



---

ISSN 1181-6465

Legislative Assembly  
of Ontario  
Second Session, 39<sup>th</sup> Parliament

Assemblée législative  
de l'Ontario  
Deuxième session, 39<sup>e</sup> législature

## **Official Report of Debates (Hansard)**

Wednesday 4 May 2011

## **Journal des débats (Hansard)**

Mercredi 4 mai 2011

**Standing Committee on  
Estimates**

Ministry of Revenue

**Comité permanent des  
budgets des dépenses**

Ministère du Revenu

Chair: Garfield Dunlop  
Clerk: Sylwia Przedziecki

Président : Garfield Dunlop  
Greffière : Sylwia Przedziecki

---

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
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  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 4 May 2011

Mercredi 4 mai 2011

*The committee met at 1619 in room 151.*

**The Clerk of the Committee (Ms. Sylwia Przewdziecki):** Good afternoon honourable members. Owing to the absence of both the Chair and the Vice-Chair, it is my duty to call upon you to elect an Acting Chair. Are there any nominations? Mr. O'Toole.

**Mr. John O'Toole:** I nominate my colleague the member from Burlington for the position of Chair—Ms. Savoline.

**The Clerk of the Committee (Ms. Sylwia Przewdziecki):** Ms. Savoline, do you accept the nomination?

**Mrs. Joyce Savoline:** I accept.

**The Clerk of the Committee (Ms. Sylwia Przewdziecki):** Are there any further nominations? In that case, Ms. Savoline, could you please take the chair?

**Mrs. Joyce Savoline:** It's always awful when no one else wants the job.

## MINISTRY OF REVENUE

**The Acting Chair (Mrs. Joyce Savoline):** Good afternoon, everybody. We're here to resume the consideration of the estimates of the Ministry of Revenue, vote 3201. There is a total of four hours and 28 minutes remaining. When the committee adjourned, the official opposition had 12 minutes left in its 20-minute rotation, so I now recognize—

**Mr. John O'Toole:** The member from Durham.

**The Acting Chair (Mrs. Joyce Savoline):** Member from Durham, you have 12 minutes.

**Mr. John O'Toole:** I'll share my time right after I get on the record here. I'm happy to say that the member from Nepean—Carleton is here and has carried out a diligent series of questions with respect to the minister. It's my impression that she has not received adequate responses, and she will insist and keep the pressure on to get to the truth of these hearings on the Ministry of Revenue.

With that, my colleague is well positioned and well informed, and I'll leave.

**The Acting Chair (Mrs. Joyce Savoline):** I recognize the member from Nepean—Carleton.

**Ms. Lisa MacLeod:** Thank you very much, Chair. As you'll recognize, my colleague from Durham could be a great hockey player; he does know how to rag the puck.

**Mr. Bob Delaney:** Your colleague from Durham is a great hockey player. I play behind him.

**Ms. Lisa MacLeod:** He's good, and I appreciate it. I also appreciate—I'm going to split my time with our critic for energy because, as you know, Chair, and as the minister knows, many of my questions have been around the energy file and what the HST on hydro will cost the people and the taxpayers of Ontario.

Yesterday, I asked a series of questions with respect to the impact of the HST on hydro bills, and I'd like to ask again today, now that we've had 24 hours and an ability for your team to go back and consult the numbers. Have you been able to identify at this point in time what the HST on hydro bills is going to generate? If you don't know, why not?

**Hon. Sophia Aggelonitis:** It's good to see the member back, and thank you very much for the question.

Ms. MacLeod, yesterday both the deputy and I did respond to your question. The response was that the Ministry of Finance is responsible for financial reporting, estimates and forecasts. Our estimates here today outline what the Ministry of Revenue is responsible for. Some of those items are auditing services, collections, tax administration and client services. Those are the main responsibilities of the Ministry of Revenue.

**Ms. Lisa MacLeod:** Okay, but it's not a hard question. The reality is, Chair, I've asked several times. It's not a difficult question.

Yesterday, we learned what we had expected: that the Minister of Revenue administers the Ministry of Revenue, and they also collect revenue from the taxpayers. I'm simply asking a question: How much—surely they count there—revenue would they have collected from hydro, and how much revenue did they anticipate collecting based on the HST on hydro bills?

I think Ontarians who are watching this from home and who observe our proceedings on a day-to-day basis who care about the province would expect the minister to know. How hard is it? How much HST did you collect?

You do collect the money, right? You do collect the revenue?

**Hon. Sophia Aggelonitis:** Correct. We do collect revenue. We do also accept the flow-through from the federal government when money comes into our province.

When you talk about electricity prices and the HST, I think it's important to note that the full comprehensive tax package is really about transitioning to a cleaner electricity system. That's why—

**Ms. Lisa MacLeod:** But I'm not asking about the comprehensive tax package. I've been very clear and very consistent. I want to know what the HST is, Chair, on hydro. What did they project? What did they collect?

She has admitted that she is a tax collector. That's what the Ministry of Revenue does. This is not a hard question, and I don't appreciate receiving the runaround from the minister or the government on this particular issue. I'm asking a question about the amount of money collected on a specific item for the Ministry of Revenue, collected by the Ministry of Revenue, not by the Ministry of Finance. I don't know if they just collect money and then trust that Dwight Duncan's going to account for it all, but I suspect there must be some secure controls in the Ministry of Revenue. Would you not agree, Chair? I think that's the question I'm asking.

**The Acting Chair (Mrs. Joyce Savoline):** I will ask.

Is there a number that you can leave with the committee today that tells us about the amount of revenue that you collect on HST?

**Hon. Sophia Aggelonitis:** The Ministry of Revenue does collect taxes. We are a tax collector—

**Ms. Lisa MacLeod:** So how much money did you collect?

**Hon. Sophia Aggelonitis:** —and the Ministry of Finance is in charge of financial recording. I would recommend—

**Ms. Lisa MacLeod:** Chair, this is the question—

**The Acting Chair (Mrs. Joyce Savoline):** Just a sec. Let the minister finish.

**Hon. Sophia Aggelonitis:** I would just suggest—I do know that the Minister of Finance will be coming to this committee, so when we do have any questions about financial reporting, estimates or forecasts, the Ministry of Finance—that's their realm.

**Ms. Lisa MacLeod:** Okay, but here's the problem: We're being stonewalled, because I'm not asking the Ministry of Finance for the revenue that the Ministry of Revenue has collected. I'm asking the Ministry of Revenue to tell me how much money the Ministry of Revenue has collected. I have not received one single number, with the exception of flow charts and other projections from other ministries, and I'm asking her.

She's here today to defend her estimates in this committee room. It's a simple question: How much HST revenue did you receive from those hydro bills? You're here to defend your estimates.

**Hon. Sophia Aggelonitis:** I do appreciate that question, Ms. MacLeod. When we do talk about the estimates, the Ministry of Revenue—in fact, our projected estimates for 2011-12 were \$2.3 billion in operating costs. It's a change of \$1.8 billion from last fiscal, which was just over \$4 billion. That change has a lot to do with the transition benefits that we received from the Canadian government.

But when it comes to the specifics that you're looking for, the Ministry of Finance is in charge of financial reporting as well as estimates and forecasts.

**Ms. Lisa MacLeod:** Okay. I'm going to cede the floor to my colleague, but I still—I want this on the record. I'm extremely disappointed that the Ministry of Revenue will not share with this committee the revenue it has collected—what that number is. That is her job; she is responsible to this Legislature. That's information that I expect, and I don't appreciate being stonewalled.

**The Acting Chair (Mrs. Joyce Savoline):** Mr. Yakabuski?

**Mr. John Yakabuski:** Thank you, Minister, for joining us today. I'm basically going to ask you the same question in a different way.

You've indicated that the Ministry of Revenue collects taxes. Do you hand them over to the Minister of Finance without counting them?

**Hon. Sophia Aggelonitis:** What I can tell you is that the Ministry of Finance, which is responsible for financial reporting, reports on our finances through—

**Mr. John Yakabuski:** Does the Ministry of Revenue count the money it collects? It's not like a Brinks driver, is it? It just doesn't go pick it up and then drop it off somewhere else.

**Ms. Lisa MacLeod:** I used Robin Hood yesterday.

**Mr. John Yakabuski:** Robin Hood. So you're—

**Hon. Sophia Aggelonitis:** Mr. Yakabuski, I want to respond to your question. The Ministry of Finance for the province of Ontario is in charge of financial reporting, estimates and forecasts. The Ministry of Revenue—

**Mr. John Yakabuski:** Understood.

**Hon. Sophia Aggelonitis:** —audits, collects—

**Mr. John Yakabuski:** Collects.

**Hon. Sophia Aggelonitis:** Yes.

**Mr. John Yakabuski:** Counts?

**Hon. Sophia Aggelonitis:** Collects.

**Mr. John Yakabuski:** Does it not count?

So if the Ministry of Revenue can't tell me how much tax it collected on the hydro bills, the HST, does it just pick up a closed suitcase and drop off a closed suitcase? At some point, somebody must know what they're collecting, and somebody must sign off and say, "I handed over X number of dollars to this ministry," or whatever. You collect money. You pass it on. You must count it. Therefore, you must know how much you collected. The question we want to know is how much HST you collected off the hydro bills.

