowledged this in two successive budgets when he was the finance minister here in the province, because we saw that it was happening. That's why I said during my remarks that Ontario felt the recession long before it was called one by the rest of the world, long before the financial crisis then took it and swept it literally worldwide.

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I'm acknowledging that we're not out of the woods, that we still have more work to do, and we have not regained our footing in some sectors specifically from our pre-recession position. Manufacturing is absolutely one of those that affects many of us, largely in southern Ontario.

But since the recession, Ontario has gained back 75% of those jobs, compared to other jurisdictions that also have heavy manufacturing bases—a 10% regaining of

those jobs. That's how Ontario has done: 75% back from where we were.

The difference is that when you look at them, the jobs have moved across the sectors. That's why I mention to you that through our ministry, we're looking at the lens by cluster, because each of those clusters is impacted in different ways by what is happening around the world in their industry.

I'll give you aerospace as an example. It's flourishing in India. It's flourishing in China. It's slower in America. So depending on who our suppliers are chasing, we've got to get our aerospace supply companies into the emerging markets that are growing and still maintain the position they have with big, great companies like Boeing.

When it's automotive, we can't just have our automotive supply companies feeding our traditional five assemblers in Ontario. We've got to get them into the growth markets in the southern states and the German markets like VW, which also has a footprint in the southern states. So when you look at our behaviour, we're responding to what we know their issues are in that sector, because we've talked to all of those who know where the predicted volumes are going to go in North America.

It will take us years to get back to an 18-million unit of automotive in North America. If we don't find new markets for our automotive supply companies, their volumes are never going to creep back up like they were three or four years ago, so our guys are still going to be unemployed, and we can't have that. We need to get them to diversify what they manufacture.

When you hear that we brought 200 companies out of Alberta, many of those companies were automotive companies, and when we start engaging them with the mining sector—we've got a shop floor in Ontario where five years ago 100% of that manufacturing work was all related to the automotive industry. Today, if you walk that shop floor, you will see orange buckets that they're making for a Norway mining company; then you will see a whole portion dedicated to the green energy industry; then they have a portion dedicated to the oil and gas industry. That's exactly the kind of behaviour that we want to encourage, so that our companies are no longer just beholden to what's happening in that cluster. Give them the opportunity where we know there's growth in oil and gas—so our focus in Alberta has been for obvious reasons. There's business to be had there, and we have the manufacturers who have the capacity in their plants to feed it because they've lost volume, because automotive hasn't regained back to its pre-recession levels.

Mr. Peter Shurman: Automotive isn't going to regain back to its previous levels, and we both know that, because of the nature of that business in North America and the nature of that business in the world, for some median term at least; at least until the fleet has to be replaced.

Hon. Sandra Pupatello: I'm agreeing with you.

Mr. Peter Shurman: I think we can both agree on that. So let's talk about the fact that we're not going to bring Ontario back to where it was by sending Minister

Pupatello around the world to individually sell all these people on coming to—I know you think you can, but you can't. Not without my help, anyway—but that's next year.

Having said that, there's a thing called venture capital that doesn't come to Ontario anymore. It used to come in its billions, and in the past seven years, interestingly enough, has dwindled away to virtually nothing.

You went to Israel, by way of example—and I'll talk to you more about that later—looking particularly at life sciences as an interesting industry, which is flourishing, as I understand it, in the province of Quebec, which has made way for venture capital by changing its tax structure. You have a fund, under the Ministry of Research and Innovation, that sits at \$150 million, to co-fund venture capital investment, and there has been no uptake in two years. What is your government doing to encourage investment on a broader scale with that?

Hon. Sandra Pupatello: I don't want to push off any questions, because I'm really enjoying our interaction here, but I will see if I can get you some detail on a report regarding the venture capital fund. It is a different ministry. It's managed by the Ministry of Research and Innovation. I'd be happy to share that with you.

I have to tell you that this phenomenon of how to get more venture capital into Ontario is an ongoing challenge. The government has tried since 2003 to consistently work at breaking that egg. How do we make more of that come? I've got to say that in 2003, when Dalton McGuinty became the Premier, he was the first Premier to actually create the Ministry of Research and Innovation. I appreciate that was before we had the advent of Shurman in the Legislature, but nevertheless, he started the Ministry of Research and Innovation for the express purpose of having a greater focus of the Ontario government in this sector to deal with issues like venture capital. Then they launched more than one fund. The latest that you probably followed was the emergent technologies fund, which the industry actually asked for. They said, here's what we need to do, and the emergent technologies fund, which is the latest one that is now out there, actually has the private sector making the decisions so that people aren't watching the government make decisions in an area that they may or may not have the expertise in. The private sector takes the lead, and then the government will match that funding in these innovative start-up companies.

