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Standing Committee on Finance and Economic Affairs

Estimates

Ministry of Finance

Ministry of Economic Development,
Job Creation and Trade

1st Session
43rd Parliament

Tuesday 6 June 2023

Comité permanent des finances et des affaires économiques

Budget des dépenses

Ministère des Finances

Ministère du Développement économique,
de la Création d'emplois et du Commerce

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43^e législature

Mardi 6 juin 2023

Chair: Ernie Hardeman
Clerk: Vanessa Kattar

Président : Ernie Hardeman
Greffière : Vanessa Kattar

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS**

**COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES**

Tuesday 6 June 2023

Mardi 6 juin 2023

The committee met at 0900 in room 151.

ESTIMATES

MINISTRY OF FINANCE

The Chair (Mr. Ernie Hardeman): Good morning, everyone. The Standing Committee on Finance and Economic Affairs will now come to order. The committee is about to begin consideration of the estimates of the Ministry of Finance for a total of three hours.

As this is the first ministry before the committee, I would like to take this opportunity to remind everyone that all comments and questions must go through the Chair. As Chair, I will allow members to ask a wide range of questions pertaining to the estimates before the committee; however, it must be noted that the onus is on the members asking the questions to make sure the question is relevant to the estimates under consideration.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. If you wish, you may at the end of your appearance verify the questions and issues being tracked with the research officer.

Are there any questions from the members before we start? If not, I am now required to call vote 1201, which sets the review process in motion. We will begin with a statement of not more than 20 minutes from the Minister of Finance.

Welcome this morning, Minister. The floor is now yours.

Hon. Peter Bethlenfalvy: Thank you, Mr. Chair. Good morning, colleagues, and good morning to everyone here and many of my colleagues—the belt is up here, but the suspenders are over there. I would like to convey my pleasure to be here today to discuss the Ministry of Finance's 2023-24 expenditure estimates.

Before I begin, I would like to thank the members of the committee, and you, Chair, for your hard work and dedication and participation in this process. I know many hours are put in, and that is a very significant contribution to the way we function here. Thank you to you all.

Avant de commencer, je voudrais remercier les membres du comité et le Président pour leur travail acharné, leur dévouement et leur participation à ce processus.

As Minister of Finance, it is my responsibility to oversee the ministry's management of Ontario's finances in a responsible, in an accountable and in a sustainable manner.

En tant que ministre des Finances, je dois m'assurer que le ministère gère les finances de l'Ontario de façon responsable et durable.

Every 90 days, I am before the public providing transparent updates on the province's finances, whether it is through quarterly reports, the fall economic statement or, of course, the annual Ontario budget. Since our government was elected back in 2018, it is no secret that one of our main objectives is to find smarter, more efficient and more effective ways to manage the province's finances while continuing to invest in the people of this province and in Ontario's economy.

Mr. Chair, instead of reckless spending that could risk worsening inflation, our government is taking a different path. The crux of this work is reflected in the 2023 Ontario budget: our government's plan for building a strong Ontario. This plan takes a targeted, responsible approach to navigate the ongoing global uncertainty by helping people and businesses today while laying a strong fiscal foundation for future generations.

L'essentiel de ce travail se reflète dans le budget de l'Ontario de 2023 : le plan de notre gouvernement pour bâtir un Ontario fort. Ce plan adopte une approche ciblée et responsable pour faire face à l'incertitude économique mondiale actuelle en aidant les personnes et les entreprises aujourd'hui, tout en établissant une base financière solide pour les générations futures.

It is our blueprint to build a strong province during a time of global challenge and change. This includes building a strong economy by making our province more competitive so we can attract investments and create jobs; building highways, roads, transit, schools, hospitals, broadband, and to create more robust and growing communities. By making our province competitive, we can attract investments and create jobs, including training workers for those better jobs and those bigger paycheques.

Mr. Chair, this includes building a strong health care system that connects people to convenient care, all while returning Ontario to a balanced budget next year thanks to our prudent and disciplined planning, revenue growth and clear priorities. That's right, in 2023-24, we plan to reduce the deficit to \$1.3 billion. By next year, we will return Ontario to a positive balance with a modest surplus of about \$200 million, three years sooner than projected just last year. And, Mr. Chair, we are projecting to follow this with a \$4.4-billion surplus in 2025-26.

Thanks to our government's thoughtful and prudent planning, Ontario is on its way back to balance, while still making significant investments across the province.

Grâce à la planification judicieuse et prudente de notre gouvernement, l'Ontario est sur le point de retrouver l'équilibre, tout en continuant à faire des investissements importants dans toute la province.

The total program expense is projected to grow from \$189.1 billion in 2022-23 to \$202.5 billion in 2025-26, representing an annual increase of 2.3%. As part of our responsible and flexible approach to respond to unforeseen challenges, Ontario maintains a \$4-billion contingency fund and a \$1-billion reserve for 2023-24. This reflects the government's cautious and sensible fiscal planning so that we may be responsive to any uncertainties that lie ahead.

But I want to be clear to all members of the committee that this planning has not stopped our government from making significant investments in programs and services that the people of Ontario depend on. Health care is an example. We are investing every single dollar we receive from the federal government's health care funding down payment, and a whole lot more, into better health care services. While we receive \$4.4 billion over the next three years from the federal government under the recent agreement in principle, Ontario will invest a total of \$15.3 billion more into health care over that same period.

We are investing in connected and convenient health care so that people can get the care when they need it and where they need it.

Nous investissons dans des soins de santé interconnectés et commodes pour que les gens puissent obtenir les soins dont ils ont besoin, où et quand ils en ont besoin.

Our fiscal approach has helped Ontario's economy remain resilient in the face of short-term and long-term trends in the global economy: geopolitical tension provoked by Russia's aggression against Ukraine, the reopening of China's economy, the energy transition and policies such as the United States's Inflation Reduction Act. More and more global trading partners have begun looking inwards.

But, Mr. Chair, I want to be very clear: Despite the turbulence of the last year, we are doing better than most. Real GDP increased by an estimated 3.7% in 2022 and is projected to grow by 0.2% in 2023, 1.3% in 2024, 2.5% in 2025 and 2.4% in 2026. As part of our prudent fiscal planning, these projections are slightly below the average of private sector forecasts.

Ontario's nominal GDP increased by 9.2% in 2022, largely reflecting continued elevated GDP inflation due to strong economy-wide price increases amid supply constraints and strong demand. And while we have navigated the challenges so far, Mr. Chair, we cannot let our guard down.

I have begun by touching on some of the numbers, so let me spend a minute addressing them in a bit more specific detail here. The 2023 budget includes an updated debt burden reduction strategy, with new targets over the medium-term outlook for the three relevant measures of debt sustainability. Ontario's 2022-23 net debt-to-GDP is now forecast to be 37.8%, its lowest since 2011-12. The net debt-to-revenue ratio is projected to be 198% in 2022-23, its

lowest level since 2010-11. That's over a decade ago, Mr. Chair. And Ontario's net interest on debt-to-revenue ratio is forecast to be 6.7% in 2022-23. This is the lowest it's been since the 1980s. I know many of you weren't born then, but I can tell you, back then, those rates—we're doing a lot better than in the 1980s.

0910

Ontario's borrowing program remains responsibly and prudently managed to minimize interest of debt costs. Ontario is forecast to pay \$13.4 billion in interest costs in 2022-23, \$14.1 billion in 2023-24 and \$14.4 billion in 2025-26—all down from the 2022 budget forecasts. The lower interest costs total a cumulative savings of \$800 million over three years and are a result of smaller borrowing programs, partially offset by the higher-than-projected interest rates.

Overall, the ministry's total voted operating expense has increased by \$129.9 million, from \$1.5 billion in 2022-23 to \$1.6 billion in 2023-24. There are notable changes, which I will briefly outline here as well.

In the electricity sector dedicated income, I can report a decrease of \$59.1 million, from \$411.7 million in 2022-23 to \$352.6 million in 2023-24. This is due to a decrease in estimated Ontario Power Generation net income relative to the 2022 budget. This transfer is fiscally neutral upon consolidation of the Ontario Electricity Financial Corp.

With respect to the Guaranteed Annual Income System, or GAINS, transfer payment, I can report an increase of \$144.2 million, which is due to a number of factors, including a growing seniors population and our government's temporarily doubling of the GAINS payment in 2023 to eligible seniors.

In addition to the voted operating expense, the ministry's estimates include:

- the \$13.8-billion Treasury program, which is the interest on debt I mentioned;
- \$50.8 million in other statutory expense; and
- \$278.6 million in other consolidations, including agencies, as well as capital expense.

As well, consolidated agencies include the Ontario Financing Authority, the Ontario Electricity Finance Corp., the Ontario Securities Commission, the Financial Services Regulatory Authority of Ontario and the Investment Management Corp. of Ontario.

Now, Mr. Chair, while all signs point to a brighter future ahead, success is not guaranteed. We need to continue to work for it. This government is not afraid of the hard work it will take to build a stronger, more competitive, more self-sufficient economy here at home. Ontario is well positioned to decouple from adversarial foreign regimes that have no intentions of being reliable or fair trading partners.

Ce gouvernement n'a pas peur du travail ardu qu'il faudra accomplir pour construire une économie plus forte, plus compétitive et plus autosuffisante ici, chez nous. L'Ontario est bien placé pour se dissocier des régimes étrangers antagonistes qui n'ont pas l'intention d'être des partenaires commerciaux fiables ou équitables.

The Ring of Fire is one of the most promising mineral deposits in the world, potentially home to the critical

minerals essential to create batteries, electronics, electronic vehicles and other clean tech. Our government is working with First Nations in northern Ontario to build partnerships that will ensure both Indigenous and non-Indigenous peoples can benefit from these untapped riches.

We are taking a comprehensive approach to accelerate the safe development of mineral resources in northern Ontario with close to \$1 billion in funding to unlock these critical minerals and an additional \$3 million in funding to the Ontario Junior Exploration Program this year and next year to incentivize and encourage mineral exploration.

But getting the minerals out of the ground is only the beginning. We need to connect them to a world-class manufacturing sector, like the one right here in Ontario. We're bringing manufacturing back to Ontario.

Take Oshawa, for example, a city that is benefiting from part of GM's more than \$2-billion investment that will protect thousands of jobs; or Richmond Hill, where Tesla is manufacturing equipment to help make the batteries of the future; or Alliston, where Honda is making a \$1.4-billion investment to make hybrid vehicles. In Oakville, Ford is making a \$1.8-billion investment to produce electric vehicles. ArcelorMittal Dofasco in Hamilton is making a \$1.8-billion investment in producing green steel, including for the auto sector. In Cambridge and Woodstock—two proud auto towns with many proud constituents and members—Toyota has invested \$1.4 billion to make vehicles, including hybrids; or Ingersoll, where GM is building Canada's first-ever full-scale EV manufacturing plant; or St. Thomas, the future home of Volkswagen's first overseas battery cell plant.

All told, Ontario has attracted more than \$25 billion in global automotive and EV battery-related investments over the past two and a half years. Ontario is now the heartland of Canada's electric vehicle revolution, and we must keep pace with this momentum.

Our government is working with partners to have shovel-ready industrial sites available for new manufacturing projects to help attract more investments. This is critical work to help continue to build Ontario's economy. We have also introduced the Ontario Made Manufacturing Investment Tax Credit, a 10% tax credit to help more Canadian-owned private corporations expand, innovate and become more competitive and create new jobs. An eligible corporation could receive a tax credit of up to \$2 million per year.

A tremendous amount of additional work to help build Ontario's economy is also under way. I can't speak to them all today, as much as I'd like to, because time limits permit me to only go on some of them, but I'll provide some of the examples, including continuing to offer the Regional Opportunities Investment Tax Credit, including doubling the rate from 10% to 20% until the end of 2023—the credit helps encourage business investment in areas of the province where employment growth lagged the provincial average in the past; continuing to save businesses, municipalities, not-for-profit organizations, universities and colleges, school boards and hospitals nearly \$700 million in annual regulatory compliance costs since 2018; and we're considering and implementing key Capital Markets

Modernization Taskforce recommendations intended to modernize the capital markets regulatory framework, because, Mr. Chair, a strong Ontario is a modern Ontario. I've said that before.

We are taking Ontario from the digital Stone Age to being a digital trailblazer. In this area, our government can point to much ongoing work, including:

- where feasible, continuing to provide people with the option of applying for benefit programs with electronic signatures;

- working to implement electronic payments and document filing for tax and other non-tax programs;

- completing a major upgrade to the online tax and benefit administration system to provide Ontario tax clients improved features, a mobile enabled digital platform and enhanced security that makes it easier for clients to file electronically; and

- working with the Ministry of the Attorney General to support the continued success of the legal online gambling market that reflects consumer preferences while ensuring appropriate responsible protections are in place.

Government has been caught in the web of overregulation and burdensome red tape for far too long. It is time now that the people of Ontario get the level of convenience and customer service they expect and deserve when doing business in the province.

Mr. Chair and members of the committee, I am proud of our government's work to build a strong Ontario—an Ontario with a revitalized manufacturing sector; an Ontario with opportunities for workers to earn not only a good paycheque but a bigger paycheque; an Ontario with the infrastructure needed for growing communities; an Ontario that has a strong fiscal outlook.

Monsieur le Président et membres du comité, je suis fier du travail accompli par notre gouvernement pour bâtir un Ontario fort—un Ontario avec un secteur de la fabrication revitalisé; un Ontario où les travailleurs ont la possibilité de gagner non seulement un bon salaire mais aussi un salaire augmenté; un Ontario doté de l'infrastructure nécessaire aux collectivités en pleine croissance; un Ontario dont les perspectives financières sont solides.

0920

But I am even more proud of the work we have done to ensure the next generation inherits an Ontario that is just as strong. The plan put forward by this government is working. We are moving forward with our \$184-billion 10-year capital plan, the most ambitious in the province's history.

I was very pleased to see that Moody's has changed Ontario's credit outlook to positive from stable.

The Chair (Mr. Ernie Hardeman): One minute.

Hon. Peter Bethlenfalvy: This is a reflection of our government's work to ensure prudent, responsible fiscal management while helping to build a strong economy. This is the first time Ontario has received a positive change to the outlook or rating since Moody's upgraded the province in 2006, almost 20 years ago.

Before I hand it over to the members of the opposition, I want to again thank the committee for its study today and

the opportunity to appear. Transparency and accountability are key ingredients necessary for any functioning democracy in the federation. Thank you for your ongoing work and for your attention today. I hope you will all agree with me that our government's plan and work take a thoughtful, transparent approach to balance the budget and deliver support to families, workers and businesses across Ontario. We will continue with this approach that is building an Ontario the people of this province can be proud of, not only for today but for the future. With this progress, the people of Ontario can have confidence that tomorrow will be better than today.

The Chair (Mr. Ernie Hardeman): That concludes the time. Thank you, Minister.

We will now begin questions and answers in rotations of 20 minutes for the official opposition members of the committee, 10 minutes for the independent members of the committee as a group and 20 minutes for the government members of the committee for the remainder of the allotted time.

As always, please wait to be recognized by myself before speaking. All questions and comments will need to go through the Chair.

For the deputy ministers and assistant deputy ministers and staff, when you are called upon to speak, please give your name and your title each time so that we may accurately record in Hansard who we have.

With that, we will turn it over to MPP Fife for the official opposition.

Ms. Catherine Fife: Thanks to the minister for being here this morning and for a considerable number of staff that are here as well. I wanted to start my line of questioning today on the revenue side. I just want to preface my comments and my information that I'm going to ask you about by saying I genuinely want to get an answer on these questions, and more importantly, I want us to work towards a solution.

You mentioned that Ontario needs to be modern. The modernization of our gambling system in Ontario has gone very, very wrong. I will place some blame where it should be: The Liberals brought in McKinsey and associates and paid them \$400 million to design a bidding process for private casinos. The government of the time wanted to get out of the capital building and oversight of the physical casinos. Since that time, it has cost the province of Ontario almost \$3.3 billion. By this year's end, we will be \$5 billion down in revenue. This is from the Auditor General's report, which I am prefacing.

I wanted to talk to you about that because OLG has a mandate. Part of that mandate is to generate revenue for health care, education and housing, of course. Where my concern is is that the OLG had no obligation to accept these reductions in the guaranteed commitments that are contained in those contracts. These casinos won the contract based on revenue projections for the province. Then, they come back cap in hand when they don't hit those markers. Then, the province forgives the private casinos, and those casinos then turn and use that money to upgrade their capital infrastructure, so the province of

Ontario is subsidizing the building of private casinos in a housing crisis.

My concern on this is twofold. I'll just give you a quick example of it. The OLG told the Auditor General that the reason for renegotiating minimum revenue commitments with, for instance, Great Canadian, is—it could have led this operator to enter bankruptcy protection. However, we now know that December 31, 2020, they had assets of \$3.1 billion. They generated \$1.35 billion in revenue. Yet, they still received this pass, if you will. This revenue should be coming to the Ministry of Finance and to the Treasury Board.

I just want to give you a chance to speak to how broken this process is. And you, as the Minister of Finance—last week we had the deputy minister here as well. This bidding process is broken. It's not serving the people of this province, and we're not generating the revenue through the OLG as we should be. Can you please comment on that?

Hon. Peter Bethlenfalvy: Yes, thank you for your question. Mr. Chair, it's very encouraging that in the first question, the member opposite and I are aligned on optimizing revenue. I'm very encouraged by that question. Thank you for that question.

She highlights some very important features, though, of the gaming infrastructure that we have in Ontario. I may remind you that the modernization was brought up—and I'll pass it over in a second to the acting deputy minister, Gadi Mayman, who is sitting in for our deputy, who is travelling today, to comment about the setting up of that infrastructure over a decade ago. If I recall correctly, it was in that 2011-14 period where that was set up, the modernization program, of which we all know that the NDP supported a Liberal government in a minority position. So that was the infrastructure framework that was put in over a decade ago under that government, supported by the NDP.

Now, we are here today—and I would agree, we're here today—so we're dealing with the environment that we're in today. I am very confident with the ability of the Ontario Lottery and Gaming board under the leadership of Jim Warren and under the leadership of Duncan Hannay, their governance and their strategic focus, on not only optimizing return for the taxpayers in place but also managing some of the most critical, from my perspective, aspects of gaming in Ontario, which include responsible gaming, which include security and safety within the gaming.

We know that gaming is something that people want. We saw that with Internet gaming. It was an unregulated market. It was the Wild West. We put in what we think is a very robust, pragmatic and, really, gold-standard framework, which now other jurisdictions in North America are looking at to bring that unregulated market into the regulated world, where people can safely and reliably do the types of activities that they want to do. This is entertainment for the people of Ontario.

With regard to looking in the rear-view mirror over some of the framework that the Liberals and NDP put in

place a decade ago, we constantly review how we can do things better. In my own riding, we've seen Pickering casino launched. And we've just recently had the arena, where Bryan Adams headlined it—I wish I could have gone on stage and played guitar with him. By the way, there was that opportunity, but I had a previous commitment. This is providing entertainment safely for the community members in Pickering and is providing—I remind the member opposite—tax revenue for not only the city but the region, among other things.

Ms. Catherine Fife: Minister, I'm going to reclaim the time.

Hon. Peter Bethlenfalvy: Is my time for questioning up?

Ms. Catherine Fife: No, I'm going to reclaim my time.

Hon. Peter Bethlenfalvy: This is a new question?

Ms. Catherine Fife: This is the fact that you haven't answered—

The Chair (Mr. Ernie Hardeman): I don't set the time for the questions and answers; the questioner does.

Hon. Peter Bethlenfalvy: Okay. Sorry.

Ms. Catherine Fife: Yes, so I'm reclaiming my time, because I like Bryan Adams too, and if you want to play with Bryan Adams on stage, go for it, but what's happening right now on the revenue side from OLG is that the people of this province are being shortchanged, and I think that we should all have a problem with that.

I'll give you another example, Minister. The OLG had no obligation—there's no obligation for OLG to renegotiate these contracts. Contract law in Ontario should still matter. When you sign a contract, people hold you to that contract. But for some reason, we're treating private casino operators differently. There's no obligation for OLG to accept these reductions to guaranteed revenue commitments. I'll give you an example: Hard Rock Ottawa requested and was granted a 25% reduction in revenue projections. Financial relief for the west GTA region reduced OLG revenue share projections by \$1.8 billion over the last eight years. OLG has noted that revenue commitments could only be reduced under very limited circumstances. So I'm really asking you, as the Minister of Finance: Why do you think that this practice is acceptable? It's very simple: Do you share the concerns around this bidding process, the breaking of these contracts and the loss of revenue for health care, education and housing?

