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Mardi 4 novembre 2008

Standing Committee on Estimates

Comité permanent des budgets des dépenses

Ministry of Finance

Ministère des Finances

Chair: Tim Hudak
Clerk: Sylwia Przezdziecki

Président : Tim Hudak
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON ESTIMATES

COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Tuesday 4 November 2008

Mardi 4 novembre 2008

The committee met at 0900 in room 151.

MINISTRY OF FINANCE

The Vice-Chair (Mr. Garfield Dunlop): Good morning, everyone, and welcome to the Standing Committee on Estimates. I'd like to welcome the Minister of Finance and all the staff from the ministry here this morning as well. We're here to resume the consideration of the estimates for the Ministry of Finance, vote 1201.

There is a total of six hours and 29 minutes remaining. When the committee was adjourned, the government had completed its 20-minute rotation. It's now the turn of the official opposition. I should tell everyone and remind them that I understand there could be a vote almost immediately here this morning, so we may have to recess if we hear the bells ring or if we get called to the House. With that in mind, I'll now turn it over to the official opposition. Mr. Hudak.

Mr. Tim Hudak: Minister and Deputy, welcome back and thanks again for being here at the estimates committee.

I want to ask the minister some questions about credit unions. It was approximately a year ago that the province's Credit Unions and Caisses Populaires Act was passed—May 10, 2007, so more than a year ago. We're still waiting for regulations, Minister. When will those regulations be brought forward?

Hon. Dwight Duncan: I'm going to have to get back to you on that, Tim. We are consulting with the industry. Allow me to get back to you.

Pat, do you have a better sense of the consultations?

Mr. Pat Deutscher: Sure. I'm Pat Deutscher. I'm ADM of the office of economic policy. Essentially, we are working apace with the industry on the regulations. There have been ongoing consultations with them. I really can't say more than that we are getting quite close to being able to present a full set of the regulations.

Mr. Tim Hudak: Are there draft regulations out for consultation, or what stage are you in?

Mr. Pat Deutscher: We haven't published draft regulations yet, formally, to put out for public consultations, but we've been sharing and working with the industry specifically on their interests and needs. To some extent, certainly, because of the changing environment in financial markets right now, the changes and the issues we've seen in the financial world have led us to need to look closely at the regulations as we develop them even more closely.

Mr. Tim Hudak: Let me just make sure I'm clear. Have you brought forward suggestions for regulations with the credit unions and the caisses populaires? What have they seen, actually, from the ministry since the legislation passed in May 2007?

Mr. Pat Deutscher: They have seen not formally approved draft copies of regulations that would put into effect the legislation. We haven't published an official consultation draft of the regulations.

Mr. Tim Hudak: Okay. Minister, back to yourself: Is there a plan to try to expedite this process?

Hon. Dwight Duncan: We're going to continue the dialogue. I've been in touch with the credit unions, as has our government, over the course of the last few weeks. We also, in our work with the federal Department of Finance, over the last few weeks satisfied ourselves that the financial sector, the banks and credit unions, are well capitalized and well regulated at this point in time.

Mr. Tim Hudak: Just on that theme, Minister, on October 20, the Council of the Federation issued a press release that said, among other things, "Our financial sector, banks and credit unions are well capitalized and well regulated." The release also stated that Premiers agreed to seven steps to combat the challenging economic times. Step seven said, "Premiers will ensure the continued strength of credit unions across Canada."

So since October 20, what has transpired without Dalton McGuinty's—

Hon. Dwight Duncan: We've been in constant contact with the credit unions through DICO and we'll continue to maintain that. We're satisfied at the moment that, as the Council of the Federation indicated, they're well regulated. In spite of the fact that we're consulting on new regs, there are existing regs, and we're quite satisfied at the moment that our credit unions are in reasonably good shape.

Mr. Tim Hudak: When I read that, and Premier McGuinty, of course, signatory to that October 20 release—so help me understand: Are there more plans that the ministry has post the Premier's commitment of October 20, or are you simply saying that the existing legislation regulations have gone far enough?

Hon. Dwight Duncan: We are consulting on new regs under the new act. As you know, we moved well in advance of this to pass the new act. We got consensus within the industry around the act. We're now continuing to consult with the industry. We're in constant contact, through DICO, with them and through the ministry. I've been in touch myself over the last few weeks, especially after the situation that started to unfold in international financial markets, and we will continue to monitor it. We are in a position to respond quickly in the event that there should be challenges.

Mr. Tim Hudak: Okay. I just wanted to make sure I'm clear. So in addition to the legislation and the regulations that hopefully will come forward soon from legislation, are there additional steps planned by the ministry?

Hon. Dwight Duncan: We will continue to be in close contact with them through DICO, through the regulator.

Mr. Tim Hudak: Let me give you one suggestion. Minister, as you know, on October 22, Premier Gordon Campbell, of British Columbia, released a 10-point plan to boost productivity and to support families and seniors in that province. One of his initiatives of the 10-point plan was, in Premier Campbell's words, "Unlimited deposit insurance for deposits to credit unions, effective immediately." I think, as you know, this will bring BC in line with Alberta, Saskatchewan, Manitoba, PEI and New Brunswick. Nova Scotia and Newfoundland, while they don't do full guarantees, do $250,000. Ontario only covers $100,000, so we'd be at the back of the pack in terms of that type of initiative. Are you contemplating upping Ontario's coverage of deposits?

Hon. Dwight Duncan: The federal finance minister, Mr. Flaherty, has asked us not to do that. The $100,000 limit equals that of the banks and there's a concern, first of all, that that's viewed to be appropriate at this point in time. But as recently as yesterday Mr. Flaherty asked us not to do that because of the perceptions it could create. There's a view that the $100,000 limit is appropriate at this point in time and the federal minister—and I concur with him that, when you start doing these things, it could create movements that aren't necessarily helpful to consumers.

Mr. Tim Hudak: Did the BC finance minister react to that? Because clearly BC—

Hon. Dwight Duncan: No, he didn't, interestingly enough, and I'm not going to comment on British Columbia. We've deemed that the $100,000 limit, given that it's the same as we have for our banks, and given that we believe our credit unions are well capitalized, is appropriate. I concurred with Mr. Flaherty on his analysis of that. We talked about this shortly after all of the circumstances started to happen, and not only Mr. Flaherty but a number of other financial institutions asked that we use great caution in those areas.

Mr. Tim Hudak: To make sure I'm clear, Minister Flaherty asked everybody to sort of freeze in place? He didn't ask the other provinces to reduce their guarantee?

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Hon. Dwight Duncan: No, he did not. He just asked us not to move in that direction.

Mr. Tim Hudak: And do you see this as a temporary freeze, then, Minister, or is it something in the government's long-term plans?

Hon. Dwight Duncan: It's not a freeze. It's been ongoing and it's deemed to be the appropriate amount for Ontario. It's the same as the coverage for banks, so I wouldn't characterize it as a freeze. We concur with the federal government's point of view. They've asked us specifically not to do this. I don't know why Premier Campbell responded the way he did; I can't comment on the British Columbia situation, but I can tell you that we concur with the federal point of view on this matter.

Mr. Tim Hudak: I think BC is responding to the same things that the Americans responded to by increasing the coverage of deposits.

Hon. Dwight Duncan: I'll remind you that our banks aren't in the same situation, nor our credit unions, as those in the United States, and I'd be careful not to draw those parallels.

Mr. Tim Hudak: So the bottom line is, the Ministry of Finance is not contemplating changing that $100,000 limit at this point in time?

Hon. Dwight Duncan: We believe it's appropriate, given the stability that exists there at the moment.

Mr. Tim Hudak: Okay. Minister, your economic statement of two weeks ago did not include any medium-term outlook tables. When I review previous documents that you brought forward, or your predecessor, Minister Sorbara, every year the medium-term outlook was included in the papers. This helps us to contemplate what future revenues and expenses will look like, in the minister's best estimation. When will we see those medium-term outlook tables?

Hon. Dwight Duncan: In the budget, in March.

Mr. Tim Hudak: So why did you choose, then, to run against what you yourself had previously done, and Minister Sorbara, by excluding those from your economic outlook?

Hon. Dwight Duncan: As I pointed out in the statement, and I'll point out what virtually all—we've consulted about 12 or 13 leading economists. Making projections right now is just enormously difficult and really not particularly meaningful at this point. We did put out projections in the last budget; we've indicated that those projections are likely going to change. The actuals will change from those projections, and in the next budget we'll be in a better position, I hope, to provide more meaningful data going forward.

Mr. Tim Hudak: So we'll be waiting another six months before we'll see your expectations of revenues or expenses for the future fiscal year?

Hon. Dwight Duncan: You'll wait until the next budget, yes. You can consult the same economists we have and they'll give you the same kind of cautionary note. We take their advice seriously. I think Mr. Porter of the Bank of Montreal, for instance, said that trying to make projections in the current economy is akin to trying to assess the value of your house when the kitchen's on fire. The University of Toronto put out a press release—

I'm paraphrasing—basically saying it's crazy to try to make projections. We pointed that out in the statement; we pointed out that we deliberately decided not to do that because of the uncertainty and because of the questions and, of course, in the budget we are required to put out two years forward.

Mr. Tim Hudak: TD Economics did make a projection; right? They said that there could be up to a $5-billion-or-so deficit in the province of Ontario.

Hon. Dwight Duncan: I think $4.3 billion for us and $10 billion for the federal government. Again, as Mr. Flaherty said, and I agree with him, and Prime Minister Harper said, that's very speculative at this point. I thought the Prime Minister's response was particularly well-informed.

Mr. Tim Hudak: So despite the history of putting medium-term outlooks in the economic update, sort of, "Halfway through the year, here's what we're looking at for the next fiscal year," you have no intention whatsoever of putting out those medium-term outlooks.

Hon. Dwight Duncan: That's right. Again, I just want to stress—and we pointed it out in the statement itself and in what I said in the House—as the Prime Minister said about next year, that it's purely speculative. So even in the best of times these things are difficult, and frankly, we took the advice of the economists we talked to and the experience of other jurisdictions, including the federal government, and decided, because of the highly speculative nature of any projections right now, that it was better to wait until the budget.

Mr. Tim Hudak: This is rather unprecedented, though, not to put out projections of—

Hon. Dwight Duncan: It is. We're in a very unprecedented time—very unprecedented. To hear the Bank of Montreal, TD and others talk about the inability to project even six months out, it is unprecedented, absolutely. What we're seeing in the manufacturing and industrial sectors is absolutely unprecedented, no question. I agree with you completely.

Mr. Tim Hudak: Will you at least contemplate, Minister, putting out the projections for next fiscal year in the third quarter report?

Hon. Dwight Duncan: No. It will be in the budget; FTAA requires that.

We will, of course, have our third quarter economic numbers, which will give us an indication of how the third quarter calendar performed on the economic side. Our Q3 financial numbers will also point out where we are relative to budget.

Mr. Tim Hudak: As I did in the Legislature in question period, I want to raise the strong concerns of the official opposition at the lack of projections for the upcoming fiscal year, which help agencies plan and help people plan around government spending; that for the first time in memory, there's no outlook that tells us what the revenues or expenses will be like in the fiscal year six months from now.

Hon. Dwight Duncan: The last time that happened was 2002.

Mr. Tim Hudak: Okay. So I'd ask the minister to reconsider that decision, or at the very least put it out in third quarter economic numbers. There are projections that Ontario will run a significant deficit next year, and we need to know what your projections are likely to be.

Yesterday, like a bombshell, we found out that Ontario has become a have-not province and is receiving equalization payments, for the first time in history, this coming year. What I failed to hear from the Ministry of Finance was any kind of plan to get us out of equalization, to put us back to the "have" status that we traditionally enjoy. Where is that plan and when will it become public?