I believe that there is more work to do. Our ministry works and advocates with the Ministry of Research and Innovation, and I will see if there may be a report available so that you can see what take-up there has been in the fund that you referenced today.

Mr. Peter Shurman: I'd appreciate that.

The Chair (Mr. Garfield Dunlop): Yes, Ms. Munro?

Mrs. Julia Munro: I want to change the focus here because—

The Chair (Mr. Garfield Dunlop): You have 13 minutes left, by the way.

Mrs. Julia Munro: Okay. As you know, Minister, I'm responsible—I'm the critic—for small business and red

tape. You will no doubt recall that there was a promise made about reducing the amount of regulation in Ontario by 25% in the next two years. Obviously, representing the voice of small business in our caucus, this is the kind of issue that they really want an answer on. My question is really two-part: How many regulations were there or are there in Ontario? Then, have you reduced it by 25%?

Hon. Sandra Pupatello: I appreciate the question, because I think that every government, regardless of political party, is trying to make a serious dent in the issue of how government interacts with small business. I watched, while I was in opposition, frankly, the Red Tape Commission, and I remember clearly there were some Conservative MPPs, who you would know, who donned trench coats to do a photo op of the launch. You probably remember that. I was mocking them in the House. I remember saying they're flashers and they don't have anything on under the trench coats, as I recall. That was my quip in the House.

Laughter.

Mr. Peter Shurman: It was true.

Hon. Sandra Pupatello: It was probably true—no, I'm sure they had something on under there.

Anyway, I remember it because at that time, I remember that there probably had not been a serious look at the regulations for decades, I think it's fair to say, so there would have been a lot of low-hanging fruit. In fact, I remember examples of the red tape that was cut at the time—regulations like, "You're not allowed to park your horse and buggy in front of the saloon directly." It was that kind of regulation, a regulation that would have been on the books since 18-something, since before Confederation or before the tectonic plates separated—finally, "Let's just clear the books here."

When we look today at what the kind of regulation is that business needs to see smoothed like that, that they need to have an easier time of interacting with government, it became a much, much greater challenge, because quite frankly all the low-hanging fruit was gone. That was done in an exercise that lasted some four years and had full-party support, as I recall—the NDP supported it, the Liberals supported it at that time—because you want to make life easier for business.

So we decided that when we took on this challenge, we'd launch Open for Business. It was a very different way of doing things. It wasn't a matter of "the count"—although I have to say that I don't know the count off the top of my head, but I'm going to endeavour to get you that specific information in response to your specific question.

The process, though, is as important as what the count is. What we decided to do is launch Open for Business. Before we started our session today, I passed out this folder so that you could see. What we're doing—and inside is just a copy.

By the way, we don't make a lot of copies because we don't want to spend the money on paper, but you can find a lot more detail online under Open for Business. We brought you just a sample so that you could see.

It's like a constant reporting of how we're doing. We decided once again to take a cut at this by sector—so we could not just talk about small business writ large, because every sector will have its way and its ministries that it needs to interact with.

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We've got to be smarter about how we approach this. So we decided we would talk to the development industry, because those folks who are building things, developers in Ontario, interact with the Ministry of Municipal Affairs and Housing, the Ministry of the Environment, the Ministry of Natural Resources. We went to them and said, "Which of your organizations will be the lead organization to sit and interact with us?" BILD was the one that came forward. It represents the Toronto home builders and the former urban institute, I believe. Then they brought in other associations so that we were certain that what they said to us was truly representative of businesses in that industry. Then we brought together, around one table—an event that's never happened in government before—the deputies, the highest-ranking civil servants in each of the ministries that interact with that industry: the Deputy Minister of Municipal Affairs and Housing, MNR, MOE etc. We had the deputy of economic development and trade right in the middle. We had the associate deputy of our ministry who's been assigned Open for Business. Gail Paech is here today, if you have more detailed questions. She was there. Then, we brought the Premier to that first meeting.

What BILD brought to the table were key representatives from the development industry. So we had the CEOs of the largest developers and the small guys all at the same table. We put the meeting in the cabinet room. Many of them had never been inside the cabinet room, so it was great to see where all the action was. We all sat, at the same time, around the table, and we said to BILD, "You tell us your top five priorities. What are they, as it relates to Open for Business initiatives, as it relates to government regulation? You tell us what they are. We don't want to scope the conversation." They came to us with their top five issues, the things that bug them the most. They agreed, as a group, on what they were. They presented them to us. All of us heard them all at the same time. I'm always mindful that sometimes it's a communication issue. It's like the can and the string: You're on the can; by the time you get to the third can, the story has changed entirely. But no, at that first meeting all of us had to hear it at the same time, in the same way, and so did the Premier.