**Hon. Sophia Aggelonitis:** Thank you, Mr. Yakabuski, for that.

**Mr. John Yakabuski:** So you can tell me that; I'm quite certain you can.

**Hon. Sophia Aggelonitis:** And I would be very happy to say exactly—in my previous response—the Ministry of Finance for the province of Ontario makes sure that we have set out budgets and that we have set out reports. In fact, we have a financial statement in the fall. The Ministry of Finance reports quarterly on the province's finances, and that is the role of the Ministry of Finance, which is coming to this committee.

1630

**Mr. John Yakabuski:** Right, but you must sign off what you're handing over.

If we were in the court of law, Chair, I would probably be saying to you now, “Permission to treat the witness as hostile?” However, we’re not in a court of law; we’re in the estimates committee. But there is a reasonable expectation on the part of members of this committee, based on convention and tradition in this Legislature, that when a minister comes before the committee on estimates, they will provide the answers. Are you under orders not to answer that question?

**Hon. Sophia Aggelonitis:** Mr. Yakabuski, the estimates for revenue—you’ve been provided with that. I would like to repeat that our ministry—

**Mr. John Yakabuski:** But you can break them down.

**Hon. Sophia Aggelonitis:** What we’ve reported in our estimates this year is \$2.3 billion in operating costs. That is a change from last year of \$1.8 billion. The Ministry of Revenue: It is our job to audit and collect tax administration, client services, but when it comes to financial reporting, that is in the realm of the Ministry of Finance.

**Mr. John Yakabuski:** When is the Ministry of Finance coming before this committee?

**Hon. Sophia Aggelonitis:** I would have to ask—

**Mr. John Yakabuski:** Exactly. Not before this House rises and this Legislature recesses or is shut down until the next election. But even if it did, I’m sure that we would get exactly the same kind of answer if we asked. This seems to be, as my colleague says, the stonewalling approach on the part of the government, that they don’t want to reveal just how much revenue they’re collecting from that HST and hydro bills.

**The Acting Chair (Mrs. Joyce Savoline):** You have about one minute.

**Mr. John Yakabuski:** We think that people have the right in the province of Ontario to know that.

I’m going to turn it over to my colleague, who is the critic for this ministry, and allow her to finish.

**Ms. Lisa MacLeod:** Again, I thank my colleague, who’s our energy critic.

This is a big concern. We’re simply asking for numbers. No one at home watching this, who is concerned about these issues, believes for one moment that the revenue ministry in Ontario collects money and just hands it over in big sacks to the finance department. This is simply unbelievable. I would urge you, in our next round, to actually, finally, give us a number, even if you have to call your colleague the Minister of Finance for his permission.

**The Acting Chair (Mrs. Joyce Savoline):** Mr. Tabuns.

**Mr. Peter Tabuns:** Minister, I understand that you have some answers for me from yesterday’s questions.

**Mr. John Yakabuski:** Well, aren’t you lucky? We don’t get them.

**Mr. Peter Tabuns:** It’s a question of good looks; that’s all.

**Hon. Sophia Aggelonitis:** Thank you, Mr. Tabuns. I’ll ask my deputy to—

**Mr. Steve Orsini:** You had asked yesterday how much the value of the Ontario clean energy benefit—whether it

was off the rate base or the tax base. I had mentioned that the costing of that was in the budget. We didn’t have the page number, so it’s page 228, and I could provide you a copy of that.

**Mr. John Yakabuski:** It’s a document from the Minister of Finance.

**Mr. Steve Orsini:** It is the 2011 Ontario budget, and it is a product of the Ministry of Finance.

**Mr. Peter Tabuns:** Okay, and since I didn’t bring the budget, can you tell me what the annual figure is?

**Mr. Steve Orsini:** For a partial year, 2010-11, it’s \$300 million. The plan—it’s an estimate, going forward—for 2011-12 is \$1.135 billion.

**Mr. Peter Tabuns:** Okay, thank you. I had asked yesterday if you could tell us the total cost of the benefit over five years and then the cost with the interest worked in. I appreciate the fact that you’ve identified that cost for me. Will you still be able to provide me with the total cost of this initiative?

**Hon. Sophia Aggelonitis:** That would be the Ministry of Finance.

**Mr. Peter Tabuns:** Okay. Were there any other answers that you had for me from yesterday?

**Hon. Sophia Aggelonitis:** Not from yesterday, no.

**Mr. Peter Tabuns:** Okay. In your results-based briefing book, you have a section on bad debts. On page 49 of 71: Can you give me an understanding of why the bad debt expense has gone from \$440 million to \$41 million?

**Hon. Sophia Aggelonitis:** Yes, of course, Mr. Tabuns. I will ask the deputy to give you the specifics on why.

**Mr. Steve Orsini:** The decline is due to the acceleration of dealing with bad debts because of the wind-down of the RST. If you look at 2009-10 on page 49 of 71, that’s really the high-water mark because of the acceleration of dealing with bad debts arising from the old sales tax system. As we deal with those accounts and clean up the backlog of accounts in the system, that number has come down significantly, but it reflects higher than normal because of the wind-down of the RST. The idea is not to have these accounts around for an extraordinary length of time, because the idea is that some businesses need to know what their final tax owing is, how many are accounts receivable and how many are bad debts going forward. The idea was to accelerate that as part of the RST wind up.

**Mr. Peter Tabuns:** I may or may not understand it; I’ll try. As the RST was being wound up, you had a lot of debts on the books. You decided that rather than have those debts carry over, you would expense them all in one peak period.

**Mr. Steve Orsini:** There are accounting rules for when you would treat something as a bad debt. And it goes through a whole series of the auditing, the collections, the time, accounts receivable. If a company is no longer in operation and there are no assets, these debts over time trigger into the category of a bad debt. Part of the RST wind-down, and again, it’s based on accounting

principles, is: When do you view it as a bad debt? If it meets all these criteria, then it's brought forward as such.

**Mr. Peter Tabuns:** So you had a very large amount of uncollected sales tax on the books at that point that you wrote off.

**Mr. Steve Orsini:** For 2009-10, there was a consideration of bringing those forward after an exhaustive review of all our outstanding accounts receivable.

**Mr. Peter Tabuns:** On an annual basis, \$41.9 million is the regular amount that we write off on bad debts?

**Mr. Steve Orsini:** It is more in line with our tax system, which no longer has the sales tax in our bailiwick. Any accounts receivable bad debts, under the HST, are now the responsibility of the federal government.

**Mr. Peter Tabuns:** How does the remittance system work? Let's say somebody owes \$10 in HST from their operation. They are billed by the federal government and if they pay \$5, not \$10, the federal government still gives us \$10, or do they pay the \$5 and they simply put \$5 on their bad-debt books?

**Mr. Steve Orsini:** I might have to follow up with a more detailed response. It depends on the tax base. For personal income tax and corporate income tax, the federal government pays us on an assessment basis. They look at what is assessed in terms of tax owing, and we're paid on that amount. If there are amounts not collected—accounts receivable bad debts or interest and penalties—the federal government takes responsibility for both of those, and they pay us on an assessment basis based on an agreed-upon payment schedule for both personal income tax and corporate income tax. The federal government manages accounts receivable interest and penalties as part of their internal offsets.

1640

On sales tax, there's the comprehensive integrated tax coordination agreement. It lists a formula based on how the province is paid HST. It's based on a formula that is generated to the amount of remittances that the province would get. That's the basis of the payment under the HST. It's based on a formula.

**Mr. Peter Tabuns:** Okay. Just so I understand it, this is not just retail sales tax or HST bad debt. This is corporate income tax and personal income tax bad debt as well?

**Mr. Steve Orsini:** These here—and I want to be really clear—they're accrued. Just to be clear, for 2009-2010, that \$440 million is the amount of the bad debt that we're accruing at that point in time that would likely be eventually written off. Once you make a decision to wind down the RST, your accounting treatment gets kicked in when you make that decision. All those bad debts that would be accruing over time, you're reporting at the time you make that key decision.

**Mr. Peter Tabuns:** Right.

**Mr. Steve Orsini:** The bad debts would now, in the future, relate to the taxes, the 12 tax statutes that the Ministry of Revenue directly collects from taxpayers.

**Mr. Peter Tabuns:** So this has nothing to do with personal and corporate income taxes?

**Mr. Steve Orsini:** No.

**Mr. Peter Tabuns:** This is the other taxes that you, as an organization, collect on behalf of the government of Ontario.

**Mr. Steve Orsini:** The land transfer tax, the fuel tax, tobacco tax—the 12 tax statutes that the Ministry of Revenue is directly responsible for collecting.

**Mr. Peter Tabuns:** So annually, it's about \$42 million that you expense as bad debts.

**Mr. Steve Orsini:** That we are accruing in that period of time.

**Mr. Peter Tabuns:** Right.

**Mr. Steve Orsini:** We're reporting—actually, when it's written off, again, that's an accounting issue that we don't comment on. It's really what we're accruing in that year as a bad debt.