Hon. Peter Bethlenfalvy: Well, of course, we have a mindset always to respect the rule of law. I will add that we also respect the consumer. We respect the jobs that are created. So it's multi-faceted in any commercial relationship that we have to operate under. Circumstances change. I couldn't agree with you more that we constantly look at ways to enhance the customer experience and at the same time optimize revenues for the taxpayer.

0930

But I'm going to pass it to the acting deputy, should he wish, or pass it to one of his colleagues to go more specifically on the question.

Mr. Gadi Mayman: Thank you. Gadi Mayman. I'm the Acting Deputy Minister of Finance. My usual role is

as the CEO of the Ontario Financing Authority, so I do have some knowledge of this topic. What I will say is that the ministry has an oversight role. OLG manages the contract on a day-to-day basis. They have looked to incorporate the Auditor General's recommendations into their upcoming procurement process.

But to give you more details, I'm going to ask Erin McGinn, who is the assistant deputy minister of the government business enterprise division, to come to the table. Thank you, Erin.

Ms. Catherine Fife: Chair, how much time?

The Chair (Mr. Ernie Hardeman): Ten point five.

Ms. Catherine Fife: Go ahead.

Ms. Erin McGinn: Good morning. Erin McGinn. I'm the assistant deputy minister for the government business enterprise division at the Ministry of Finance.

Just to speak with respect to the private providers, as part of the approval of the modernization initiatives, day-to-day operations of casinos were transferred to private service providers through long-term contracts. OLG remains responsible for overseeing these contracts and maintaining direct relationships with service providers.

The OLG has requirements for the necessary approvals from the Ministry of Finance as required. The Ontario Lottery and Gaming Corporation Act required by legislation that OLG seeks Ministry of Finance approval for contracts and contingent liabilities, real estate transactions, major capital expenditures and introduction of new sites or live table games—

Ms. Catherine Fife: Erin, thank you very much for that. You answered my question.

The Ministry of Finance has oversight over these transactions, as it should. Are you part of the process that reviews these contracts and then allows a 25% reduction in expenditures? Or is it that at the OLG level, they approve it, and then you guys rubber-stamp it?

Ms. Erin McGinn: The ministry provides oversight, and the Ontario Lottery and Gaming Corp. does the day-to-day operations relative to that.

Ms. Catherine Fife: So ultimately, it's the Ministry of Finance who's accountable?

Ms. Erin McGinn: From an oversight capacity.

Ms. Catherine Fife: Okay, thank you. You might want to stay there.

Minister, I was looking at your mandate letter to the chair, Mr. Jim Warren, of the OLG. You have to excuse my interest in mandate letters because I've been trying to get a hold of yours for four years. But in this letter to the chair, who's new, you do say on page 3, item 6, that you want OLG to review and ensure that anti-money laundering processes for all gaming operators are appropriate, provide an update on OLG's anti-money laundering strategy and adhere to necessary regulatory and legislative requirements as needed.

This is another concern. We all now know, because of several investigations by the OPP and ancillary RCMP, that money laundering is happening in our casinos. This arm's-length management—or not management, really—of these casinos feels like they're making their own rules up as they go along.

The auditor had found that “Ontario casinos do not verify the source of funds from patrons using large amounts of cash which risks undetected money laundering activities.” The guidelines for OLG around single transactions of \$100,000 are failing the scrutiny. In BC, actually, the casinos are “required to ask for proof of source of funds for casino transactions and cash and cash equivalents of \$10,000”—like, we’re not even at the \$10,000 mark. Money is going into these casinos, is being laundered and then is moving out. Your government claims to be tough on crime. This is white-collar crime that’s happening right now in our casinos with very little oversight from the AGCO or OLG or the Ministry of Finance.

The Auditor General went on, saying, “Reporting of suspicious transactions is low and varies among casinos. Our audit found that the value of suspicious transactions” was found “in 19 of 27 casinos.”

You’ve identified it as an issue in the mandate letter to the chair of OLG. You have now a very comprehensive Auditor General’s report which demonstrates that the checks and balances in the casinos in Ontario—which, again, is impacting our revenue as a province—are not there. So I want to ask about anti-money laundering and how prevalent it fixes in your area of priorities. Are you concerned about this, that this is happening, that these checks and balances are not in place in casinos in Ontario?

Hon. Peter Bethlenfalvy: I’m constantly concerned. Thank you, first off, for the question. Again, Mr. Chair, we’re very aligned, so there may be a new coalition here between the NDP and the Conservatives.

Anti-money laundering, we take very seriously. I take it personally very seriously. I recently asked to be briefed on it and for regular updates on the matter. We definitely watch the reporting of suspicious transactions, which can be evidence of either the system working or that there’s more work to do.

I would answer it this way: The system is working, but you can’t let your guard down. We very much focused on BC and the Cullen report—some thousand pages, which I’m sure you’ve read, based on your question—and you’ll note that many references were made to the strength of the Ontario system, that BC recommended adopting a number of the Ontario frameworks for money laundering, suspicious transactions and so forth.

As you know, the OLG is responsible for putting together some of the policies and regulatory framework, and police, the OPP and the AGCO are responsible for oversight of that and enforcing that. We have pretty robust policies in place. But I would add that you can never let your guard down on this. We take it very seriously.

Can I just pass it to the acting deputy minister?

Ms. Catherine Fife: I’m dissatisfied with that answer. I don’t think—

Hon. Peter Bethlenfalvy: You are satisfied or—

Ms. Catherine Fife: I’m dissatisfied, because I don’t think that that was a robust—

Hon. Peter Bethlenfalvy: Oh. I’m disappointed.

Ms. Catherine Fife: You’re disappointed? So am I. There isn’t a robust system in place right now. I mean, we know that.

Hon. Peter Bethlenfalvy: There is.

Ms. Catherine Fife: If it’s there, it’s not being applied, and this goes back to the oversight piece. The Ministry of Finance—you’ve handed this off, over to these casinos. They know what the rules of engagement are, they know what the laws are, but it’s actually not—these are not happening. I mean, the Auditor General did her own investigation and found out that people very easily can walk into a casino and launder money. Those checks and balances need to be in place.

But fear not, I’m writing you a letter with all of these concerns and references, and I’ve put a question on the order paper around the bidding process. These are the mechanisms that I have, as the official opposition, to try to get answers. But this remains a concern. Modernization of the gambling system in Ontario is not going well.

Hon. Peter Bethlenfalvy: Can I just say all five people were caught? So the system—

Ms. Catherine Fife: There are more than five people, Minister.

Hon. Peter Bethlenfalvy: People are always going to try—

Ms. Catherine Fife: Minister, there are more than five people laundering money in casinos in Ontario. It’s sure that this is happening.

How much time do I have?

The Chair (Mr. Ernie Hardeman): You have three minutes.

Ms. Catherine Fife: Okay, thank you. I’m going to leave it there on the OLG.

I did have the opportunity to speak with the executive director of OLG during public accounts, and this bidding process is still ongoing. It’s a broken bidding process. Hopefully the ministry, in your capacity to look at those contracts and review the bidding process by not just—it shouldn’t just be about revenue generation, because you have to put in the costs of the capital into those bidding processes. Because in the end, the taxpayers of Ontario are subsidizing the building of casinos, the capital costs.

And just to remind you, we got out of the casino business because we didn’t want to build the infrastructure of casinos, but now we’re doing it essentially through a back door. That remains my concern, and I believe that it’s on the revenue side. I believe that it deserves our attention.

0940

Did you have any questions, MPP Begum?

Ms. Doly Begum: I did—a lot. But I don’t think we can cover them.

Ms. Catherine Fife: Okay, so let me talk about budget transparency, because you did reference transparency in your opening comments and how important it is for your government. However, from an action perspective, we’ve seen a lack of transparency on budget items that are in the budget document but then that money doesn’t get out to the people that need it.

One example that is a carry-over even from last year is the Alzheimer Society of Ontario. In testimony to this

committee, the society outlined that budget 2021, 2022 and 2023 reiterated an investment made of \$5 million. Unfortunately, this money never made it out to the Alzheimer Society, so they came before this committee this year and they said, “We really appreciate the promise of \$5 million,” but the money didn’t flow—so this leads us to have confidence in your budget.

The Chair (Mr. Ernie Hardeman): One minute.

Ms. Catherine Fife: Can you speak to why the Alzheimer Society did not receive their \$5-million budgeted item in 2022, and will it flow in 2023?

Hon. Peter Bethlenfalvy: I’m not familiar with that specific example, the \$5 million out of the \$200-billion budget expense, so I’m going to pass it to the acting deputy minister and allocate where appropriate.

Mr. Gadi Mayman: The responsibility actually lies with the ministry—not the Ministry of Finance—to flow the funding. I know you’ve only got a few seconds left, but if you wanted to carry this on in the next one, Elizabeth Doherty, who is the assistant deputy minister of the office of the budget, will be able to follow up on that.

Ms. Catherine Fife: Thank you. That would be helpful.

The Chair (Mr. Ernie Hardeman): It will have to be in the next round, as the time has expired for this question.

We now go to the government: MPP Crawford.

Mr. Stephen Crawford: Good morning to the minister and deputy, as well as chief of staff. It’s great to have you here. I’d like to start off the questions with a little bit of focus on the province’s fiscal situation, our debt. I know when our government took office in 2018, we were the most indebted sub-sovereign government in the world—I believe we still are, although that trajectory is changing.

We have lived through very volatile times, unprecedented times, with the COVID pandemic, economic uncertainty. The government has made major investments in infrastructure; in long-term-care homes, which were neglected for decades by the Liberal administration, and transit. We’re putting a lot of money to work to get the economy going and I think the economy overall is on a pretty good growth pattern right now.

Having said that, with all of these investments, we do need to spend money, invest money, and I want to get a sense from the minister of how the economic uncertainty and the rising interest rate environment are affecting the province’s fiscal situation and our borrowing costs. Are we now having to borrow more money at higher rates? Is this something that you potentially are concerned about? Perhaps you could give a sense as to where we are and where you see things going for the province from a fiscal point of view.

Hon. Peter Bethlenfalvy: I just want to acknowledge the fine work that the MPP from Oakville has been doing in his capacity as not only a committee member but also as the parliamentary assistant to the Minister of Finance.

Look, interest expense is the fourth-largest expenditure item for the government of Ontario. We use the funds raised to retire maturing debt, fund deficits and spend on infrastructure, and I’m very pleased to tell this committee

that with our deficit down to a projected \$1.3 billion, as I mentioned in my remarks, and surpluses in years 2 and 3, we’ve been able to reduce our borrowing needs significantly.

Now, interest expense in the environment where rates have been rising is up, but on relative terms, as I mentioned in my remarks, interest expense now represents 6.7% of revenue, a metric that not only the markets look at but credit-rating agencies look at as a key financial metric for the health of a province. It is the lowest since the 1980s—let me repeat that: the lowest. How many years is that, Mr. Chair? You’re good at math. It’s about 40 years that we’ve been able to reduce the interest expense. Why is that important? Well, as I mentioned in my remarks, over the next three years, based on our projections versus last year’s budget, we’re going to have \$800 million lower in interest expense. That’s money that goes to bondholders. So instead of going to bondholders, we can either invest that money for the people of Ontario and the businesses of Ontario or we can retire debt so that we don’t continue to have the moniker as the most indebted subnational sovereign on the planet.

We inherited a pretty dire fiscal situation: the highest debt-to-GDP in the land. We inherited the lowest credit ratings in the history of the province. We inherited a fiscal situation where the debt had increased by almost \$200 billion over 15 years. You have to ask yourself: What are you getting for all this debt, and what are you getting for the interest expense that you have to spend on that increased debt? That’s not a productivity measure. That does not help people or businesses or workers. That does not help us compete in the global markets.

So by virtue of having a prudent fiscal plan, by having a plan and a vision to build Ontario, we’re able to send a message to the world that Ontario is a very safe place to invest, where you can find good workers; where you can find significant supports for businesses and families; where you can have a world-class health system and a world-class education system. In fact, we have it all here in Ontario.

By being fiscally responsible, we can ensure that taxes remain low, which is very important not just for businesses but for individuals. We can, as you mentioned in your question, reduce interest costs. We can avoid—and let me emphasize this—we can avoid future cuts, because if your fiscal situation gets out of control, you only have two choices: You can increase taxes or you can reduce spending.

Just take a look at Greece and what happened in the great financial crisis. No one is immune from that. The Economist just wrote an article called, “Fiscal Fantasyland: When Will Politicians Wake Up?” So we have a responsibility, not just for today, for today’s environment, today’s families, today’s workers, today’s institutions—we have an obligation to our children to make sure that we’re responsible in not only managing the economy, but that we’re responsible in managing the fiscal situation.

Let me expand on this a little bit. One measure when you go to the doctor is your blood pressure. And so what’s

the blood pressure? I look at it as debt to GDP. When we inherited government in 2018, Ontario had the highest debt to GDP of any province in Canada. Think about that: The most robust, diversified economy was the weakest. That's not a category where you want to be number one. Since that time, we've been able to be the third highest, surpassing Newfoundland and surpassing Quebec. This is important because we have to compete for capital around the world. The bondholders don't just give money for free; we have to compete for that capital.

Just last week, we issued a 30-year bond—\$600 million of a 30-year bond—and our spreads were lower than BC and Quebec, who issued 30-year bonds right after us. That's the first time in almost two decades that Ontario's spreads—meaning lower borrowing costs—have been that way. That's money we're saving so that we can invest or retire debt so that we can have more flexibility in the future. I'm very proud of those features.

This is important for having an environment where we have to be fiscally responsible because we don't know what's around the corner. We're living in some of the most uncertain times that I've ever seen in my career—over 30 years—in the capital markets, with a land-based war in Europe; with geopolitical plates shifting; with China reopening and the uncertainty that's coming out of China; and just south of our border, where we have the Inflation Reduction Act, one of the largest spending programs in American history. We're not an island here in Ontario. It's important that we're responsible with people's money, with taxpayers' money, and that we provide them with a better sense of optimism for the future and a reality of that future. That's why it's so important.

How much time do we have, Chair?

The Chair (Mr. Ernie Hardeman): Oh, you've got 12 minutes.

0950

Hon. Peter Bethlenfalvy: Oh, 12? We've got a long way. I sense that you want to ask more questions. I could go on another 12 minutes.

Mr. Stephen Crawford: Actually, thank you, Minister—

The Chair (Mr. Ernie Hardeman): Minister, I should correct the record. MPP Crawford has 12 more minutes.

Hon. Peter Bethlenfalvy: Thank you for correcting the record.

Mr. Stephen Crawford: Actually, you answered my next question, really, which was going to be along the lines of—you mentioned the Moody's upgrade last week. When I asked a member of the opposition last week in the Legislature, I explained that that was an important factor. You explained why—because it will lower borrowing costs and whatnot—but the member of the opposition said the people on the street in her community don't care and it doesn't matter. I think that really highlighted the financial illiteracy of that member of the opposition and why I'm glad that, fortunately, the government of Ontario has brought financial literacy back into high school. It's an important component. I think people have to have a basic understanding of that. You highlighted some of the

reasons why that's incredibly important to get the province back in a stronger fiscal position.

Moving along, I'd like to just highlight a question on affordability. As you know, inflation is present in our province—and, indeed, across the western world at this point—for a number of reasons, although it's trending in a better direction, which is good, but still a ways to go. How has the government been able to balance fiscal prudence with also ensuring that the people of Ontario and the most vulnerable in Ontario are able to get by in this difficult period?

Hon. Peter Bethlenfalvy: Well, thank you. That's a very important question, and there's no question that many are hurting, not just in Ontario but across Canada. These rising costs are driven by a host of factors, not least of which is the impact on commodity prices and other things with Russia's illegal and totally unacceptable invasion of Ukraine, a free and democratic people; to supply chain challenges through COVID and continuing thereafter; to a number of other factors that have been driving prices up—the cost of, as I said, commodities and other input costs.

We understand that, and inflation is coming down. Core inflation, I believe, in Canada is 4%. The Bank of Canada governor believes it's going to be 3% by midsummer and in the twos by the end of the year. But I would say this: People are still hurting. It's still high. The cost of many things is going up.

What we also acknowledge is that we have to be very prudent and targeted about our measures to support the most vulnerable in that environment. Blanket approaches to fighting the cost of living and affordability are actually going to stoke inflation. We saw that in the UK, where the minister of finance put forward an irresponsible budget, and it cost the Prime Minister's and the finance minister's job. So we have to take these things very seriously and help the most vulnerable. Now we've done that in many ways, and we got ahead of it, Mr. Chair and MPP Crawford. We moved quickly, over a year ago—15 months ago. It's not, "What are you going to do now?"; it's what we did to make life more affordable for those who were struggling.

I point out we have almost 10 million drivers in this province. With the waiving of the vehicle fee, that's \$120 per vehicle that went immediately into the pockets to help many people who often can't take public transit to work or whose kids can't take public transit. In many parts of this great province, that's not an option. So we provided relief for the many people who are providing goods and services, like our grocery stores—the cost of food, the input of food. Gas is a very important part of that food, and I'd contrast that with the federal government, who seem to think it's appropriate to hike the carbon tax at a time when many can least afford it.

But we didn't stop there. Obviously the relief on the vehicle stickers, the gas tax, on which we moved very early—we said we would put it through for 2022, and then we re-upped that commitment for 2023 to provide relief. That's real relief for many people, the most vulnerable. The minimum wage—people making the lowest amount

in this province—is set to go up, I believe, to \$16.55 on October 1. That’s significantly going to help many workers in this province. But we didn’t stop there. We increased the tax credit for the low-income individuals and families tax credit so that people making up to \$50,000 would pay, if not no tax, lower tax—

Mr. Stephen Crawford: Chair, could I just ask a question?

The Chair (Mr. Ernie Hardeman): Yes, MPP Crawford.

Mr. Stephen Crawford: Did the opposition support the LIFT tax credit?

Hon. Peter Bethlenfalvy: The no democratic—excuse me—the New Democratic Party did not support that measure.

Interjection.

Hon. Peter Bethlenfalvy: What’s that? So lame? Didn’t like that one?

Ms. Catherine Fife: Stick to music.

Hon. Peter Bethlenfalvy: Well, that might be an option.

But, you know, to be fair, we’re always looking for ideas, and I still welcome the opposition to provide ideas and options. We’ll take ideas from anywhere, Mr. Chair.

The Chair (Mr. Ernie Hardeman): MPP Anand.

Mr. Deepak Anand: First of all, Minister and the team, thank you for coming and providing this valuable information on the estimates.

Minister, you know we always talk about how government does not create jobs, it actually creates conditions for employers to create jobs, conditions like, for example, reducing the cost of doing business, making historic infrastructure investments like you talked about—\$184 billion in the next 10 years—making sure there are policies in place to build 1.5 million homes in 10 years.

But, Minister, do you know what you just did? What you did was—with these things comes another issue: the issue of a labour shortage. We criss-crossed the province. Everywhere we went, we saw, “Help wanted.” Now, you added to the fuel. You said the government is continuing to work to get investment in Ontario and manufacturing back in Ontario, especially with advanced, forward-looking industries like EV production. You talked about \$25 billion more coming to the province, which means there are going to be more labour requirements. In other words, there are going to be more labour shortages.

It is concerning. We need to work hard to make sure that all the prosperity we are bringing to the province of Ontario—we need to be prepared for it. So my question to you is, how are you working with the rest of the government to address the labour shortage? What are we doing, and how are we going further?

Hon. Peter Bethlenfalvy: Thank you, MPP Anand. That’s a great question because we can have, as you point out, a \$184-billion capital plan to build Ontario, but if we don’t have the workers to build those buildings, to build those schools, to build those hospitals, to build those subways, those roads, those long-term-care facilities, the

broadband to connect all of Ontario, then we don’t have anything.

Labour shortage is something that’s afflicting the developed world. We have an aging population in virtually every country, including countries like Russia and China, most of western Europe, many countries. We’re not alone in the challenge of having an aging population. That’s why we moved very quickly once we got government in 2018 to provide support for workers very early on.

I was in a lot of the meetings with the labour union leaders, both private sector and public sector, in 2018-19 to get the best ideas, to say, “How can we work together to address this labour challenge?” A couple of those conversations led to things like the Skills Development Fund, an unprecedented amount of money to allow people in Ontario to be retrained, re-skilled and retained by working in partnership with labour unions, with schools, with hospitals and so forth to make sure that we are positioning Ontarians for the jobs not just of tomorrow but of today.