The Premier charged all of his deputies: They had to come to a resolution on these top five issues for BILD. Then, he gave us a two-month deadline. In two months, we had to have successive meetings, subcommittees, for each of the five priorities. They all had to meet repeatedly. The trick, and in my view the reason for its great success, was that the industry had to sign off on the resolution that was going to be presented in two months. So the pressure was on. The deputies would work within their ministry, if it was an environment issue, if it was an MNR issue—because the conservation authorities get in

the middle of some of the development projects. Whatever they were, you couldn't just give him the feedback, "No, we can't do that." You had to have a resolution, and then the industry actually had to sign off that they agree with this.

Then we all came back together again—all the deputies, the deputy of EDT, Gail Paech, the Premier right in the middle, all the leaders of industry—and had to report publicly on exactly how we resolved the top five issues.

I have to say that some of these things have been under the fingernails of that industry for years—not just since we've been around; since forever, since development began, since the Ministry of Housing was started, whatever—and we found solutions to their issues. So you'll find samples of these sectoral meetings that are taking place. We are now working on our fourth sector. We just met on Monday with the ICT sector. We met a few weeks before with the medical devices sector. Every time we go to them, we pick one lead agency and say, "You're the lead." They're responsible for truly representing the businesses in that sector. They come to us with their top five priorities, and then the clock starts.

So we're replicating this template that's working. I think we just might have found the formula to actually come to a resolution. It's not going to be perfect, and we are not going to be able to resolve every one of the five priorities for industry every time. Some of them are totally opposed to what the purpose of the reg or the rule was in the first place. But at least there's going to be a total acknowledgement that we're coming to a resolution on these things. We've actually asked the industry to tell us, "What are your top five things?"

We haven't done it in this way before. We're working on our fourth sector. It's working well. Is it about the number? I would suggest to you that the number isn't nearly as relevant, because if it's about the horse and buggy not being allowed to hook up in front of the saloon, how relevant is that to business today? But if we're talking to the ICT sector or the medical devices sector, which needs to have an easier way to interact with the Ministry of Health, where they're trying to sell their wares, or it's the procurement process with the Ministry of Government Services, that's actually an issue that matters to their business.

The Chair (Mr. Garfield Dunlop): You've only got three minutes left in this round, by the way.

Mrs. Julia Munro: I was just going to say that—

Hon. Sandra Pupatello: How did you like that, by the way? How did you like that story I just told you?

Mrs. Julia Munro: It's fine, but I just wanted to clarify—

Hon. Sandra Pupatello: I just want to see that you like that. Good.

Mrs. Julia Munro: To clarify that it was your number, the 25%. That was the quote that I was using.

Hon. Sandra Pupatello: Yes.

Mrs. Julia Munro: My next question has to do with a question that you raised at the very beginning when you talked about Ontario's 80% export to the US and the

difference in productivity. What I wanted to know was: Why is there a difference in productivity between Canada and the US? What do they do differently?

I'm shortening the title of the Institute for Competitiveness, but I know you know what it means. They did an analysis on productivity. I'm wondering if you took some of the advice of that group, and how it's working. Here you are telling us that we still lag behind in productivity, so I'd like you to comment on why and what methods you've done, from that advice that was given. How's it working?

Hon. Sandra Pupatello: How much time do I have, Chair?

The Chair (Mr. Garfield Dunlop): Just two minutes for this one and then we go to the third party.

Hon. Sandra Pupatello: Okay. I'll try to be brief and then we can finish answering in the next go-round because I know you'll be riveted by my response.

I will tell you that we actively follow the Institute for Competitiveness. Our ministry also helps to fund it and to fund Roger Martin and his work there. We actively search for solutions so that we get great academics like this who work closely with industry to inform us on what we should be focusing on.

The issue of productivity is a difficult one for government to manage because you've got to figure out: Where does a government have levers to change how businesses are going to do their business? There are some; I'm certain that there are. We have to change behaviour within business and we've got to use the levers that we have. Is that going to be through tax policy? Encouragement related to training?

There are probably several reasons, and I won't pretend that I'm an expert on competitiveness and productivity, but I will say that, of all of the materials there, many will land on at least two reasons. One is the use of ICT in business in Canada—and I'll say Ontario, but it's the same. They haven't broken down the data for Ontario versus Canada. If a company were to invest 25% more in ICT, they would raise their level of productivity by 2% to 3%. We know that to be a fact. They did a 10-year-long study in the US, and what they found over that time was that the productivity gap continued to grow and that they could finger investment in ICT as a significant reason for increases in productivity in the US. They just take up new ICT technologies quicker than we do. We've got to figure that out. Why is that? How do we get them to do it? The federal government has been trying to address this, as has ours.