**Mr. Peter Tabuns:** Can you tell me, then, in any given year, the total loss that we're taking?

**Mr. Steve Orsini:** We can maybe go back in time and show the historical. I don't know what it would be in a steady state, because we have a different tax system now. But we could endeavour to show you what it has been year over year so you get a sense of the ebbs and flows depending on the state of the economy and depending on the tax system in place at the time.

**Mr. Peter Tabuns:** Can you tell us, as a percentage of the total tax you collect, how much every year you expect to not collect?

**Mr. Steve Orsini:** We could come back to you on a number of indicators. It would be the amount that we're accruing as bad debt, the actual amount that's written off, as a per cent of what the government reports in budgets in terms of total revenue. That's something we wouldn't be able to respond on today, but we could come back with it.

**Mr. Peter Tabuns:** I would appreciate that. Can you tell us, what are the two or three largest causes of bad-debt expense? Bankruptcy, fraud, bad record-keeping—what is it that gives us these losses?

**Mr. Steve Orsini:** We can endeavour as to whether—how we break it down, that's something we could follow up on.

We do publish the amounts that are written off in public accounts. What we could do is pull that together for you. It makes it a lot easier for you to try to compare numbers.

**Mr. Peter Tabuns:** Okay, that would be fine.

Can you tell me about your work on contraband tobacco with First Nations? I asked yesterday, and you told me about the work that you had done with First Nations to set up a system for identifying who has the licences to sell tobacco and who doesn't so you have some greater controls. Have you met with First Nations in the last few months to discuss the act that's coming forward, and do you have a target in terms of reducing the amount of illegal or contraband tobacco that will come out of your efforts?

**Hon. Sophia Aggelonitis:** That's a great question. Thank you, Mr. Tabuns. The proposed piece of legislation

regarding contraband is called the Supporting Smoke-Free Ontario by Reducing Contraband Tobacco Act, 2011.

We take contraband tobacco very seriously. One of the things we did prior to this proposed legislation was, we collected—in fact, seized—150 illegal cigarettes. We have increased—

**Mr. Peter Tabuns:** More than 150.

**Hon. Sophia Aggelonitis:** Million. Did I not say “million”? One hundred and fifty million illegal cigarettes. We have also increased the conviction rate of 44%. The purpose of this proposed legislation is to—we want to get contraband tobacco out of the hands of children; unfortunately, kids are using their lunch money to buy contraband tobacco.

Our relationship with First Nations is a relationship that is collaborative. It is also a relationship that we have been working on for a long time through the Ministry of Aboriginal Affairs, as well as people who work in the Ministry of Revenue. We want to make sure that this is an open, collaborative process, because I think at the end of the day, it’s all about the youth. I know that they’re very interested in working with us.

As far as specifics, if the deputy has anything to add to that?

**Mr. Steve Orsini:** There’s been a number of meetings over the past several months and longer on a number of different issues, including the point-of-sale exemption under the HST for First Nations on tobacco, on the retail agreements we talked about yesterday.

Some of the things that the ministry doesn’t have the authority on is to share certain information and to enter into an agreement. That has been a bit of a barrier to broader engagement on ideas or solutions that may come forward.

There’s a strong willingness to engage further. That’s why the minister brought forward Bill 186: to include provisions in there that would give the government the ability to now share information and enter into agreements on areas relating to tobacco on-reserve.

I think that will create a new platform or foundation to continue those discussions, but in a more comprehensive way than we’ve been able to do to date.

**Mr. Peter Tabuns:** Have you done calculations as to the revenue loss that arises from contraband tobacco sales now and the amount of revenue you expect to recover through your action against contraband tobacco?

**Mr. Steve Orsini:** We ourselves do not estimate the amount. The Auditor General, in a value-for-money audit in 2008, did provide an estimate. The Auditor General did an update in fall of last year, identifying the significant steps that the ministry has done in moving forward with mechanisms to enhance compliance and enforcement.

We know from the Ministry of Finance reporting of tobacco tax revenue that we have shown an improvement in the revenue coming in from the tobacco tax. I don’t have those numbers available to me, but that is in the public record through the Ministry of Finance and through the budget itself.

**Mr. Peter Tabuns:** What I’m trying to understand is, you’re engaged in a project with a piece of legislation and your discussions with First Nations. I’ve heard a number of times a number of \$500 million in lost revenue because of contraband tobacco. How will you know when you have been successful, and what do you define numerically as success?

**Hon. Sophia Aggelonitis:** I would say that the way we define success is a lesser amount of people smoking, especially children. That would be the biggest success that we could find.

**Mr. Peter Tabuns:** So are we talking about a 1% reduction or a 5% reduction or a 50% reduction? What is your target?

1650

**Hon. Sophia Aggelonitis:** Deputy?

**Mr. Steve Orsini:** Our objective in our estimates, in terms of ensuring compliance—I think the ministry’s efforts will continue, to ensure we get full compliance, and we will continue to look at our processes, how we audit, how we collect, how we investigate, the inspections that the ministry conducts through our special investigations branch to ensure that we continue to take steps to ensure full compliance.

Our objective is to move forward as effectively and quickly as we can, knowing it’s a highly complex issue involving different levels of government, working with the federal government, which plays a crucial role in a number of different capacities, working with the province of Quebec, and New York state on the other side of the border. These are key issues that are highly complex and involve a number of different levels of government, and we will continue to work on them until we’re satisfied that we continue to get up to full compliance.

**The Acting Chair (Mrs. Joyce Savoline):** Mr. Tabuns, you have one and a half minutes left.

**Mr. Peter Tabuns:** Thank you.

Since I know that there are debts that you don’t collect—there are people who will evade taxes; you’ll never get 100%—what are you setting as the threshold for success in this effort? Because simply telling me that you’re going to make the effort—I appreciate the ultimate goal, but for the public to understand whether you’ve been successful or not successful, the numbers help a lot. Numerically, what is your goal?

**Mr. Steve Orsini:** We have been tracking. We keep a number of performance measures in terms of our ability to provide benefits and meet certain targets. As the minister mentioned, we track the amount of seized illegal tobacco in the marketplace. It is a very difficult—to know a target, you’ve got to have two key numbers: the numerator and denominator. The denominator is very complex; it’s one on which you’ll get different estimates.

Our objective is to continue to make significant progress on reducing the availability of contraband tobacco. It’s starting to show results in terms of what the Ministry of Finance reports, and the budget, in terms of our revenue. The amount that we’ve seized has gone up; our convictions have gone up. That denominator is what we

don't have. What we're tracking is the numerator, which is the results that we've been able to generate. The more we can generate those results, the more confident we are that we're reducing the availability of contraband tobacco.

**Mr. Peter Tabuns:** I'll come back to it.

**The Acting Chair (Mrs. Joyce Savoline):** Thank you, Mr. Tabuns. The rotation now goes to the government members. Mr. McNeely?

**Mr. Phil McNeely:** Thank you, Minister, for being here today in front of this committee. It appeared to me that the opposition representative yesterday did not want the facts on the record, and I refer specifically to table 2, "Average Annual (Saving)/Cost by Household Income"—

**Ms. Lisa MacLeod:** Point of order, Chair.

**Mr. John Yakubuski:** Are you making a speech or asking a question?

**Ms. Lisa MacLeod:** Point of order, Chair.

**The Acting Chair (Mrs. Joyce Savoline):** Ms. MacLeod?

**Ms. Lisa MacLeod:** I just want to clarify: I don't mind if people put the facts in. They just didn't answer my questions at all, and that's why I was very concerned with what was displayed yesterday. It's unfortunate you weren't here, nor was that member.

**Mr. Phil McNeely:** I don't think it's a point of order, Chair.

**The Acting Chair (Mrs. Joyce Savoline):** Thank you. Carry on.

**Mr. Phil McNeely:** Thank you.

The table that I referred to is "Average Annual (Saving)/Cost by Household Income," page 251 of the document. It's table 2. I think it tells the whole story. That's why I think it's extremely important that it be on the record, so why was there opposition to putting that on the record? I think it's quite clear, the story on the tax reform package that we brought in in 2009; that table clearly says that it's ending up with the information that we predicted it would.

There's a confirmation by Michael Smart—I believe it's what you quoted—that the net impact of the reform for most families by the end of 2010 was, again, a very small loss in after-tax real income. It shows in that that right up to \$90,000 in household income, there's a gain under that tax reform package. One of the things we know, the people sitting around the table, is that on our first \$36,000 or \$37,000 of income we had a reduction of about \$360 or \$370. So for a family where there are two workers making that kind of money, it was a \$700-plus benefit, tax reduction. Tax reduction is not what is mentioned often in the context of this, but that was a major tax reduction in provincial income tax.

I'd just leave that there, because there was also mention of HST on food yesterday. We know there's no HST on food—

**Ms. Lisa MacLeod:** On a point of order, Chair: Yesterday, I mentioned a number of items that had gone up; I didn't mention that as a result of the HST. One was

a loaf of bread. Anybody that's actually gone to a grocery store and shopped for their children knows that the cost of a loaf of bread has increased for a variety of reasons. Food has gone up, but I was simply making a point that it is unaffordable to live in Dalton McGuinty's Ontario. I thought that would be relevant for the member from Ottawa–Orléans.