Let me give you some examples of how that’s working. The Premier and I were standing at one of the trade unions doing a press conference. I’ll never forget Courtney, a bartender who got let go during COVID because the bar and the restaurant got shut down. Through the Skills Development Fund, through training centres, with the trade unions in their shops, she’s now a steam pipefitter who is making more money, a bigger paycheck, who has got a secure job because demand for steam pipefitters—which is just one of the 140-plus skilled trades in Ontario. She has now got security and a job and is helping. She can point to the buildings: “I helped build that building.” Notice that I pointed out the name Courtney, a female—encouraging all hands in Ontario, to give them the skills, to give them the training.

In fact, another example, MPP Anand, would be, in this budget, the \$224 million that we committed to work in partnership with the trade unions to build training facilities. Because the trade unions are some of the best trainers in Canada, if not the world—to work together in partnership, both providing funds to build these training facilities to make sure that the people of today have the skills for this build of Ontario.

1000

Mr. Deepak Anand: Thank you, Minister. You touched upon something which I always say: Jobs need people and people need jobs, the missing link always being the skill.

You talked about the Skills Development Fund and Better Jobs Ontario, where we can help the people to upskill themselves. The Ontario Youth Apprenticeship Program—it’s not just today, those who are in the labour force, but even our children who should be prepared for the labour force as well. So can I ask you this—thank you for doing all you’re doing for this. Can we expect you to continue that similar support, for Ontario, for the labour shortage, from the ministry going forward as well? What are your thoughts for the future?

Hon. Peter Bethlenfalvy: Another great question. Thank you for that.

The commitment is there not just for today, but we've made commitments every year for the next three years to support workers, to invest in the Skills Development Fund. But it doesn't stop there. As you know, we're working with our youth, with programs like the Dual Credit Program, with the youth apprenticeship program. You can leave high school and get your apprenticeship and get your high school degree at the same time.

But let me add one last piece, and that is, we can't do it alone. The federal government is responsible for immigration. Our Ontario Immigrant Nominee Program a few years ago allowed us to have input on 5,000 skilled workers coming to Ontario. Just last year, our population grew by 445,000 people. So a commitment from the feds to increase it to 18,000 a year by 2025 is a good start, but it's a drop in the bucket. We've got to work together with the federal government to make sure that we have the skills, the training, the support and the processing, because people around the world want to come to Ontario. They want to come to Canada, they want to have that good job, they want to raise a family, and they want to do it safely.

Mr. Deepak Anand: Again, thank you for your—

The Chair (Mr. Ernie Hardeman): Thank you very much. That concludes the time.

We'll now go to the official opposition. MPP Fife.

Ms. Catherine Fife: Minister, just in that back-and-forth with the government members, you talked about the licence plate sticker renewal forgiveness. This time last year, I did ask you about the design of that program; I don't know if you remember. We're seeing some people across the province receive—one fellow received \$38,000 in rebates for his licence plate renewals, and then \$32 million went out to folks who have more than five cars.

The government has sort of positioned this policy as a cost-of-living issue. Do you think someone who owns 82 cars—a fleet of personal vehicles—is facing a cost-of-living crisis, and would you be amenable to redesigning this program so that we're not subsidizing people who have fleets of personal vehicles in Ontario?

Hon. Peter Bethlenfalvy: You know, MPP Fife, at the time that we did that, inflation was starting to grow; COVID was still present; people were struggling. Businesses were impacted, individuals were impacted. Many people couldn't work because of the effects COVID. That was a mechanism to get money into people's pockets very quickly. So, yes, I fully support that program. I think it—

Ms. Catherine Fife: And you're not looking to redesign it at all?

Hon. Peter Bethlenfalvy: Not looking to redesign it. We stand behind that program. I've talked to literally hundreds of families who thought that it was timely relief. It was quick. You didn't have to wait till next year's tax return to get a tax rebate. It was prudent. It was the smart thing to do—and, of course, the events of June 2 validated that.

Ms. Catherine Fife: I don't think that it's prudent for people to be receiving \$40,000 from the government for their licence stickers. I don't think that that was the design of the program, Minister. But it's good that you clarified

that you're not concerned at all about that and that this program will go ahead, as flawed as it is.

I do want to say—and when I did ask you about this issue the last time we were in estimates, you actually got a little angry, which you don't usually do. It was about Bill 124. In 14 days, we'll have a decision on that piece of legislation. You know how strongly we feel about the legislation and about its impact on the health care sector in particular. Obviously, fighting an unconstitutional piece of legislation in the court system, in our opinion, is not a good use of tax dollars at all. The FAO has estimated in his report from September 2022 that the Ontario public sector employment and compensation will amount to—once Bill 124 is overturned, which will happen in 14 days, it may cost the province \$8.4 billion over a five-year period from 2022-23. So in this fiscal year, the government is going to have to start to renegotiate these collective agreements and pay out significant amounts of money. Most recently, I think the WSIB is the latest group to receive back pay from the government.

In a new report, actually, from the FAO, the government is going to be on the hook for \$1 billion for back payment to the Ontario Nurses' Association:

“While the government is appealing the court ruling, the Ontario Nurses' Association immediately triggered a renegotiation clause in its contract that led to retroactive payments for the 2022 ... contract.

“Instead of being held at a 3% wage increase for the three-year period, nurses will now receive a total of 6.75% for the term of the contract, and the payments, according to the union, have already gone out.”

So there's going to be a trickle-out effect with all of these unionized groups who have been frozen under Bill 124 for the last now four years. What is your plan to address this—really, a delayed tsunami on collective bargaining that the province is going to have to make up for because of this oppressive piece of legislation in Bill 124?

Hon. Peter Bethlenfalvy: Well, thank you again for the question. Mr. Chair, I'm not going to talk to any specifics under Bill 124 at this time because, as you know, it's before the courts and that's the appropriate thing to do. And of course, the member opposite has, I know, read all 241 pages, so she knows very clearly that we have not only a plan to build this province, which includes all people in Ontario—by the way, almost 15.4 million population increase, and that's going to continue. We're going to lead the country in population growth, so we have to be ready, and that's why the infrastructure plan is so important, which wasn't done for decades. We're catching up because the infrastructure, which you can't do overnight—to build roads, to build subways, to build hospitals, long-term care, broadband right across the province. And all workers, as I mentioned previously, are important in that regard.

Now, with regard to negotiations with any sort of bargaining agent, they're always done in good faith, and we will always stand behind the principle of being at the table and negotiating in good faith on behalf of the taxpayers

and respecting the workers. So, Mr. Chair, I feel that we're doing the prudent thing by letting people know what our vision for Ontario is through the budget that, by the way, we ran on last year. And the events of June 2, 2022 speak for themselves.

Ms. Catherine Fife: Okay, so you've said that you respect all workers and that you respect collective bargaining. Using the "notwithstanding" clause is not respectful for workers in Ontario, and you tried that with Bill 28. Also, for clarity, at no point last year during the election did you run on building on the greenbelt and expanding. In fact, the Premier had said in a statement, "I will not touch the greenbelt. I will honour my commitment to the people of this province. I won't break my promise," and he did. We now have multiple pieces of legislation that are going to compromise that. Nor did you run on privatizing the health care system, and I'm going to get into health care questions around where the money is going and where the money is not going a little bit later on.

So with respect, you haven't answered the question around what the financial plan is to compensate the employees that have been frozen in the public sector under 1% going forward. Do you still have your fingers crossed that the government will win against the public sector workers on Bill 124?

Hon. Peter Bethlenfalvy: I don't know if the member missed my comments about good faith, but that's the way this government has always approached every negotiation, every discussion: respecting the process. We'll continue to do that, Mr. Chair.

1010

Ms. Catherine Fife: I'll leave it at that. I think that actions speak louder than words in this instance, but I'm going to move on because I'm not getting any satisfaction there.

I want to move on to provincial revenue. This was actually addressed a little bit in my colleague's comments, but in a review of Ontario's 2022 budget, the Auditor General found that the "understatement of provincial revenue from corporate taxes for each of the three years"—going forward is questionable. "As well, contingency funds recorded in other program expenses for the three-year period appeared to be overly cautious." Just so you know, I am referring to March 31, 2023, March 31, 2024, and March 31, 2025. The concern, Minister, around underestimating corporate tax revenue is that—and this is a direct quote from the report: "When revenues are underestimated, the perception can be that the government has less funds available for decision-making than can be reasonably expected."

The auditor has shown that the government underestimated corporate income tax revenue by \$7.9 billion and \$7.8 billion respectively, and the amount budgeted for contingencies appears overly cautious. So I want to get a sense of what your methodology is for determining corporate tax revenue. Will we find that this year's budget faces similar multi-million-dollar underestimations? What's the motivation for this? Or is it the mechanism itself, that your ministry can't accurately indicate what corporate revenues are going to be like?

Hon. Peter Bethlenfalvy: Thank you for the question. Obviously, in forecasting and planning, I'm always surprised at actually how clairvoyant the member from the NDP is in terms of knowing exactly what the future will bring. What I will say about corporate revenue is that you should ask the Auditor General that when you see her next in public accounts, because we have—and I'll pass this in a second to the acting deputy to direct it as appropriate. We have worked with the Auditor General to come up with a methodology. We always look to continually update our methodologies and stress-test all of our programs, our methodologies to say, "Can we improve on them?" I think the Auditor General would say we have probably the best in Canada.

The member would also know, because she's well learned in the elements of finance, that corporate taxes are collected by the federal government and some of the other taxes are collected by the federal government. So we're reliant on data—as is the Auditor General, and we work together with the Auditor General to improve the transparency and the data coming in from the federal government. I'm very proud of the work that we've done in the Ministry of Finance. I'm very pleased with the work, together with the Auditor General, on this file. I'd be happy to talk about contingencies if we go there in a second—

Ms. Catherine Fife: You commented that I'm quite clairvoyant; I'm just looking at the numbers that are reported here and then there's a pattern of behaviour with the numbers. The FAO, you accused him of being clairvoyant as well and having a glass—what are those things called, where you look into the glass? A crystal ball. You said that, actually. You said that on TVO. Perhaps that's why he doesn't have a job anymore. I don't know.

But I do want to say, there is a pattern here of the Ministry of Finance underestimating corporate revenue that's coming into the province. I'm just asking you, what is the strategy? Why are you doing that?

Hon. Peter Bethlenfalvy: Well, Mr. Chair, the pattern that I would look at is five straight years of a clean opinion from the Auditor General on the numbers of Ontario. Compare and contrast that to the two previous years, which were not clean opinions, by the previous government. Look at the facts. Look at the fact that—and ask the Auditor General about those opinions, which you do. Ask the Auditor General about the corporate revenue, which I think no one knows. If you know what's going to happen tomorrow, I'd like to talk to you some more, because we have to deal with uncertainties in this world. Projections and forecasts are just that.

What I'm very proud of is the fact that we have set aside contingencies and reserves to deal with those uncertainties. And number two—

Ms. Catherine Fife: Well, we certainly need more answers. That's what we need from this committee.

Hon. Peter Bethlenfalvy: Number two, we've put various scenarios, to be very transparent to the people of Ontario.

The Chair (Mr. Ernie Hardeman): I think 10:15 has arrived, so we will have—

Ms. Catherine Fife: How much time do we have when we come back?

The Clerk of the Committee (Ms. Vanessa Kattar): Seven minutes, 30 seconds.

Ms. Catherine Fife: Seven minutes, 30 seconds. Thank you.

The Chair (Mr. Ernie Hardeman): Okay. Seven minutes left. But with that, we stand recessed until 3 p.m.

The committee recessed from 1015 to 1500.

The Chair (Mr. Ernie Hardeman): Welcome back. Before we resume consideration of the estimates, are there any questions the members wish to raise at this point? It was suggested you might not have any, so with that, we will resume consideration of vote 1201 of the estimates of the Ministry of Finance. There is now a total of one hour and 47 minutes remaining for the review of these estimates.

When the committee recessed this morning, the opposition had the floor. I look to MPP Fife for the continuation of her presentation. You have 7.33 seconds—minutes.

Ms. Catherine Fife: Seconds?

The Chair (Mr. Ernie Hardeman): Point three-three is the seconds.

Ms. Catherine Fife: Thank you, Chair. Even though it sounds like there's a lot of time left, I'm sure that it's going to go quickly, Minister.

In some of your opening comments this morning, you talked about the value of transparency and being transparent. You have, though, started a new trend, I would say, as the finance minister in Ontario with these contingency funds—or sometimes we call them slush funds, because we don't necessarily get eyes on them as legislators. Some of us do take the responsibility of that oversight very seriously. I would say that I'm one of those people.

This year's contingency fund is set at \$4 billion. Typically, in other jurisdictions—similar size states or governments—\$1 billion is an acceptable, or conservative, if you will, allocation for the contingency fund. This government has been criticized in the past for extremely large contingency funds that lacked transparency. I know that you're aware of some of that.

There was a report from the FAO in 2022 that found that the current spending plan contains \$40 billion in program funding shortfalls over six years, though it also contains \$44 billion in unallocated contingency funds going forward. This is from the fall FAO report.

When this government first started with these massive contingency funds, they outlined that it was due to the nature of unprecedented challenges. Even with unprecedented challenges, the norms of good governance and accountability do not need to be disregarded. It's important to follow the money to see what the government's priorities really are.

This also speaks to, in my view, the weight of the budget. Because if the budget says, as I gave an example this morning, that the Alzheimer Society of Ontario will be receiving \$5 million in that service year, that money doesn't flow, and then it gets sidled off into this contingency fund, which is totally unallocated at that

point, that really interrupts our checks and balances as legislators.

I wanted to give you an opportunity to talk about why you think Ontario needs \$4 billion in an unallocated contingency fund and why this new practice has sort of become standard now for the Ministry of Finance.

Hon. Peter Bethlenfalvy: Thank you again for the question. Before I begin that answer, I just want to note, Mr. Chair, for the record that just a few minutes ago, Standard and Poor's Global Ratings, one of the world's leading credit rating agencies, provided the province of Ontario with an outlook revised to "positive" from "stable" on strong budgetary performance. The A+ ratings are affirmed. That's a third party that's looking at our books, much like others, and that, we have not seen since 2006, in 17 years. I want to also acknowledge the leadership of the acting deputy minister, who also happens to be the chief executive officer of the Ontario Financing Authority, and you and your team for your leadership and stewardship of the province's fiscals.

With regard to contingencies, I don't know who you're comparing us to. Of course, we're double the size of the next-largest province, or almost. I don't know the environment that you're thinking of, but I'm thinking of an environment that I said in my opening remarks is an extremely uncertain environment.

I'll give you two examples. As you know, when the budget process is done, we lock everything down, we send the document to the printers and then we table it in the House. There's a time frame between doing that and tabling it in the House.

Two years ago, Russia had yet to invade the Ukraine. You can't plan for every single event. It's necessary to have contingencies. This year, we locked in the budget, sent it to the printers, and Silicon Valley Bank went under—the second-largest bank in American history, since 1779. You never know what's around the corner, so it's prudent. I wouldn't be doing my job if I didn't have some form of contingencies.

Now, you're asking, apart from needing contingencies—I mean, being outside today, you can smell the smoke coming in from Quebec, the forest fires. You can't plan for a forest fire. You have to put in contingencies for a forest fire. So, respectfully, I wouldn't be doing my job if I didn't have contingencies.

Ms. Catherine Fife: I just want—

The Chair (Mr. Ernie Hardeman): Yes, MPP Fife.

Ms. Catherine Fife: The point is not about being prudent or planning for unforeseen issues; the point is that this money was supposed to go to programs and services, and that money did not get there. The FAO, in his last Q3 finance report, found that the province withheld \$6.4 billion in budgeted funds last year from the services people needed at a time when they were really hurting.

I want to say it's encouraging on some levels that the revenues are coming into this place, but I also want to remind you, Minister, that it's because the high cost of inflation has also generated more revenue into this place. People are paying more for their goods and services. Even

the FAO got caught off-guard by the revenue that was coming in here.

But when we look at this pattern of where the funding is promised and where the funding does not end up, all sectors spent less than expected, led by “other programs,” which was \$3.5 billion. Health was \$1.2 billion; education was almost a billion; children and social services, \$458 million; post-secondary education, \$175 million; justice, \$88 million.

And just before you make a comment about the FAO, this is based on the Expenditure Monitor, and so—

The Chair (Mr. Ernie Hardeman): One minute.

Ms. Catherine Fife: Is my time up? Did you say one minute?

The Chair (Mr. Ernie Hardeman): You have 42 seconds.

Ms. Catherine Fife: So this is based on the Ministry of Finance’s own numbers. And thank goodness we do have that Expenditure Monitor, because that is one of the only ways that we can find out where the money was supposed to be going but didn’t get to. That’s the level of transparency I think that people in this province deserve, because I do think that it speaks to trust, right? And I think trust is important in a democracy.

Hon. Peter Bethlenfalvy: Mr. Chair, third-party—

The Chair (Mr. Ernie Hardeman): Eight, seven, six, five—thank you very much for that.

We will now go to the government side. Who is the questioner on the government side? MPP Smith.

Mr. David Smith: Thank you, Minister, and your team, for being here today. I’m a very prudent person when it comes to budgets, and we have to make sure, as indicated from what you’ve demonstrated in the report here that I’m looking at, to bring us to a point where we are balancing our budget in the 2023-24 year—or next year? Next year. That is very prudent, in my humble opinion, because I believe that to bring ourselves to—I don’t know the last time we had a balanced budget in Ontario; maybe you can help me to understand that.

But I know that having a balanced budget is telling me that in the future we can start looking at how we can reduce our debt, and that would put my children and your children and grandchildren not having those kinds of deficits, because “deficit” is spending more than you are earning. It’s significantly important that we keep an eye on that and keep it in the right place.

So I believe—and I want to thank you again—we are working in the right direction as the government to be prudent and to make sure that those things are being taken care of. I want to see all deficits disappear because I don’t run my home with a deficit. I like that fact that we are working, in a desperate way, to get it done and to reduce it so that we can start putting up into our future, meaning reducing the debt that we have out there still. This is just to deal with our fiscal operation of a year versus what is still out there that we are trying to get to. So I’m happy that we are working in that direction to ensure that we are looking at that. I want to really thank you for that.

1510

I just have a question. The question I have and I want to understand—last month, Moody’s reported an upgrade to Ontario’s rating outlook: “The positive outlook for Ontario reflects Moody’s analysis that the risks related to the province’s fiscal and debt dynamics are skewed to the upside.” Minister, could you go into some details on what this upgrade means for Ontario and the stability of the province’s fiscal situation?

Hon. Peter Bethlenfalvy: Thank you, MPP Smith—very important questions. I’ll address Moody’s in a second and Standard and Poor’s, but you’re very wise to point out that you wouldn’t manage your family finances spending more money than you can take in. Certainly there may be times that you have an emergency or some situation where you do. Businesses can’t have a situation where they spend more money than they take in; otherwise, they wouldn’t be in business. I’m reminded by when I gave a speech to the Canadian Club—600 people—and was introduced by someone, and he said that his grade 6 daughter was taught in that class and was telling her dad that she was taught that day that it’s important that your revenues are higher than your expenditures. I thought, “Wow, a grade 6 student gets it.” We have a responsibility to that grade 6 student.

There are times when it does make sense to go into deficit. For example, through COVID, the Premier said, “Spare no expense.” That’s why fiscal prudence and management is important, because at the time that happens, you have to have the capacity, and if you’re imprudent for all the periods before that event, then you won’t have the capacity.

I’m very pleased to say that two of the world’s largest credit agencies acknowledged that Ontario is managing its finances in a prudent and responsible way. Moody’s was the first, on May 4, to highlight that. I want to be clear: They put us on “positive,” which means they have a period of time to make up their mind on whether they upgrade us or not, so we have more work to do. But S&P—and I’ll read again: “Province of Ontario Outlook Revised to Positive from Stable on Strong Budgetary Performance.” This is a third party, independent, which is so critical to transparency, so critical to trust, is it not? That third parties, credible global rating agencies, look at the books of Ontario and give us a positive trend—so significant for the people of Ontario.