Hon. Dwight Duncan: The equalization numbers are a result of oil-based revenues in the payor provinces. Unfortunately, we can't move the price of oil. I would predict, based on what's happening with the price of oil right now, that over time you're going to see a change.

The formula has been changed to slow the growth in equalization. What you're seeing is, basically, the strength of oil prices relative to where they have been historically. We need much more than $342 million from the federal government. We think it's not nearly enough, given the circumstances. So unless somebody discovers oil in the north or the price of oil on international markets continues down, this will continue for a while.

Mr. Tim Hudak: So you're saying that the only reason Ontario has become a have-not province is because of the price of oil, as opposed to Ontario's poor economic—

Hon. Dwight Duncan: That's the major reason. I'll cite Professor Courchene this morning and a number of others who recognize, as we've pointed out, the nature of the calculation and how it's been gerrymandered over the years. That being said, we need more help from the federal government.

I want to talk about fairness and health transfers, for instance. The federal government has acknowledged almost $780 million a year in terms of equal per capita funding for health care.

When you look at the calculation, it's based, really, on the strength of—and those provinces that are doing reasonably well have oil and a strong natural resource base. So it's really—

Mr. Tim Hudak: But it also reflects, Minister, the decline in Ontario's fortunes. We are regularly now—

Hon. Dwight Duncan: No, I would suggest it has more to do with the increase in the price of oil and the fact that Alberta and Newfoundland and Saskatchewan and BC have oil and natural gas. That's not me; that's what the experts are saying.

As a number of people have pointed out, it's a flawed formula; it has been for many years. We've said that; your government has said that.

Mr. Tim Hudak: So are you saying that Ontario's poor economic performance, near the back of the pack in Confederation in economic growth and job creation, has nothing to do with being a have-not province?

Hon. Dwight Duncan: Oh, certainly, the condition of the world economy and the fact that our major markets—

the United States—and that we're seeing an unprecedented change in the industrial and forestry sectors have had an enormous impact. If we had oil-based revenues in Ontario it would be a very different circumstance, particularly under this calculation.

By the way, that $342 million will be put to good to use.

Again, we're looking for fairness on employment insurance. We're looking for fairness on health transfers. We're looking for fairness on infrastructure funding from the federal government. We're going to continue to press the needs of this province, and we're going to press our 106 new MPs to stand up for Ontario.

Mr. Tim Hudak: Minister, as a result of this bombshell, are you going to be calling in your cabinet colleagues to come up with a plan to grow Ontario out of being a have-not province?

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Hon. Dwight Duncan: We laid out a plan in our last budget. It's a comprehensive five-point plan. Obviously, as circumstances change, we'll make adjustments. We will look to the federal government to be a true partner with Ontario as we move forward.

Mr. Tim Hudak: I guess the concern I've raised is that the same old tax-and-spend policies that helped get Ontario into this mess are not going to be the solution to get us out of this mess. I would strongly suggest to you to call in your colleagues in your caucus and cabinet. Certainly, the official opposition would be pleased to give some suggestions as well, as a way to grow Ontario.

What I had hoped I would have heard from the Minister of Finance was some note of sadness that Ontario has come to the state where we are now receiving equalization payments, for the first time in our history. I'd expect action to grow us out of it, to get us out of this situation that we're in.

Hon. Dwight Duncan: If you think corporate tax cuts are going to solve the problem, you're sadly mistaken. We have very competitive tax rates, number one, in spite of what others would say. Number two: We are cutting the capital tax, to the tune already of $1.5 billion. What you're proposing is to—

Mr. Tim Hudak: I didn't ask a question there; I simply—

Hon. Dwight Duncan: Yes, I know, but I was hearing a statement, so I just thought I'd respond.

The Vice-Chair (Mr. Garfield Dunlop): Let me ask you to try to get this cleaned up in the next minute and a half.

Mr. Tim Hudak: Minister, you mentioned that the amount of money we'll be receiving through equalization will be $342 million in fiscal 2009-10. You said that it's being put to good use. Are you going to spend it all?

Hon. Dwight Duncan: We have a combination five-point plan, which involves tax cuts as well as infrastructure. I know that you voted against that, and I know you want to cut $3 billion from health care. We're not going to do that at this point in time. We think that's the wrong way to go, Tim.

Mr. Tim Hudak: But your five-point plan, which has taken Ontario to last or second-to-last in growth and job creation, is obviously already funded through your budget as such. So this is $342 million that are not included.

Hon. Dwight Duncan: This doesn't flow till 2009-10, so it doesn't impact this budget.

Mr. Tim Hudak: Right. So what are your plans for this money?

Hon. Dwight Duncan: We've laid out a plan. I think most Ontarians see the fallacy of what you're suggesting. They understand and recognize what's happening in the world economy.

The Vice-Chair (Mr. Garfield Dunlop): There are 20 seconds left.

Hon. Dwight Duncan: I think they're concerned that you think a simple tax cut through corporations would exact—

The Vice-Chair (Mr. Garfield Dunlop): We have to bring this part of the section to an end. Sorry; we—

Mr. Tim Hudak: I just wanted to know if you had specific plans for that money.

The Vice-Chair (Mr. Garfield Dunlop): Yes; we'll go back to this in the next round. Now to the third party. Mr. Prue.

Mr. Michael Prue: Before I get into today's questions, I just wondered whether there has been an opportunity to try to find out about some of the questions I asked the last time about the clawbacks to the developmentally delayed, the clawbacks to people on ODSP, the clawbacks to the national child benefit. How much money is actually being realized by the treasury?

Mr. Peter Wallace: I'm Peter Wallace, deputy minister. My understanding is that we are working in conjunction with the clerk to provide those answers within the normal time frames.

Mr. Michael Prue: And when might we expect those?

Mr. Peter Wallace: I believe you'll get written answers, and again, within the normal time frames. I'm afraid I don't actually know what they are.

Mr. Michael Prue: I don't know what "normal time frames" are. Can you tell me what "normal time frames" are?

Mr. Peter Wallace: Could I ask you to join us, Helmut?

Mr. Michael Prue: A week, a month, a year? I don't know.

The Vice-Chair (Mr. Garfield Dunlop): Your name, please, sir.

Mr. Helmut Zisser: Helmut Zisser, ADM for the corporate and quality service division. As I understand from the clerk, we have 30 days in which to provide the answers. We are working to put the answers together. Some of the questions that were raised fall in areas outside of our ministry, so we need to consult with those other ministries that are involved.

Mr. Michael Prue: That's fine. Thirty days; I understand that. Thank you.

My questions today, the first set, deal with securities and investor protection. The first one is a rather long question, so if you'll bear with me, I just want to read from Bill 149, the Budget Measures Act (Fall), 2004. The definition of "expert" from 2004 was changed, and it reads like this:

"The definition of 'expert' in section 138.1 of the act, as enacted by the Statutes of Ontario, 2002, chapter 22, section 185, is repealed and the following substituted:

"'expert' means a person or company whose profession gives authority to a statement made in a professional capacity by the person or company including, without limitation, an accountant, actuary, appraiser, auditor, engineer, financial analyst, geologist or lawyer, but not including an entity that is an approved rating organization for the purposes of National Instrument 44-101 of the Canadian Securities Administrators."

The original bill, Bill 198 from 2002, said:

"'expert' means a person or company whose profession gives authority to a statement made in a professional capacity by the person or company including, without limitation, an accountant, actuary, appraiser, auditor, engineer, financial analyst, geologist or lawyer."

What I'm trying to find out here: The amendment passed by the government appears to be solely intended to exempt credit rating agencies from the expanded allowance for class action suits set out in Bill 198. Can you tell me why credit agencies were exempted from the securities provision of Bill 149?

Hon. Dwight Duncan: I'll have to get back to you. Bill 198, as you know, is a bill of the previous government, and Bill 149 is from four years ago. I'll have to undertake to get back to you on that.

Mr. Michael Prue: We are worried, given this economic climate, about credit rating agencies who are being exempted, because—

Hon. Dwight Duncan: I'll have to see the context. I apologize, Michael. I'll have to get back to you on that.

I will point out that we have Mr. Arthurs looking at pension legislation now, and I expect his report back fairly soon. Bill 198, as you know, dealt with pensions.

Mr. Michael Prue: I recognize what you're saying; you're going to get back to me. Just for the record, the lack of regulation of credit rating agencies is seen to be one of the factors behind the current global financial crisis, and I want to make sure that Ontario is on top of this. I trust that you will get back to me, and we can ascertain whether or not we are as fully protected as we should be. Can you tell me at this time, though: Is there another form of regulation of credit rating agencies?

Hon. Dwight Duncan: In Ontario?

Mr. Michael Prue: In Ontario.

Hon. Dwight Duncan: Not that I'm aware of.

Mr. Michael Prue: Should there be?

Hon. Dwight Duncan: I concur with you that part of the challenge, as I understand it, with what has happened in the United States and the world markets has to do with credit rating agencies. The issue would be—and it's one that is being debated, as I understand it, among international heads of state—who would take the lead on that, where the regulation would come in and how most effectively to regulate it. There's a movement now, particularly with banking—and I know that there've been some changes made in the United States. I know, sort of at a high level, what those changes have been, but I do concur that there's a need for that, principally from a securities perspective. I guess the issue in my mind would be: Where is that appropriate? Where would the regulation fall, and under whose jurisdiction?

But I do, as a matter of principle, concur with your analysis and would welcome your insights and those of others who are concerned about it.

Mr. Michael Prue: There has been much discussion for many years about a single regulator. It doesn't seem to have moved at all. I know that the federal finance minister has talked in recent days about going down that route, but I also remember—it must be at least five years ago now, or close to it—that one of the first actions of the new Liberal government was that the finance committee met and we went through talking about a single regulator. Much was said about that, but all the other reforms that we had never happened while waiting for that regulator. Are we any further ahead today, or should we be moving alone?

Hon. Dwight Duncan: First of all, it would require federal legislation. Ontario continues to support a move to a common security regulator. The other provinces and territories oppose that. The federal government has asked the honourable Tom Hockin, the former federal cabinet minister, to make recommendations with respect to a federally legislated mandate. Mr. Flaherty did indicate to us yesterday at the finance ministers' meeting that Mr. Hockin will be presenting his report on or about December 1.

0930

It is our intention to support a common securities regulator. We obviously want to see the specifics of Mr. Hockin's recommendations to assure ourselves that they respond to the recommendations of the Legislative Assembly of Ontario, and also to assure ourselves, given that Ontario represents somewhere in excess of 70% of the securities markets/capital markets in Canada, that Ontario's position is respected in that. So I look forward to hearing from Mr. Hockin once we've had an opportunity to review his recommendations and consult with the federal government. My expectation would be that the federal government would begin the legislative process.

The passport system that's been adopted we don't feel is an adequate system, particularly in the context of recent events. We continue to support a common security regulator and are anxious to see Mr. Hockin's recommendations as well as what the federal government will do. As I understand it, there are legal issues that the federal government has to contend with. Again, depending on the nature of the legislation they bring forward, we'll look at our options for supporting the federal government in that endeavour.

Mr. Michael Prue: Okay. We'll wait for that one. Any indication of how long it will be until the report is issued?

Hon. Dwight Duncan: Mr. Flaherty said to us yesterday that he anticipates he'll get Mr. Hockin's report on December 1. He didn't outline a time frame with respect to legislation. The sense I have from the minister and from the federal government is that their intention is to move in fairly short order after the receipt of Mr. Hockin's report. Again, the minister did not say that. I'm just interpreting our conversations and what I've heard from the federal government.