**The Acting Chair (Mrs. Joyce Savoline):** That was a clarification.

Mr. McNeely.

**Mr. Phil McNeely:** I think that was mentioned in terms of the HST. But one of the things should come down, because farmers buy equipment and that. There are many reasons that farmers' costs are going up, but should this tax reform package not decrease the costs of production of food just from the HST?

**Hon. Sophia Aggelonitis:** I thank you for bringing up this table. This table is a table that's in the 2011 Ontario budget on page 251. You're right: If you are making between \$150,000 and \$300,000 in year three, the HST will cost you a little. But in year one, in fact, you still see a savings of \$180.

When you mention about the business sector, specifically when we talk about farmers, I can tell you that yesterday I did speak about the sector and the business relief that different sectors will see with the HST, the corporate income tax cuts and the capital tax. When we speak about farmers, you can see on this chart, under agriculture, that they would, under the HST, save \$30 million, and on the corporate income tax they would save \$15 million, for a total net savings of \$45 million. That's pretty significant for our farmers.

**Mr. Phil McNeely:** So with all the impacts on food production, this tax reform package should have some reduction in costs. There are many other reasons that food prices are going up, and those are floods, crop failures, increased consumption, food crops used for energy. I would like to clear the picture, that when food prices are thrown out there—and they have been thrown out in the local press and on radio—I think it must be very clear that our tax reform package has provided cost savings for farmers, for food producers in Ontario, and given them an advantage to selling their foods outside the province. I think this just confirms that.

Since most family household incomes are below \$100,000, and you've just confirmed that, really there are reductions here and this whole tax reform package is not impacting negatively on household costs. It is a positive influence; there are savings. In year three, it's from \$260 if it's between \$4,000 and \$20,000; up to \$370 between \$20,000 and \$30,000; and at around \$90,000 it is getting very close to break even. This has been confirmed by an independent study late in 2010. I think you have that information there. So this is good news for families, because it's not only the fact that it's not costing families more—there's actual savings—but it's what we get out of it.

**1700**

It's important that the work that was done by Jack Mintz, who is an economist from the University of Cal-

gary—he's not known as other than a good economist. He has been before committees here before.

I'd just like to look at the big issues that are coming out of this. This is making us more competitive. That's extremely important. So how can we have people who are saying that we shouldn't be more competitive as a province, if it's not going to cost people any more unless they make big bucks? Why shouldn't we be saying that it's important to bring these tax reforms in? They've been pushed by different people for years. Governments have been gutless to make the change because it involves the word "tax," and it causes a problem.

Jack Mintz says that we will have an additional \$47 billion of investment in Ontario in the next 10 years. If we didn't do this, we wouldn't get that \$47 billion. It's going to increase the earning power of Ontarians by 10%, 9%, something like that. This is great. We're going to be more competitive on world markets because we'll be letting our industries produce better without that cascading tax and those costs that were transferred to our consumers as well.

I just go back to the reports: 590,000—it's sometimes quoted as 600,000—new jobs in the next 10 years. How can we have people against that?

The federal government, under Harper and under Flaherty—and we knew Flaherty from here—has given us \$4.3 billion that we've put out. It's difficult for business to adjust. It's difficult for people to adjust. That \$4.3 billion has gone out in our economy in a very rough time for Ontario. It's dollars that went into the economy. Are there 4.3 million families? It's probably something like that. We got \$1,000 per family from the federal government. Stephen Harper and his government, which passed the legislation for that \$4.3 billion, obviously support this. It's the right thing to do for Canada. It's the right thing to do for Ontario. This is good, positive stuff.

I think that Janet Ecker, who was a Conservative finance minister in Ontario, is for it. I heard that John Tory is for it. And yesterday you had a list of people saying it was the right thing to do. You had a list that was quite lengthy.

It's not costing people, families, anything. They're even saving money. Businesses are going to be more competitive because of capital tax reductions, corporate income tax reductions, HST reductions. This is going to let us be a more prosperous province. So why do you think anyone would say that this is not the direction to go in?

It was probably the toughest decision our caucus made in seven years. Governments before could not make that decision because they weren't looking out enough for the public interest, knowing that they were going to take a lot of flak over it.

When you have the federal government supporting it, when you have the people not having increased taxes, when you have corporations that are going to be more competitive, why do you think we're having so much difficulty with the questions that we're getting here from the opposition?

**Hon. Sophia Aggelonitis:** Thank you very much for that question. I wouldn't be able to answer why. That would be something the opposition would have to tell us.

What I can tell you is that there have been a number of supporters for the comprehensive tax package, specifically the HST. I would like to read into the record, if I may, some very significant players on the national scale.

This is their view: "I have long said provincial sales tax harmonization is the single most important step provinces with retail sales taxes could take to improve the competitiveness of Canadian businesses. The federal government is willing to work with all ... provinces ... to facilitate the transition to a harmonized tax." That was said by Jim Flaherty, Canada's finance minister, in the *Globe and Mail* in January 2009. I will tell you that the federal government has been very helpful—and you're right: There's somebody whose opinion really matters, and that's what he said.

Another quote that I'd like to read into the record: On March 24, 2009, Bob Runciman, who's now a senator in—

**Mr. Phil McNeely:** He's a senator.

**Hon. Sophia Aggelonitis:** Yes, he's a wonderful senator. He said, "I think, in theory ... our party is supportive of ... harmonization."

Then we spoke to Frank Klees, a wonderful MPP, who said on May 21, 2009, "No one can argue with wanting a more simplified tax process. I think we all support that."

So Mr. McNeely, I agree with you. There's a lot of great support out there, coming from all levels of governments nationally. I'm glad you gave me the opportunity to read it into the record.

When you do speak about the federal government, they have been helpful. If I can read into the record from the 2010 fiscal review, on page 162, it states:

"The federal government has played a crucial role in supporting Ontario's move to a harmonized sales tax system. To encourage provinces to harmonize with the goods and services tax (GST), the federal government has provided very generous incentives, such as:

—"providing Ontario with \$4.3 billion in transitional support;

—"assuming all Canada Revenue Agency information system costs in administering Ontario's portion of the HST;

—"agreeing to administer the HST for no charge; and

—"agreeing to make comparable job offers to all Ontario public service employees affected by harmonization, reducing the number of positions by 1,253.

"Federal administration of Ontario's HST will save the province approximately \$100 million annually in compensation and overhead by 2014-15."

Those are just some of the ways that the government has been very supportive when it comes to the HST. Thank you for letting me read that into the record.

**Mr. Phil McNeely:** Thank you for that information. We've heard it before. I was in business for 35 years, and just the simplification of the one tax return would have been a boon. I think it was a \$500-million estimate of

what the savings would be for businesses on an annual basis. I just feel that, as a member of provincial Parliament here in Ontario, if you have the interests of the province of Ontario as your prime responsibility, you must support this. From my business background, I would say that.

I thank you. I don't have any other questions.

**Hon. Sophia Aggelonitis:** I could just follow up on some of your comments. When you talk about business, there were a number of businesses—just last month, in fact, in April—that have been created. Christie Digital Systems Canada in Kitchener is creating 50 new jobs and supporting 53 existing positions by developing new digital projection technologies. Another good story is Warren Industries Ltd. in Concord. It's an auto parts manufacturer. It's creating 66 and protecting 20 existing positions. Digital Extremes in London—and this is just in this past April—is developing a 3-D evolution game engine, creating 30 jobs and protecting 53 existing jobs. Pratt and Whitney Canada in Mississauga—it's a world-renowned leader in the aerospace industry—is creating 80 new jobs in Mississauga. Sungrow Canada, which is in Vaughan, is creating 50 new jobs and establishing Vaughan as its North American headquarters, which is great news. Kellogg Canada in Belleville is creating 40 new jobs, as it plans to add a new cereal production line in Belleville. Eagle Feather Air Inc. in Sault Ste. Marie is creating up to five new jobs. Protenergy Natural Foods in Richmond Hill is creating 60 good, high-skill jobs by investing in a new processing and packaging technologies company. Horizon Plastics International in Cobourg is creating up to 350 jobs. Silfab Ontario Inc. in Mississauga, a new solar manufacturing plant, is creating 71 new jobs in Mississauga and will employ up to 200 people once in full capacity.

1710

Then we have some other jobs a little prior to April, and those are these. Max Aicher from Hamilton, Ontario—a great city—is creating 300 new, good jobs. L-3 Wescam of Burlington is expanding, and they will be creating 375 jobs. Sandvine of Waterloo is developing network solutions, and they're creating 75 jobs. The Ford Essex plant, the engine plant in Windsor, is implementing—

**Ms. Lisa MacLeod:** Point of order, Chair.

**The Acting Chair (Mrs. Joyce Savoline):** Excuse me for a minute, Minister.

**Ms. Lisa MacLeod:** The point of order I'd like to have addressed is, previously the minister told us that she couldn't speak about Ministry of Finance projections because it wasn't her ministry. Now she's talking about economic development numbers, so I think that should be ruled out of order. If she's not willing to give us information on the questions we've asked about revenue being collected, why is she now talking about another ministry's numbers?