But let me talk about another independent party that looks at our books, and that’s the Auditor General: five straight clean audit opinions. I’d remind all members that those contingencies that are set aside for uncertainties and global risks and others are there to be used in case those risks materialize. You can see in every single public account how those contingencies were then spent. I think there are 20, almost 25 ministries; they could go anywhere. They could go to the Minister of Natural Resources in the case of a fire. They could go to the Minister of the Environment. In COVID, a lot of them went to the Minister of Health. If any of you know what’s going to happen tomorrow, please let me know. But that’s why you set contingencies aside. That’s how you build trust. Third

parties who look at your books and have an opinion: That's how you build confidence in capital markets.

I think it's very significant to the points you raise, for not just this generation but future generations, that we act responsibly, all while, at the same time, investing in critical things like infrastructure, like our economy, like our workers. These are fundamental things, and that's what this government has been doing.

I believe you can walk and chew at the same time. You can be fiscally responsible and invest in today's economy and the future economy. That's exactly what we're doing, and that's exactly what our budget and our expenditures, which we're here to talk about, do.

Mr. David Smith: I don't know if you can spend a little time—I know it might sound facetious, but could you explain to members, my colleagues that are on this side of the—could you tell people a little bit about contingents? Because I think people seem not to clearly understand what “contingent” means. Could you explain that a little bit?

Hon. Peter Bethlenfalvy: Sure. In an environment where our expenditures are over \$200 billion—when we allocate \$200 billion of that spending directly to various ministries, interest expense and a bunch of other things—and, as has been raised today, \$4 billion, which takes our expenditures to slightly over \$204 billion, that represents the uncertainty in those expenditures. Put in percentage terms, that says 98% of the money is allocated to specific ministries, and 2%—2% is what we're talking about—is put aside for those uncertainties.

As I said this morning, I've rarely seen so much uncertainty in the world: economic uncertainty; geopolitical uncertainty with a land-based war in Europe. I'm here because my parents were victims of the last major land-based war in World War II. We have geopolitical risk south of the border on the economic side with the Inflation Reduction Act. We have geopolitical forces in China as that economy reopens.

Again, I would say to you, MPP Smith, that I wouldn't be doing my job on behalf of all Ontarians if we didn't build in some prudence for those risks that are uncertain.

Mr. David Smith: I can't agree with you more. Again, that's how I live my life. I thought that it should be understandable by every one of us in this committee and beyond the committee that contingency is a very important part of any operation. We need to look at it, recognize it and stop questioning it, because when you fail to set up a contingency, you pay a price. I can tell you personally, I'm not prepared to pay a price if I don't set up contingencies around me.

This morning, you touched on something, if I can go on, with regard to—Deepak Anand had a question that he asked, and you didn't get an opportunity because we were wrapping up. It was concerning the labour shortages in Ontario and across Canada and across the globe, because it's a push-and-pull situation everywhere.

Given the fact that I'm a PA in the Ministry of Labour, Immigration, Training and Skills Development, we talk about the nominee program and the bridge programs.

Could you tell me why the variance is so difficult between Ontario and Quebec, where they get over 51% in a nominee program versus we would only get under 5%? It's good that we're making direction in that pathway. But of the aggregate amount of immigrants going into Quebec, over 51% of them are going in there with the skilled trades that they need. So they take a larger amount, and we only have under 5% here coming into Ontario under those same circumstances.

Hon. Peter Bethlenfalvy: Thank you, and thank you for your good work as a parliamentary assistant to the Minister of Labour. My kudos to both you and him and our colleagues for doing that type of job and focusing on labour, because it's so essential, such a critical part of our success going forward if we are to be successful.

1520

Look, I'm not going to comment on Quebec's particular situation, but I would sure like to have Quebec's deal. And I'm sure all members of the House would support us in pushing the federal government to increase that allocation. As you said, 5,000 out of often 200,000 to, last year, 445,000 immigrants is a pretty small number, so there's a lot more to do there and we will continue to have that dialogue with the federal government. Thank you for your support in that regard.

I do want to come back to an example of how the world is changing. The Premier and I and the Minister of Labour and the Minister of Education did a pre-budget press conference in Pickering, at St. Mary Catholic Secondary School. We went to a welding class for their automotive class. It's one of the 140-plus skilled trades that we have in this province and there were 12 students in grade 11 who were going to show the Premier and I how to weld. Let me tell you, it's not as easy as it looks. They picked two students out of the 12 to show us how to do that. I was struck by a number of things. First off, the two people that showed us how to do that were women, and of the 12 students, eight of them were women. Things are changing in this province. When I asked them why they picked this class, they said, “Because this is the future. This is something I want to do. This is my passion.” You wouldn't recognize these schools, certainly, from my time and probably some of yours when you went to high school and what the classes looked like.

I was at Dunbarton secondary school. Your MPPs, I believe it was last week, took me to three schools, and the passion that the students have for doing skilled trades is so palpable. What I also found so encouraging was the number of women pursuing a dream in the skilled trades, because this opportunity has to be there for everybody and we have an obligation to give that opportunity to everybody. It's also the type of skills we need because you can't build a 16-million-square-foot battery facility in St. Thomas without the skilled trades. Otherwise, it's just a dream. Think about that for a second: 16 million square feet. I can't even comprehend that: a gigafactory 1.2 kilometres long. I've never seen a building 1.2 kilometres long. But we need all the men and women of Ontario to build that, and that labour has to come from here.

When we talked to the federal government and we have a commitment for 18,000 in 2025, that's not enough. It's not enough. We have to continue supporting our workers right across this province. We have to continue investing in skills development. As I mentioned before, the physical training centres are important—it's the people who are actually going to train them; it's all the construction companies that are going to hire them. And these are good jobs. These are good jobs. And, you know what, some years ago if you asked the parents in the class, "How many want your child to go into the skilled trades?" not too many hands went up. But now hands are going up all the time—destigmatizing these very important jobs to help build Ontario. You can go by that gigafactory plant one day and say, "I helped build that plant." You can be proud of what you can do for Ontario.

The labour shortage is real. That's why we've had policies and programs in place, almost from day one, to work together to build Ontario.

Mr. David Smith: Thank you very much.

The Chair (Mr. Ernie Hardeman): MPP Byers.

Mr. Rick Byers: How much time do we have left?

The Chair (Mr. Ernie Hardeman): Four point two.

Mr. Rick Byers: Well, I'll be; 4.2.

Thank you very much, Minister and your team, for being here. I appreciate the presentations. I want to have my first question on the infrastructure spending that you've got. On page 17—one of my favourite pages in the budget—it lays out the table there.

I had two questions: Number one, what, I must say, I've always found very impressive about this is the long-term 10-year horizon for infrastructure spending in all these categories. It's not governments just looking out to the next election or even before that, which has certainly been the case. When did you go to that long-term horizon? And secondly, relatedly, how does it impact your financial planning for not only the budget but the feds and quarterly as you look forward, and how does that long-term perspective impact the planning of the ministry?

Hon. Peter Bethlenfalvy: Thank you, MPP Byers, for the job you're doing. A belated happy birthday again. You know a thing or two about infrastructure, having spent a chunk of your career in infrastructure. You know better than most how critical it is to have a vision and a plan.

As we look at, first, what the problem is that we're trying to solve, I keep coming back to 445,000 people coming into Ontario last year, our net population growth. Ontario has always punched above its 40% weight when it comes to our population growth. As private sector guys who now are in the public sector as servants of the public, we know how important it is to have a plan and not just to think short-term but to think long-term, because you can't just build a hospital overnight. You can't build a subway overnight. You can't build a highway overnight. You've got to get one, two, three steps ahead. That's why it's so critical to have your planning horizon not be short-term. It needs to be long-term.

The 10-year capital plan is a way to transparently let the people of Ontario know how big that plan is and where we

plan to spend the money: \$70 billion in transit, \$27 billion for highways—both increases over the last year. Hospitals: \$48 billion in 50 new projects. Long-term care. Colleges and universities. Schools. In my riding in Pickering, as far as I've been able to determine, there has been no new school built in the last decade. Think about that. Population growth in Pickering is just booming and the schools are overcrowded. We need schools built. You come to this great province and you want to have a home? You've got to build houses. You've got to have roads and you've got to have public transit to get to your job, for the kids to get to school. You have to actually have a school, and you have to have people to staff that school. That's why our plan to build is so focused on infrastructure and labour, to make sure those two things can accommodate the future—not just now, but as we continue to be tremendously successful at attracting people from all around the world.

I saw a stat the other day that Southeast Asians—British Columbia traditionally attracted the most Southeast Asians. Ontario now attracts more Southeast Asians than British Columbia. People from around the world—Europe, South America, North America, Southeast Asia, Asia—are coming because Ontario is a place of stability. It's a place of freedom. It's a place where we have democracy, we have transparency, and we have good economic and fiscal management.

Mr. Rick Byers: Excellent. I'm happy to try and get you a meeting with the Minister of Education if you'd like to see if you can get some schools built in Pickering.

Hon. Peter Bethlenfalvy: Well, we have three now. We have three in the works, so he solved the problem.

Mr. Rick Byers: Good, good, good.

That probably ties it up, so I'll have one more question next round.

The Chair (Mr. Ernie Hardeman): Thank you very much. That does conclude the time.

We will now go to the official opposition. MPP Begum.

Ms. Doly Begum: Good afternoon, Minister. Thank you very much for being here and for answering some of our questions. I hope that you'll answer my questions.

I know that we've had pre-budget hearings and we also had a chance to listen to community members, and it's really great to have the feedback from some of the organizations. Before I begin some of the questions I have, I know that you were talking about the contingency fund, and I found some interesting notes from the Auditor General, who spoke about the budget from 2022 to 2025. In the review of Ontario's 2022 budget, the Auditor General found "the understatement of provincial revenue from corporate taxes for each of the three years" going forward is questionable. "As well, contingency funds recorded in other program expenses for the three-year period appeared to be overly cautious." This is from 2023, 2024 to 2025.

She talks about the contingency fund, and I know you've mentioned what this contingency fund is supposed to be about. A question or something that I just cannot grapple with is that while the government—and I know

you come from the private sector, and you talk about being very cautious and careful with money. When we underestimate the corporate tax revenue amount, for example, the Auditor General also says, “When revenues are underestimated, the perception can be that the government has less funds available for decision-making than can be reasonably expected.” The auditor has also shown in the past that the government underestimated the tax revenue by about \$7.9 billion and \$7.8 billion in those two years, from 2021 to 2022.

I’m just having a hard time understanding how you would define “contingency” versus what I’m hearing and some of the issues that we heard from community organizations and people across the province. Because yes, it’s good to be cautious, but when we’re trying to be reasonable with people’s tax dollars, when we’re trying to be careful with the way people are managing their budgets—especially at a time like this, when everyone’s struggling. Across the board, across this province, it’s a very challenging time for people, so we want to be reasonable. We want to make sure that we are careful with their money, because it’s not our money. We are entrusted with people’s hard-earned dollars, and we have to be cautious. But how are you defining “contingency,” when you have about \$4 billion that you’re holding, as well as underestimating the corporate tax revenue?

1530

Hon. Peter Bethlenfalvy: Thank you, MPP Begum, for that question. And it’s two questions, one on corporate taxes and one on contingency, so if I can, I’ll start with the first one on corporate taxes. I’m very encouraged to hear your remarks, because I heard that, yes, it’s good to be careful and cautious with people’s money. I couldn’t agree with you more that those are very important principles.

In terms of the corporate revenues—and we did talk about that this morning, and I will pass it to the acting deputy in a second. Of course, corporate revenues are always volatile and unpredictable, because if you know how much money corporates are going to make over the next 12 months, then you should be not a politician; you should be investing in the stock market, because you’re going to make a fortune. But we have to have a forecast and we have to have a model. You would know as well that the variance that Ontario had, every single province had that same variance. There were forces well external to Ontario that were driving that.

The second thing you would know is that the Auditor General, working with the Minister of Finance, has come up with a new methodology based on data that we don’t have. The data actually comes from the federal government. Think about that for a second: It’s not our numbers; it’s numbers that we rely on, and it’s important that they provide us with those numbers to be able to have a more accurate forecast.

There was a finance minister in the early 1990s, a really impressive man. You should ask him how volatile corporate tax revenue is.

Ms. Catherine Fife: Floyd Laughren.

Hon. Peter Bethlenfalvy: Yes, there you go.

Interjection.

Hon. Peter Bethlenfalvy: No, no predictions.

I am going to ask the acting deputy to comment on the corporate revenues that you asked about, the forecasting corporate revenues.

Mr. Gadi Mayman: As the minister said, there were two parts to the question. I’m going to try to address the first part on the contingency funds, and then I’m going to ask Dan Brown, who is the province’s chief economist and the ADM at the office of economic policy, to talk a little more about the corporate tax forecast that we have.

There is a tie-in between the two, and that tie-in is unfortunately the experiences that we had going through the pandemic and the incredible uncertainty that we faced. That goes back to my day job in terms of ensuring that there is enough money in the bank to pay the bills in order to be able to keep the hospitals operating, to pay for the schools, to do all those sorts of things.

Ms. Doly Begum: I understand that.

Mr. Gadi Mayman: So for that reason, and given the level of uncertainty, it was absolutely essential for us to have—and going forward—an appropriate level of contingency. When you compare to other provinces or other entities, you have to remember the fact that we have a \$200-billion budget, which is almost the size of all the other provinces put together; we’re 40% of Canada. So comparing their contingency levels to ours is not necessarily, on a dollar-for-dollar basis, the best way of doing it.

It’s also something that the rating agencies and investors take into consideration very much when they assess the credibility of our fiscal plan and our ability to borrow. So you may ask: Well, what difference does that make? One of the differences it makes is that, when we go out to borrow money, because of the conservative nature—and I say “conservative” in the small-c conservative way. In the way that we lay out the fiscal plan, it results in our borrowing costs actually being less than the other provinces. Other provinces may have fiscal situations that, at least in the past, were better than ours, and yet, our what is called “spread,” the amount that we pay above the government of Canada’s bond, is actually lower than it is for all of the other provinces at this point in time, which is—

Ms. Doly Begum: Can I just interrupt here?

Mr. Gadi Mayman: Absolutely.

Ms. Doly Begum: I’m just going to go out on a limb: Is it that you think it’s the dozens and dozens of court cases this government is dealing with, where we’re spending a lot of money, that we’re just saving a little bit? It’s a rhetorical question; I don’t expect you to answer this, especially the deputy minister. But, Minister, do we know how many court cases this government is fighting right now, exactly?

Hon. Peter Bethlenfalvy: I’m not going to guess. You can direct that to the Attorney General.

Do we have anyone who might be able to—

Mr. Gadi Mayman: No.

Hon. Peter Bethlenfalvy: I don’t think the Ministry of Finance would have that.

Ms. Doly Begum: Or at least an estimate of how much money is being spent on things like fighting Bill 124 in the courts with health care workers? It is people's tax dollars that we're spending to fight health care workers in courts.

Hon. Peter Bethlenfalvy: Again, we don't speculate on those sorts of things, but when the public accounts come out, which—you know, every year I'm out there in September on the podium with the President of the Treasury Board telling the people exactly what the Auditor General's opinion is of how we spent their money. That's where you'll find that information.

Mr. Gadi Mayman: If I could ask Dan Brown to come to address the second part of your question on the corporate tax forecast.

Ms. Doly Begum: Thank you.

Mr. Daniel Brown: For the record, I'm Daniel Brown. I'm the assistant deputy minister for the office of economic policy in the Ministry of Finance and chief economist. Thank you for your question. In your original question, you quoted the Auditor General's pre-election review of the budget, which was published in the spring of 2022, which happens to be around the time that I arrived in Canada and at the Ministry of Finance and into this role. When I arrived, it was made very clear to me by my boss the deputy minister, and by my minister, that getting on top of the historic problem that the Auditor General identified with the slight underestimation of corporate tax revenues was my top priority.

Historically, Ontario has had quite a strong track record in forecasting revenues. If we look at the 10-year period immediately prior to the pandemic, we compare very, very well with other jurisdictions. But we did accept and agree with the Auditor General that we had a historic problem in the particular area of corporation tax forecasts. That's largely because, unlike provincially administered taxes, we do rely on the CRA for the collection of corporations income tax and to provide us with the up-to-date data on which our forecasts are based. That data is always historic; it's always a little bit out of date, and it means we always have to suffer a degree of greater volatility for those federally administered taxes than for provincially administered taxes.

But as the minister said, we worked very, very closely with the Auditor General through the course of the last spring and summer on a new methodology. If you'll allow me to quote from the Auditor General's annual report, which was published in November of last year, she stated, "We reviewed the Ministry of Finance's new corporations income tax estimation methodology. We found that the estimates the ministry used for the year ended March 31, 2022 were reasonable." And so, we have, I'm pleased to say, now adequately addressed the Auditor General's concerns in that regard.

Ms. Doly Begum: Thank you very much for that. I really appreciate that, Dan. You can actually stay there, too, because I feel like I'll get some more answers.

Going back to the contingency funds, one of the things that the minister, I believe, previously spoke about—maybe this morning—was, how do we save for rainy days

and some of the things that we don't expect? When I look at the spending—and maybe I'll start with mental health because that's one of the things that I want to have an opportunity to talk about. When we look at the crisis that we're facing across the province post-COVID, it is enormous; the need is enormous.

1540

During the pre-budget hearing, we heard from CMHA CEO Patty MacDonald, who outlined that they'd had a 2% budget increase in the last 10 years—just 2%. They outlined that the sector needs at least about an 8% increase just to keep up with their base funding, not even to really keep up with what's happening across the board. The FAO estimates that mental health and addiction program spending will grow at an average of 4.6%. I didn't even mention inflation and, obviously, what kids went through during COVID, what a lot of seniors went through during COVID—isolation, all those things. There's just all-encompassing need.

Why has the government failed to invest in support for mental health, let alone really address the need that we're facing right now? Maybe I'll have the minister talk about that.

Hon. Peter Bethlenfalvy: I'll start, and maybe we can go into more specifics about the actual amount of money that we're allocating to mental health and addiction.

First off, I agree with you that this is a very important challenge we face as a society. We have challenges not just in physical health, but, clearly, in mental health and addictions. We see it as a top priority within our government, so that's an area that we completely agree.

With regard to the base rate increases, you're right. I met with all the organizations that—you touched on one.

Ms. Doly Begum: And I know you had five of those 10 years—you're not at fault for all 10 years; you've only had the five years.

Hon. Peter Bethlenfalvy: So you're only giving me half the criticism instead of the full criticism.

Ms. Catherine Fife: We're toning it down.

Hon. Peter Bethlenfalvy: You're toning it down 50%, but I'll run with that, because I think we need to continue to invest in providing supports for mental health and addiction.

Specifically on the base rate increases: We allocated 5%—and I'm sure your team has looked at all the very grateful quotes, not only from the Canadian Mental Health Association organization, but CAMH, all the major community-based mental health—because it was really important to provide support in the community. And that 5% increase—and you mentioned 2% over the last 10 years. In one year, 5%.

I would add, another thing that we think is really critically important—it's tangential, but it's strategically very important—is the Homelessness Prevention Program and housing support, supportive housing. We increased that budget by 40%, from \$500 million to \$700 million. It's absolutely critical that we make major investments in homelessness prevention—

Ms. Doly Begum: Respectfully, Minister, I think we're hearing very different things from our communities,

because when I talk to CAMH or when I talk to some of the local mental health organizations, local community groups, they can't even keep up with staffing levels.

Hon. Peter Bethlenfalvy: With respect, I talked to the same organizations. A 40% increase for homelessness prevention is material and meaningful.

Is there more work to do? We all have, collectively, as 124 members, more work to do. I appreciate that you are working in your community, and it's all 124 of us who have to deliver for our communities.

What I was going to say is that it's not just homelessness prevention and supportive housing, but it's also bringing some of those mental health and addiction supports to the people in supportive housing; bringing in physiotherapy or whatever need is necessary, to give those people a shot. That's why, in this budget, we put in a significant amount of more funding both for mental health and addiction, way beyond what the federal government has given; we've matched that but of course significantly upped that, including in the last budget, for that base rate increase of 5%.

Ms. Doly Begum: I appreciate the response. I just feel that it does not meet the needs of today and it does not meet the reality that we're facing right now.

Just to go back to some of the things that we're talking about: The mental health sector is losing staff. I think they have a vacancy rate of about 17%—I can't find the exact number right now, but if I recall correctly, it's a 17% vacancy rate and 50% turnover, and it's because a lot of these staff are not paid well. They are also going through a lot of struggle themselves. When we look at our first responders, for example, from EMS to police, a lot of these first responders are also facing mental health crises themselves. One of the biggest investments that they all call for is investment in mental health support. If our contingency funds or if our provincial dollars are not spent on something like this—if that's not a rainy day, I don't know what is.