Mr. Michael Prue: Okay. Then on to something slightly different. In light of the international financial crisis, has the minister or staff been in discussions with the OSC about a new package of restrictions on lending, leverage and certain types of derivatives that helped to deepen the financial—

Hon. Dwight Duncan: Yes, we have. Mr. Wilson has provided me with a lot of advice over the course of the last few weeks. The OSC has been and remains very active with the Securities and Exchange Commission in the United States and other world regulating bodies with respect to that. I expect to hear more from the OSC as we move forward, but there has been an absolute ongoing dialogue between my ministry, myself personally and Mr. Wilson.

Mr. Michael Prue: Will the minister be preparing a report and an action plan to be filed with the Legislature or made generally available in public of where you plan to go with this?

Hon. Dwight Duncan: We'll have more to say about it. I'm not sure precisely what form that will take, but we will have more to say about it, Michael. Again, there is a movement to harmonize what's going on internationally. I know that the Ontario Securities Commission remains in close communication with the Securities and Exchange Commission in the United States and others. The sense I get is that there has been a slowing down of movement on these files pending the result of today's election. We will continue to be intimately involved, through the OSC, with their recommendations as we move forward in these challenging times.

Mr. Michael Prue: It would appear that both of the leading contenders for the presidency of the United States have said that this is a key issue and that they want to move rapidly on it. Are we in a position to move as rapidly as they might?

Hon. Dwight Duncan: Yes, we are. In fact, I would suggest, given the way our financial services sector has been regulated, we've managed to avoid a good chunk of what's occurred in the United States and in other jurisdictions' banks, credit unions, the whole securities industry. There is more to do, and we will continue to work with the securities commission as we respond to these challenges. We also want to make sure we're in sync with what the other securities administrators around the world are doing, particularly the Securities and Exchange Commission. As you indicated, the notion of a common securities regulator will also come into play in this as well.

Mr. Michael Prue: Mr. Chair, how much time have I got? About five minutes, I guess.

The Vice-Chair (Mr. Garfield Dunlop): Seven minutes and 40 seconds.

Mr. Michael Prue: Seven minutes, okay. The next one, again, is a quote. It's from Elizabeth Warren, a law professor and bankruptcy expert: In the US today, it is not possible "to buy a toaster that has a one-in-five chance of bursting into flames and burning down" the customer's house. "But it is possible to refinance" an existing home "with a mortgage that has the same one-in-five chance of putting your family out on the street" without ever disclosing the fact to the homeowner.

Ms. Warren's plan is asking for an independent consumer protection organization that would look at, for example, default clauses, unlimited and unexplained fees, and interest rate increases. It would also restrict certain types of marketing practices and would make mandatory changes to product labelling. She's been supported by Joseph Stiglitz, a world-renowned economist, and countless others. Is this an idea we should be doing in Ontario?

Hon. Dwight Duncan: With respect to mortgages, that would largely be federally regulated. We obviously support the initiatives in areas where we have some jurisdiction. The federal government has moved in some areas around mortgages and lending practices of the banks, which fortunately did not fully imitate what was going on in the United States.

With respect to the mortgage brokerage industry, as you know, we brought in new legislation more than a year ago, with a full regulatory framework that we think is among the best in terms of mortgage brokers.

But in terms of the mortgage products themselves and the banks, that's largely federal jurisdiction.

Mr. Michael Prue: Ontarians aren't having the same kinds of problems in terms of mortgages—to date, anyway—as are occurring in the United States. They're not likely to experience the same housing market meltdown, although there is some evidence that there is some softening.

However, somebody needs to be there to prevent the sale of risky assets referred to by investment advisers as "completely safe." Recently, we have been hearing about average Canadians owning asset-backed commercial paper that was sold as a safe, almost-GIC product through the banks and some lending institutions.

Would you support the creation of an Ontario financial products safety commission? If discussions surface for a national financial products safety commission, would you support its creation? Do we need one in Ontario? If the feds were going to do it, would we support it? Do we need to be able to warn people that these so-called safe investments are not as safe as they were originally claimed to be?

Hon. Dwight Duncan: It's a pretty broad question. The whole issue of consumer protection in these circumstances may or may not fall to the province of

Ontario, or any province for that matter. We obviously would support enhanced consumer protection in light of circumstances. The work that Ms. Purdy Crawford did helped to resolve a number of issues. I would have to explore in greater detail the regulatory opportunities we would have, as well as looking to what, if anything, we could have done in the previous situation, whether we could have influenced that. But, again, I think the principle that we have begun to look at is consumer protection in these areas.

In the areas that we regulate, again, asset-backed commercial paper was not a product that was sold. To the extent that we could impact regulation, we'd obviously look very carefully at anything the federal government might recommend.

I can tell you we have not talked about that issue among finance ministers at this point. I've had no indication from the federal government if they intend to go down that path. But certainly we would look at anything that was brought forward in an area that I think was broadly regulated by the federal government. We'd look at it with an eye to supporting enhanced accountability, improved consumer protection.

0940

Mr. Michael Prue: It's very difficult to open up the financial—

The Vice-Chair (Mr. Garfield Dunlop): Two minutes left.

Mr. Michael Prue: Okay, thank you.

It's very difficult to open up the financial pages, or even some publications. Maclean's magazine last week had a very large article on people who have really invested their life savings on the understanding that they were buying a product, a pretty conservative and safe product, only to see it melt into nothing. The level of consumer angst out there is enormous. What we need to know—and I'm hearing you, that you're concerned—what I think people need to know, is that something will be done to regulate it. We've seen in the United States and France the leaders who are considered to be the ultimate in free-marketers, George Bush and Sarkozy, coming around and saying that the old way isn't going to work anymore. I think people in Ontario need to know that the old way we've done it here too has pretty much had it.

Hon. Dwight Duncan: The instruments you're talking about are principally regulated by the federal government. I understand that our federal government will be participating in the summit in Washington on November 15, and I'm not even sure if that specific issue is on the agenda. But, yes, it's certainly something that caused an enormous meltdown around the world. Obviously there's consumer angst, and obviously, to the extent that we can regulate, we'd look at it, and to the extent that our advice is sought by federal regulators as we move forward in the regulation of the financial services sector, obviously we would look closely at it, and to the extent that we could influence the process, we would do so in favour of better consumer protection.

Mr. Michael Prue: Thank you. I think my time must be up or close to it.

The Vice-Chair (Mr. Garfield Dunlop): We're down to just a few seconds. That'll wind up the third party. We'll now move over to the government members. Mr. Ramal, do you have a question?

Mr. Khalil Ramal: Yes, thank you, Mr. Chair. I'm delighted to be here this morning.

Good morning, Minister. Thank you for coming to London for the pre-budget briefing. I know you outlined the challenges facing the province of Ontario. There were many, many stakeholders from education, health care, arts, culture, universities and municipalities who came to attend this briefing. You spoke in detail about our finances in this province, and you talked with honesty about the issues that face us at the present time and also in the future. I know from the clippings yesterday that you met with other finance ministers from different provinces, and also with the finance minister of the federal government, and other people from the territories, to talk about the finances of this nation. I'm wondering if you can tell us what happened and what's outlined for meetings as a result of it.

Hon. Dwight Duncan: The finance ministers agreed to four points that we would all work together on, and the good news for Ontario: It's all stuff we've been working on already. First of all, the regulatory environment of pensions: The provinces have jurisdiction over a large part of that. We've all agreed that we're going to speak again in December about that issue.

We talked about infrastructure and the need to both accelerate infrastructure investments and the need to better coordinate efforts between the federal government and the various provinces. For instance, we have an agreement with Ottawa with respect to Building Canada, on the Ontario portion of which, we still contend, we didn't get our fair share; we were short-changed relative to other provinces. But there have also been administrative delays in getting that money out and getting the projects in the ground.

We talked about the whole regulatory climate for business. In fact, we talked about the need, on a range of areas, to reduce regulation, reduce red tape.

Those were the sorts of things we've agreed to, again, meet on in December, as we contemplate what's going on in the broader Canadian economy. There was, I would characterize the discussions, profound concern for the entire Canadian economy, in the sense that everybody, even Alberta, is concerned with respect to what is happening south of the border. I was pleased with the comments of a number of my colleagues and counterparts indicating their understanding of the particular situation Ontario finds itself in vis-à-vis the manufacturing. So it was a good meeting in that sense, and we will be meeting again. First ministers are meeting next Monday, as you know; finance ministers will meet again next month. Again, Mr. Flaherty indicated that he'll have the Hockin report back with respect to a common securities regulator, and we'll be discussing those issues I just reviewed with you.

Mr. Khalil Ramal: Okay. My colleague has a question.

Mr. Yasir Naqvi: Minister, there was some discussion earlier on in the proceedings about equalization payments and Ontario qualifying for them. I would love to hear your views about this. It's my understanding that if and when Ontario does receive equalization payments from the federal government, we essentially will be paying ourselves. Is that true, and how does that work?

Hon. Dwight Duncan: It has to do with the $20 billion we send out of the province. I think we've put $100 billion into equalization since the program was started. Because of the way the formulae have been rearranged over the years, it's really, as Professor Courchene and others have pointed out, a broken system. It's one where at least we're getting something from the federal government at this time. So we're going to continue to press our case around other issues.

Again, the key factor here, in terms of what has pushed this, is the volatility, particularly in the price of energy. If you're sitting on oil, potash, natural gas or coal, your income and the way it's factored into the equation basically means that the equalization is shifting resource from the energy-producing provinces to those that don't. Just to put it into context, I think some 71% of the Canadian population gets equalization. Quebec gets $8 billion. We'll get $342 million in 2009-10.

So, we'll take the $342 million. It's a broken system; most analysts agree with that. We will continue to press for fairness on everything from infrastructure funding through to health transfers so that Ontario can retain a little bit more of what it's putting into the federation.

Mr. Khalil Ramal: Minister, we've been leading a campaign for fairness for Ontario, and you and the Premier have spoken about this for a long time. You don't miss any meetings with the federal government, with all the stakeholders, to address this issue. I know the federal government, lately, is trying to address part of your needs and your questions, so can you tell us how these new changes will affect or benefit fairness for Ontario?

Hon. Dwight Duncan: The amount of money relative to the inequities that we see in a range of files is actually very small, and it's very small relative to the overall budget of the province of Ontario and relative to what other non-oil or non-energy-producing provinces receive. The great strengths in our economy are still there. The equalization formula really doesn't, as a number of commentators pointed out today, reflect have versus have-not. What it reflects is who's got oil and who doesn't. We will take the $342 million. We think, in terms of fairness, there needs to be a whole lot more from Ottawa.

I should also point out that there are a number of federal fund flows that are time limited that are going to expire over the next two years in a whole range of areas—and the reduction in growth associated with equalization announced by the federal government yesterday. It was quite significant, in my view, and I think it will cause some concern for a number of the smaller provinces. I'm also watching very carefully those funds that were time limited in nature and what impact that will have on Ontario's ability to deliver services, in light of the fact that, again, the government has consistently refused to address the challenge that they acknowledge—that our per capita health care funding is $780 million shy of what we should be getting, and they've said they'll start to address it in 2014. So we're going to watch all those things very carefully.

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Mr. Khalil Ramal: Minister, I heard you speaking to Mr. Hudak and Mr. Prue a few minutes ago about fairness. You considered whatever happened with the federal government yesterday a good step, but it's not enough to address our needs.

Hon. Dwight Duncan: The amount of money relative to what has been clearly identified—I'll just point one out. That $780 million is annual funding, and they've acknowledged that that's what Ontario gets shortchanged. As I said yesterday, we're effectively paying ourselves. That speaks to how the whole equalization formula has been gerrymandered over the years, by governments of different political stripes, by the way, and points to, in my view—really, what it does is it just measures who's got oil and who doesn't, or who has natural gas and some other things. That's essentially what's driving this.