**Mr. Kim Craitor:** It's in the public domain.

**Mr. Phil McNeely:** Madam Chair, I believe this information is being presented to show that the compre-

hensive tax package is working, and jobs are being created. I think that's all pertinent.

I'd just like to have my time back that this member has taken.

**Mr. John Yakabuski:** It's got nothing to do with estimates, Chair. If they want to make a political speech, they can do that, but not in estimates.

**Mr. Bob Delaney:** We can use our 20 minutes any way we want, John.

**Mr. John Yakabuski:** Rent a podium if you want.

**The Acting Chair (Mrs. Joyce Savoline):** I'm going to rule that the minister can continue, Ms. MacLeod, because I think what it's in response to is Mr. McNeely's point that the HST has made room for jobs to expand in the province because of savings to corporations. I'm going to allow it to continue.

**Mr. John Yakabuski:** There's no correlation whatsoever, Madam Chair—none whatsoever.

**The Acting Chair (Mrs. Joyce Savoline):** I've made the ruling.

**Hon. Sophia Aggelonitis:** Thank you, Chair. I forgot where I left off, so I'll just start from the top.

**The Acting Chair (Mrs. Joyce Savoline):** You have 25 seconds.

**Hon. Sophia Aggelonitis:** Max Aicher in Hamilton is creating 300 new, good jobs, and that's, of course, in Hamilton, Ontario. L-3 Wescam of Burlington is expanding the next generation of aerospace systems and creating 375 jobs. OpenText in Waterloo, Richmond Hill and Ottawa is developing new, innovative digital media products while creating 400 new and good jobs.

**The Acting Chair (Mrs. Joyce Savoline):** And we'll stop there.

**Hon. Sophia Aggelonitis:** Okay.

**The Acting Chair (Mrs. Joyce Savoline):** The rotation now has gone to the official opposition. Ms. MacLeod or Mr. Yakabuski.

**Mr. John Yakabuski:** Minister, you were talking in your answers—first of all, I want to go to your comments on Minister Flaherty. Did you mention Senator Runciman as well? Anyway, I believe it was Senator Runciman.

**Hon. Sophia Aggelonitis:** Yes, I did—March 24, 2009.

**Mr. John Yakabuski:** Yes. You were talking about your little snippet of something they may have said. Anywhere in that quote, did Minister Flaherty ever say that he supported—or Senator Runciman—the McGuinty government's greedy extension of that tax to such essentials that seniors and families have no choice but to pay for, no choice but to purchase; to extend that greedy tax grab to gasoline—

**Mr. Kim Craitor:** They voted for it.

**Mr. John Yakabuski:** No, they never voted for anything.

**The Acting Chair (Mrs. Joyce Savoline):** Order.

**Mr. John Yakabuski:** To gasoline, to hydro, to home heating—the member from Niagara Falls doesn't know what he's talking about. They didn't separate—they didn't tell the Ontario government what to extend the tax

to. They gave the Ontario government the legislative authority to bring in an HST.

In anywhere in those quotes that you want to trot out did Minister Flaherty say that he supported that extension or did Senator Runciman say that he supported that extension of that greedy tax grab to those essential commodities?

**Hon. Sophia Aggelonitis:** Thank you, Mr. Yakabuski, for your comment.

**Mr. John Yakabuski:** No, that's a question.

**Hon. Sophia Aggelonitis:** Oh, it's a question? Well, let me answer your question, Mr. Yakabuski.

**Mr. John Yakabuski:** It's a simple yes or no.

**Hon. Sophia Aggelonitis:** I'd like to ask the deputy minister to confirm it, but I'm pretty sure it was our Minister of Finance for Canada who signed the agreement for us to move forward. Deputy?

**Mr. John Yakabuski:** That's not the question. We know they signed the agreement. We know they signed the CITC agreement. We know they passed enabling legislation. It had to be done. The question is: Anywhere in your quotes that you're trotting out there did Minister Flaherty or did Senator Runciman say they supported the extension of this greedy tax grab to hydro, home heating or gasoline?

**Mr. Yasir Naqvi:** It's called the excise tax.

**Mr. John Yakabuski:** The excise tax is already on. The member from Ottawa Centre should know what he's talking about. The excise tax is already on them.

**Hon. Sophia Aggelonitis:** I would like to respond to your question, Mr. Yakabuski, and I would like to read again in the record exactly what the quote from Minister Flaherty is—

**Mr. John Yakabuski:** No, I don't want to hear the quote again.

**Hon. Sophia Aggelonitis:** You don't?

**Mr. John Yakabuski:** No. I want to hear: Did they say anything? If there's nothing new, then I would take the answer as being no. Thank you for that confirmation.

**Hon. Sophia Aggelonitis:** I would like to respond—

**Mr. John Yakabuski:** No. I appreciate it if—

**Hon. Sophia Aggelonitis:** I would like to respond, though, if you would let me.

**Mr. John Yakabuski:** The question is, yes or no.

**Hon. Sophia Aggelonitis:** I have a quote here from the Minister of Finance for the country of Canada. I think—

**Mr. John Yakabuski:** Are you reading the same quote you did before?

**Hon. Sophia Aggelonitis:** I think his opinion matters.

**Mr. John Yakabuski:** No. This is my time, and I don't appreciate that. Thank you. So the answer is no. That is, in fact, the key here, Madam Chair. When they want to trot out those quotes, they have to be completely honest in the way that they attribute words to the Minister of Finance for Canada or to a member of the Senate.

Now—

*Interjections.*

**Mr. John Yakabuski:** I'd watch your mouth on that one, buddy.

Just a minute: Madam Chair, I heard the member for Niagara Falls say that I don't know the word "honest." He's either going to withdraw that—

**Mr. Kim Craiton:** We just have a different definition. I have mine and you have yours, that's all.

**Mr. John Yakabuski:** No, that's not what you said, member. You accused me of not knowing the word "honest," so put up or shut up.

**The Acting Chair (Mrs. Joyce Savoline):** Excuse me. If you made that comment, Mr. Craiton, if you would withdraw it, we could continue with our proceedings.

**Mr. Kim Craiton:** With respect to the Chair, yes, I will withdraw.

*Interjection.*

**Mr. John Yakabuski:** What's that?

**The Acting Chair (Mrs. Joyce Savoline):** Let's not talk under our breath this afternoon. I know we're eating up time. We're going to keep going around in a circle. We've got important business for the public at hand and I'd really, really appreciate it if we could just stick to it. Please continue.

**Mr. John Yakabuski:** And there are issues that people want answers to.

Minister, when you were answering the questions from Mr. Tabuns from the NDP and he was talking about contraband cigarettes and you were speculating about what your new law may or may not accomplish, you were able to ascertain that you have seized 150 million cigarettes. That was the figure you gave. Who seizes the cigarettes?

**Hon. Sophia Aggelonitis:** The Ministry of Revenue, working with local police forces.

**Mr. John Yakabuski:** So police officers.

**Hon. Sophia Aggelonitis:** Deputy?

**Mr. Steve Orsini:** Yes.

**Hon. Sophia Aggelonitis:** Yes; correct.

**Mr. John Yakabuski:** So police officers seize the cigarettes. They, in turn, pass on either the contraband tobacco or the records or whatever to the Ministry of Revenue, and you're able to ascertain that you have seized 150 million cigarettes.

**Hon. Sophia Aggelonitis:** I'm hoping what I'm hearing from Mr. Yakabuski is that you are in support of smoke-free Ontario by reducing contraband tobacco.

**Mr. John Yakabuski:** That's not—it's a question. You're able to ascertain that you've seized 150 million cigarettes—that's what I'm asking.

**Hon. Sophia Aggelonitis:** The figure that I used is 150 million illegal cigarettes, taking them out of the hands of—yes.

**Mr. John Yakabuski:** I wasn't questioning your accuracy on that. My problem here is that you're able to count cigarettes but you can't count dollars, so when we ask you how much revenue you have received from the HST on hydro bills, you've no idea. You don't keep track of that. You've actually got somebody counting cigarettes in your ministry but not dollars.

1720

If you can't count the HST on hydro, can you tell me what you've collected on the HST in gasoline?

**Hon. Sophia Aggelonitis:** I'm happy to respond to Mr. Yakabuski. Your question in regard to the financial figures are—figures of financial reporting for the province of Ontario are under the purview of the Ministry of Finance. The Ministry of Finance does financial reporting, estimates and forecasts. The Ministry of Revenue is a tax auditor, collector, tax administration, client services—

**Mr. John Yakabuski:** And cigarette counter.

**Hon. Sophia Aggelonitis:** We really are trying extremely hard—because this is an important issue. Getting contraband tobacco out of the hands of our children is extremely important, and that's why we're proposing Bill 187.

**Mr. John Yakabuski:** We're not arguing that point. That's not a disputable point. You seem to be interested in counting the numbers of cigarettes but not in determining the amount of money you're collecting on the HST on hydro. Who counts the cigarettes?