For example: The elimination of the capital tax is the perfect lever that a government can have to encourage a company to make an investment, and they don't pay tax on what they've just invested in. By eliminating the capital tax, which we've done, we know that that's one step closer to get them to make more investment in the kinds of things that matter. When we offered \$25 million to the CME and they created the Smart program, we particularly asked that that money that went directly to manufacturers be for items that would increase their levels of productivity. They focused on energy efficien-

cies, new software, upgrades of software; that's what that money went for. The good news about that program was that 50% was the amount of grant that came from the Smart program through the CME, but even during times of recession—this was 2008, 2009, 2010—those companies came up with the other 50% themselves to make the investment, even during hard times for the manufacturing sector.

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The other area is the level of education in the workforce in the US compared to Ontario or Canada. Canada leads the world in the greatest percentage of post-secondary education against all of the OECD countries—certainly higher than the US. But where the Americans are higher is that their top-level executives in their businesses have higher levels. So where our guys would have post-secondary, their guys have Ph.D.s or master's at the CEO level, at the executive level of decision-making. Those who are trying to inform us are telling us that if we can find a way to up the level of education at the decision-making level of those companies in Ontario, in Canada, then we're going to get that kind of visionary thinking, more risk-taking, more prepared to be innovative, which is what the Americans are doing. They believe that the level of education, at that level within a company, is so different from what you'll find in Canada that that, in fact, is one of the reasons that they continue to outperform us on levels of productivity.

The Chair (Mr. Garfield Dunlop): Okay. All right. You're on a roll. We're a minute or two over here.

We'll now go to the third party. Mr. Hampton, you have the next 30 minutes.

Mr. Howard Hampton: Thank you very much, Minister. I want to use my 30 minutes to outline some things that New Democrats and our leader, Andrea Horwath, find disturbing about the Ontario economy. I want to outline our concerns across a number of sectors of Ontario's economy.

Yes, Ontario has regained some of the jobs lost in the recession, but I think you know this, because I certainly see it: In many, many communities across this province, the replacement job is not of the quality and not of the same level of sustainability as the jobs that were lost. What that has meant is that a great number of people find that they are struggling harder than ever to pay the bills; their income has dropped substantially; and their economic security is far less than what it was. I suspect you find that in Windsor, in Chatham, in London, in St. Thomas, in Cambridge, in Oshawa—a number of communities where the auto sector is important. It's certainly also true in the forest sector; it's certainly also true in the mining sector; it's certainly also true, I would argue, in the steel sector; and it's becoming increasingly the case in the food sector.

I want to go through and delineate what we think are some of the problems. Hopefully, later on during estimates, we'll have a chance to deal with them in some detail. Let me start with the auto sector, a sector that I think you are fairly familiar with. Toyota recently

announced that it will not produce electric-powered SUVs in Ontario; that any manufacture of electric-powered SUVs will be in California. When I read about the future of cars and light trucks, everyone is talking about electric vehicles. I would think it would be worrisome for Ontario that at a time when Toyota, at a time when Nissan, at a time when Honda, at a time when Ford, at a time when General Motors are all looking at electric vehicles, an announcement like this is made: that Toyota is not going to produce electric-powered vehicles here in Ontario; they're going to do it in California instead.

Something else that we worry about is the future of Fiat Chrysler. It's not lost on us that, repeatedly over the last four or five months, Fiat has been talking about selling off chunks of the company, whether it be the truck division, the tractor and agricultural machinery division, the auto parts subsidiary or one of its sports car divisions. It continues to talk about selling off these divisions because it has debt that it has to pay down, and if it can't pay down its debt, it will have serious problems going forward.

We have concerns about what that means for Chrysler's assembly plants here in Ontario, whether those assembly plants be in Windsor or in the Brampton area. We have concerns about what it means for new vehicles because we all know that the old Chrysler had spent very little in terms of the design and engineering of new vehicles to bring to the market. If Chrysler is going to survive, Fiat has to play a very large role in terms of the design and engineering of new models. We're concerned about that.

We're concerned about some of the things said by, for example, a consultant like Mr. DesRosiers, who is widely quoted as an expert on the automotive sector. He says that more auto parts jobs will disappear from Ontario; that we've seen a serious loss of auto parts jobs from Ontario, but we're likely to see an even greater disappearance of auto parts jobs because, relatively speaking, fewer cars are being assembled in Ontario while, relatively speaking, more cars and light trucks are being assembled in Mexico, the US and offshore. We can go into that later.

His point is that as you see the assembly of vehicles pick up in jurisdictions like Mexico, as you see more vehicles being assembled offshore and as you see, relatively speaking, more vehicles being assembled in the United States, you lose auto parts jobs. We can go into that discussion later. Those are rather disturbing things, we think, in the auto parts sector.