That's not to say there aren't real challenges in our economy that we need to address and we are addressing. We're not seeing the federal government address them. We're not hearing about the manufacturing sector in a meaningful way. We're not hearing about the forestry sector in a meaningful way from the federal government. We're not hearing about equality in employment insurance opportunities for Ontarians. We're not hearing about fairness in health transfers for Ontarians. So there's a lot of work to do.

As I indicated yesterday, Premier McGuinty will be meeting with his colleagues next Monday, I believe it is. We'll continue to press our case, and I think Ontarians understand that. I think Ontarians are going to work with us to try to address some of these inequities.

Mr. Khalil Ramal: Thank you, Minister.

Mr. Yasir Naqvi: Minister, the auto sector is a huge component for Ontario, as you know, being from Windsor. In yesterday's meeting with finance ministers, was the auto sector and the impact of today's economy on the auto sector discussed? Was there a plan outlined as to how to support the industry?

Hon. Dwight Duncan: No. By the way, the one point I did fail to address that the ministers agreed on was access to credit, which comes back to the automotive sector situation.

I was—how do I express this? As you know, most of the automotive sector is based here in Ontario. A number of my colleagues, from Nova Scotia and Alberta in particular, talked about the significance of access to credit for business and how, for instance, the Export Development corporation is not backstopping a whole range of businesses. This is becoming an increasingly apparent challenge; that is, with more liquidity in the banks, is that liquidity actually being felt by businesses and so on? The clear concern was that it's not, and we've agreed to talk more about that in December.

My own view is that the situation in the automotive sector is becoming particularly acute in the United States. You saw the sales figures for not only the Detroit Three, but the international automakers. We know that the Detroit Three particularly are working with the government of the United States. There is a $25-billion program that's part of the energy bill the government of the United States has that is designed to help the automakers transform to adopt the CAFE standards.

We've now been able to meet with a number of senior officials in the United States; we've been able to meet with a number of industry participants. Basically, that money will go to US operations, so it gives the US industry an enormous opportunity—and, by the way, not just US companies but even foreign manufacturers or non-US manufacturers. Now the industry is pressing for a relaxation of the rules around that money to get liquidity into the automotive sector. That's going to pose an enormous challenge for Canada and, more particularly, Ontario.

Mr. Flaherty talked about $350 million and possibly $400 million. A number of auto industry experts have said that in order to reflect on a proportional basis what the government of the United States is doing, you'd have to have a commitment of around $4 billion—so not even a tenth. Again, I remind you, the footprint of the auto industry goes right up and down the 401. Whether you're talking about Windsor, St. Catharines, London, Brampton, Oshawa, Richmond Hill or many communities in between, these developments in the United States I think are extremely, extremely serious, and we need to be at the table in a meaningful way. When you see an unprecedented decline in vehicle sales, as was announced yesterday, the federal government, in my view, at this point has not looked at this as seriously as we know the government of the United States has. We will continue to meet with the industry. We look forward to a federal government that will be of some assistance here, the way they were with the financial services sector.

Mr. Yasir Naqvi: Thank you.

The Vice-Chair (Mr. Garfield Dunlop): You've got around six minutes, folks.

Ms. Sophia Aggelonitis: Minister, I want to thank you and Minister Watson, AMO and everyone who was involved in the provincial-municipal review. Could you please tell me what the main elements of this review were?

Hon. Dwight Duncan: Yes. We have agreed to upload Ontario Works as well as court security costs. This is in addition to the uploading of ODSP and ODB, which was announced earlier. It's in addition to the equitable sharing of public health costs and ambulance costs and all of those things we've already announced. This will be phased in over a 10-year period. We began implementation of the ODSP and ODB last year. It represents a very large assumption of cost for municipalities. Frankly, I think we all would like to have done it quicker, but the way we were able to come to an agreement with our municipal partners, to me, Sophia, is the way we need to do business in the future with our transfer partners. Everybody recognizes that these are difficult times. Everybody recognizes the challenges to our revenues.

I'm also very pleased with the $1.1 billion in Investment Ontario money that will be heading to our municipalities likely in the next two weeks for projects that are ready to go. Again, that's an enormous stimulus package both for job creation in the short term and in terms of improving our long-term competitiveness and productivity.

I guess the final point I would make is that we're particularly pleased that we had such overwhelming support from AMO, from the city of Toronto and from our municipal partners. Again, the one thing I found most reassuring about the whole process is that the municipal representatives who were signatories to the document not only represent large and small municipalities, urban and rural, but they also cover the political spectrum. I think it's a real win for municipalities, and more importantly a real win for ratepayers and taxpayers in Ontario.

Ms. Sophia Aggelonitis: Thank you.

Mr. Yasir Naqvi: Minister, I'm just going to continue on with what my colleague asked you, about the review. Municipalities, as I think we all know, are an enormous asset to us in partnership with them. What, in your opinion out of this review, is changing in terms of the long tern and how is this review going to benefit municipalities?

Hon. Dwight Duncan: What's unprecedented is the uploading of social welfare costs to a broader tax base. The other thing that Mayor McCallion pointed out is that we're going from constant downloading to uploading, which reverses a trend that began back in the early 1990s. That's the first thing.

The other very significant thing is that the social welfare costs, whether it's ODSP or OW, being borne by a much broader tax base should lend greater security to payment, greater security to funding of those. It's the first time that has happened in over 70 years. It's the first time in Ontario history. That reflects what goes on in other jurisdictions, by the way. It's something the advocates we've met with as part of the poverty strategy have all advocated for.

At the same time, I think what's significant is that municipalities will continue to administer it. So while the program is on a broader tax base, it will still be administered locally. We have some arrangements where the sharing of administrative costs between Ontario and municipalities will continue to allow us to work together, but we're very pleased with it.

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I guess those would be the two most significant things: (1) We've reversed the download spectre; (2) the strengthening, or the broadening, I should say, of the tax base that supports the social welfare costs, which every economist I've spoken to and every other province does.

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

Mr. Khalil Ramal: Minister, since we're talking about municipalities, I know we have good relationships with municipalities across the province of Ontario, especially since we were elected in 2003. Can you tell us how much we upload and how much we've been supporting the municipalities?

Hon. Dwight Duncan: It's about $3.8 billion over the last few years, Khalil, when fully implemented. Everything from gas tax revenues, and assuming our fair share of public health—basically undoing what had been done and giving greater stability to municipal funding, moving forward into greater stability to municipal property taxpayers.

Again, what I was particularly pleased with in the exercise was that working with one of our major stakeholders, we were able to work through some very challenging issues with mutual respect, mutual understanding of fiscal capacity and fiscal limitations. That should, I hope, serve as a good benchmark for how we can continue to work with all of our stakeholders.

When we were in London, we heard from a range of stakeholders—the University of Western Ontario, Fanshawe, a number of the municipalities in the area—and there are difficult issues, there's no question. Our capacity to respond as quickly as we've been able to in the past is not there, but we can continue to work together as long as we're dialoguing and trying to come up with mutually agreeable solutions to the challenges.

The Vice-Chair (Mr. Garfield Dunlop): That's good. That's right on time. Okay, so that's the government members out of the way. We'll finish this morning's session with 20 minutes from the official opposition. Then we'll recess and go to question period.

Mr. Tim Hudak: Perfect, Chair. Thanks very much. Just a couple of quick questions on my last line, and one of the topics that my colleague Mr. O'Toole has a number of questions on.

Minister, just to make sure I understood: The $342 million Ontario will be receiving in equalization payments next fiscal year—those funds will be used to support your existing five-point plan, or do you have additional plans for those funds?

Hon. Dwight Duncan: Well, we'll lay that out in the budget next year. Those monies won't accrue until the next fiscal year.

Mr. Tim Hudak: Okay. Traditionally, Minister, Ontario's position has been that the equalization program should be constrained or capped. I think it's the position that you've taken up in the past, too. Just reading through your comments in the media today, it was a little unclear if that's still a position of Ontario—

Hon. Dwight Duncan: What I said was that we have supported, not the capping; what the Premier said, over the course of the last few years, is "restraining the rate of growth." We acknowledged Mr. Flaherty's effort in that regard, and we will continue to accept whatever we're eligible for. But over the course of time, the rate of growth in that program is unsustainable, as Mr. Flaherty said, from a Canadian perspective.

Mr. Tim Hudak: Yes. Just to shift to another topic, Minister, an OSC initiative: Rudy Luukko's column in the Toronto Star on Saturday was entitled "Fund Facts Delivery Rules Controversial." I don't know if you've had a chance to look at this—

Hon. Dwight Duncan: I apologize; I haven't seen it.

Mr. Tim Hudak: No problem. I know you have a lot of items in your ministry. Basically, the OSC is working on a new disclosure document for mutual funds called Fund Facts. It's a two-page, single-sheet document that will just have the basics on it for investment choices. There seems to be pretty broad support for this initiative, which would have on it management expense ratios, how the funds pay for commissions to distributors etc., for potential purchasers of these funds.

Where the controversy lies—and I don't think this has been put on your desk yet—is in how it's delivered. So if a purchase of a mutual fund is client-initiated, the Fund Facts sheet would come with the record of the purchase.

The challenge is when a broker or somebody else is trying to sell the fund. There's a concern in the industry that this will limit competition, limit choice to purchasers, by causing some new red tape.

Let me read you a couple of lines from Mr. Luukko's column. He says:

"Fund industry officials generally applaud the Fund Facts document. But they say the proposed advance-delivery requirements will cause delays and put their products at a disadvantage to competing investments.

"There are no similar delivery requirements for exchange-traded funds, separately managed accounts, principal-protected notes, closed-end funds, or direct purchases of stocks or income trusts. Nor are there likely to be any in place when the Fund Facts regime" comes into effect.

He has a quote from Jon Cockerline, who's a senior Investment Funds Institute of Canada official: "He says regulators have left it to dealers to define what constitutes a dealer-recommended" fund. His quote is, "It will be a very complex compliance requirement.... We think it is going to drive up costs and reduce choice for investors."

I recognize that this may not have been a column that you had a chance to read, but do you plan on reviewing the OSC's delivery rules around these fund facts?

Hon. Dwight Duncan: I haven't been briefed by OSC on this particular issue. I think I would concur that, particularly in the current climate and the experience we have, you try to find the balance between disclosure—full disclosure, fair disclosure—so consumers are as well-informed as they can be, and balance that against the sorts of concerns you were just talking about. The

OSC has yet to present me with recommendations on that, but as you know, we sign off on all of their regulations, and we'll look at it.

We generally try to find consensus before a regulation moves forward, whether it's this situation—normally, by the time a regulation gets to the finance minister, it's been thoroughly vetted and agreed to within the industry. It's very seldom that we don't see that.

Mr. Tim Hudak: Are there any officials from your ministry present today who could update where this stands in the process?

Hon. Dwight Duncan: I'm not sure. Is anybody familiar with that? Pat, are you familiar with this particular—

Mr. Pat Deutscher: Just very broadly, it is a proposal that was put out for consultation. I'm not absolutely familiar with the length of the consultation period, but I believe it's 90 days. There still will be time to further review the process of implementation. Following that, the Ontario Securities Commission would go through its normal process of presenting the rule to the minister for his consideration.

Mr. Tim Hudak: So the proposed rule change is still under OSC consultation and hasn't even come to the Ministry of Finance at this point in time?

Mr. Pat Deutscher: Not in that sense, no; that's right. It's been published by both the OSC and other regulators for consultation with the industry and consumers.

Mr. Tim Hudak: Chair, I'll leave it at that. Thank you very much to the ADM. I'll just signal that to the minister as a concern that I have around the impact this may have on competition and choice for investors and potential red tape in terms of dealer-initiated transactions.