**Hon. Sophia Aggelonitis:** I truly believe—

**Mr. John Yakabuski:** Are any of those people behind you counting cigarettes?

**Hon. Sophia Aggelonitis:** One hundred and fifty million illegal cigarettes: I know it's not a great amount but it's a good start, I think. I think we are doing a good job at that. I know that there are a lot of great investigators and inspectors out there working with police—

**Mr. John Yakabuski:** Can you estimate what the loss of revenue is as a result of those contraband cigarettes? That's just the ones you've seized.

**Hon. Sophia Aggelonitis:** The ones I've seized. To give you a more specific answer, I'll ask my deputy to speak.

**Mr. John Yakabuski:** Okay, I appreciate that

**Mr. Steve Orsini:** There are a number of different—federal excise tax; there's the HST; there's the provincial tobacco tax. It really depends—for example, for the HST—on the final market value those cigarettes would have in the streets. We wouldn't have an estimate on what they could have sold for, but you could come up with a proxy. We wouldn't have that on hand, but that's something we could consider.

The issue around the cigarettes is, they're evidence for the courts. The evidence is tracked; it's part of court documentation. But we wouldn't be able to give you an estimate on the value of that because we don't know what it would be if they were sold to some consumer. So we wouldn't be able to give you that amount.

**Mr. John Yakabuski:** Okay, thank you. At least I appreciate the answer. I'm going to turn it to my colleague Ms. MacLeod.

**Ms. Lisa MacLeod:** Thanks very much. I think that's what's troubling here, and I appreciate the honesty of the deputy providing us that there is a number that they could base it on; it might not be completely and utterly accurate. At the same time, for us on our side, what we are questioning is: If you're able to count cigarettes and you're able to at least have an estimate, why can't we

receive that same type of projection and estimate for heat and hydro? That's, of course, the frustration.

I just wanted to ask you very quickly, Minister: What's the cost of running your land and marine fleet in Ontario?

**Hon. Sophia Aggelonitis:** Thank you very much for that. That is a specific, and I will ask the deputy minister to respond to that.

**Mr. Steve Orsini:** I don't think we would have that information on hand, but that would be one that, as part of our internal costing, we would control. We would have, I think, an estimate that we could bring forward as part of our response.

**Ms. Lisa MacLeod:** And what would the revenue be for that land and marine fleet that they would collect? Do you know?

**Mr. Steve Orsini:** I don't know whether or not that is tracked in terms of—you mean related to contraband tobacco or related to other activities?

**Ms. Lisa MacLeod:** You know what I'm just going to do because it's easier? I'm just going to rip the page out of the estimates and I'll just have my colleague pass it over to the minister of what the question was. It's right out of the book of the estimates. I think it sort of makes my point here, that we have a book on estimates and it's right there in clear bold what they spend and what they take in, and yet we're being stonewalled here on how much money they've been collecting on HST and hydro and what those projections are. It's getting very frustrating from our perspective to sit here as the official opposition to talk about revenue that they're collecting, that they are either not counting or they are not willing to tell us about.

Also in this estimates, it tells us that she has an operating budget in her agency of about \$2.3 billion. They couldn't read a sheet of paper out of these estimates, nor could they provide us with any of those estimates or projections. It might even be, if she's right, a call to the finance minister, and that hasn't been made in the 24 hours. So the question you have to have, then, is why do we even employ this ministry? Why are we even employing this minister? Couldn't \$2.3 billion go back into other government programs or provide some tax relief for others?

We've heard a few jokes in the last few days about people getting elected in Quebec. The reality here is, we've been asking diligently for two days for simple answers to simple questions that people have told us they want answers to, and what we get read into the record instead are charts, quotes that don't have the full story, and government-issued reports. Not once have we been given a number that could come from a calculator like that to tell us how much revenue she's collecting. She has told us time and time and time again that it's her department that not only administers the tax collection in this province, but they collect the taxes. We're supposed to believe that once that tax is collected, there's not one single report that goes to the Minister of Revenue in Ontario that tells us how much money that is, yet, by golly, she can tell us how many cigarettes the cops across Ontario are seizing.

I'm at a loss. My colleague and I might as well just talk for the next 10 minutes or so, whatever we've got left in time, because we're not getting an answer. We could do exactly what the member from Ottawa–Orléans did and just read things into the record without any context, without any basis of fact. The reality is, just because they think they can do it—

**Mr. Phil McNeely:** I object to that.

**Ms. Lisa MacLeod:** And I can tell you something, Chair—

**Mr. Phil McNeely:** On a point of order, Chair: That was factual information I gave in my time. I don't like somebody saying that it's not. I don't think it's proper in this committee.

**The Acting Chair (Mrs. Joyce Savoline):** Thank you for your comment.

Continue.

**Mr. John Yakabuski:** Chair, they were opinions being offered.

**Ms. Lisa MacLeod:** They're opinions being offered, and it had nothing to do with whatever had been said yesterday. I don't think—

**Mr. Phil McNeely:** The tax on food, I suppose, is an opinion, then?

**Ms. Lisa MacLeod:** Well, you see, the reality is, if I want to interpret what that member said, you know what I would say? That this Liberal government is actually suggesting that it has reduced taxes and that they've lowered the price of food. There's not one person in the province, with the exception of these five people sitting over there, who actually believes that. That's the reality.

**Mr. Bob Delaney:** Chair, what is a point of order is that the rules that apply in the House also apply here, that the members are free to ask whatever questions they wish to the ministry, or they may use their time to make a statement, but they cannot impute motive or make an allegation: standing orders 23(h) and 23(i).

Ms. MacLeod has said repeatedly that she has a job to do, and the ministry is here. If they choose to ask a question that is out of scope—

**Mr. John Yakabuski:** Chair, we've got some questions.

**Ms. Lisa MacLeod:** We'll get the opportunity some time.

**Mr. Bob Delaney:** —the ministry is free to inform them, but perhaps they'd like to go back to asking questions.

**Ms. Lisa MacLeod:** Perhaps I'll choose the way we spend our time in the official opposition—

**Mr. John Yakabuski:** As they said earlier.

**Ms. Lisa MacLeod:** —as they decided they would. In fact, I remember just yesterday, Chair—it's unfortunate that you weren't in the chair. However, had you been here, you would recognize that the parliamentary assistant actually spent 20 minutes—and everybody that's in the back over there, they remember it—20 minutes, and then he finally got to his question, I think, in the last two minutes.

The reality is, Chair, we have an opportunity in this committee to speak for an allotted period of time. In this case it's 20 minutes—

**Mr. John Yakabuski:** It's our only opportunity.

**Ms. Lisa MacLeod:** It's our opportunity to ask questions. We're not receiving the answers. I've asked, and I'm sure my friend from legislative research will tell you, close to 20, maybe 30, questions over the course of two days, to which I have not received—and by the way, I was asking for how much, like an actual count that could be used from a calculator. I've asked for specific numeric examples and received nothing, even in fact when they were in the book itself. Chair, I'm sure you've received a copy of this because it is this committee, but it's called Expenditure and Estimates of the Ministry of Finance, 2011-12, and she didn't even have an answer for that. It drives me crazy, because we're sitting here trying to get some answers. I've got two pages of questions that my staff and I worked hard on, full questions, every one of them asked diligently. There's a total of 30, plus several others that myself and my other colleagues have asked, and not once did we receive an answer.

1730

I'm going to read them all, because I have a right to do that, and I have a right to do it on behalf of the people I represent, who are asking why this government took an extra \$3.5 billion. And to the point from the member for Ottawa–Orléans, the reality is that HST, if they had done it and it was tax simplification, that's one thing, but when every other single province in this country either took the HST off home heating and hydro or took their provincial rate and lowered it by three or four points, as they did in Nova Scotia, New Brunswick and Newfoundland—then we would see an entirely different situation in Ontario. The reality is, they took that extra 8% on 20% of the other items, and it amounted to \$3.5 billion in a greedy, greedy tax grab. The reality is, that's why we oppose it and that's why we want to know:

How much HST have you collected to date? What are your projections for the first full year? How much HST does the average senior in Ontario pay? How much HST have you collected off tobacco, and including now, I guess, contraband tobacco, since we now know how many—151 million cigarettes is what we've received. How much HST have you collected off of gasoline? How much HST have you collected off of hydro bills? How much have hydro bills increased because of the HST alone? What item or product has increased the taxes collected by the most, thanks to the HST? How much was that amount collected since July 1, 2010? How much revenue will be generated from the HST on the increase in hydro rates that took effect earlier this week, on May 1? Why don't you know how much more you'll take in from Ontario families because of the latest hydro hike? And I can ask that now because she is refusing to give me that answer or she doesn't know. How many times have you adjusted the revenue you estimate you'll grab from Ontario families because of this increase to hydro bills since July 1 of last year?

And I can tell you—this question is the 12th question, and I'm going to continue to ask them. But the reason is, the people of this province have seen skyrocketing hydro rate increases. That has to account, especially when you're putting tax on that, for more revenues for this province. We need an answer to that for the people that we represent.