I want to move on to another thing that you talked about, which is housing. First, I'll begin with municipalities. There is a huge loss of revenue that municipalities are facing and will be facing, Minister, because of your government's recent legislation which really gives developers an advantage—while they're not building any affordable homes, they're not paying their dues to municipalities. Just recently, the government had to make up for the \$700-million shortfall for Toronto. We're hearing again that they're going to struggle with their budget. Other municipalities will face the same thing as well.

Do you think that's actually a strong fiscal position for this province to have, where they starve municipalities first and then have to go and make up for this shortfall?

Hon. Peter Bethlenfalvy: What I think is, first off, we have a housing crisis in this province. The big city mayors, who we've talked to to build and support the housing, that represent 70% of the population, of course, along with the Association of Municipalities of Ontario—they've all committed to the targets. So we all agree that we need to build more houses. We can't do it without the municipalities. They all agree that they want to meet those

targets. But we need to deliver. That's why the minister and our government have said that we'll sit down with those municipalities who are receiving—

Interjection.

Hon. Peter Bethlenfalvy: One minute? Is that what you said, Chair?

The Chair (Mr. Ernie Hardeman): One minute.

Hon. Peter Bethlenfalvy: One minute, one minute. We'll work with them to make sure that they've got the funding necessary to provide the infrastructure. That's something that, as you know, is ongoing. But that does not take away that everyone, from the municipalities to the province to the federal government, agrees that we need to increase the supply of not just attainable housing but affordable housing. You know this. Purpose-built—

Ms. Doly Begum: But the problem is, respectfully, Minister—

Hon. Peter Bethlenfalvy: Sorry, it's your time.

Ms. Doly Begum: I'm running out of time. So, respectfully, the municipalities—actually, AMO—came out and said that they're going to face about a \$5-billion shortfall. All the things you're mentioning—I agree that municipalities need to take care of that. We need housing. Except these charges, for example, and what your government is doing—you're not building affordable homes. Just putting up a structure—

The Chair (Mr. Ernie Hardeman): Thank you very much. That concludes the time.

MPP Byers.

Mr. Rick Byers: I wanted to ask one question before passing it over to my colleague MPP Cuzzetto on the borrowing program. You've talked a little bit about it before. I want to ask two things, really. Number one: You mentioned, Minister, Ontario had the world's largest non-sovereign—

Mr. Gadi Mayman: Sub-sovereign.

Mr. Rick Byers: —sub-sovereign, excuse me—borrowing program, and we're now in a different phase. I'm curious about how challenging it has been when Ontario was in that phase and some of the improvements you've seen. Relatedly, your green bonds program: How's that working and how has that impacted your borrowing program? So a couple of points on borrowing.

Hon. Peter Bethlenfalvy: Can I start with the green bonds program?

Mr. Rick Byers: Of course.

Hon. Peter Bethlenfalvy: I'm so proud of that program. We travel the world talking to investors. One of the things that they tell us over and over again, apart from that they are incredibly envious of Canada's stability, democracy and freedom, is that they're incredibly envious of our green grid, our virtually zero-carbon-emission grid in Ontario for our electricity generation. We were in Germany. When we tell them, "Well, we've got to have a little bit of gas in the interim until we get to zero gas, but we've got to get there as we bridge to find alternative sources to take us to 100% from 90%," they go, "Can we have that 10%? We'll take that, because we're firing up coal right now." When we talk to Japan, 24% of their electricity is

based on coal. When we talk about the US, for one third of the states there, their primary source of energy is coal. In Ontario? Zero, squadoosh—a technical term I use at Treasury Board. So that’s the envy of many jurisdictions around the world.

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Getting back to funding on green bonds: That framework was put in place in 2014 and was used as a mechanism to be able to attract funds for green projects, and I’m happy to report that since then we’ve continued that record of funding green bonds in the capital markets. We now have issued \$15 billion of green bonds—which actually, in many cases, are at a lower cost than our regular bonds, because there’s investor demand for green bonds. In fact, we did one about eight weeks ago—a billion and a half dollars. Think about that: a billion and a half dollars, funding five distinct programs, four in the clean transportation program and one in the energy efficiency and conservation program.

What’s also important to note is that we’re updating the framework. We’re in the process of updating that framework, and it’s out for second-party review right now. We’re giving the framework an overhaul to be able to expand our ability to capture all ESG-type financing—environmental, social and governance financing—so that we have more projects—we have a significant amount on the issuer side—that we can fund with these green investments. We can take that money in.

I’d also say, on the issue of transparency and disclosure, that global investors really appreciate our track record of disclosure and transparency. What do I mean? Well, first of all, these funds that we raise have to go to these green projects—transit projects, other projects that I just mentioned. The Ministry of Finance, through the acting deputy minister’s leadership, puts out an annual disclosure of where all the funds attach to which projects. That’s important from an information and disclosure point of view. The second, from a trust point of view, is that the Auditor General does an insurance audit of each of these projects, and that’s very important in the world, that if we’re raising money for green, clean energy projects, the funds are actually going towards those projects. So that’s fundamental, and we’re going to continue in that regard.

It’s very important to me and it’s very important to our government that we have a clean economy. I can tell you, investors around the world are very envious of Ontario. In fact, that’s why companies like Volkswagen come to Ontario. It’s one of the reasons, among many, that they come to Ontario. So we have a competitive advantage there.

With regard to the first part of your question—you’ll have to remind me of the first part of your question.

Mr. Rick Byers: Well, just how we, as the biggest sub-sovereign borrower—just briefly on that topic, how it has evolved.

Hon. Peter Bethlenfalvy: I just get so excited about that green bond program.

What’s really important is that we—and this is a legacy that has gone through many decades of great leadership at

the Ontario Financing Authority, by having a borrowing program that taps into capital right around the world. Ontario is known as one of the best issuers in the world. It focuses on liquidity. It focuses on transparency and disclosure. That’s why we’ve travelled in many parts of North America and Europe and parts abroad to make sure that we are updating investors about the Ontario story. It’s also important, as part of that borrowing program, which is \$27.5 billion this year—by the way, that’s the lowest borrowing plan since 2016, and it’s mainly going for infrastructure, which are good, long-term, real assets, the type of funding that I like to do. What’s important is not just the funding and the liquidity but the term structure of that funding.

Again, the Ontario Financing Authority and many at the Ministry of Finance who are behind me do an incredible job at prudently managing the funding program and the borrowing program to turn that debt—in fact, we just issued last week a 30-year bond at a very attractive rate and, as I mentioned this morning, at a tighter spread than BC or Quebec, which we haven’t seen in decades, folks. That means we’re paying less interest expense relative to others, and we can put that either to the debt or to investments. It gives us options.

So those are some of the characteristics and why it’s so important not only that you do have a credible fiscal plan but that you have a credible fiscal borrowing program.

I might pass it to the acting deputy if he wants to add anything.

Mr. Gadi Mayman: I don’t know what to add; you were pretty extensive. I was thinking that I did a very good job of delegating up the answer on green bonds.

The minister has really covered most of what I would say. One thing that I might add to it is the focus that we have been able to place on the domestic market, so the Canadian bond market. When the borrowing program was larger and when the deficits were bigger, our target was to borrow 65% to 80% of the bonds that we issued in the Canadian dollar market. We do that because it’s less expensive for us, and it takes on less risk because when we borrow in foreign markets, we do something called swapping, back to Canadian dollars. We take that foreign currency liability and we convert it back to Canadian dollars. That’s because if it’s a 10-year bond, we don’t want 10 years from now to find out that, “Oh, wow, the US dollar is worth 20% more than it was when we issued the bond,” and so all of a sudden we have to pay back more. So we enter into a series of transactions to make that back into Canadian dollars, but that adds an extra burden and extra cost onto how we borrow.

We think it’s important to borrow internationally and to keep our presence in the international markets, though, as a form of insurance, because things happen. Whether it’s a global financial crisis, whether it’s a pandemic—hopefully, it will be neither of those in any of our lifetimes again, but things happen, and all of a sudden, the borrowing program becomes larger. When the borrowing program becomes larger, it is important to have access to markets all over the world. In order to have that access,

it's important, at times like this when we don't necessarily need to have that access, to go—and if you think about it, it's when we go and visit with investors outside of Canada at times like this that they're very willing to listen to us, because we have a very good story: a very good fiscal story, a very good credit-rating story. If we were to show up on their doorstep after not having borrowed in those markets for three years, four years, five years and there's a global crisis going on and say, "Hey, remember us? You used to buy our bonds," they might say, "Yeah, and we've got other things to worry about right now."

So we do try to provide "liquidity," we call it, in the international marketplace, where we provide the opportunity for investors to buy our bonds on a regular basis. But what we've done because of the smaller size of the borrowing program and because of the nature of what we're borrowing for—that we're no longer borrowing for deficits of any significant size, and starting next year, no longer borrowing for deficit at all, has allowed us to up the proportion that we borrow in the domestic market from that 65% to 80% target to 75% to 90%. So our target this year is to borrow between 75% and 90%.

We have a historical record of being able to do that—if you want to call one year historical. Last year, we actually borrowed 88% in the domestic market, and so far, this year, we've borrowed 99% in the domestic market. We will, though, continue to borrow internationally for the reasons that I mentioned. We do plan to do at least one, maybe two US-dollar deals and one Euro deal this fiscal year. But to go back to your question, the big difference from the past is that we're now borrowing in those markets because we want to maintain our presence for the future, not because we need to. When our borrowing program was larger and when the credit was under more stress, we were borrowing in those international markets because we needed to.

Mr. Rick Byers: Great. Thank you very much.

Mr. Gadi Mayman: You're welcome.

The Chair (Mr. Ernie Hardeman): MPP Cuzzetto.

Mr. Rudy Cuzzetto: Thank you, Minister, for being here. I know you mentioned 1990. I remember working at the Ford plant then, and the minister at the time came in and he was booed by unionized workers. And then, in 2017, another finance minister said that Ontario was not a jurisdiction to build automobiles. So what has changed since we've taken office and have been able to attract \$25 billion of automotive investment here in the province Ontario under your leadership?

Hon. Peter Bethlenfalvy: Thank you, MPP Cuzzetto, for that question. You're doing a fantastic job as parliamentary assistant to the Treasury Board. My heart is always very close to Treasury Board, and you're doing a terrific job there.

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It's a great question in terms of seeing the number of jobs leave Ontario in the automotive sector. You asked the question: How have we been able to reverse that? It's been painful to see those jobs leave. It's one of the reasons I got into politics: to maybe help reverse that trend, fix the fiscal

situation and reverse that drain of good-paying manufacturing jobs out of Ontario.

In Oshawa, when they closed that last line, which cost 1,500 jobs, I was in the car with the Premier. Of course, the union leaders gave out his cell phone number, and so for an hour and a half in the car we got call after call, and he took every single call. He said, "Hang in there. I've got your back. I'm going to rebuild this industry." And sure enough, we've been rebuilding that industry.

How have we been doing that? Well, first of all, in partnership with those workers, to champion together making Ontario a place to invest again. Now, there are many things to that:

(1) Creating the conditions to invest in Ontario: You all know we have a Minister of Red Tape Reduction. I don't think any government has had a Minister of Red Tape Reduction, at least that I'm aware of, a fully dedicated minister to take a close look at what we've got. We are the red tape capital of North America, for crying out loud. Business and people and others don't really like red tape if it's not smart.

(2) The cost inputs: In Ontario, we've been able to reduce the cost of doing business, as reported in this budget, by \$8 billion in 2022-23, a significant reduction of cost inputs for not just large companies, but small- and medium-sized companies as well.

(3) The labour pool: We've got the best workers. I'll put our workers against any other construction workers, auto manufacturers, teachers, health care workers; I'll put them up pound-for-pound against anybody in this world. But we've got to have the capital investment, otherwise they're not going to be hiring those great workers.

So attracting that investment has been due to our government's efforts, the Premier's leadership and our colleagues the Minister of Economic Development and the Minister of Labour. It's a team effort to attract that capital, and that's why \$25 billion in the last two and a half years has come to Ontario. Think about that: \$25 billion. That's how much flowed out, or more—losing plants and capital investments to Mexico, to the United States, to other parts of the world. They're coming back.

So that's how we're doing it. We're selling Ontario. We have tremendous strengths. It's not just the Canadian dollar; it's our health care system, our education system, our critical minerals in the north. We have the labour, we have the quality of life, and we have municipal, provincial and federal all pulling in the same direction. I don't know that I've seen anything like that in decades.

Mr. Rudy Cuzzetto: Thank you. How much time do I have?

The Chair (Mr. Ernie Hardeman): Five point two.

Mr. Rudy Cuzzetto: Okay. With all the infrastructure projects that are happening around the province of Ontario, and with inflation, are we on track to keep these projects going in the province of Ontario?

Hon. Peter Bethlenfalvy: Well it's absolutely critical, first of all, that we have the plan to build the infrastructure and have that vision. I'm very proud of our Premier, who is the chief infrastructure officer, if you will, in Ontario,

which I fully endorsed. It's one of the reasons that I got into politics.

When I was at the credit rating agency, in the capital markets, we always talked about the infrastructure deficit of Ontario. Third parties would calculate that infrastructure deficit in health care, in public infrastructure for roads and for transportation. We have five subway lines being planned or being built, shovels in the ground. When was the last time? It was probably 1910 that we had five shovels in the ground, when the original subway was built, for crying out loud.

And with that population growth, we need highways. Why is Highway 413 so popular in Brampton and in Mississauga? Because people need to move. They need to move. They need to get to work; they need to get their kids to school; they need to get there in real time. So that infrastructure spend—they need to take their kids to school; we need to build the schools, and so on and so forth. That's why that's so popular, and we'll continue to do that.

Now, your question was very focused on the cost of building that infrastructure. We live in a world where the cost of many things has gone up. That's the reality of the world that we're in. But through a number of mechanisms that we've been able to introduce, which are ideas and concepts like progressive build—which is taking projects and putting them in more discrete bundles, to be able to get more competitors and get value for taxpayer money. That's just one example of the types of innovation that we're doing in infrastructure, because make no mistake, we're going to build right through the cycle. Whatever is around the corner tomorrow, we're going to continue to build, and we're going to continue to invest in Ontario, the infrastructure and the people that are here and the people that are coming here.

Mr. Rudy Cuzzetto: I want to thank you, Minister. I agree with you: I look at the projects in Mississauga–Lakeshore alone—the largest hospital in Canadian history, the largest long-term care in Ontario as well as the LRT being built, the GO train station being built, the BRT on Lakeshore, the GO train station being built as well. I've never seen that many projects being done in one location in my life. I've lived in Port Credit all my life and I've never seen that. So I want to thank you very much for everything that you're doing as the Minister of Finance for the province of Ontario.

Hon. Peter Bethlenfalvy: A pleasure, thank you.

The Chair (Mr. Ernie Hardeman): Two point three. MPP Triantafilopoulos.

Ms. Effie J. Triantafilopoulos: Minister, I've got a question for you as well. Given the economically uncertain times that we have been living through, the cost-of-living increase, inflation etc.—needless to say, the hardest-hit individuals are people on fixed incomes. Could you address some of the targeted programs that we have as a government to be able to support those individuals?

Hon. Peter Bethlenfalvy: Thank you, MPP Triantafilopoulos—seventeen letters, and you know I know that because her signs came to my office and I

counted the letters. I've got 12, so I think we've got the market cornered on long names. Thank you for the question.

There's no question: Not only were people hard hit through COVID, which impacted individuals, which impacted many small businesses, which impacted our economy—we saw a 12% drop in GDP. In the history of, I think, the economy, going back even to the world wars, it never dropped that much in such a short period of time. People have been challenged. Then, as a consequence of all that contraction in the supply chain and now war in the Ukraine, inflation has hit people very hard. We recognized that very early on.

That's why we provided targeted and time-limited relief very specifically to those that would help with their day-to-day bills.

The Chair (Mr. Ernie Hardeman): One minute.

Hon. Peter Bethlenfalvy: For example, I'm thinking of the Guaranteed Annual Income System for which, for 200,000 low-income seniors, we expanded the amount of benefit from \$1,000 to \$2,000 maximum—a 100% increase—and, for the first time ever that any government has ever done, indexed the benefits to inflation.

We targeted the Ontario Disability Support Program with a one-time increase of 5%, which is the largest increase in over two decades to the ODSP program. But for the first time ever, we indexed it to inflation.

But we didn't stop there. Also, in the fall economic statement which preceded the budget, we increased the earning exemption per month without impacting benefits, from \$200 a month to \$1,000 a month. Think about that. For the many people who can and want to work on disability, they could keep more money in their pockets—

The Chair (Mr. Ernie Hardeman): I am going to have to stop there.

We will now go to the opposition. MPP Begum.

Ms. Doly Begum: I'm pleased to maybe carry on the conversation that the minister was just talking about. You mentioned ODSP and the threshold change from \$200 to \$1,000 for income when it comes to anyone receiving ODSP. One of the questions, I'm sure, Minister, you heard me ask about in the House is why did the government—while that is actually something that we applaud, to have changed from \$200 to \$1,000, unfortunately, it ends there. If you have household income, if you have a spousal income for example, there is clawback. A partner making an income—that \$1,000 threshold is not included. It is the same thing with CPPD as well. If you have CPP disability, that is not included as well.

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I talked in the House about an example where we had a case where—actually, we have had multiple cases where constituents talked about the frustration that they're facing, because if their kids are making an income and it's part of their household income, or if someone's husband or wife has an income, that's part of that living. Actually, one of the cases that I talked about in the House was someone who works a minimum-wage job. She doesn't have particular hours, but they cannot plan for

their month, because by the end of the month, depending on how much she makes her husband's ODSP is actually clawed back. Our province actually takes away money from this individual who we're promising to give disability benefit to because his wife has a minimum-wage job. She works hard, and she tries to add to it for their monthly—I wouldn't even say to pay all the bills, because one of the things they're struggling with is the ability to keep up with their bills. So now they're figuring out how they actually keep that job while trying to get ODSP.

Why did the government not include spousal or family income within that threshold, as well as CPP? Because when you have the federal government provide any disability funding, unfortunately what the province does is it goes in and says, "Well, you know what? There's a maximum amount of \$1,100 that you will receive. So if the federal government has given you a little bit of cash, we'll take away the amount that we give you," which is really not fair. I'm sure you will agree with me, and I hope that the ministerial staff here will agree with me. Is this something that I can expect the ministry to go back and actually rethink, this strategy? Because it's a very unfair model that we have right now.

Hon. Peter Bethlenfalvy: Thank you for that question. Again, I'm glad that we agree that this is an important area to focus on. There's always more to do, there's no question.

But I would take you back in time: Over the last decade, there was an opportunity to do many of these things—over the last 10 years. If I recall correctly, from 2011 to 2014, you supported the Liberal government. There was an opportunity—

Ms. Doly Begum: I did not. I was not here.

Hon. Peter Bethlenfalvy: Well, your government, your party, at the time.

Ms. Doly Begum: The last time the NDP was in power was, I think, when I was born—right after I was born.

Hon. Peter Bethlenfalvy: You held the balance of power in 2011 to 2014 and supported a minority government—important for the record; that's a fact.

Look at the record of our government. I mentioned the moves on increasing the Ontario Disability Support Program by 5%, indexing it to inflation. Any government could have increased the earning exemption. They didn't. We did.

But it goes beyond that. You talked about minimum wage. The minimum wage is set to increase on October 1 to \$16.55, the second highest in the land. And we've actually taken action to reduce the tax paid on income up to \$50,000 by having low personal tax rates, but also providing the low individual and family tax credit, so that lower-income workers, such as the one you mentioned, are able to put more money in their pockets.

I talked about the GAINS for low-income seniors, and in this budget, we expanded the eligibility so that another 100,000 low-income seniors will be able to benefit from the Guaranteed Annual Income System. We're taking action.

I might just ask the acting deputy if there's any specific part of the MPP's question that you wanted to address.

Mr. Gadi Mayman: Was there something that—

Ms. Doly Begum: No, actually. Thank you, Minister, for answering that, but I want to go back and ask if you would consider rethinking the model that you have. You mentioned how people are struggling, and if someone is making minimum wage it is hard for them to have enough in their pocket to make up for the bills that they have to pay. Rent is extremely expensive; your government has taken away rent control.