I want to talk briefly—even though I recognize that these are not necessarily a direct part of your bailiwick, and that some other ministry may also have responsibility here—about what has happened, for example, in the forest sector. People in my part of the province find this particularly disturbing because if they go to the website of a company like AbitibiBowater or they go to the website of a company like Domtar or they go to the website of a company like Tembec or a company like Kruger, right away on their websites, right away on their websites

they identify where they're running manufacturing facilities.

For example, Abitibi says very plainly they have six operating mills in Quebec. I think it works out to about 14 paper machines. They have seven or eight operating facilities in the United States, and I think it works out to probably about 14 or 15 machines. They, at the current rate, I think have only four or five operating machines in Ontario. Similarly with Domtar: You go to Domtar's website—and these are companies that had a long presence in Ontario—and they will identify all of the mills that they have operating in the States and they will identify all of the paper machines they're operating, and they will identify all of the machines they're operating in Quebec and the jobs that are tied to them. You go to Tembec's website and you see the same thing. You go to Kruger's website and you see the same thing.

You look at their operations in Ontario, and they have hardly anything left. For example, in my part of Ontario, seven years ago, there were 18 operating paper machines, from Sault Ste. Marie west. Today, on a lucky day, there are four. That represents the loss of tens of thousands of good jobs.

What is equally disturbing is that the same companies, when you look at their website, will tell you that what they're doing in Ontario now is they may have a pulp mill and they take Ontario's wood fibre—and they'll tell you right on the website—some of the best-quality wood fibre in the world, and they semi-process it into pulp and then ship the pulp to their mills in the United States or their mills in Quebec, and that is where they produce high-quality paper. In other words, we've taken a step back.

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Those good jobs that are associated with manufacturing in that sector, whether it's computer technicians or instrument mechanics or electricians or millwrights or machinists, have gone. They've relocated to another jurisdiction. We've simply become the hewer of wood and drawer of water. We harvest the raw resource here, and we ship it out to another jurisdiction, where the processing is done and where the good jobs are now located.

Again, you can go to any one of those companies' websites, and they tell you right on the front page of the website, "This is what we do. We take the raw resource in Ontario, we semi-process it and ship it out, and our sophisticated manufacturing operations are located in these other jurisdictions."

Not only has that meant the loss of those jobs, but if I were to roll back the map, 10 years ago many of these companies were headquartered here in Toronto—they had their head office here. Today you can't find a head office of any forest products company in Toronto. They may be in Montreal, they may be in South Carolina, they may be in Vancouver, but they're not in Ontario anymore. So not only has it been a huge job loss in the part of Ontario that I come from, but it has been a significant job loss right down here on Bay Street.

I want to go on to another sector where I think we see some similar problems: the mining sector. In just the past

few years, under your government, we've experienced the takeover of two historic mining companies, historic not only in terms of Ontario, but historic, frankly, in their presence in the world. One was Inco and the other was Falconbridge. These were not just companies that operated in Ontario. They operated elsewhere in Canada, they operated in the United States; they operated around the world. Both of them were taken over by what were relatively new players in the industry: Xstrata, a Swiss company, had only been around for a few years; and Vale from Brazil was essentially a very small, government-owned entity. As I understand it, the government of Brazil is still involved. Since the takeovers, we've witnessed the loss of the head office presence in Toronto. Neither Falconbridge nor Xstrata has a head office presence in Ontario. Their head offices are located in other jurisdictions. With the loss of those two head offices, Toronto has a diminishing strategic presence in those two sectors. When decisions are made in those two sectors, Toronto is just not the player it used to be. I think that's disturbing.

What has equally happened is this: There has been a huge destruction of jobs in the two main mining centres of both of those historic corporations. We just watched as Vale literally said to the people of Sudbury, "Here is a contract. You either take it or we'll shut this place down." The whole Sudbury region was essentially shut down for almost a year and a half—great hardship. Part of that has been the real shutdown of the copper refinery in Sudbury. Copper is still mined in Sudbury, but it's shipped somewhere else to be processed. Once again, the good jobs that are associated with that industry are increasingly moving outside the province.

We witnessed, just in the last few weeks, Xstrata's shutdown of the whole metal processing plant in Timmins, with the loss of what amounts to 2,500 jobs. We're still going to mine the minerals here in Ontario, but we're going to ship them outside the province to have them processed. Once again, the good jobs that were associated with that—the computer-aided technology, the instrument mechanics, the electricians, the machinists, the millwrights, the skilled jobs—go.

But it seems to me there are even more serious repercussions of this, and those repercussions, again, happen in Toronto. I suspect a lot of people in Toronto don't like to be reminded of this, but yes, Toronto is the financial capital of Canada. But one of the main components of Toronto's financial centredness is the fact that historically, it has rivalled London, England as the centre of mining finance for the world. When mining companies are seeking the corporate know-how of how to put an operation together and how to get financing, Toronto's main rival has historically been London, England. But what I'm being told is, as we lose mining head offices, as strategic decisions about these industries are no longer being made here in Toronto, our importance as a centre of mining finance is also starting to decline and decline at a worrisome rate, which means potentially the loss of thousands of jobs in the finance sector in Toronto because mining financing moves out of this jurisdiction.