I wonder, Minister, if Mr. Christie—he is present, I think, isn't he? Yes, there he is—is able to update us on the question I'd asked him on Wednesday with respect to the status of the major public pension funds. Then Mr. O'Toole will have the floor, Chair.

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

Mr. Bob Christie: I'm Bob Christie, superintendent of financial services. Mr. Hudak, I believe some information has been or is in the process of being put together on that. I do not know if it has been supplied to the committee yet. As I say, I know it is being worked on. When it's complete, it will be turned over to the committee.

Mr. Tim Hudak: We haven't received it yet. Okay.

Mr. O'Toole.

Mr. John O'Toole: My questions probably would be first to comment in a general sense, but Mr. Christie, being the administrator of fiscal, is probably where most of my questions will be.

In a general sense, Minister, a comment: As the critic for municipal of affairs, I'm quite surprised this morning at the have-not status. Your advice to the Minister of Finance federally is that he's got to control spending. When I look at where you've come from, a $69-billion budget to $96 billion, perhaps there are some lessons there for you as well. The long-term funding of this agreement that you've been allowed to put on the record is a long-term series of promissory notes that may not be fulfilled because of other shortages in your own revenue stream.

I just want to get to the point of my questions here. I pay close attention. I'm probably the oldest person in the room—

Mr. Tim Hudak: Nonsense.

Mr. John O'Toole: I'm over 65—and I'm quite interested, on behalf of my constituents, more specifically in the health of their pensions and futures. I feel that there's probably an opportunity here for the government to show leadership. I'll be specific in a general sense: I was quite concerned when I watched the debate around the Ontario teachers' pension fund. I've watched it for probably five or six years. They're drifting in the $15-billion deficit or unfunded liability; that's my understanding. They've just come to an agreement to deal with that shortfall by eliminating the cost-of-living indexation on future employees in the teachers' pension plan. There are fewer people paying with declining enrolment. Now I find out that the Ontario public service pension has about a $5-billion to $6-billion hole in the ground on unfunded liability. Now I'm very concerned about the OMERS pension because the agreement that you, as government, made to have a double-tiered pension for the Ontario municipal employees is further troublesome. I know the status of the private sector pensions: 75% of all pensions are unfunded. The assumptions, actuarially, are serious problems for the actuaries. I'm not trained, except I just read the paper. There's a good article in the Globe on it and a good series on CBC on it.

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Here's my concern: Is the fiscal department, the Financial Services Commission of Ontario, preparing any kind of education strategy for persons on these issues on a go-forward basis? Not to alarm them, because even internationally—I was in England recently for a month, in the British Isles; I came back about four weeks ago, and it's huge over there. It's, like, trillions, a $4-trillion and $5-trillion problem. So I figure this is the big shoe. This is the pool of capital that we're going to be building hospitals with. If the pool of capital dries up, which is basically these funds, patient, kind of long-term agreements—is there any kind of education process going on with the public and with members generally, on the status of pensions, public and private?

Hon. Dwight Duncan: First of all, when one reads about stock market performance and so on—you're absolutely right. Throughout the world, the stock markets have been seeing enormous volatility, unfortunately in the downward direction. That impacts, obviously, on the holdings of pensions. There's a range of regulatory protections in place that are designed over the long term to protect the investments that pensioners have. It's a complex set of rules. One of the things that we reported yesterday that the Canadian finance ministers agreed to is that we're going to have a discussion about those rules because, moving forward, we want to make sure that we have the right regulatory regime in place to continue to protect the holdings in pension funds.

In terms of education opportunities that FSCO has offered, I'm not aware of any specific programs of that nature, but I'll ask Bob to comment on that.

Mr. Bob Christie Mr. O'Toole, there are not specific, tailored programs of that type. We have general information available on our website—specific plans to communicate with their members about the status of their plans. I think, probably recently, the most thorough public discussion of these issues has likely occurred through Mr. Arthurs's commission.

Hon. Dwight Duncan: If I can just add to that, John, again, like you, I'm not an expert on these matters. I know that plans that I'm involved with generally keep their members informed and so on. I think that as a result of your question, I'm going to ask FSCO if they would be kind enough to see what other jurisdictions might do in that regard. In light of all the discussions, I think you raise a valid point, and it's worth pursuing.

Mr. John O'Toole: In a general sense, I appreciate the ability in the public forum here to do that. Half of my constituents—and I'm one of them; I'm a retiree from General Motors, 31 years—find that their status today is somewhat shaky. We'll have to look at seeing what the future is there, but they have a serious problem going forward too. It's systemic, meaning they're not going to get out of it, because all of the assumptions are based on more people paying than collecting, and it's kind of the reverse now. I'm sure that you're very well trained in this business. I think fundamentally that some of the assumptions are completely flawed, like the return on equity and the number of persons paying into plans with the baby boom and all those kinds of things. I'm very, very concerned. I think we have a role in government, both federally—because some of this stuff is federal, but certainly it is provincial as well. I'm very concerned, even because when you've got these spread funds and mutual funds as part of your plan, they're huge. There needs to be some plan here, and that's my point. As I say, I called the person in FSCO directly on the General Motors fund to get some information, and it's fairly ambiguous, because in the event of corporate failure, heaven forbid, they go under the Pension Benefits Act, which means that somebody who's got a pension of $4,000 to $5,000 a month could go down to—how much would they get if they were covered by a pension benefit provision?

Mr. Bob Christie: The pension benefits guarantee fund essentially provides up to $1,000.

Mr. John O'Toole: So that's my understanding. They've been very helpful there. No one wants to be alarmist in this, but I think there is a responsibility in government.

The other one that I'm getting a lot of calls on—

Hon. Dwight Duncan: If I may, again, with respect to any individual pension plan, it's difficult to comment with respect to the status of any of them, but the whole regulatory framework under which all pensions function is one that's constantly under review. Mr. Arthurs will be reporting back to us. As you know, we appointed him two years ago. We expect his report back any time now. Certainly, I think we're going to get it back this month, and that will occasion the opportunity to discuss the regulatory framework of these plans.

Mr. John O'Toole: I'm concerned. I'll just go back to the other part. There has been some movement, federally and provincially, with access to LIRA, the locked-in funds—because a lot of people say, "It's my money, and I can only get sort of an annuity out of it, yet there's $100,000 and I'm losing my house. What's the deal here?" Could you help me there, because I'll tell you, that is a problem and it's going to get worse. We need to have some certainty—you need the direction from government, obviously, to change the rules. The feds have moved, other provinces have moved, to a greater share—up to 75% in some jurisdictions have access to the fund. Is there anything being discussed in the higher circles?

Hon. Dwight Duncan: We had a discussion yesterday, and we'll be having a greater discussion in December, about the pension regulatory regime. That's an issue that would come under that general framework. Historically, we have evolved the pension regulatory systems that we have, based on prudent investment of members' funds to ensure, over time, that they can be paid. There is considerable angst, particularly among seniors and among those who are close to retirement, these days around what's going on in markets. We have agreed, as finance ministers, that at our December meeting, as I pointed out earlier, we will have the opportunity to look at these issues from a national perspective. Moreover, again, we'll be getting recommendations back from Mr. Arthurs. As you know, there were attempts by previous governments to reform the pension model that weren't successful. Mr. Arthurs was appointed and has done quite a broad consultation with pension funds, with their administrators, with beneficiaries. When that report comes back, I think it will occasion the opportunity to have a real discussion with all Ontarians about the future regulatory environment under which our pension systems will function.

Mr. John O'Toole: I appreciate that, and I won't cause any more grief on the topic, but in summary, I would like a public report on all public sector pensions and their go-forward liabilities. It's an appropriate question. There are annual reports filed and an overall assumption of the deficit in the private sector. It's my understanding that Inco, Vale Inco now, was sold for pension, Stelco was sold for pension, and I have a fear that the same thing is being discussed in other legacy firms, which are all in serious trouble. I wouldn't want to find out about it in the future.

Anyway, I'll switch topics to something a little happier.

The Vice-Chair (Mr. Garfield Dunlop): Two minutes, Mr. O'Toole.

Mr. John O'Toole: Two minutes? I'll try to get down to that.

This does relate to the Ministry of Finance. I, as the municipal affairs critic, am disappointed in the response and the politicization of the provincial-municipal service review. I don't know how you got Hazel and David to sign on so quickly, because I don't think it's as rosy as you think. Now, I hear this morning, that the next real truth that has emerged is Ontario's failure in the competitive place, as Canadians. That's the unfortunate dilemma of six years of stewardship under increased spending and public commitment in the operating budget. The $1.1 billion on the year-end spending: That's capital, it's one-time, and hopefully it will have a bubble effect in the economy.

I was in Great Britain. I went to Westminster. I was in the Dáil in Ireland. I was in the Isle of Man. All of them are talking about—and I could show you the BusinessWeek magazine—public sector restraint. Have you any plan in your future budget, or are you going to give me the old wait-and-see, in the event that your economy slips—that's a billion dollars for every point—to deal with spending, and in what sector would you be expecting to cut, now that we're a have-not province?

The Vice-Chair (Mr. Garfield Dunlop): He's only going to have about 30 seconds to answer this, so it may not—

Mr. John O'Toole: That's good, because he won't give me an answer, anyway.

Hon. Dwight Duncan: We have an ongoing plan—it goes on every year—to find savings within government. I note that I've got a number of letters here from you asking us to increase funding in a number of areas. So we continue to take a balanced approach to the affairs of the province and continue to do a very good job, in terms of delivering government programs efficiently.

The Vice-Chair (Mr. Garfield Dunlop): That winds up our time with the official opposition. Any second now the bells will start ringing for question period, so we'll recess until 4 o'clock, at which time we'll come back and the third party will have the first rotation.

Mr. Michael Prue: How much time is left in total?

The Vice-Chair (Mr. Garfield Dunlop): Sylwia will figure that out when we get back here, but we've got about four hours.

The committee recessed from 1020 to 1624.

The Vice-Chair (Mr. Garfield Dunlop): Okay, we'll reconvene the meeting. It's now up to the third party. They have 20 minutes to begin questioning the minister and the ministry staff. Welcome back, everyone. Mr. Prue.

Mr. Michael Prue: Thank you. The very first question is technical. How many pension plans are regulated by the Financial Services Commission of Ontario?

The Vice-Chair (Mr. Garfield Dunlop): I'd just ask you to give us your name again, please, sir.

Mr. Bob Christie: Bob Christie. I'm the superintendent of financial services. Mr. Prue, I will attempt to find that information, and if I can't find it quickly, I will get it and pass it along to you. It's in the several thousands, but I don't have that.

Mr. Michael Prue: But there are thousands of them?

Mr. Bob Christie: Yes.

Mr. Michael Prue: That will do for now, but if you could let me know exactly how many, that would be interesting.

Mr. Bob Christie: Sure.

Mr. Michael Prue: It's my understanding that all pension plans, all of these several thousand, have an actuarial valuation done at least once every three years. Is that correct?

Mr. Bob Christie: That's correct for the defined-benefit plans. Obviously, the defined-contribution plans are a different animal and don't have the same kind of valuation requirements.

Mr. Michael Prue: This valuation that is looked at every three years looks at the pension in two ways—I just want to make sure I've got all these things down right. First is whether there are enough assets to pay out all of the obligations if the company were to go bankrupt; that's called the insolvency test, and that's done. Second is whether the company has enough assets to cover its obligations as a going concern; that is, whether there appears to be enough money in the long term to pay off the beneficiaries.

Mr. Bob Christie: That's correct.

Mr. Michael Prue: Are both of those things done every three years?

Mr. Bob Christie: Yes, sir.

Mr. Michael Prue: Okay. Then just a couple of lead-up questions here. My understanding is that the rules governing solvency valuations are stricter, generally, than those governing ongoing concern valuations. That is, they want to make sure that there is sufficient money at all times should the company appear to be going bankrupt. Is that correct?