One of the things that we hear from a lot of seniors who are on disability, for example: The frustration here is that this current model takes away about a 75% deduction of earnings for above \$1,000. That's the threshold that you have for income. But even that minimum threshold does not exist when it comes to spousal or family income, or for CPP. So basically we go in there and we say, "You know what, there is a maximum amount that you'll get. So whether it's the federal government or the province, we'll come back and we'll make sure that you get less money because the federal government has given you a disability amount."

Hon. Peter Bethlenfalvy: Look, as I've said before—

Ms. Doly Begum: I know it's a little bit complicated, and I'm trying to explain what the model is. If you need me to explain, I'm happy to elaborate on that.

Hon. Peter Bethlenfalvy: I understand, absolutely, what you're saying. There's a lot of detail there. I would say a couple of things, and then I'll pass it to the acting deputy.

First off, we're always welcoming good ideas. In fact, in the budget consultations, which you participate in through SCOFEA—but also directly, I'm open. You've come to me before with budget ideas, and I would encourage you to continue that. I hope you would agree that I'm someone who listens; I listen to constituents—but for all parties. We constantly do that. That's important. I know you represent your constituents very well.

On the specifics of the clawbacks, which is one of the reasons that we increased the earnings exemptions—it's one of the reasons that we made sure that benefits were not reduced as a result of that increase—I'll pass it to the acting deputy minister.

Mr. Gadi Mayman: Well, to get further details—because you actually know more details than I do. I'd suggest this is something that the ministry of community—I always forget—MCCSS.

Hon. Peter Bethlenfalvy: Ministry of Children, Community and Social Services.

Mr. Gadi Mayman: Thank you very much, Minister. They would be able to provide more of the details at the detailed level that you're looking for.

Hon. Peter Bethlenfalvy: My staff can reach out to you to learn more about your constituent's issues so that we have a good understanding.

Ms. Doly Begum: I would really appreciate that.

If I could just use 30 more seconds to explain to you—for example, let me tell you the type of stories that we have in this province.

We have a couple and the husband has cancer and is on disability right now. The wife has just enough to keep up with the rent, the bills for everything. They have kids. They're trying to keep up with all their expenses. But as soon as the wife makes just a little bit more than the threshold, his disability goes down. His disability amount is way less than what he used to make. His wife is a health care worker. She comes in, and they're in tears, and I don't know what to tell them, because I don't think it's fair for our province to be clawing back money that we're promising someone on disability. That's not something we should be doing. I would really appreciate having the ability to have that conversation with the Ministry of Finance and the other ministry to change that policy.

How much time do I have?

The Chair (Mr. Ernie Hardeman): There's 10.4.

Ms. Doly Begum: Thank you so much. I'm going to pass it on to my colleague in just one more second—I lied; not one more second, a few more minutes.

I do have one more question that I wanted to ask on the previous comment that we had about municipalities and the loss that they're facing. One of the things that we're constantly hearing from a lot of people—and not just in Toronto; actually, across the board in other municipalities, as well—is the way that a lot of people, a lot of taxpayers, will be footing the bill for the shortfall, and that will come through things like property taxes. So would the minister agree that a regressive policy like an increase in property taxes is something that we should be doing?

When we look at the fact that municipalities are now facing a shortfall because of this government's policy failures and the decisions to give developers an opportunity to make more, to have a profit—but, rather, helping municipalities that are providing services like child care, libraries, mental health support, community support. And they have day-to-day needs like water, garbage etc.—all those things. They're trying to keep up on a fixed budget. They don't have the ability to have a deficit. And here we are making municipalities have a situation like this, where they have to figure out how they are going to keep up with their expenses.

One of the things that a lot of municipalities are talking about is property taxes, and a lot of people are worried. Mortgages have gone up—we have seen what the federal interest rates have looked like. And I thank you for the response that you've given for the petition that I submitted from a lot of constituents who talked about the fact that they have high mortgage rates. Rent is extremely expensive. People are having a really difficult time, so this is not something that they can give any more to. I think people have emptied their pockets, and we're asking for them to do that and then some. What would you do to help municipalities get through this difficult time that this government has created, really, I would say, through the legislation that we've passed over the last couple of years?

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Hon. Peter Bethlenfalvy: Well, first off, property taxes are the remit of the municipalities. Right now, it's independent of the development charges in Bill 23 because that just passed. To add to that—

Ms. Doly Begum: That's a result.

Hon. Peter Bethlenfalvy: Well, no, it isn't until it starts to go through. That's why we're talking to the municipalities and going through that. We've got audits in Toronto and are working with Peel region, as you would know, and other municipalities to make sure that we have that discussion to work together on that.

One thing that I would say is that it's a bit of a challenge when you've got a housing crisis. It's important that we work together with municipalities, as well as the federal government. We always think the federal government could do more on the housing side. I was somewhat disappointed to see in the federal budget that there wasn't much in this last budget for more housing and to support housing. In fact, we have submissions to the federal government to encourage them to work with us and to provide relief for municipalities and work together.

We've been there for municipalities. I think you would acknowledge that. Even in Toronto, we've been there. I've heard the deputy minister and other councillors ask the federal government to uphold their commitments to help out the municipality of Toronto.

Clearly, we are going to work together on this, because it's just not fair to all those people that come to Ontario—the people that are here starting families or wanting the dream of home ownership, that want to have a roof over their heads. Because of a constriction of supply, it's just not attainable, it's not affordable. I said earlier that some of the challenges that we're very much working on is making sure that more purpose-built rental buildings are built. We're having success in that regard.

There will be ups and downs through a cycle, but don't underestimate our commitment to getting this job done, to get those houses built, to get those condos built. It's good to see that Toronto, particularly in the mayoral conversations, is supporting building more apartments and condos and homes. It's good to see Mississauga support that. Thank you, Mississauga. It's good to see Brampton support that. In fact, municipalities across Ontario are supporting that and working with us.

Ms. Doly Begum: I want to make it clear that we also support building affordable homes on the whitebelt, on land that is zoned for building homes. I think it's very important to make sure that we build in a way that does not impact people's ability to rent or agricultural land or green spaces.

I want to pass it off to my colleague here from Waterloo.

The Chair (Mr. Ernie Hardeman): MPP Fife.

Ms. Catherine Fife: Minister, you had talked really briefly about the GAINS increase. It was in schedule 8 of the budget. I just want to let you know that we did try to change the timing on that, because the GAINS in your budget doesn't come in until July 2024, which will leave a gap. We moved an amendment to actually have it come in in January, but the members voted it down. I'm not sure why the timing of July 2024 was set for the GAINS increase, but I can tell you honestly that it is needed now, not in July 2024.

I want to go back to the annual corporate tax revenues and also tie this into the legislative impact on the budget and expenditures. The annual corporate tax revenues rose \$12.5 billion between 2019 and 2022. That's an 81% increase in just three years. The annual revenue from personal income tax revenue rose \$15 billion in that same three-year stretch, and that's a 40% increase. In contrast, the revenue for Ontario towns and cities rose only just by \$3.5 billion, which is only a 17% increase for our municipalities over the course of four years.

Municipalities in Ontario deliver not only the local services—we've had a conversation about this today; the police, the fire protection, transit, water, sewers, waste collection—but they also have roles in public health and social housing and shelter for the homeless. AMO has been very vocal on Bill 23. They have predicted that, over the next 10 years, there's a \$10-billion price tag—that's a big number. I know that you often say that there's only one taxpayer and, ultimately, that's where the buck stops or doesn't.

I wanted to ask you about the state of affairs right now with regard to the financing and resourcing of municipalities. You'll know that the Minister of Municipal Affairs had said that he would be making municipalities whole following the auditing process, but we just debated, for seven hours and 29 minutes, the dissolution of the region of Peel, and that has passed without having a financial plan to make up for some of those infrastructure deficits between Mississauga and Brampton and, certainly, with Caledon.

Have you done any forecasting of what this is going to cost the province? Because the money has to come from someplace, and I don't think that it should come in higher property taxes or personal taxes.

Hon. Peter Bethlenfalvy: I'm not a proponent of higher taxes. That is not something that is our party's preference, or this government's preference. I would say that, both on the separation of Peel and the development charges, there's a process in place and we'll let that process unfold.

I would also say that we've been there for municipalities—clearly, through COVID, we were there with supports through the Safe Restart program, which was very well-received. But independent of that, I'll just point you to a number of other areas where we've been there to support municipalities, not just in the urban centres, but right across the province.

It starts with the Ontario Municipal Partnership Fund, which AMO has been very grateful year after year that we've kept at \$500 million. We've added, through the Ontario Community Infrastructure Fund, which helps almost 400 municipalities—we've doubled it from \$1 billion a year to \$2 billion a year and we made a commitment for five years straight so municipalities could plan more effectively. As I mentioned earlier, the Homelessness Prevention Program, which affects many communities—

The Chair (Mr. Ernie Hardeman): One minute.

Hon. Peter Bethlenfalvy: We've been there for them. We also put an unprecedented amount in infrastructure

broadband for municipalities; it was one of their big asks—

Ms. Catherine Fife: That's an excellent example of the lack of transparency. That funding is not flowing.

Hon. Peter Bethlenfalvy: The broadband funding?

Ms. Catherine Fife: Of course not.

Hon. Peter Bethlenfalvy: It absolutely is, to my understanding.

Ms. Catherine Fife: No, it is not. We have the estimates, and I'll get the number for you, but that's another example, Minister, of a promise—and we all support broadband, but the investments are not getting out into the communities. Our critic has been very vocal on that.

I'm going to run out of time, but I will come back to infrastructure, because I want to talk about public-private partnerships. I'm sure it's your very favourite topic. Thanks.

Hon. Peter Bethlenfalvy: I have many favourite topics and that's one of them.

Ms. Catherine Fife: I'm glad.

The Chair (Mr. Ernie Hardeman): That concludes the time there.

We'll now go to the government. MPP Triantafilopoulos.

Ms. Effie J. Triantafilopoulos: Minister, I had one more question for you. It has to do with our government having signed two major agreements with the federal government. One was on child care, and that was a historic agreement that was signed, and then the other was on the health care funding.

I wondered whether you might be able to share with us and speak more directly about some of how the federal-provincial co-operation on funding does, in fact, support our current government's plans.

Hon. Peter Bethlenfalvy: Thank you, MPP Triantafilopoulos from Oakville North—Burlington. Look, those are two very important initiatives—again, working with the federal government to land what I think are some very successful initiatives, particularly in child care.

Let's start with child care—that's one of the initiatives, where we had been increasing child care tax credit expenses early in our mandate. We recognize the need to provide child care support to families who needed child care support in this province, and I'm very proud that our government moved early and meaningfully to support many families in Ontario.

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I can say specifically, with regard to the child care deal, I believe that we got the best deal in Canada. I say that for a number of reasons. First off is the fact that it's a six-year deal and that we have agreement on a reopener, because one of the things you're always concerned with is that the money falls off a cliff. So it has to be sustainable, it has to be predictable and there has to be time to continue the agreement. Number two: Well over a quarter of all child care spaces are operated by for-profit organizations, and we fought hard to include for-profit organizations. You want to know something? Virtually all, 90%-plus, are owned and operated by women—so not giving the opportunity for the private sector, for women, to be able to

operate and provide child care services. We fought hard for that, and the federal government agreed. Finally—and we’ve probably all seen this in our communities—there aren’t enough child care spaces. You’re offering \$10 a day, but there’s no space, and your child ages pretty quickly. My three children have aged pretty quickly, I’ve noticed—it just happens like that. That’s why it was so important to get the agreement to increase the number of child care spaces to 86,000 child care spaces. It’s been very good social policy and it’s good economic policy. We negotiated, I believe, the best deal in Canada. We protected Ontario residents, protected Ontario families and fought hard to land that deal.

Now, with regard to the Canada Health Transfer, as you know, we fought hard. The Premier took leadership with the Council of the Federation to negotiate with the federal government to have a better deal for health care through the Canada Health Transfer. We all know that it was set up over 50 years ago as a 50-50 split between the federal government and provincial government. Some would argue—they would argue—that some of the tax points that were transferred in the 1970s were recompense for the fact that we now fund 78%. I would argue the math doesn’t work, that it’s nowhere close to 50-50 even with tax point transfers.

So we fought for a better Canada Health Transfer program, and while it wasn’t the deal that we were hoping for in the Canada Health Transfer, we were able to, again, have agreement on reopeners, because you want to make sure you have the certainty and the sustainability of the funding of that model. We were able to also get some of the funding to flow early. I think it’s \$1.6 billion; over three years, \$4.4 billion flowing incrementally to the province of Ontario over three years. Our budget increase for health care is \$15.3 billion, so thank you to the federal government. It’s a good start, but it’s just a start to return the federal-provincial transfer program to its original intentions and purposes of being a much more meaningfully shared program. We’re grateful to have some money from the federal government, but we’re investing a lot more in our health care system.

Now, it’s not just about the money, because our population not only is growing—the quantum of the population is growing; clearly, the impacts to the cost of everything; thirdly, an aging population. We have over 2.6 million people over the age of 65 right now. That’s going to increase by another two million over the next 20 years. We have to be ready. And where is some of that money going? Well, it’s going to build long-term-care facilities and hospitals, the infrastructure necessary to take care of our people.

But it’s also thinking differently in saying, “You know, people want to age at home.” Home and community care is a fundamental pillar of the direction and the vision of this government, so if we can provide the level of services that you would otherwise get at a community facility, a long-term care facility, at a hospital, and we can provide that at home, that’s an important part of our plan for the future. In fact, we increased the funding for home and

community care significantly to achieve that goal by allowing them to increase the contract rates, because the other part of building the infrastructure and delivering health care is you need the people. We need the personal support workers. We need the nurses. We need the specialists. We need the physicians. That’s why a significant amount of funding is going to make sure that we have the people. Now we’re competing against not just other jurisdictions in Canada, but the developed world that has an aging population. The good news is that Ontario has a plan, it has the funding and it has the political will to get the job done.

Ms. Effie J. Triantafilopoulos: Thank you, Minister, and thank you, Chair. I’ll pass my time over to one of my colleagues.

The Chair (Mr. Ernie Hardeman): MPP Yakabuski.

Mr. John Yakabuski: Thank you, Minister. I’m not a regular member of this committee, but I do want to say how pleased I’ve been that I’ve had this opportunity. I want to compliment you and commend you and thank you that the importance of having a steady hand on the wheel in the Ministry of Finance through these uncertain times, and you’ve done a tremendous job doing that.

I want to go back a little bit to the member from Scarborough talking about property taxes and municipalities. Maybe I’m going to be talking more than asking questions, but I’ve never known anybody at any level who says, “You’re giving us too much money. Can we send some back?” So what I’m talking about—and that’s going to come back to the budgeting thing. But on the property tax thing and municipalities: At a time when we’re experiencing unprecedented numbers of housing starts, rental housing starts—and we’re talking about development charges. If it costs you \$10 to do something because there’s a development charge of \$1 or \$1.50, or you take that development charge off—I’m just using small numbers—you’re going to get more things done at \$8.50 than you’re going to get done at \$10.

And you know what I never hear is the municipalities saying, “When all these homes get built, we’re going to send some money back to the province as we collect that property tax on all of these new homes. We’re going to send a lot of money your way because you’ve been so nice to us.” I haven’t heard any of that. Sometimes it just seems to be so one-sided.

I’ll tell you a little story. I’ve got 19 municipalities in my riding, so they can all be upset with me when I’m talking about municipal taxes. But I had a conversation with one of the members of a council, and I said to him, “Do you own your home?” I knew the answer. He said, “Of course.” I said, “And when did you build it? You built it, right?” “Oh, about 35 years ago.” “And how much did you pay for development charges?” “Oh, we didn’t have development charges back then.” I said, “So the young family today who is hoping to be able to get their first home built, you want them to have development charges?” “Gee, I never thought about it that way. I never thought about it that way. We really have to start thinking about those young people who we want to have a chance to have

a home of their own, and we're going to charge them something that I didn't have to pay myself." And then there's \$8 billion in money sitting aside in surpluses for development charges. I'm going to let you stew on that one for a second, and then I'm going to ask you the next question.

This is one of the things that has always troubled me in the last little while about how the opposition and the media have changed the narrative. When I was growing up—and some people say I haven't yet—if you were given a certain amount of money to spend, and you've budgeted for a certain amount of money, and you came back with money in your pocket, your parents said, "You're learning something, son. You're learning how to budget your money and make sure you don't spend it in any way that is unnecessary." So we have budgets now—and you had a budget where you put a lot of money out in that budget because there was so much uncertainty about what was happening with respect to the pandemic and what money might be necessary to provide those absolutely vital services. At the end of the day it appears that the world changed faster maybe than we thought it might, and all of that money wasn't necessary. So how do they spin it? We underspent, and we've caused a problem by not spending the money.

What I'd like from you, Minister, is maybe a little explanation of how important it is to follow the need so that we're not here just to spend money—when we set a budget, that's what we believe, based on the best information that we have from our officials; this is what it's going to take. When it comes back being less, we shouldn't be challenged or condemned for not spending the money, we should actually be lauded for being responsible so that we actually have some money now if something else comes down the tube. Have I got it all wrong or are we on the right track, sir?

1640

Hon. Peter Bethlenfalvy: MPP Yakabuski, I couldn't have said it any better myself. You're bang on. It's inspirational on a lot of levels. We have a tremendous obligation to the taxpayers, to the people of this province, at all levels—municipal, provincial, federal. We only have one taxpayer. It's so critical that we treat every dollar that they entrust to us—that we reinvest it in the most productive ways.

We all know that the ask is greater than the give: Everybody wants more. But it's up to us who get elected and have to get rehired every four years—you have to reapply for the job, I learned, coming from the private sector. You have to reapply for the job, and that's good, because if we aren't prudent with the taxpayers' money, they've got the ability to fire us. You and I both know the events of June 2, 2022, where the people had their opportunity to have their say, which is the way democracy works—

Mr. John Yakabuski: They didn't fire us.

Hon. Peter Bethlenfalvy: The principles that you espouse and you talked about in your 18 communities, where you've done an incredible job and get rehired time

after time—it isn't given to you on a silver platter. You have to work at it. You have to earn their respect and trust over a period of time, on the principles that you just talked about. And that's why you're sitting in the chair that you are in today.

Mr. John Yakabuski: Thank you. MPP Crawford?

The Chair (Mr. Ernie Hardeman): MPP Crawford.

Mr. Stephen Crawford: How much time left, Chair?

The Chair (Mr. Ernie Hardeman): You have 7:01.

Mr. Stephen Crawford: Okay, we've got quite a bit of time. My speaking won't be quite as extensive as MPP Yakabuski's, who is quite an orator, but I did want to touch on—I know the government of Ontario is making huge investments in infrastructure, be that highways, be that subways, GO trains, hospitals or education, of course. But with these investments in infrastructure, I just want to get a sense from you on how you budget for inflation, because a lot of the costs of a lot of these projects have gone up. I'm not sure if they're going to continue going up at the same pace—maybe not—but I just want to get a handle on how the province looks at that and how they budget for that.

Hon. Peter Bethlenfalvy: Thank you, MPP Crawford. It's a very good question. Of course, we work very closely not only with officials in the Ministry of Finance, but across the multiple ministries that are involved in providing that infrastructure, so, obviously, the Ministry of Health for building hospitals, the Ministry of Education for building schools, the Ministry of Long-Term Care for building long-term-care facilities, the Ministry of Transportation for building highways and subways, the Ministry of Infrastructure for building broadband, the Ministry of Municipal Affairs and Housing for building houses. It's a team effort and it looks at a long-term plan, not just what we need to do this year—clearly, some of these projects are long-term projects—and making sure that we have a vision of how and where we want to have these projects built.

We work very closely with Infrastructure Ontario, an agency of the Ministry of Infrastructure. We actually work very closely through the Treasury Board and through the Ministry of Finance. Those are all pressure-tested through the Treasury Board to make sure that the contingencies are in place to take into account the cost pressures that may build, to take into account the time frame necessary to build, to make sure that the quality is in place. As many know who have done projects in the past, those are the three metrics that you've got to watch: time, cost and quality. So there's a very robust method of planning those infrastructure expenses.

Now, we live in the real world, and the cost of commodities, the cost of supplies, the cost of labour are all pressures. That's why I talked about being innovative, making sure that we assess the market, making sure that we keep accountability on projects, making sure that we think differently about how our projects get delivered in this province. But make no mistake, this government is absolutely committed to building Ontario.