Now, I contrast that with what we recently saw. BHP Billiton announced that it was going to take over Potash Corp. of Saskatchewan, and Saskatchewan, having a much smaller government, said not only to the federal government but to the world, “This is a strategic industry for us. It’s a strategic presence, and we insist that this takeover not be allowed.” In fact, what Saskatchewan is saying is, “We want to see more head office jobs in Saskatchewan. We want to see more strategic decisions being made in Saskatchewan.” I contrast those two things.

I know the Premier made what I think is a rather unfortunate comment a few months ago when he said—I think I can quote him directly here—“Digging things out of the ground isn’t of much value anymore.” I would say in a world that is increasingly short of natural resources, he and your government might want to reflect upon that somewhat. In a world that’s becoming very short of natural resources, Saskatchewan I think clearly understands that having a strategic presence in these kinds of industries and maintaining that strategic presence is very important for your economy.

But we’ll have a look at this. I’m deeply concerned about the loss of head offices, whether the loss of head offices is in the forest sector, whether it’s in the mining sector or whether it’s from companies saying, “Look, we’re in the mining finance business, and it looks like it’s more important for us to be in London, England than it is for us to be in Toronto.”

I want to turn also now to the steel sector, because again, what we’ve witnessed under your government in the last seven years is the takeover of three historic steel companies. Stelco used to have its head office in Hamilton, and not only were the jobs in Hamilton and the Niagara Peninsula very important to people—the manufacturing and processing jobs—but the head office jobs were very important to Hamilton. Stelco no longer has head office jobs in Hamilton. Stelco, as you know now, seems to be regarded as a not-very-important component of the Steel Company of Canada. We’ve witnessed the shutdown, now, of the Hilton Works in Hamilton and, before that, the shutdown of the facility on the shores of Lake Erie. Dofasco no longer has a head office presence in Hamilton. It too is a mere shadow of itself. The head office decisions are being made somewhere else—similarly with Algoma Steel.

1740

What we’re witnessing is the loss of corporate head office after corporate head office after corporate head office. I don’t understand how that is good for Ontario or how anyone can say that is good for the economic future of the province.

I want to turn briefly—and again I recognize that this is not directly the responsibility of your government—to the food sector. Not only the production of food, but food processing, has been very, very important in terms of being an economic fundamental for this province. If I were to list, however, the shutdowns of all the food processing operations that have happened in Ontario, or if not the shutdowns, the diminishment of the food pro-

cessing operations in Ontario, it’s actually a pretty serious event. Once again, we see—yes, on a much lesser scale than, say, the mining sector or the forest sector or the steel sector—the loss of corporate head offices from the province of Ontario, and those corporate head offices, whether it be by takeover, buyout or whatever, moving outside of the jurisdiction. We wonder how this can be good for Ontario: to continue to see the loss of these kinds of corporate head offices, whether they be very large, whether they be modest size or, in some cases, whether they be small.

I want to move on to another area which we’re told—indeed, if we think about it, over the last 15 or 20 years—was becoming a more and more important part of, certainly, the greater Toronto area economy, and that’s the issue of television and movie production. We’ll get into this a little later, because I’m going to seek some rather specific figures—and I recognize there may be some good stories in this; there may be some not-so-good stories. But I think we need to identify more closely and more clearly what’s happening in this subsector. One of the things we want to know is, what is the value—and I’m not asking you to answer this now. Perhaps your officials can use this as a heads-up to start looking for the figures. We’re going to be interested in the value of television production and television production studios in Ontario in the current year. We want to know how this compares with each of the five previous years. We’re going to want to know what employment was generated in this subsector this year and in each of the previous five years. Similarly, we want to look at the issue of movie production. We’re interested in the value of movie production and the value of movie production studios in Ontario in this current year, and we want to know how this compares with each of the five previous years. We want to know what employment has been generated in each of those years, because, again, we think this is one of those important subsectors of the Ontario economy.

We, too, want to raise some issues about venture capital. If we’re going to have some successful start-ups, venture capital, as we all know, is extraordinarily important. But we also know that your government has made some, I think it’s fair to say, pretty substantial changes in how and to what extent venture capital is available in Ontario and to what extent there are benefits for people to put venture capital into Ontario. Again, just as a heads-up, we think that the whole issue of venture capital needs to be examined in some greater detail.

Finally—and I remember when you were here last year and I asked you some of these questions—it seems to me that at some point we need to hear in greater detail; I think you should be able to provide us with some information now—your government has talked a lot about tax changes. The most significant tax change has been the HST, and there were a number of promises made in association with the HST.