How much more revenue do you expect to collect from HST on hydro bills than you did when you first brought in the HST? I'd like to know, based on that comparison—I'd like to know what documents the ministry has to detail how much they've collected for the HST on hydro bills and where Ontario families can see those records. I'm sure the people of Nepean–Carleton would like to know where that is, and I'd like to know why the ministry has not released those records to the public.

I understand the time is up, and I still have about 15 more questions to go.

**The Chair (Mrs. Joyce Savoline):** On your next rotation.

The rotation now moves to the NDP. Mr. Tabuns.

**Mr. Peter Tabuns:** Well, welcome back.

The question that I had for the minister and deputy minister—I want to move on to other things, but I want to try again: How do you know whether you're successful or not if you don't have a sense of the scale of the market that's out there? You've seized 150 million cigarettes, and my guess is you haven't seized half of it. You may have seized 10% of it. I have a guess. There are people who are able to estimate the size of the illegal marijuana industry in British Columbia. It's one of their major economic pillars at this point. Do we not have any economists who, for the purposes of your planning, so that you can know whether you're having an impact or not, have done an assessment of the total value of contraband tobacco out there?

**Hon. Sophia Aggelonitis:** I will ask the deputy to comment, but what I think is really important, Mr. Tabuns, is that right now in Ontario, our raw-leaf tobacco farmers have a registration system, and we know how much raw leaf is out there. What we do not know is how much raw leaf comes from importers, because right now in the province of Ontario, you may have an importing licence, but we don't track raw leaf.

There is an assumption that a lot of that—the importers who are bringing in some raw leaf, we don't have any strategy to register that. That's a huge change for the province, and that's something that we're proposing in our new piece of legislation.

So when you asked me for that one number, I don't have a specific number. But we're trying to control the supply that's coming into our province, which in effect would help us define the amount that is out there.

One of the things that the deputy mentioned was—the other thing is 150 million illegal cigarettes. We don't know. We know that some people may sell it for \$6 for 200, or \$5 or \$20. We don't have that figure because it's activity that we do not know about. That's why this piece of legislation is so important.

**Mr. Peter Tabuns:** I don't know about the OPP, but the RCMP does do analysis of the value of street drugs. My guess is, they have a department that could do an analysis of the value of contraband tobacco. Until you have even their figure, their projection, we'll have no idea as to whether your efforts are of consequence or not.

I'm a bit surprised that you actually don't have a number that you can present to this committee, a number that would, even if it was ballpark—and it's going to be ballpark—give us some sense as to whether or not your activities were of consequence or not.

**Mr. Steve Orsini:** I think the minister captured the issue quite well. We don't have economists; we have lawyers, accountants, auditors and people who collect, and that's their focus: getting the next amount of contraband off the streets. I think that's our focus, and that's where we devote all our energies, into that area. Other organizations may have people who forecast and estimate. Our key competencies are in the areas of audit, collections, investigations, and working with the local police and others on issues around seizing illegal tobacco.

**Mr. Peter Tabuns:** I understand that's the way you function now. I'm a bit taken aback. It puts me in a position where I can say regularly that whatever you're doing is just a small slice of the larger picture. Anyone could credibly say that you are having no effect or that you are irrelevant. I would suggest to you that you try and get a handle, through police sources, on the actual scale of what's being dealt with here.

I'd like to move on to the public accounts 2009-10. When you collect revenue, when there are differences from one year to the next, do you do an analysis of why revenue is down or up?

**Mr. Steve Orsini:** What we do track is our collections, our audits, the dollars that we collect from our collections process, the amount that we audit—and we do have targets on audits. What we don't have is responsibility for forecasting the whole revenue stream, the total amount of revenue. By tax area, that is the Ministry of Finance.

A lot of our revenues are dependent on what's happening in the economy. We collect the employer health tax, but it's determined on payroll, the number of jobs, wages and the economy. We don't forecast; we don't estimate that. That's the Ministry of Finance.

We send out auditors to look at whether or not people are paying the employer health tax on the amount of payroll they should be paying it on, so we do track the amounts that we audit and the amounts that we collect. The total revenue stream in public accounts and in the budget forecasts is done through the Ministry of Finance, and for public accounts it's done in concert with the Auditor General of Ontario, who signs off on the financial statements for the province.

1740

**Mr. Peter Tabuns:** So how do you know if there's a piece of the economy that's outside your activities? I'll give you the thing that sparked my curiosity. Your answer raises questions for me. Personal income tax dropped \$2

billion from 2009 to 2010, so 10% of total personal income tax collected. The Ontario health premium dropped about \$100 million on \$4 billion, so much less than 10%; more like 3% or 4%. That's a big discrepancy. One was relatively steady and the other had a very substantial drop. Do you do an analysis when you see that discrepancy?

**Mr. Steve Orsini:** I think the Ministry of Finance would look at the underlying factors. We'd be guessing if it was due to capital losses in the personal income system, which, because of the soft market—the decline in 2008. But the Ministry of Finance, through their econometric modelling, would try to assess as to why. Is it less people working, is it less bonuses being paid because of the state of the economy back in 2008 and 2009? Was it significant capital losses? We have auditors and collectors. We don't look at those issues. Plus, personal income tax is collected by the federal government.

The Ministry of Finance tries to look at the underlying trends in the economy that might help to explain what happened in the past, because they need to look to the future in terms of what the revenue will look like in the next three or four years. It's part of the fiscal plan that's presented.

It's very complicated trying to estimate and understand all the variables that go into those estimates. There's a whole department in the Ministry of Finance: That's what they try to do as part of the budget process. The Ministry of Revenue is skilled in auditing and collections, special investigations and client services. Your inquiries are in an area that really falls out of our expertise and responsibilities.

**Mr. Peter Tabuns:** So you're essentially an assistant ministry to the Ministry of Finance.

**Mr. Steve Orsini:** We are a very important ministry. We administer tax statutes—

**Mr. Peter Tabuns:** No, I don't doubt that.

**Mr. Steve Orsini:** —and someone has to be there to ensure compliance. We're a specialized ministry looking at compliance. There are a lot of dedicated people who treat that as a very serious, responsible occupation.

**Mr. Peter Tabuns:** I should be clear in my remarks, then. I don't think you're unimportant; I think you're critical. I get a paycheque on a regular basis. I have great faith in you collecting that money in the future and I'm very pleased that you do. Many people depend on the work you do, so that there's a hospital bed when they need it.

Having said all that and being very clear that I value what you do, when I look at numbers, if I assign someone to collect, I generally expect that they will have a picture of the total universe or market that they're operating in so that they know, if they're not capturing that whole market, that there's something else that has to be done.

When I look at the mining profits tax, in 2009 there was \$72 million collected; in 2010, \$15 million collected. That's a big drop, in a world where commodity prices have gone up, where we provide commodities of consequence. That's a very substantial drop. I'm assuming

that has more to do with world forces than it does with you not monitoring it, but I don't quite understand why you don't actually follow the market or the universe you operate within and just focus on your task.

**Mr. Steve Orsini:** I would be remiss if we didn't say that we don't have very sophisticated technology of identifying risk-based audits. We have a dedicated team that looks at the configuration of companies, the type of sector they're in, the activities they're engaged in. They have very complex formulas to say, "Who are we going to audit next?" In fact, other ministries of the Ontario government are looking to Revenue to say, "Help us to figure out how to ensure better compliance." The questions you're asking for about are important but they stem from corporate profits and the value of the dollar, and those things are outside the Ministry of Revenue's purview. We want to do what we're responsible for well and as best as we can, at the lowest possible cost to the taxpayer. That's sort of what we're committed to doing. Others are responsible for other things.

**Mr. Peter Tabuns:** Okay. With that, I have no further questions.

**The Chair (Mrs. Joyce Savoline):** We can go to the rotation now and move to the government side for a few minutes before we adjourn—15 minutes.

**Mr. Yasir Naqvi:** Great. Thank you very much, Chair, for giving me the opportunity to ask the minister and the deputy a few questions. Thank you very much to both of you for being here today and talking about very complex issues around taxation and tax policy versus tax collection and enforcement. I think that's where a lot of the confusion is coming from.

I want to take the little bit of my time I have to focus on facts, because I think facts are very important. We can get into a lot of conversation and make claims and get political, but that takes away from facts. So let's just talk about facts for a bit.

I'm going to focus—start with, Minister—the whole issue around the harmonization of GST and PST, or now as we refer to as the HST. When did the harmonization take place? That's like going back to ABC.

**Hon. Sophia Aggelonitis:** You know that; you were part of it, and congratulations—July 1.

**Mr. Yasir Naqvi:** July 1 of?

**Hon. Sophia Aggelonitis:** Of 2010.

**Mr. Yasir Naqvi:** Of 2010?

**Hon. Sophia Aggelonitis:** Yes. And thank you for that, by the way, because I know you've done a great job.

**Mr. Yasir Naqvi:** Thanks. I have played a role in helping demystify sales tax policy, which is not the easiest thing.

So the harmonization of GST and PST took place on July 1, 2010. Can you please tell us what kind of system existed before the harmonization took place? Did we have sales tax in the province of Ontario?