I think about the Scarborough subway. I moved here to Ontario from the great province of Quebec—Saint-

Lambert, on the south shore of Montreal—in the 1980s. Do you know what they were talking about in the 1980s in Toronto? Building a subway to Scarborough, if you can believe that. I'm a member of the government that actually didn't talk about it—I'm sure the MPP from Scarborough would applaud that. Rather than another committee and another task force and another report and another study and another consultant, those drill bits are in the ground. We actually got the drilling started. I stood on the platform there with the Premier and many of my colleagues from Scarborough. Getting it done is so important in the context of time, cost and quality.

I think about the many people in Scarborough—more public transit for Scarborough, more hospitals for Scarborough, more long-term care. Heck, we're building a new medical school in Scarborough because there aren't enough family physicians, and we're taking action on that in the province.

You asked about infrastructure; you asked about the pressures on the costs, something that we take very seriously. We monitor our robust plan. We live in the real world. But make no mistake, we're committed to building Ontario.

Mr. Stephen Crawford: Thank you. How much time is left, Chair?

The Chair (Mr. Ernie Hardeman): Two point four.

Mr. Stephen Crawford: I'll pass the last bit of my time to MPP Dowie.

The Chair (Mr. Ernie Hardeman): MPP Dowie.

Mr. Andrew Dowie: Thank you, Minister, for being here. Certainly, I want to say thank you for your work in the last number of years, as well as the most recent budget, and for helping support my community in Windsor–Tecumseh. I've never seen, in my lifetime, such an economic renaissance as I've seen under the policy direction of this government.

One persistent issue that we have is high unemployment, but we also have, equally, the shortage of labour. So I'm wondering if you might be able to talk a bit about some of the investments being made in your budget for skills development, especially in non-traditional sectors; for example, for union training centres and—just outside of the norm, which is just in the efforts to bring that skills development piece to more Ontarians who were otherwise unable to access them.

Hon. Peter Bethlenfalvy: Thank you, and congratulations on the great job that you're doing in Windsor–Tecumseh. I've been to Windsor many times. It's a great town. I'm very proud to say that we're supporting Windsor—not just the economy of Windsor, but the health care of Windsor, the highways in Windsor, the infrastructure in Windsor. This isn't a plan to build just one part of Ontario; this is a plan to build all of Ontario—

The Chair (Mr. Ernie Hardeman): One minute.

Hon. Peter Bethlenfalvy:—regardless of what part of the great province you're from.

You mentioned the Skills Development Fund—and I think it's so important that we continue to give the opportunity to people who want to get into the skilled

trades. I can think of no better partner than many of the trade unions, who not only have the expertise and the incentive to successfully attract people into the program, but have the track record in actually training the many people—I met with many of them: the glaziers, the international brotherhood of painters, the boilermakers, the carpenters, the electricians, the pipefitters; you go on and on and on. What it takes to build this great province and to build this infrastructure is incredible skill, technology and passion, and I can't think of a better partner than to do it with folks like LIUNA and the boilermakers and the carpenters and the electricians—and it goes on and on and on. One thing that they're able to do through the Skills Development Fund—

The Chair (Mr. Ernie Hardeman): Thank you very much, Minister, for your presentation. We will now allow you to get back to building Ontario. That does conclude the time, and it concludes the committee's consideration of the estimates for the Ministry of Finance.

Standing order 69 requires that the Chair put, without further amendment or debate, every question necessary to dispose of the estimates. Are the members ready to vote? Shall I call the questions?

Shall vote 1201, ministry administration program, carry? All those in favour? All those opposed? The motion is carried.

Shall vote 1202, regulatory policy and agency relations program, carry? All those in favour? All those opposed? The motion is carried.

Shall vote 1203, economic, fiscal and financial policy program, carry? All those in favour? All those opposed? The motion is carried.

Shall vote 1209, tax benefits and local finance program, carry? All those in favour? All those opposed? Carried.

Shall the 2023-24 estimates of the Ministry of Finance carry? All those in favour? All those opposed? The motion is carried.

Shall the Chair report the 2023-24 estimates of the Ministry of Finance to the House? All those in favour? All those opposed? The motion is carried.

That concludes the presentation from the Minister of Finance, deputy minister and all the staff. We very much want to thank you for being here today to get us through this.

We will now recess until the next presentation at 5 o'clock.

The committee recessed from 1651 to 1700.

MINISTRY OF ECONOMIC DEVELOPMENT, JOB CREATION AND TRADE

The Chair (Mr. Ernie Hardeman): The committee will now begin consideration of the estimates of the Ministry of Economic Development, Job Creation and Trade for a total of two hours. Are there any questions from the committee? MPP Byers.

Mr. Rick Byers: Just questioning the time, Mr. Chair: I thought it was until 6.

The Chair (Mr. Ernie Hardeman): No, the hours will be two hours in total for the ministry. Today we'll end at 6 o'clock.

Mr. Rick Byers: I see. Pardon me. Got it, thank you.

The Chair (Mr. Ernie Hardeman): Nothing further?

I'm now required to call vote 901, which sets the review process in motion. We will begin with a statement of not more than 20 minutes from the Minister of Economic Development, Job Creation and Trade. Minister, the floor is yours.

Hon. Victor Fedeli: It's great to be here today. I appreciate this opportunity to talk about some of the very exciting things that have been happening through the Ministry of Economic Development, Job Creation and Trade.

Of course, the first thing that I would want to speak about at length is the exciting things that are happening in the auto sector because Ontario, as you'll see as we talk, is at the pointy end of this EV revolution spear. None of that happened by accident. It really began, I would think, back in the days of former Premier Kathleen Wynne sitting on a stage in Windsor with former Fiat Chrysler CEO Sergio Marchionne. If you remember back then, before we were in power, there was real turmoil in the auto sector, a lot of uncertainty—companies that were leaving, companies that were downsizing. The costs in Ontario had gotten prohibitive and the Premier was musing out loud with Sergio Marchionne and she asked if Fiat Chrysler—as it was then called, now Stellantis—was going to be expanding in Ontario. He looked befuddled at her and said, "This is not what I would call the cheapest jurisdiction." She pushed a little further and finally the CEO was very definitive and said, "You need to create the conditions to be competitive." I think he was pretty definitive and speaking not just about the auto sector, but about Ontario in general, because we had really veered far, far, far from the path of being open for business, if I use our own expression.

Enter Premier Ford. His very first instructions to our caucus—certainly to his cabinet—was, "We need to do everything we can to stave off this push outside of Ontario. We lost 300,000 manufacturing jobs before we were elected, so we need to do everything we can to lower the cost of doing business in Ontario." Those were the instructions from the Premier and, I would say, our complete group went right into work looking at every possible lever that we could pull on to lower the cost of doing business in Ontario, knowing full well that low costs, low taxes, less regulation brings on business, creates employment, creates success, creates higher revenues for the province. At the end of the day, lower costs and giving up that revenue on day one makes for higher revenue. That's the philosophy.

So the first thing that we did in pulling all these levers was WSIB—workplace safety. We did not touch the benefits, but we reduced the cost to business by 50%. That's \$2.5 billion every year in lower cost of WSIB. That was step one. Then we put in an accelerated capital cost allowance. What that did was allow businesses to write off

the cost of doing business in their first all-in year. That's a billion-dollar savings to businesses. Then, we reduced the cost of electricity to commercial and industrial by 15%. That was another \$1.3 billion in savings. Then, we did not go ahead with the previous governments tax increases that were scheduled on January 1, 2019, and that was several hundred million more annually in tax savings. Then we began a steady push of red tape reduction bills—two a year; 10 so far—and that, back in the day, saved about \$400 million a year. Today, it's up to \$700 million in annual savings. Add it all up—that and all the other things that we've done—and it was, at the time, \$7 billion in annual savings. Today, it's \$8 billion; it has grown.

But we took that number—after the Premier, myself and our team visited every auto facility that we could in Ontario, whether it was the OEMs like Stellantis, Ford, GM, Honda and Toyota; some of the 700 parts makers in Ontario; some of the 500 tool and die and mould makers; or some of the 300 connected and autonomous companies. We went back to them with this, at the time, \$7 billion in annual savings and showed it to them, and they bought into it. They understood that our Driving Prosperity plan was a way to bring these businesses back and let them grow in Ontario because of our lower-cost regime that we had put in place.

We saw the success come very quickly from Ford, who announced, "We are in. We are into Ontario in Oakville. When the current line, the current product is finished, we didn't have another product. We will now make it an electric vehicle." And then, the others followed suit very quickly.

The Premier said, "It's not just the five automakers." It was like sliding the chips in: "We're all in. We're all in on electric vehicles. We'll start with the critical minerals in the north. Those that we have today, we will expand. Those that we haven't got, we'll find," which we've done. It's critical minerals, whether it's in the Ring of Fire, or the lithium potential in the northwest in Ontario, the nickel in Sudbury, the nickel potential in northeastern Ontario outside of Timmins.

We'll start with the minerals; we'll next do the processing. We'll make something out of those rocks in northern Ontario, and that will be lithium hydroxide and nickel sulphate. Those are the components that are needed in batteries, which are best taken from the rocks in their original locations, or nearby. Then, we will produce the chemicals that are needed. We'll make the batteries. We'll make the green steel. We'll make the parts. We'll apply the connected and autonomous technology. We'll make the cars. We will train the students on how to repair EVs—the technicians that are needed. We'll talk to the auto-body people about the difference in electric vehicles. Then, we'll employ recycling so it's a full loop here in Ontario. That, in 2019, was written in our Driving Prosperity plan, the plan for the future of Ontario's auto sector.

We've seen that success, Chair. We have gone from zero, when we were elected, to \$25 billion in new auto business in a period of two and a half years—unprecedented in Ontario's history, unprecedented in Canadian history. It's more than three times the \$7.5 billion in

investments that was attracted between 2008 and 2018. Ten years it took for \$7.5 billion, and in two and a half years we did \$25 billion. Companies like Magna, for instance, who invested \$471 million: \$265 million for an EV battery enclosure facility in Brampton, 560 new jobs; and about 475 new jobs across other parts of Ontario in other communities.

1710

So here we are, in 2019 again, when Reuters, one of the news agencies, announced that car companies will be spending \$300 billion globally on EVs, and none was planned for Canada—zero. This year, Bloomberg, another one of the news agencies, ranked Canada as second in their annual global battery supply chain. We're first in North America and second in the world. Again, we were an afterthought four years ago, weren't even thought of—zero, not even an afterthought; we were not thought of. From zero to \$25 billion, from zero to second in the world: We're very proud of that, obviously. We're very proud of the successes.

But I'll give you a little insight into a piece of this. Take the latest announcement: \$7 billion for the battery plant in St. Thomas. You have to understand, then, all the components that are needed, which is the exciting part of that. A \$7-billion announcement, that's like the ante for the St. Thomas region, for Ontario and for Ontario companies because—there's words I'm going to use; it probably will be the first time in estimates. We need a plant for lithium hydroxide. We need a plant for anode, cathode; a separator plant, the piece of porous material that goes between the anode and cathode. We need electrolytes. We need copper foil. All of those are one- or two-word expressions, but each of them is a \$1-billion or \$2-billion or \$3-billion company that's needed now to feed the two battery plants that we have here in Ontario. That's the excitement of landing a \$7-billion plant. You've got six more companies you need to feed it—minimum a billion, maximum \$3 billion. That's a lot of change, that's a lot of jobs, that's a lot of investment coming into Ontario. Much of it we'll hear about in the next 12 months.

As we travel around the world to the companies that we've attracted, whether it's LG in Korea, Volkswagen in Germany or all of the companies in Japan who are feeding products here, we've heard two things consistently. No matter which country, no matter which company, they tell us the same two things. They tell us that in this tumultuous world where we're just coming off the pandemic and there is so much uncertainty, they look at Russia's illegal war in Ukraine and they look at the disrupted supply chain from China, and they see nothing but turmoil. They look to Ontario as this beacon, as this sea of tranquility. That's why they're coming here, Chair. That's what they're doing here. And they tell us another thing: that it's safe. They tell us that in that sea of tranquility, we're reliable, dependable, stable, but we're also safe. It's safe for the employees. It's safe for their executives to come. It's safe for the families. That was consistent, everywhere.

They tell us that Ontario has everything that we need to compete. We have the talent, number one—no question,

it's our people, the talent. We have this EV ecosystem. We have clean energy. We have mega sites that we have assembled, and you can ship products tariff-free to 51 countries around the world. So if you make a battery in Ontario and then ship it to Europe, it's tariff-free; if you make one in the States and ship it to Europe, it's got a 2%, 3% or 4% tariff on it, depending on the content. So we have everything that's needed

But it's not just in the auto sector; in the life sciences sector, we've seen remarkable success—\$3 billion in new announcements in the life sciences sector. There are 1,900 life sciences firms here in Ontario, with 70,000 people who work in life sciences—it's because we have 65,000 STEM grads every year. We just launched a life sciences strategy, the first strategy in that sector in 10 years. And we plan to grow that sector from 70,000 employees to 85,000 by 2030. But it's the \$3 billion from Sanofi, Roche, AstraZeneca, Moderna and others that is attracting attention from around the world.

It's also our tech sector—quite frankly, tech is just on fire here in Ontario. Tata Consultancy is making an announcement of 5,000 new employees in Ontario. Telus, only a couple weeks ago, announced a \$28-billion investment in Ontario—that's on top of their \$62 billion they just finished spending—hiring 9,500 new employees in the next five years. That's the kind of action that's happening in the tech sector.

Look at our employment. In the last five years, San Francisco, the Bay Area, has added 14,000 tech employees; Ottawa added 88,000 tech employees. Toronto, Waterloo and Ottawa together are now 408,000 employees—we're larger than the San Francisco valley. We grew at 350% in the last five years. When you think about companies like Nokia spending hundreds of millions in Ottawa; Ericsson, hundreds of millions in Ottawa—and the list goes on and on.

When you look, then, at the auto sector, the tech sector, the life sciences sector, everything in between—go back to day one, when we lowered the cost of doing business, hung out the shingle that said we're open for business, and then laid out the red carpet, put on the white gloves and guided these companies through Ontario. We've seen those companies now hire 660,000 people since the day we were elected. Just think about that. When we got elected, we had lost 300,000 manufacturing jobs in the run-up. In five years and five days, or whatever it is today, we have now seen 660,000 men and women go to work at a job they did not have. That's what happened. Our unemployment rate, at 4.9%, is the lowest since 1989.

So we continue our push to bring back manufacturing, to reshore manufacturing. In the last budget alone, we put an Ontario Made Manufacturing Investment Tax Credit in place, which is a 10% tax credit, up to \$2 million a year for Ontario manufacturers. We've assembled a blue-chip team as an Ontario manufacturing council, and their job is to now inform and provide input as we develop an advanced manufacturing strategy. We are reshoring companies at an unprecedented rate. We are boosting job creation. We're making it easier for those businesses to operate and invest

in Ontario. And we really are leveraging that power of Ontario-made innovation and manufacturing.

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I also want to talk a little bit about small businesses, because we've seen 85,000 new businesses registered last year.

The Chair (Mr. Ernie Hardeman): One minute.

Hon. Victor Fedeli: Futurpreneur: We invested \$2 million. Digital Main Street: \$57.65 million has been invested into this company to help our 62,000 businesses. We have 47 small business enterprise centres, 17 regional innovation centres—all of this as part of our plan to build a strong Ontario.

Chair, I will end by saying that we are rebuilding a strong economy, new jobs and new opportunities for workers, businesses, communities all across the province. No matter what the future holds, Ontario is ready.

The Chair (Mr. Ernie Hardeman): Thank you very much for your presentation.

We will now begin questions and answers in rotations of 20 minutes for the official opposition members of the committee, 10 minutes for the independent members of the committee as a group and 20 minutes for the government members of the committee for the remainder of the allotted time. As always, please wait to be recognized by myself before speaking. All questions and comments will need to go through the Chair.

As a reminder, the ministry is required to monitor proceedings for any questions or issues that the ministry undertakes to address. If you wish, you may, at the end of your appearance, verify the questions and issues being tracked with the research officer.

For the deputy ministers, assistant deputy ministers and ministry staff, when you are called upon to speak, please give your name and your title each time so that we may accurately record in Hansard who we have.

With that, we will start the first round of questions from the official opposition. MPP Fife.

Ms. Catherine Fife: Thanks to the minister for being here along with your staff from your ministry. I appreciate that.

I wanted to start off with the Stellantis deal, Minister. It's obviously hugely important to get it right. The value to the community as a whole and the economy of the province—there's a huge amount of weight there, for this deal, to get it right. And I do want to say, the Premier, when he was in a press conference, referenced that this is a federal deal but we're supporting it, and he mentioned that we might be responsible for one third. That's the number that he was using. It's obviously a moving target. I actually met with UK legislators two weeks ago, and they're having the same conversations about Stellantis and batteries right now, so I'm not saying that this is specific to Ontario. I think that these are the new rules of engagement.

I did want to get a sense from you how much money is at stake here for the province, and I do want to point out that in budget 2023, there is no specific amount for this deal, because I understand the deal was a moving—a work

in progress, if we should say that. So if you could comment on where that deal is, what Ontario's role is with regard to Stellantis and perhaps what you've learned throughout the whole process.

Hon. Victor Fedeli: I appreciate the question.

Chair, I haven't been to estimates in years. How much time do I have? I don't know the rules.

Ms. Catherine Fife: So we have 20 minutes, you have—

Hon. Victor Fedeli: Yes, I mean, to answer.

The Chair (Mr. Ernie Hardeman): Each member recognized has 20 minutes to speak—

Ms. Catherine Fife: You should expedite your answer.

The Chair (Mr. Ernie Hardeman):—questions and answers. When you're talking, if you're going too long, she will cut you off.

Hon. Victor Fedeli: Yes, but I just didn't know if you were going to cut me off after 30 seconds or a minute or two. Cut me off whenever you are satisfied with what I—

The Chair (Mr. Ernie Hardeman): I would point out, it's the member who will cut you off.

Hon. Victor Fedeli: Yes, I understand that. I'm going through you to the members: Cut me off when you think you've had enough info from me. Because you're right, it is hugely important to get it right.

Looking back at the original deal, before the United States came up with the Inflation Reduction Act—that's the key that changed everything. We had a deal. The federal government had a deal. We were each putting \$500 million into capital, into Stellantis. Everybody acknowledged it was a great investment, great growth. It's the first battery plant in all of the country that would be landed here, a very exciting opportunity, a very heady opportunity. The plant is under way, the site selection was done, the site is levelled, the concrete is in the ground and they're building the plant.

The Americans came up with the Inflation Reduction Act, which is huge. It's hundreds of billions of dollars, paying companies \$7,500 for each battery that they make. That's the deal. That's the deal that the Americans made. It is monumental.

When you heard, for instance, the federal government do a deal with Volkswagen where we were in for \$500 million, again, in capital, the federal government was in for \$700 million for capital. We usually go in 50-50, but the province is also in for monies around St. Thomas, developing the area, so we might be in for a bit more than them at the end of the day.

That being said, you've heard the feds were in for between \$8 billion to \$13 billion. That's the quantity of money that the feds announced for the Volkswagen deal. In the Stellantis deal, Stellantis has said, "Well, hang on a second here. The Inflation Reduction Act will pay us billions to locate to the States. Let's negotiate," and the federal government made an arrangement with Stellantis. I don't know what the arrangement was. The Premier does not know what the arrangement was. It was made between the federal government and Stellantis. When we heard from Stellantis, it was, "Could you help us move the federal government along with honouring their

commitment to us?” That’s why you would have heard me in the Legislature answering questions like, “Federal government, we’ve been asked to urge you to honour your commitments.” I don’t know what the commitment was.

Ms. Catherine Fife: Okay. What is Ontario’s commitment, though?

Hon. Victor Fedeli: Not knowing what the federal commitment was, the Premier made the comments: “Look, in the States, various states don’t pay for the IRA. Neither should provinces.” But we saw the federal government basically saying, “We want a share from the provincial government.” So we have said to the federal government, “Let’s negotiate Ontario paying a share.” We don’t want the workers in Windsor to be in any more turmoil than they already are in, so we will put a share in. It’s still undetermined. We’re still negotiating. I don’t have a number—just genuinely don’t have a number.

Ms. Catherine Fife: Would it be safe to say, though, that if the feds have come to the table with additional funding, now Ontario is the linchpin to make this deal happen or not make it happen? Is the deal at risk if Ontario doesn’t come to the table with some of Stellantis’ demands?

Hon. Victor Fedeli: Well, I would characterize it this way: The feds made a deal with Stellantis. They are coming to us and saying, “Would you pay for a part of our deal with Stellantis?”