Mr. Bob Christie: That's correct.

Mr. Michael Prue: Okay. The reason I've asked those is that, looking ahead for the next year or so—and I'm not sure whether you will answer this or whether this will switch to the minister. The markets are down approximately, at this time, 40%. If they don't improve substantially—we're all hoping they do, but if they don't—it's likely that we're going to start seeing some pretty ugly solvency valuations. Is this on the horizon? Is this something that we can expect to see with these pension plans?

Mr. Bob Christie: There will certainly, depending on the asset mix of the plan, depending on—because, as you noted, they have to file every three years, and depending on what happens by the end of December, all of those things are uncertainties. But it is certainly the case that with the kinds of changes in asset values that we've seen, there is going to be an impact on the valuations.

1630

Mr. Michael Prue: Has anyone in the ministry looked at what will happen with these plans should the markets stay more or less where they are today?

Hon. Dwight Duncan: The FSCO looks after the regulation; we get reports. As I indicated this morning, one of the items finance ministers from across the country will be talking about next month is the regulatory framework of pension administration in Ontario and in Canada, and we routinely speak with a number of experts.

Mr. Michael Prue: Okay, but I'm worried about contingency plans the government may have or may have to look into should the markets not improve. If the markets stay where they are, we think there's going to be some considerable problem in the next year or up to three years with 40% reductions and the insolvency problems. But if the markets get worse, I hesitate to think what governments may or may not be able to do. Or are you not looking at that yet?

Hon. Dwight Duncan: We watch and monitor, all the time, the whole regulatory system. There are a number of checks, balances, requirements within the legislation and regulations governing pensions. As you know, Mr. Arthurs has been doing a report for the government. So we've been looking at this whole issue quite carefully for two years.

Obviously, with the volatility in markets, there's what I guess I would call a heightened awareness of the regulatory environment that our pensions function in. Again, we're going to have a look both to keep the network—obviously keeping an eye on the short-term situation as well as having a good look at the entire environment, once Mr. Arthurs reports later this month.

Mr. Michael Prue: There's also the ongoing problem of interest rates being extremely low. The American fed has just reduced their interest rates. I don't remember ever seeing it that low. Although people's retirement savings that are put in loans and government bonds and guarantees are certainly weathering the storm far better, interest rates are so incredibly low that it may be difficult, if not impossible, for the pension plans to be making any money off of these. Is that being looked at?

Hon. Dwight Duncan: Again, these plans are subject to regulation. The FSCO continues to regulate the entire system. I'll let Bob go into that in greater detail. Obviously, with the volatility in markets today, I would suggest there's a heightened awareness of the realities that you've talked about among both pension professionals—obviously the people who rely on their pension for their incomes, as well as those who are plan participants still working.

But, again, I would suggest that the regulatory framework that we have in place, along with the oversight by FSCO, allows us to have what I would call a window on what's going on at all times.

As I say, there are two events on pensions that are coming up: One will be the release of the Arthurs report, and then secondly, finance ministers are beginning to discuss the entire regulatory climate for pensions in Canada. I want to stress, this is occurring, and we all said this yesterday—again, there were finance ministers from all political parties at the table. This is being done to look at the nature of the regulatory system. It's not being done out of fear with respect to any or all pensions that are regulated. It's designed to in part deal with what we've been dealing with in Ontario; they're dealing with in other provinces, as well as the federal government.

Bob, I don't know if you wanted to add anything?

Mr. Bob Christie: Just a couple of things. We do monitor the funded position of plans in Ontario, and we produce a report each year that reports on the overall funded status of those plans, and that's available on the website. We certainly look very closely at the valuations that people file with us, either annually for some or every three years for others.

With respect to the impact, there are some things that I should note. In terms of the way in which the assets and liabilities are valued, there are options available to actuaries in terms of smoothing the valuation, smoothing over five years gains and losses etc., that have some capacity to blunt the force of short-term fluctuations. These are long-term plans with long-term assets funding long-term liabilities. These techniques are part of trying to keep that longer-term perspective on the funding requirement.

Mr. Michael Prue: You must have anticipated my next question, because it's exactly on that.

The shortfalls in solvency valuations have to be funded every five years or less, and you've just said that that's true. But I want to ask you, in the overwhelming majority of cases, this usually involves having contribution increases, does it not?

Mr. Bob Christie: It depends on the nature of the plan, Mr. Prue. In shared-risk pension plans, of which there are some in the public sector, that may be the case. Many industrial pension plans are negotiated pension plans or non-contributory pension plans, so the contributions may be governed by a collective agreement or the contributions are entirely from the employer.

Payments that are made with respect to liquidating a solvency deficit are generally regarded as special payments; they're not part of ongoing contributions. Certainly, if through the governance of the plan people elect to increase ongoing contributions, that will have an effect on the solvency position.

Mr. Michael Prue: I understand, and I think everybody understands, people paying into the plan, if they get hit up for more money—they will have an option. I guess most of them will end up paying. They'll grumble, but they'll pay.

But I'm particularly worried about some of the companies, that if the company is supposed to pay and the solvency valuation says it's underfunded—a lot of the companies are in hard times. We have some of them coming forward now asking for government loans and everything. Is that an option? I mean, what are we going to do when a big company comes forward and says, "We're in trouble"? I know what happened to Stelco and I know what happened to Inco. They basically got sold for their pension plans.

Mr. Bob Christie: Under the legislation and regulations that we administer as the regulator, the requirements are that we seek those payments from the company. The company and other companies may well approach those who control the legislative and regulatory structure for change, but as the regulator, those are matters that are beyond our purview.

Mr. Michael Prue: It's my understanding—and you can tell me again whether I've got this; I try to read everything I can—that the rules are similar for pension funds regulated by the federal government and that companies have already come before the federal government seeking contribution relief or some other form of relief. I don't know whether it has happened here in Ontario yet, but it certainly has happened federally, has it not?

Mr. Bob Christie: I have no knowledge of what approaches may have been made to the federal government.

Mr. Michael Prue: Okay. Has it happened here in Ontario yet?

Hon. Dwight Duncan: I've read what I've seen in the newspaper, but we haven't had any approaches of that nature.

Mr. Michael Prue: So there have been no approaches like that made in Ontario yet?

Hon. Dwight Duncan: Not to my knowledge.

Mr. Bob Christie: Not with respect to solvency problems that may come about as a result of the market turmoil and solvency valuations that may be filed over the coming months.

Mr. Michael Prue: All right. So no company has given any indication that they may be coming before the government—

Mr. Bob Christie: I've heard from no one, nor to my knowledge has FSCO heard from anyone.

Mr. Michael Prue: Does the government have any type of plan? Have you looked down the road? I'm very nervous about this. I think a lot of people who have pensions are nervous about this. Companies are nervous about this. Even employee benefit plans, the big ones like the teachers' pension and the OPSEU pensions and all—everybody is nervous about this. Does the government have any plans? Are you looking for commissioning any reports other than the ones you've already talked about?

1640

Hon. Dwight Duncan: The Arthurs report, I think, is very significant in the long term.

Mr. Michael Prue: Yes, that one.

Hon. Dwight Duncan: In the short term, we rely on FSCO for advice on the regulatory climate.

We watch with the same kind of interest that you, Michael, and others do, I know, with respect to the performance of markets. We'll continue to operate within the existing legislative and regulatory framework, and continue to monitor what is happening across pensions.

Mr. Michael Prue: Just so I'm clear about what happened at yesterday's meeting of finance ministers, was the group set up to do precisely this or not to do this?

Hon. Dwight Duncan: The ministers themselves are going to be meeting and sharing information. For instance, we just relayed to you that I have not, nor have our officials, been approached for assistance by any company or organization that has a pension.

We're going to share information to that effect and have a discussion with the federal minister and our provincial and territorial counterparts with respect to what we're actually seeing, what the implications of the market volatility are, and what all of us collectively would do to respond to any number of scenarios.

Mr. Michael Prue: When precisely are this meeting and these scenarios going to take place?

Hon. Dwight Duncan: The meeting, I think, is December 12.

Mr. Peter Wallace: December 10, 12 or 15 were the days that we were given.

Hon. Dwight Duncan: We've got three days we're looking at.

Mr. Michael Prue: So that's quite literally within five weeks from now.

Hon. Dwight Duncan: Oh, yes.

Mr. Michael Prue: Okay, so it's not the long term. Was there any discussion from the finance ministers about whether or not a report would be made, or a press conference held, or how this would be conveyed—your decisions or your ultimate decisions—to the public? There are an awful lot of anxious people out there, and I'm just trying to—

Hon. Dwight Duncan: There's normally a communiqué issued after these meetings to indicate what the ministers have agreed to or not agreed to, as the case may be. My sense is, given the nature of the whole regulatory climate of pensions, that this will be the first of ongoing discussions.

There have been informal discussions among the provinces, among the regulators, over time, as normally occur, so I would imagine that those things, after this meeting, once we have a sense of where everybody is at, there would likely be ongoing discussions, just to continue to monitor what's going on—and by the way, not just here in Ontario and Canada, but around the western world.

Mr. Michael Prue: Well, I don't think we're any kind of an island here. We all seem to be being whacked pretty much together.

Hon. Dwight Duncan: Yes.

Mr. Michael Prue: Although I must admit to surprise, when I look at the stock markets and the volatility. When we were here last week—the Canadian dollar has gained something like five or seven cents since we were last here. Who would have foreseen that? Who would have foreseen it going down that far, and then who would have foreseen it bouncing back at the same time? I don't know what has happened today. Maybe as I speak, it's down again.

Hon. Dwight Duncan: It's up at 86 cents.

Mr. Michael Prue: It's up at 86. Okay, there you go.

Hon. Dwight Duncan: If I could, though—again, this volatility is something that is rather unique. We've had days of it in the past 20 years, and this comes back to what we talked about, in terms of even the government's ability to predict its future growth, certainly in the next year and a half.

I think it will pose some significant issues for pension regulators as to how to factor those situations in. I mean, if you see that kind of variance over a week or months—and as you quite correctly noted, there has been, in spite of that volatility, a general downward trend, quite significant.

We will continue to work with the regulators, work with our sister provinces and the federal government to continue to provide the oversight that we think is appropriate.

The Vice-Chair (Mr. Garfield Dunlop): You have a couple of minutes, guys, in this rotation.

Mr. Michael Prue: Rather than go into my next one, I'll just take 30 seconds. It really has nothing to do with estimates.

I just wanted to thank you for your answer in the House today. I've been here for seven years. Oftentimes, when I ask questions, I do not get quite the same civil reply. It was refreshing, and I thank you for it.

I honestly believe that opposition members have things to contribute, and often that does not happen. Again, you allowed us to contribute at least one idea—or one additional idea, and I hope that the same will be reflected in my additional questions that I have to you later today.

Hon. Dwight Duncan: Thanks, Michael. You know, the truth of the matter is that what you pointed out is a very legitimate issue. You've recommended a course of action, and you've done that in the past in good faith. I hope we can do this more often, and hopefully, the tenor of the place, we can work together more on things like that, including places like this, by the way.

The Vice-Chair (Mr. Garfield Dunlop): Jeez, we're getting to be one happy family here.

Laughter.

Hon. Dwight Duncan: I wouldn't go that far.

The Vice-Chair (Mr. Garfield Dunlop): Okay, thank you very much to the third party. We'll now move over to the government members for the next 20 minutes. Mr. Naqvi?

Mr. Yasir Naqvi: Chair, I'm moving on with the theme of questioning that Mr. Prue was referring to and the minister was referring to earlier from the question period.

Mr. Tim Hudak: Go after him, Yasir.

Mr. Yasir Naqvi: Just wait on, wait on.