One of the things we would be interested in is knowing what the actual job situation is relative to the HST. In fact, I asked a question about that in the Legislature today. Living as I do—you live in a border community, I

live in a border community—what I'm hearing from small businesses from my communities is that the HST is putting them at a decidedly difficult competitive disadvantage vis-à-vis businesses that are located across the border in the United States. It doesn't matter if you're talking about gas stations, hardware suppliers or retailers, they're all reporting the same thing: a serious loss of business. I would assume that your ministry has some information on this, whether it be, from your perspective, positive information or not-so-positive information. I think there's been enough time to start to see what the impact of the HST is likely to be.

How much time—

The Chair (Mr. Garfield Dunlop): You have four minutes left.

Mr. Howard Hampton: I have four minutes.

This will give your officials a heads-up: It's our understanding that every month, Statistics Canada produces a labour force survey which can be broken down by job classification and by region. One of the things we'd be interested in, because this is a snapshot that I think we need to see—I want to know if you can please provide comparative Ontario statistics from the labour force survey for manufacturing comparing July 2004 and October 2010. I think July 2004 is significant. Basically, your government had been in power for one year in July 2004. We're now in November 2010, so October statistics. If you can't get October statistics, then if we can get September statistics; as close as we can come in available statistics which show the comparator between July 2004 and the summer or fall of 2010. We'd appreciate it if the two sets of numbers—from July 2004 and, if possible, October 2010—could be supplied for the following regional CMAs. I think CMA is a term of art for people in economic development. The CMAs are Hamilton, Kingston, Kitchener-Waterloo, London, Oshawa, Ottawa-Gatineau, Thunder Bay, Toronto and Windsor, and if you could throw Sudbury in there too, that would be great.

I think I've used up my time.

1750

The Chair (Mr. Garfield Dunlop): You've got about another minute, if you want.

Mr. Howard Hampton: I have another minute? Well, then—

Hon. Sandra Pupatello: Can I give a response?

The Chair (Mr. Garfield Dunlop): You've got the next 30 minutes to respond, but we'll get to that in a second.

Mr. Howard Hampton: If for some reason these numbers are not available—and I guess I'm asking this of you, Chair—it would be helpful if legislative research could also look at this so that we can come up with some numbers by the end of estimates to be able to compare where we were in July 2004 and where we are in the fall of 2010.

The Chair (Mr. Garfield Dunlop): Okay, I think we'll ask the deputy and the assistant deputy to try to provide those numbers. That's the end of your time now, Mr. Hampton.

Minister, I'll give you the option, whatever you'd like to do. You've got about another eight minutes today, or would you like to start with your final 30 minutes to respond to the comments here today on Tuesday morning?

Hon. Sandra Pupatello: Why don't we start so we can get eight minutes in to the next piece?

The Chair (Mr. Garfield Dunlop): Okay, you've got eight minutes to start right now.

Hon. Sandra Pupatello: Right. And can you let me know when there's two minutes left?

The Chair (Mr. Garfield Dunlop): Yes.

Hon. Sandra Pupatello: Okay.

The dilemma I have is, I would love to have been much more intimately involved in a number of the sectors that were raised by the member from Kenora. The reality—and I know the member knows this—is that we have such a heightened awareness of those sectors that he has mentioned that we actually have special ministries assigned to them that are not the Ministry of Economic Development and Trade.

On his commentary related to forestry, for example—I'm not sure he's particularly interested in my personal opinion, but he would be getting some of that—realistically, you know that it is covered by the Ministry of Northern Development, Mines and Forestry. Likewise, for the ministry of mining, which covers mining, we do a number of things, working together.

In the area of forestry, for example, what I know is that this is a Canadian problem. I am stymied to try to understand why Abitibi shut down all of its operations in Newfoundland, where it has the least cost for electricity in the country, probably, which was all hydro in Newfoundland. Yet it shut down its operations and caused quite a furor, as you know. There were multiple job losses in Newfoundland. Why we see such heavy job losses right across the nation—it is not unique to Ontario.

What we have done since 2003 is come out with a number of programs destined to try to assist this sector, because we recognize that energy is one of their greatest costs and that we have to worry about their energy costs compared to other jurisdictions, where they might find a lesser cost in the area of energy. And we have tried, in a number of areas, to interject where the provincial government has a lever to actually make a difference in the forestry sector.

But when we see this phenomena that sweeps across North America, to see the kind of loss in the forestry industry and, at the same time, seeing massive growth coming from places like South America, where you grow a tree three times as fast—a function that we simply can't alter here any time soon—that seems to be a reality that we can't get to grips with.