Ms. Catherine Fife: But they definitely are the power brokers in that relationship, right?

Hon. Victor Fedeli: That is how I would characterize it. We’re still negotiating.

Ms. Catherine Fife: Is there a timeline, Minister?

Hon. Victor Fedeli: I hope it’s any hour, any day. We need an answer for Windsor. We need the plant to continue to production—the construction of the plant. So I would hope it’s imminent. I really would hope it’s imminent.

Ms. Catherine Fife: But you’re at the table having those conversations.

Hon. Victor Fedeli: The last time that we all spoke was by phone. I would characterize it this way: We are waiting for offers to be negotiated between all of the parties. Sometimes I’m involved. The Premier is involved. I would characterize it that way, that this is largely being driven by the federal government. It’s their deal with Stellantis. They’ve asked us to pay a portion of it, and we’re negotiating what that would be.

Ms. Catherine Fife: Perhaps the finance minister should be at the table, at the end of the day.

Hon. Victor Fedeli: I would say cabinet and Treasury Board are aware.

Ms. Catherine Fife: Sure. We had talked about electric vehicles with the finance minister earlier, and I know significant investment and time and energy is going into this streamlined approach around sourcing these products and resources from Ontario to be more self-sustainable and independent.

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One item that hasn’t really been a part of that business plan that we’ve heard to date is energy sources. I’m sure

that you saw the report that came out that Ontario is one of the jurisdictions that is most likely to see brownouts this summer. Having a sustainable energy source around EV charging stations—this is critical infrastructure to be successful. So I just wanted to ask, where are you with ensuring that if we actually are successful and we reduce automobiles that rely on gasoline but go to electric vehicles—is Ontario going to be in a position to sustain electric vehicles on a larger, massive scale? That’s part of your business plan, I would assume.

Hon. Victor Fedeli: Yes. So, again, as we tour prospects, whether it’s local, provincial, national or international, three ministers meet frequently—myself, the Minister of Mines and the Minister of Energy—and I would outline to them, literally with an open book: Here’s our pipeline, here’s what we have coming down the pipe in terms of businesses and their demands, here’s what we see in the EV sector. We get complete updates from the Minister of Energy. He would say to us—and his staff. We would assemble. The three ministries meet. We are entirely confident that there is ample power not only in the EV consumer chain, eventually, but in the demands placed on us right now, for all of the product, all of the companies that we have in the pipeline. We have a very large pipeline of prospects. About a quarter of that we would characterize as very solid leads for Ontario. We would outline every kilowatt of power they would need, and then we would come in with our more definitive pipeline, which is about 50% of that 25%. We’re entirely confident that there’s power for all.

Ms. Catherine Fife: So you’re not concerned about the potential for brownouts this summer impacting the uptake of EV vehicles?

Hon. Victor Fedeli: The Minister of Energy was asked that question in the Legislature today and I was entirely satisfied with his answer as well.

Ms. Catherine Fife: I will have to be honest with you, we do have some concerns, because we want this to be successful. Electric vehicles are key on a climate change perspective and economic potential, but the energy and the affordability of that energy is a factor. Ontario subsidizes energy cost to the tune of \$6.5 billion a year—that was the last item. So I think we’re being very cautious in that estimation, to be quite honest with you, Minister.

Hon. Victor Fedeli: And we’re being prudent in our decision-making along the way, with all of these companies that we’re bringing. We don’t want to attract them here if we can’t have them be successful. There’s got to be a path to success.

Ms. Catherine Fife: That’s really good.

The critical minerals issue with the Ring of Fire—I think you and I once called it the ring of smoke a long time ago.

Hon. Victor Fedeli: Under the previous government.

Ms. Catherine Fife: Under the previous government—although there’s been some hot air on some issues, I will say.

Critical minerals: The extraction of these resources and these minerals are key for the strategy as well if we truly

want to be self-sustainable. The negotiations with First Nations in the north, Minister, has gone well with two First Nations, but the other five have been left out of the equation. I think that this is exactly some of the barriers that the Liberals ran into and they were content to go to court.

Court action is going to be happening around extraction of the resources. Is there any way that we can walk this back and ensure that all First Nations are part of the deal, that they have been able to provide prior and informed consent as treaties dictate so that we don't delay the resource extraction and mining in the Ring of Fire and we don't spend money on more court cases? I wanted to get your sense of that—because we should have learned our lessons on how the Ring of Fire was derailed by just not doing basic due diligence, in my opinion.

Hon. Victor Fedeli: While I wouldn't necessarily agree with everything you just stated as being definitive—court actions and First Nations issues. You defined those as being definitive; I would be less aligned with that thinking.

To be clear, the Ring of Fire is a once-in-a-generation opportunity. I think it would be fair to say that I'm the only person in this room with a prospector's licence. It would be a pretty good assumption if I were to say I'm probably the only person in this building who has ever been to the Ring of Fire. I may be the only person in this block who was ever been to the Ring of Fire. And I can say definitively that this is a huge resource, a huge opportunity and a huge, real sea of change here for the First Nations. I live in northern Ontario.

Ms. Catherine Fife: I know you do.

Hon. Victor Fedeli: My riding includes many First Nations. I would characterize—

Ms. Catherine Fife: So I'm hearing from you that you are not concerned about this project being derailed by legal actions around First Nations. I'm hearing that from you—

Hon. Victor Fedeli: If I can just interject very quickly, I'm very confident in the announcements that came at the PDAC prospector and developer show. The one that came before COVID was great, and then COVID struck three days later and just derailed everything.

Ms. Catherine Fife: Yes, it did.

Hon. Victor Fedeli: We're back, PDAC—great announcement: environmental assessments being done by First Nations, for First Nations. I'm excited by that. So I'm not.

Ms. Catherine Fife: The First Nations that have been very vocal and have been ejected from the House—I don't think that they're as enthusiastic or positive as you are. And when the House leader says, "You're either with us or you're against us, so get out of the way"—there's still the law of the land today. Treaties are still legal documents. So we'll have to agree to disagree on this one, Minister.

I have one final question before I pass it off to my colleague.

I'm sure you saw the Trillium article today around the agents general—the three who are working to secure

economic opportunities on behalf of Ontario in other jurisdictions; namely, the States. These three positions—we've taken some issue about who the people are and their connection to their government. I wanted to ask you, as the minister who—you do a lot of this groundwork yourself. What accountability measures are in place to ensure that these three agents are actually doing the work that they're tasked with? They make just under \$200,000 each. I think that we should be evaluating positions like this to ensure that there is a return on investment for those positions and their mandate as agents. Do you care to comment on that, please?

Hon. Victor Fedeli: I did not read the Trillium article today, but I'm familiar with the agents general issue.

These agents general around the world are the first point of contact that we have for our people who are in the market. They play a very critical role in selling Ontario internationally. They increase the profile of us; they position us for wins in these countries. Think about the States—when we first got elected, we were doing \$400 billion a year with the US; today, it's \$460 billion a year with the US.

Ms. Catherine Fife: Perhaps I didn't phrase the question appropriately. To date, there have been no deals. So I want to be really clear: As the economic development minister, are you tracking and are you trying to hold these people accountable for their mandate? Because to date, there hasn't been any return of positivity for the taxpayer and for the people of Ontario.

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Hon. Victor Fedeli: I would think the increase of two-way business between \$400 billion a year and \$460 billion a year is pretty—

Ms. Catherine Fife: You're crediting these three individuals for that?

Hon. Victor Fedeli: I'm saying that they're our first point of contact for companies who are looking to Ontario as a place to do business. They showcase Ontario on the world stage. We have important relationships that they have formed with companies all throughout the States. Now, perhaps the way the question—I presume you're referring to the FOI that we answered?

Ms. Catherine Fife: Yes.

Hon. Victor Fedeli: I'm suggesting maybe the way the question was phrased, you get the answer that you asked for. But I am saying they are—

Ms. Catherine Fife: Okay, I'll look at that FOI and then determine that.

Hon. Victor Fedeli: Yes, please. And we can talk off-line about that.

The Chair (Mr. Ernie Hardeman): One minute.

Ms. Catherine Fife: Oh, sorry. Go ahead, Doly.

The Chair (Mr. Ernie Hardeman): MPP Begum.

Ms. Doly Begum: Thank you very much. I timed it wrong, so I'll just ask one question to the minister and maybe he can just give me a yes-or-no answer. Minister, do you believe, when we talk about the Ring of Fire, that there should be prior, informed consent with the leaders of the First Nations and the people who live there? Do you believe there should be prior, informed consent?

Hon. Victor Fedeli: I think the fact that we have the First Nations themselves doing the environmental assessments on their land to put in a road to the Ring of Fire is the answer in itself. I think the fact that we have these agreements in place is important. The fact that we've got revenue-sharing agreements with the First Nations: This is life-changing for them.

Ms. Doly Begum: When we get that assessment, Minister, do you believe there should be consent?

The Chair (Mr. Ernie Hardeman): Thank you very much. That concludes the time.

We'll go to the government side. MPP Triantafilopoulos.

Ms. Effie J. Triantafilopoulos: Thank you, Minister, for being here with us today and for your leadership to revitalize Ontario's economy and, specifically, the automotive sector that we were speaking about.

As we all know, when our government was elected, we really inherited an environment where 300,000 manufacturing jobs had fled the province. Ontario had the largest sub-national debt in the world. Contrast that and fast forward a few years, and we're looking now at wonderful opportunities for economic development for our province. You look at the measures that the government has taken in terms of lowering taxes, and you mentioned lowering the cost of doing business earlier in your remarks and reducing red tape, which is also fundamental to being able to clear the path forward for jobs.

What I'd like to do is just go back to the \$25-billion auto investments you spoke about in your remarks. Perhaps you could also go further into explaining why the co-investing as part of our government was necessary, and also talk a little bit more about what this really means in terms of real skilled jobs in the province, along with the spinoff of the jobs that will follow in terms of the ancillary supply chain.

Hon. Victor Fedeli: Thank you very much for the question. Look, we really do believe that this has transformed Ontario—genuinely transformed the province. Myself and others in this room sat across the aisle as critics of finance and critics of business and, I've got to say, we shook our heads collectively at what the heck was going on in the other side of the aisle. We couldn't understand it. We could not understand how anybody would think that punishing business regimes was going to bring business. We just couldn't figure it out. I guess the rest of the province couldn't figure it out either, because over the course of those years, we lost 300,000 manufacturing jobs. The costs had spiralled; taxes had spiralled. We became this expensive jurisdiction.

We really did bring a shift in philosophies to Ontario. Again, we pulled on all these levers to lower the costs. We lowered the cost of doing business by \$8 billion. I'm going to jump to the end of the story before we fill in the middle.

The end of the story: In 2018, when we were elected, Ontario's revenues were \$154 billion. By lowering our revenues by \$8 billion—today our revenues are \$204 billion; so they're up by \$50 billion. We were at \$154 billion. Today they're \$204 billion. Our revenues are up by one

third. That is unprecedented. That really is something that you should be crowing about. You lower the costs, you lower your revenue, and your revenue goes up. That's the philosophy. That's the curve of business, because by lowering those costs, you create the conditions for employment. Whether it's in the auto sector, life sciences, advanced manufacturing, tech, you lower those costs, and you attract business. So 660,000 people went to work this morning that weren't working five years ago. They're paying taxes. Those 85,000 new small businesses last year are paying taxes. By originally lowering your revenue, you pop those—

The Chair (Mr. Ernie Hardeman): Could you tell me how you really feel about it?

Hon. Victor Fedeli: Well, it's obvious I get passionate. But I've got to tell you: What you're seeing today is exactly the speech that we gave to LG in Korea or Volkswagen in Germany. It's exactly the passion that they see, and they feel the excitement.

But I've got to tell you, there's no better closer than the Premier. I remember sitting in the cabinet room with the Premier, and Volkswagen on one side and our team on the other, and we're meshing. It's our fourth meeting with the Premier now, and we're done. We figured we got this. The Premier says to a guy named Sebastian, one of the decision-makers, "Step into my office." We walked in, and Sebastian sat on one couch, the Premier sat on the other, and they just reshaped everything we talked about here about running the province in a business-like way. I'm sitting there in front of the Premier's desk and they're on the couch, and I took a nice photo of them that is—you know, your frameable photo. I knew at that very second that this passion, the passion from the best closer in the world, Premier Ford, was going to land Volkswagen, because we had everything we need, everything a company could possibly imagine having is right here in Ontario.

And now they're doing investigations all through the States trying to figure out, "How the heck did these guys land this? We're the States; we're supposed to land all this business. We put all these things in to land business, and we can't land a company like Volkswagen." A \$7-billion deal, one of the biggest deals out there, and it landed here in Ontario. It's because of all the changes that we put in place—period, no question. Thank you for the question.

Ms. Effie J. Triantafilopoulos: Thank you, Minister. I'll pass my time on to MPP Dowie.

The Chair (Mr. Ernie Hardeman): MPP Dowie.

Mr. Andrew Dowie: Chair, how much time do I have left?

The Chair (Mr. Ernie Hardeman): You have 13.4.

Mr. Andrew Dowie: Okay. Excellent.

Thank you very much, Minister, for being here. I appreciate you being here at the committee, but also I appreciate all the hard work that you've been doing, certainly for my riding of Windsor–Tecumseh. You mentioned the Stellantis agreement, and I can't tell you how transformative that was for not only our community in terms of a direct investment but the hope and optimism of our community—not just that agreement, but also the

other investments that your ministry has made under your leadership in supplier companies and many manufacturing companies in my riding.

I have to say, I believe the people of my region have captured the passion that you described—hence me being here today. It's unheard of for a PC member to be elected in my riding, and I won the election by 15 points.

So, Minister, my question is particularly on the automotive front: Our automotive ecosystem, especially on manufacturing, is truly a lifeline for the province's economic prosperity. It certainly was and is for Windsor. We tried to diversify multiple, multiple times. We had the CS Wind deal; we had the Ontario Music Fund—things that just didn't mesh with our culture. And we had the highest unemployment rate in Ontario for many, many years, 15.7% at the height of the 2008 recession, only eclipsed by COVID-19, where we reached 16.9%.

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What the government's work has done has meant that the manufacturing sector is not only growing but also evolving, particularly in the tech sector. So I've seen a lot of the work that OVIN has done, particularly with our local Invest WindsorEssex. I understand that there are many jobs that are supported by research, development and commercialization on the connected and autonomous vehicles front, and I know the province supports that investment with \$56.4 million, and that's through OVIN.

On Friday I had the pleasure of actually sharing some good news with St. Clair College and a number of local partners on that front, and they were extremely excited about the opportunity to contribute and to grow the knowledge base contribution of our region. I wonder if you could speak to the value that this \$56.4-million investment is providing for not only my community but the remainder of Ontario and all of the workers within it.

Hon. Victor Fedeli: Well, I would truly credit Raed Kadri for his leadership of OVIN. OVIN is the Ontario Vehicle Innovation Network, and it is our plug-in to connected and autonomous vehicle activity. It's the computer part of the vehicle, the screens, the e-mobility part of the new electric vehicles.

We made an announcement last week of \$6 million for 14 institutions, and this takes you from K to 12 and post-secondary. When you start with the kids in kindergarten, it's EV building blocks, and it goes all the way through to the technical aspect of it. If you remember when I talked earlier that it starts at critical minerals and the processing and the chemistry and building the batteries and making the cars, the next stage is having people prepared for this future. It's very different.

We had a couple of great announcements last week. The OVIN \$6 million of the \$56.4 million is a great piece for really advanced training on the post-secondary side, but there were other announcements we made in my own hometown, at Canadore College in North Bay, \$331,000. You're not going to need an auto mechanic in the future, you're going to need an EV technician, and so they've opened an EV technician facility at Canadore College—an electric battery; not an electric vehicle, an electric battery. Whether it's your chainsaw, your battery electric

lawn mower, your riding motor or your EV, you're going to need a technician, so that's all part of OVIN and the training that's being delivered.

We were also in Milton at the collision repair facility. It's amazing. You get in an accident in an electric vehicle and it's a very different vehicle. It's completely different. So Volkswagen is donating bodies, just the shells, brand new shells, and they're being cut, dented and repaired. I think they said you can do eight parts and then off it goes to the recycling yard and another one comes in. Because how you repair these are different. They were only training for this in the US. Now 750 people can be trained at this one facility in Milton, all because we're in from end to end.

OVIN is a particularly important part, but you also mentioned O-AMP. That's the Ontario Automotive Modernization Program. In your riding particularly, that area, are a tremendous amount of the 700 parts makers, the 500 tool and dye and mould makers. They need to pivot from making parts for conventional internal combustion engine vehicles to electric vehicles. Electric vehicles need to be light, but you still need the security. A bracket that you're making at one company now needs to be made of lighter steel but stronger steel, so they've got to reconfigure their shops with heavier punching equipment to make the same thing that they were making yesterday. That's where O-AMP, the Ontario Automotive Modernization Program, comes in, especially in the Windsor area.

Mr. Andrew Dowie: I can attest that just under a month ago my trusty Equinox did not survive, so I had to quickly replace my vehicle. I decided to buy an electric vehicle, and just bringing it into some of the local collision shops and servicing shops—as you said, they lack the expertise at this point in time to be able to service them properly. In fact, the manufacturing dealer had never seen that model of electric vehicle in their shop before, the one I bought. So, certainly, we have a ways to go. But I can't tell you how excited I am to be an electric vehicle owner, and I'm looking forward to purchasing my next Ontario-built EV.

Now we've got the two opportunities that are known today—you mentioned Stellantis and Volkswagen. I know the Volkswagen investment was historic for many reasons. It was the first Volkswagen plant, to my knowledge, outside of Europe, making batteries, and really the largest investment in Ontario's history—or that Ontario has attracted. Knowing St. Thomas pretty well—I've got family and friends who reside nearby and have felt the same kind of pain that we felt in Windsor, with the closure of many automotive manufacturing plants over the last number of years. So it's another opportunity to provide hope and optimism to a community that really needed it, creating thousands of jobs, and really being beneficial for the provincial automotive supply chain. I know, as you described in an earlier response, that attracting these manufacturers and these OEMs truly does come at a cost to the government. You shared with us that our government was involved in the preparation of the industrial land for Volkswagen, in addition to other financial support.

Before I was elected, I worked with the city of Windsor, and one of the files I had was actually working to get the

lands prepared for what's now the NextStar Energy battery plant. I can tell you how hard the ministry staff worked and what a wonderful experience it was to work directly with them. My role was finite—literally, the drainage. I can tell you the hard work of the ministry staff did not go unnoticed, and I truly appreciate having had the opportunity to have seen that, and now to be here, in the government of Ontario. To be involved on this side has been such a great opportunity.

I wonder if you might be able to share how the Ontario government is continuing to tout Ontario as an attractive place to do business and how the government is proactively going to continue securing other large-scale manufacturing investments to bring more hope and opportunity to communities that really need it.

Hon. Victor Fedeli: How much time do I have, Chair?

The Chair (Mr. Ernie Hardeman): Three point four.

Hon. Victor Fedeli: Seconds or minutes?

The Chair (Mr. Ernie Hardeman): Minutes.

Hon. Victor Fedeli: I appreciate the question. And thank you for your great work in your riding, especially the work that you are doing with NextStar. It's deeply appreciated.

I just got back from Germany recently, meeting with Volkswagen, as we're planning their what we call supplier days. When you think about the fact that they're building

a \$7-billion facility—by the way, it's 1.6 kilometres long, that building, by one kilometre wide. It will be one of if not the largest building in North America, at 16 million square feet. But we have 1,500 acres in St. Thomas. This is where we are—in the supplier days—looking for those six key companies that are going to make the key components. There will be hundreds of components that Volkswagen will need to build lithium ion batteries. So we are looking for their supplier days, where we can open up the field for all of the people who are calling our office every day. We'll have supplier days with Volkswagen, where they can have an opportunity to be able to sell—

The Chair (Mr. Ernie Hardeman): Thank you very much for your presentation. I think with that we will—

Interjection.

The Chair (Mr. Ernie Hardeman): That's what I thought.

The time is 6 o'clock. We will now adjourn until 9 a.m. on September 12, 2023, when we'll resume consideration of the estimates of the Ministry of Economic Development, Job Creation and Trade.

We look forward to seeing you back with us, Minister.

Hon. Victor Fedeli: I can't wait to come back, Chair.

The Chair (Mr. Ernie Hardeman): With that, we stand adjourned.

The committee adjourned at 1800.

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