Minister, we were talking earlier about the provincial-municipal fiscal review and the impact on municipalities. One of the other things that is happening lately, as you know, is the MPAC property assessments which have been going on across the municipalities, and one of the concerns I'm sure we have all heard from our constituents is from seniors and the impact that may have on them, given those who live on fixed incomes. I was wondering if you could share with us some of the stuff you and your ministry have been doing in terms of seniors and their property taxes.

Hon. Dwight Duncan: Well, first of all, people are receiving their assessment notices. We are, I think, a little more than three quarters of the way through the province. One of the things we did this time that was different from last time—when the assessment notices went out last time, they did the whole province all at once, and MPAC's call centres were overwhelmed with calls. In addition to whatever new information was on the updated assessment form, people had the added frustration of not being able to get through to MPAC to have what were some pretty straightforward questions answered. The Ombudsman made a number of recommendations, and among them was this rollout, if you will, over a period of weeks so that the call centre is not swamped. And so far, that seems to have yielded some benefits.

I think most people in Ontario understand that a change in assessment does not equate to a change in property taxes. The other thing we've done, as you know, is this four-year implementation of that to help smooth out whatever changes will result if a municipality changes its tax rate.

Quite apart from the assessment issue, we've provided a senior homeowners' property tax grant that will be available starting next year. It starts at $250 and rises to $500 a year. People have to be 65 and own their own home. Single seniors have to have an income of less than $50,000, and senior couples would have to have a combined income of less that $60,000. We estimate that approximately 550,000 senior households will benefit from this.

Mr. Yasir Naqvi: Do you have a sense of a time frame as to when that type of tax grant will start distribution?

Hon. Dwight Duncan: Next year. Their 2008 income tax form, which is available early in 2009, will have a line on the form for eligible seniors to apply for the grant. A cheque for the grant would be mailed directly to eligible seniors after they submit their income tax form. The Canada Revenue Agency would process their income tax form and determine whether they are eligible and how they would be eligible to receive the cheque based on their specified criteria. So, just for example, single seniors with an annual income of less than $35,000 and property taxes of $500 or more would get the maximum grant of $500 in 2010; single seniors with an annual income between $35,000 and $50,000 would get a smaller amount, but similar; senior couples with an income of less than $45,000 and a property tax of $500 or more would get the maximum grant of $500 in 2010; and senior couples with income between $45,000 and $60,000 would get a smaller amount.

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Mr. Yasir Naqvi: Thank you. I'll ask my colleague to ask a question.

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

Hon. Dwight Duncan: Anybody?

Mr. Yasir Naqvi: I'll ask the question. I want to move on to business taxes, in particular small businesses.

I was hoping that you could enlighten us as to what kinds of steps the government has taken to cut taxes for small businesses?

Hon. Dwight Duncan: Yes. The major one we did was in my spring budget. We've increased the small business deduction from $400,000 to $500,000, effective January 1, 2007. That extends the small business corporate income tax rate to still more small businesses. You see, if you come in under that amount, you get a much lower tax rate. I forget what the rate is—

Interjection: It's 5.5%.

Hon. Dwight Duncan: It's 5.5% instead of the 14% or 12.5%. So it's a big saving. The effect of that is that for those firms that had—instead of it being $400,000, the limit is now $500,000, which means that a lot more firms will qualify for the lower tax rate. That was something requested by a range of business lobby groups, including the CFIB and others, and they were quite pleased when the government implemented that.

Mr. Bob Delaney: Minister, in your previous budget and, if I recall, in your opening remarks when you came to estimates this year, one of the things that you described was something you have often discussed in the House, which is savings through efficiencies in the government. If my memory serves me correctly, what you described is roughly $806 million in savings through efficiencies.

I'm wondering if you'd like to elaborate on some of these savings and some of the implications that this may have for the operations of the government, going forward from here.

Hon. Dwight Duncan: In the 2004-05 budget, the government set a target of $750 million over the balance of its mandate; we, in fact, achieved $806 million. These savings were achieved by streamlining purchasing processes, reducing administrative costs, reducing energy and accommodation costs, improving the use of information technology, and better harmonizing and coordinating government operations.

Our government continues to implement efficiencies across the broader public sector through initiatives such as Ontario Buys, which is a supply chain management program that is expected to save up to $100 million across the hospital and education sectors which can then be reinvested into front-line services.

The government has also reduced the overall cost of government administration from 15% in 2003-04 to 12% in 2007-08. That is a 20% reduction. Ontario spending on general government services was $124 per person in 2007-08, the second-lowest rate among all provincial governments.

Mr. Bob Delaney: Coming as I do from the 905 belt, where we consider some of our own challenges to be very unique, I want to digress a little bit and talk about another area whose challenges are unique, and that would be northern Ontario. Northern Ontario, in many ways, faces challenges that are diametrically opposite to the very vibrant and fast-growing dynamic region that many of us hail from. I'm wondering whether you would comment on some of the challenges that confront Ontario's north?

Hon. Dwight Duncan: Of course, we have both the northwest and the northeast. The northwest has a set of circumstances that are different in some ways from the northeast, challenging circumstances, as do others. Our government has responded to those challenges in a number of ways. Northern communities will all benefit from our $1.1-billion funding support for municipal infrastructure. I know that Bill Mauro, Mike Gravelle, Mike Brown, David Ramsay, Rick Bartolucci and David Orazietti will all be in their communities to assist their local municipalities as they get their portion of the infrastructure money, which we anticipate will flow to these communities next week.

Another item of business—a tax cut, actually—was the acceleration of the business education tax reductions that we announced in the 2007 budget by four years for northern municipalities; that is, northern businesses will benefit from total business education tax savings of more than $70 million over the next three years. This, again, was an item that was called for by the Canadian Federation of Independent Business. It was designed to respond to the unique circumstances of northern Ontario, and we were delighted to be able to do that. It assists those businesses—all businesses—in the north, big and small. Again, it was something that business organizations had lobbied for over a period of time.

We've taken $25 million to support the creation in Thunder Bay of a Centre for Research and Innovation in the Bio-Economy, which is focused on forestry, and $15 million over four years towards the establishment in Sault Ste. Marie of a centre for invasive species management. In addition, we have $27 million over three years for a new distance grant to assist with travel costs for post-secondary students in rural and remote areas. There is a range of these initiatives that we've announced. In addition, there's been over $1 billion in assistance to Ontario's forest sector, which has been particularly hard-hit, Bob, as you know.

Our government's view is that these investments in northern Ontario benefit all Ontarians right across the province. So it's good to have a member from Mississauga asking questions about the importance of the northern part of our province.

Mr. Bob Delaney: After all, I do come from the northern part of Mississauga.

Hon. Dwight Duncan: There you go.

Mr. Bob Delaney: I'd like to talk a little bit about our province's most vulnerable citizens, which is something that as MPPs we certainly hear about, particularly in challenging times like these. I'm wondering if you would talk about our government's response not merely to the times but also to the needs and the challenges faced by some of the most vulnerable people in the province. Maybe you could put a little accent on some of the things that we're doing for what we identify as high-growth areas as well.

Hon. Dwight Duncan: Sure. Let's deal with what we're doing to protect our most vulnerable citizens. In the 2008 budget, we built on a broad range of services and programs to support vulnerable and low-income Ontarians. Some of the programs and services that are making a difference include the Ontario child benefit, which is the most significant reform of income security programs in Ontario in decades. The Ontario child benefit is a broad-based reform of provincial benefits for low-income families with children. At maturity, the Ontario child benefit will provide an additional $765 million annually to nearly 1.3 million children in more than 600,000 families.

Minimum wage increases: After a nine-year period during which the Ontario minimum wage was frozen, the McGuinty government has increased it five times, from $6.85 an hour in 2003 to $8.75 an hour as of March 31, 2008. The 2007 budget announced consecutive annual increases of 75 cents an hour, which will bring the minimum wage to $10.25 an hour by 2010.

With respect to affordable housing, which is another key component, we're providing many low-income families with financial support to find a safe, healthy and affordable place to call home. We're doing this through a variety of programs. In the 2008 budget, we included an additional $100 million in one-time funding to rehabilitate about 4,000 existing social housing units, including energy efficiency improvements.

Also, in terms of social assistance programs, we provide a wide range of employment supports designed to meet the needs of recipients. Ontario has increased social assistance rates by 7% between 2004 and 2007. The 2008 budget introduced a further 2% rate increase in the basic adult and maximum shelter allowances for Ontario Works and Ontario disability support program recipients.

Another key component that we think is designed to help the most vulnerable—including the unemployed, particularly those whose skill sets don't match the 100,000 positions in Ontario that require filling—is an investment in skills and education to provide people with real opportunities for success. My 2008 budget announced the Second Career strategy that helps retrain laid-off workers for jobs in the new economy. It builds on the more than $1 billion in annual supports already available through Employment Ontario.

1700

Another point is child care. To give young children a strong start in life and help parents balance the demands of work and family, this is again another important issue. A family with net income of up to $20,000 is eligible for a full subsidy to cover the cost of regulated child care in Ontario.

Those are some of the initiatives, Bob. There are quite a few others, but I know you've got other questions.

The Vice-Chair (Mr. Garfield Dunlop): Five minutes, Bob.

Mr. Bob Delaney: Thank you very much.

You may want to come back on some of those, but one of the questions I wanted to ask you was about something that was brought up not that long ago in a board of trade discussion that I participated in out in Mississauga. We were talking about commodity tax issues, which made me wonder what I was doing there, and there was some discussion back and forth that didn't really settle on a conclusion. The issue that was raised, in part, was whether, from the vantage point of the province of Ontario, harmonizing the GST and the Ontario PST would be a good idea, in a manner somewhat similar to the way that the two taxes have been harmonized in Atlantic Canada and are now the HST, which would certainly contribute to the proliferation of alphabet soup to which we are prone already. Some of the discussion was that, yes, there would be consequences, such as some things that are not now taxed by the PST would be taxed by the proposed HST, and that might be offset by—as one fellow said, it also gives us an opportunity as a province to require that such a tax, if implemented, would be folded into the price of the good, which would mean that if you see something on the rack that says $24.95, it's $24.95. There was some discussion back and forth on whether that was a good thing or a bad thing. Would you like to comment on some of the pros and cons of harmonizing the Ontario provincial sales tax with the federal goods and services tax?

Hon. Dwight Duncan: It's a complicated area. I'll start by identifying what the differences are. What the average Ontarian refers to as the PST, we call the RST, the retail sales tax, in Ontario. The federal goods and services tax is a value-added tax, which means the end consumer winds up paying the cost of the tax. There are a number of economists and others who feel that a value-added tax is a more efficient tax; essentially, tax is consumption, and the end user pays the tax.

The Conservatives, particularly Mr. Flaherty, advocate for the harmonization of the PST and GST. Five provinces have not harmonized; the other provinces have received rather substantial subsidies from the federal government in order to achieve harmonization. We would have to begin hitting consumers with the harmonized taxes. Things like home heating oil, children's clothing or items that are currently exempt would begin to draw tax. We've chosen not to do that, in spite of the repeated urging by the Conservative Party, particularly by Mr. Flaherty. We think that's the wrong step in the Ontario economy today. Jack Mintz released a report not too long ago, by the way, advocating value-added tax and acknowledging that the hit on growth in the first couple of years of that would be quite substantial to the Ontario economy. So we don't envision moving in that direction, even though, again, the Conservatives, led by Mr. Flaherty, continue to push us in that direction, publicly stating it. We just think that at this point in time, taxing home heating oil, children's clothing and a number of other items is not in the province's interests.