I am also very, very mindful of the comments that my Premier did make that the member from Kenora referenced. When our Premier spoke about how it's not just about getting things out of the ground, he was especially commenting—and I know that the member from Kenora agrees with this. It's not just about getting stuff out of the ground; it's about what value-added we have to have happen here in our province as opposed to

elsewhere. So when you get the mineral, how much more can we do here, as opposed to shipping it somewhere else? We see those challenges in that industry, and we agree that those are the kinds of things that we want to see here.

I have to say that as we're talking now about the Ring of Fire, which is probably, in our generation, the largest find that we are going to see in our lifetime—a huge find of chromite, a very valuable mineral used as the base for the production of stainless steel and a commodity the whole world will be looking for. Our whole conversation about how we plan to develop the Ring of Fire has to be about the entire chain—not just getting it out of the ground, but how we ensure that we've got the whole value chain happening in our province.

Based on the kinds of questions that the member from Kenora is asking, I have to presume that that member will be totally supportive of all of the initiatives that our government is going to make as we move forward with this Ring of Fire development. It's going to be 10, 15 years, and when we're in our by-then 20th year of government, I still expect that the member from Kenora is going to be supporting our activity, because we too want to see more in Ontario.

We've got to understand: As a subnational government, there's only so much that we can do on decision-making when it comes to whether the federal government, through its investment act, will allow an international takeover. The member from Kenora knows that. We watched with great interest the federal Minister of Industry, Tony Clement, respond to the potash story in Saskatchewan. We watched with interest what happened with US Steel. The member from Kenora knows full well that the federal government is now suing US Steel, not happy with the outcome of what was supposed to be a better net benefit to Canada and not seeing that through US Steel. US Steel's view was that they've suffered a worldwide recession, harder hit in North America, where the bulk of their facilities are, and so were seeing the volume demand for steel drop through the floor yet were still being expected to increase production in Ontario, so naturally they've got an issue.

We've got an issue because we want to see more production in Hamilton. What we know is that when we had ArcelorMittal take over Dofasco—since that time, there has never been more investment in the Hamilton facility, in the Dofasco site, than we've seen since the takeover by ArcelorMittal of Dofasco.

So you have stories where it has been incredibly successful: tens of millions of dollars put into that site to make it more efficient, more productive, with more plans to come from Dofasco in Hamilton, which is a great story for Hamilton.

Likewise, you talk about Algoma: Essar Steel, another India company, and the takeover there—also full of plans of investment for Sault Ste. Marie, a great news story for Sault Ste. Marie.

Where Dofasco is concerned, ArcelorMittal sees the Dofasco plant as the crown jewel in their fleet across the world. We know, because we meet with these inter-

national executives. Yes, the headquarters is in Hamilton. So we've got to make sure we've bulked up on our relationship with where those headquarters are overseas, so they keep thinking about the investments we want them to make in our plants here in Ontario. We've done that work. We've met with Essar and we've met with ArcelorMittal to make sure they remember we want to see more investment here in Ontario, and we've had that success.

Less success with US Steel, as you know, and a very problematic situation. You've seen the paper lately in the Hamilton area. We chased Max Aicher in Germany to look at investing in the facilities of US Steel, because we are not giving up on those very productive workers who we know can do great work in the steel industry in Hamilton. We look forward to that kind of good news coming to Hamilton, where we reached out to look for other things we can do because we know we've got that kind of capacity in the Hamilton area. We believe in it.

All of the questions that you asked related to TV and movie production, venture capital, the HST: We'll look forward to getting as much info as we can. We would appreciate your endeavour to also enlist the services of legislative services for some of those answers, if that's possible.

A couple of other things I have to mention, and I am going to continue. I'm going to start fresh in automotive when we come back next week. I love talking about cars, because we are so good at it.

The Chair (Mr. Garfield Dunlop): That's good. You brought an airbag with you today.

Hon. Sandra Pupatello: I know. I have one minute or two minutes left right now?

The Chair (Mr. Garfield Dunlop): You've got 30 seconds.

Hon. Sandra Pupatello: I'm just going to wrap up and say that I will endeavour, for the member from Kenora, to get as much information as you've asked for, related to mining, related to forestry—two sectors that don't belong, if you will, to the Ministry of Economic Development and Trade, although we work closely with those ministers; but as much information as we can get for you, we will.

We're going to continue. We want to talk about cars and all of the commentary you made related to the automotive sector, and we'll start fresh when we're back next week.

Thank you, Chair.

The Chair (Mr. Garfield Dunlop): Thank you, Minister. That will conclude the estimates for today. We will be back next Tuesday morning, November 23. The minister will begin with 20 minutes. You'll have 20 minutes to begin.

With that, I'd like to thank the minister and all the staff of the Ministry of Economic Development and Trade and all the members of the committee.

With that, the meeting is adjourned.

The committee adjourned at 1759.

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