**Hon. Sophia Aggelonitis:** It was an antiquated two-tax system. It was a system where you had the GST and you had the PST. Every time you made a purchase, there were two taxes on your bill. It was a system where, if you

were a business owner, you would have to send some money to the federal government and then send some money to the provincial government.

**Mr. Yasir Naqvi:** So we had two sales taxes before July 1, 2010. One was GST, which is a tax levied by the federal government?

**Hon. Sophia Aggelonitis:** Correct.

**Mr. Yasir Naqvi:** And we had the provincial sales tax or the retail sales tax, as we call it, which was levied by the provincial government. So we already had two sales taxes in the province of Ontario.

**Hon. Sophia Aggelonitis:** Which equalled 13%.

**Mr. Yasir Naqvi:** Which equalled 13%?

**Hon. Sophia Aggelonitis:** Correct.

**Mr. Yasir Naqvi:** What's the rate on the HST?

**Hon. Sophia Aggelonitis:** Thirteen per cent.

**Mr. Yasir Naqvi:** So what did we do, basically—we just combined the two together?

**Hon. Sophia Aggelonitis:** We combined the two together, yes.

**Mr. Yasir Naqvi:** Okay, thank you.

The GST, the federally imposed tax: What kind of things did that apply on?

**Hon. Sophia Aggelonitis:** The GST applies on a number of items, just like the PST applied on—if you went out for dinner, for example, and had dinner and a glass of wine, you would have to pay taxes on that. If you go out for dinner now, you still have to pay taxes. If you bought a car, you would have to pay taxes; if you buy a car today, you have to pay the same tax, 13%.

**Mr. Yasir Naqvi:** So if I went and bought some furniture before July 1, 2010, before the HST came into place, how much sales did I pay on the dining room table that I bought?

**Hon. Sophia Aggelonitis:** You would have paid 13% and then, after, you would pay 13% as well.

**Mr. Yasir Naqvi:** So there has been no change.

**Hon. Sophia Aggelonitis:** No.

**Mr. Yasir Naqvi:** What if I wanted to buy a television?

**Hon. Sophia Aggelonitis:** You would pay the GST and the PST. After July 1, you would pay the HST, which equals 13%.

**Mr. Yasir Naqvi:** Okay. What if I went to Tim Hortons and just got my—I usually get a tea biscuit and a small coffee; that's my routine at Tim Hortons. What kind of sales tax would I have paid before July 1, 2010?

1750

**Hon. Sophia Aggelonitis:** If your bill was over \$4, you would be paying the tax—

**Mr. Yasir Naqvi:** The 5% plus 8%?

**Hon. Sophia Aggelonitis:** The 13%—and if it was \$4 after July 1, it would again be 13%.

**Mr. Yasir Naqvi:** As I recall, I think I pay something around \$2.30 or \$2.40 for that small coffee and a tea biscuit that I usually buy. What would have been the tax before July 1, 2010, on that?

**Hon. Sophia Aggelonitis:** You would have paid the GST, but you would not have paid the PST. That is the same after July 1.

**Mr. Yasir Naqvi:** So HST on something less than \$4 is still 5%?

**Hon. Sophia Aggelonitis:** It is still 5%, and that's money that's collected by the federal government.

**Mr. Yasir Naqvi:** Okay. So there has been no change.

**Hon. Sophia Aggelonitis:** Correct.

**Mr. Yasir Naqvi:** Groceries: I think that's something. We've talked about food and stuff like that, somehow giving the impression that on bread and stuff, we're paying sales tax. Before July 1, 2010, did we pay GST and PST on—I go to the grocery store; I buy vegetables, meat, bread and all that kind of stuff.

**Hon. Sophia Aggelonitis:** On basic groceries you do not pay the HST.

It's important to note that 83% of what you and I purchased before July 1, after July 1 has seen no change. Some of those items would include, of course, basic groceries—there is no change—adult clothing; cable TV services; your cell phone services; home phone services; furniture; freezers; refrigerators; if you're a camper, not on sleeping bags, tents and camping supplies. For children, there is no change in toys, craft supplies, TVs, DVDs, Blu-rays or computers. What we've seen is that 83% of the things that you and I purchase today have seen no change.

**Mr. Yasir Naqvi:** So 83% of things that we purchased in our daily lives before July 1, 2010, we paid either no sales tax or 13% sales tax, and after July 1, 2010, it's exactly the same.

**Hon. Sophia Aggelonitis:** Correct. Those are the facts.

**Mr. Yasir Naqvi:** Those are the facts: That's good to know—in a calm fashion, too. We're not getting huffy and puffy about this.

So 17%: That's where, I guess, the controversy comes into play. What is that 17% of things, and what has happened after July 1, 2010?

**Hon. Sophia Aggelonitis:** Well, it is on your hydro bill, but what we have done when it comes to hydro is very important. In Ontario, we know we want to have a reliable clean energy system. It's something we all believe in. I think we know that having a coal generation system in the province of Ontario is not good for health—it's not good for any of us—and we're changing our system.

When we changed our system when it came to the tax system, we wanted to make sure we helped families with the cost of increasing hydro costs. One of the things we did was we introduced the Ontario clean energy benefit. That is 10% off your hydro bill. It's retroactive from January 1, 2011, and it will be in place for five years. That 10% is something that we want to help families with the increase in hydro costs.

The other thing we've introduced with the comprehensive tax package is the energy and property tax grant. That property and tax credit is specifically for families to

help them with the high costs of energy. For a typical family, if they're eligible it would be about \$900. For seniors, it would be about \$1,025. Those are just some of the ways that we're trying to help families with the increase in costs when it comes to energy.

At the end of the day, being able to get the information out to families in Ontario is a big job, because tax isn't always the most exciting subject, even though I think it is; but it is an opportunity here today for us to put down the facts.

I would like to say, Mr. Naqvi, when you were PA to revenue, I know you went to hundreds and hundreds of seminars, and you spoke to hundreds, if not thousands, of people across Ontario. Those were extremely important sessions. The Ministry of Revenue is continuing to have information sessions. In fact, our tax season has just ended, and people were filing their taxes. One of the important things for us was to make sure we got the message out to the people of Ontario to file their taxes, and it's still not too late, by the way. If you haven't filed, please file.

**Mr. Yasir Naqvi:** It's never too late to file your taxes.

**Hon. Sophia Aggelonitis:** It's never too late, but we incorporated some new items; one is the tax credit calculator, which is on our website. It's a fabulous tool—

**Mr. Yasir Naqvi:** I've used it.

**Hon. Sophia Aggelonitis:** You have used it, and it is a fabulous tool which will help people find out exactly the tax credits and benefits that they are eligible for all in one

area. So it's really important that we get the information out. I do want to thank you for all your help going across the province and making sure you spoke with Ontarians.

**Mr. Yasir Naqvi:** Thank you. It was a great experience. It was very interesting to go. I spoke with a lot of chambers, individuals and small BIAs. I think in Hamilton I came and we did one presentation together, and people had these preconceived notions. When we dealt in facts only, it was like day and night. Their attitude towards us completely changed, and they just had a better understanding of what the government is trying to do.

Chair, I'm going to look to you because I think my time for now is coming to an end. How much time do I have left?

**The Acting Chair (Mrs. Joyce Savoline):** You have just over nine minutes left, so it might be a natural spot to end for today.

**Mr. Yasir Naqvi:** Because, on the hydro side of the issue, I do have a line of questioning to go to the minister. Maybe when we resume next time, I can pick it up then.

**The Acting Chair (Mrs. Joyce Savoline):** Okay, that's great. Thank you very much.

So we will adjourn for this afternoon, and we will meet again on Tuesday, May 10 at 9 a.m. It will be the government's rotation still and there are eight minutes and 56 seconds remaining.

The meeting is adjourned.

*The committee adjourned at 1758.*





# CONTENTS

Wednesday 4 May 2011

Ministry of Revenue .....	E-487
Hon. Sophia Aggelonitis	
Mr. Steve Orsini	

## STANDING COMMITTEE ON ESTIMATES

### Chair / Président

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

### Vice-Chair / Vice-Président

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)  
Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)  
    Mr. Kim Craitor (Niagara Falls L)  
    Mr. Bob Delaney (Mississauga–Streetsville L)  
Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)  
    Mr. Phil McNeely (Ottawa–Orléans L)  
    Mr. Yasir Naqvi (Ottawa Centre / Ottawa-Centre L)  
    Mr. John O’Toole (Durham PC)  
Mrs. Maria Van Bommel (Lambton–Kent–Middlesex L)

### Substitutions / Membres remplaçants

Mr. Pat Hoy (Chatham–Kent–Essex L)  
Mrs. Joyce Savoline (Burlington PC)  
Mr. John Yakabuski (Renfrew–Nipissing–Pembroke PC)

### Also taking part / Autres participants et participantes

Ms. Lisa MacLeod (Nepean–Carleton PC)  
Mr. Peter Tabuns (Toronto–Danforth ND)

### Clerk / Greffière

Ms. Sylwia Przewdziecki

### Staff / Personnel

Mr. Terrence Teixeira, research officer,  
Legislative Research Service