The other thing that's interesting as you learn about this is, if we were to harmonize exactly at existing rates and cover a broader range, we would actually lose revenue. It has to do with the GST credit and a number of other things that are built into it. So, it shifts the burden away from businesses to small consumers, in my view; it taxes a number of goods and services that aren't presently taxed; and in spite of a number of economic arguments that are put around a value-added tax, we, unlike the Conservatives led by Mr. Flaherty, don't think this is the time to undertake that kind of tax increase, particularly on things like home heating oil and children's clothing.

Mr. Bob Delaney: In other words, if it were done and required a subsidy, hypothetically we would have to subsidize it ourselves.

Hon. Dwight Duncan: That's another way of looking at it.

The Vice-Chair (Mr. Garfield Dunlop): Okay, you've got your comments in for that round. Next, we'll go to the official opposition. Mr. Hudak.

Mr. Tim Hudak: One last question on my line of questions from this morning: Minister, you indicated in the media, with respect to Ontario receiving equalization payments, that it will be short-lived. What's your expectation of how long we'll be receiving equalization?

Hon. Dwight Duncan: It's hard to say. Interestingly enough, the federal government hasn't yet provided us with the equations as to how they're modifying the formula, so it's difficult to say precisely. What we know is that the factors that go into it—remember that there's a three-year moving average, two-year delays. The way it's calculated—the way it's gerrymandered; it's a gerrymandered equation, and I think that most of the experts I've read have talked about that. Based on what we think they've done—again, it's funny that they won't provide us with the equations and the changes they've made—they are constraining the growth in equalization, something we have supported historically and continue to support. But until such time as they provide us with how they calculate it, it will be difficult to say how they arrived at this year's—well, next year's—number. If you read the release they put out—we haven't received those today, have we? I should just clarify that as of this morning, we hadn't received them, and we still haven't received them since we came over here. We'll await that, but again, just looking at the factors and looking at where things are and how they might go, it's difficult to say, but I'm more optimistic than Mr. Flaherty about the strength of our economy.

Mr. Tim Hudak: I want to follow up on a line of questioning my colleague Mr. Hardeman from Oxford had with the Minister of Agriculture when she was before our committee a little while ago. I know you might not have this at hand, but it does concern a program you announced, so if you have a chance to get back to me, if you don't know off the top of your head—this is the funding to help our cattle, hog and horticultural farmers under the current market circumstances.

On December 13, 2007, when you announced this funding, you said: "Many Ontario farmers have faced particular challenges related to the Canadian dollar. The McGuinty government will provide $150 million in new dollars to strengthen competitiveness and help cattle, hog and horticulture farmers manage the current market conditions." I want to stress, "the current market conditions," When Minister Dombrowsky was before committee, it was indicated that when the program was implemented, the province used a cut-off: You had to be in business in one of these industries before 2004 in order to qualify. If the goal was to help farmers in current market conditions, why were you looking at those who were farming in 2004?

Hon. Dwight Duncan: You'll have to ask the Minister of Agriculture that. I can tell you that we did provide the money. The pork farmers particularly had a horrible year—there was a combination of circumstances—as did the horticulture guys and the beef guys. Ag sets up these rules. I'm going to have to defer answering that to my colleague the Minister of Agriculture.

Suffice to say, I believe the money has gone out; I stand to be corrected on that. I believe it has benefited a number of farms; I have attended at a couple of them. With respect to the rules around qualification, I will relay your question to my colleague the Minister of Agriculture and ask her to respond to you.

Mr. Tim Hudak: Thanks. Maybe you could help reconcile, because when you announced the program it was for "current market conditions," and the program resulted in a number of farmers who actually were no longer in the business—some were retired, some were deceased—receiving funds from that program.

What it also meant was that some farmers who had recently gone into business, or young farmers who got into business post-2004, are dealing with the tough circumstances you mentioned but were not eligible for this program.

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Hon. Dwight Duncan: My experience in these things, Tim, and I know yours over the years, is that sometimes there are reasons for implementing these kinds of procedures that aren't necessarily evident to those of us who aren't part of it. I'm going to defer again to my colleague the Minister of Agriculture, Food and Rural Affairs and undertake to ask her to respond to that question.

Mr. Lou Rinaldi: On a point of order, Mr. Chair: I would inform my colleague in the opposition that if he will refer to the answer when the Minister of Agriculture was here, that was dealt with fairly specifically. I'm just trying to save some time, but those same questions were asked, and I think the minister provided pretty detailed information on how the program evolved, how the selection process went and how the money was—I'm just trying to expedite things.

Mr. Tim Hudak: Thank you. I remember, and I was listening. The point I'm trying to make is that Minister Duncan announced this funding in December 2007 and described it in a certain way, and at the end of the day, when the program was allocated and completed, it didn't exactly fit with his description. So I'm trying to reconcile what happened and if the minister has any plans to address those individual farmers who didn't qualify because they have been in business since 2004. I know that level of detail may not be readily available, and I'd appreciate the minister getting back to me on that.

Following up on some of the questions my colleague Mr. Prue was asking around pension benefits, there's the Ontario pension benefits guarantee fund, if I remember the title properly. How much is currently available in that guarantee fund?

Hon. Dwight Duncan: Bob?

Mr. Bob Christie: I don't have the exact figure. I believe there's something over $100 million in assets, but there are also claims against those.

Mr. Tim Hudak: Again, if you don't mind getting back to the committee with those facts: how much in assets and the claims that are currently launched against the pension benefits guarantee fund.

Help me with my recollection—I think Mr. Christie will probably remember too. In the early 1990s a number of firms were given exemptions from contributions under our "too big to fail" clause, or whatever was the proper title for that. Do you know, off the top of your head, which companies that involved?

Mr. Bob Christie: The three companies were Algoma, Stelco and GM.

Mr. Tim Hudak: Is that it? There have been none since?

Mr. Bob Christie: No, sir.

Mr. Tim Hudak: Do we know the value of the claims those pension funds, those three big ones, would have on the guarantee fund if they failed?

Mr. Bob Christie: Algoma and Stelco are no longer covered by that. When they restructured, that coverage lapsed, if you like. I think that the claims, if there were any in those two cases, are matters of public record. In the case of the remaining one, General Motors, I don't have a figure for that. It would require a number of assumptions and would be quite hypothetical and require some pretty specific information about individual entitlements in the plan. It would be very difficult to—

Mr. Tim Hudak: Okay.

Hon. Dwight Duncan: If I could, I know that part of the discussions the government of the United States is having with General Motors is around the pension liability issue on General Motors's balance sheet. Again, we're not privy to those discussions. We're watching them carefully. We've asked the federal government to communicate with the government of the United States. To my knowledge, they have not. But again, we're watching those. There's been no indication to us that GM would access this facility at all; no indication that that is lurking. However, we have seen the media accounts of what is going on in the United States and the willingness of the government of the United States to work with the automotive sector as they restructure their balance sheets and income statements.

Mr. Tim Hudak: To the minister or Mr. Christie: In terms of analysis, have you seen an increase in requests to the pension benefits guarantee fund?

Mr. Bob Christie: If there has been an increase, it hasn't been significant as yet. There have certainly been several in the last few years, and I'd have to go back and look at the numbers, but it's not my sense at the moment that there's been a marked uptick. But I can certainly go back.

Mr. Tim Hudak: Has the ministry done any type of analysis, given the loss of manufacturing jobs, for example, in the province and the challenges impacting on that sector particularly, on whether the pension benefits guarantee fund may be fully subscribed in the near future? Is there a risk to the funds that currently reside within it?

Mr. Bob Christie: First of all, I'm not aware of any work that the ministry may have done in that regard, and others may be able to answer that.

Secondly, the state of the pension benefits guarantee fund and its future was one of the matters that the government asked Mr. Arthurs to address in his report. Associated with his work, there has been a good deal of thought given to the pension benefits guarantee fund—

Mr. Tim Hudak: So we could expect, in Professor Arthurs's report, that there will be an update on the status of the guarantee fund, and then ways to address risks to it?

Hon. Dwight Duncan: I am not in receipt of Mr. Arthurs's report yet. I haven't read it, so I don't want to prejudge what he's going to have in it. But obviously, that will be available publicly. I'll ask Peter to quickly address what the ministry has done.

Mr. Peter Wallace: Obviously, with respect to any of our significant programs, we keep an ongoing policy of ensuring we stay on top of them. As the minister mentioned, we're reaching out to fellow provinces, and particularly the government of Canada, in terms of their understanding of pension pressures as they evolve.

It is worth noting that the events of the last six or eight weeks have been, frankly, really quite sudden.

Mr. Tim Hudak: I'm sorry—what?

Mr. Peter Wallace: Quite sudden.

Mr. Tim Hudak: Yes.

Mr. Peter Wallace: Quite different and quite marked. In that context, relative to this and other programs, we will continue to ask the right questions and try to stay on top of the key measures associated with them.

Mr. Tim Hudak: Just to refresh my memory, in terms of Professor Arthurs's mandate, is analyzing the current status of the pension benefits guarantee fund and addressing any risks to it incorporated in his—

Hon. Dwight Duncan: Let me just double-check.

Mr. Tim Hudak: Yes, for sure.

Hon. Dwight Duncan: Yes?

Interjection: Yes.

Hon. Dwight Duncan: Yes, it is.

Mr. Tim Hudak: Okay, terrific. Thank you.

Mr. Christie, thank you very much.

Minister, I want to turn to the Fiscal Transparency and Accountability Act, 2004. Specifically, section 4 of the act dictates what would happen with respect to balancing the budget. I'll just read subsection 4(1):

"For each fiscal year, the executive council shall plan for a balanced budget unless, as a result of extraordinary circumstances, the executive council determines that it is consistent with prudent fiscal policy for the province to have a deficit for a fiscal year."

Did the executive council then give you authorization to announce the deficit in the economic statement?

Hon. Dwight Duncan: Yes.

Mr. Tim Hudak: Okay. How did you define it? I was trying to ascertain if any regulations have come forward or anything had been gazetted from cabinet on how you defined "extraordinary circumstances."

Hon. Dwight Duncan: The act doesn't deal with that. It's largely, I guess, an interpretive matter by the government of the day.

Mr. Tim Hudak: Because that's a concern that I'm raising, right? You use the language in the act, "extraordinary circumstances," but through regulation or other parts of the act never define what "extraordinary circumstances" are. In your view, what are extraordinary circumstances?

Hon. Dwight Duncan: I think the circumstances today are pretty extraordinary, number one. Number two, governments have the mandate to conduct the affairs of the province in the way they deem appropriate. You, as opposition, have the right, obviously, to oppose that.

The Fiscal Transparency and Accountability Act gives, I think, a much greater degree of accountability. We chose, as soon as we became aware that it appeared as though we were tracking to a deficit, to acknowledge that reality through the fall statement.

I think governments around the country are wrestling with that very issue. A week before the federal election, for instance, Mr. Harper and Mr. Flaherty swore up and down there would be no deficit, and then after the election they indicated there's a real possibility of a deficit; in fact, next year. Mr. Flaherty reaffirmed that at the finance ministers' meeting.

In the interests of accountability to the public, we made the determination that there were extraordinary circumstances. I don't know that you could nail down a definition of "extraordinary circumstances" in a regulation that could cover all—I mean, nobody would have envisioned what has happened in the world in the last six weeks. So I think there is an extraordinary circumstance out there. I think most people would agree with that. We have chosen to run a managed deficit and I suspect we're going to have a good deal of company in that area. We certainly see it in the United States and across state jurisdictions. We are certainly hearing more and more indication of that in Canadian jurisdictions and we'll continue to monitor what happens.

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Mr. Tim Hudak: Did you define in any way in your presentation to cabinet what "extraordinary circumstances" constitute?

Hon. Dwight Duncan: You know that I can't reveal cabinet discussions.

Mr. Tim Hudak: I just thought I'd ask.

Hon. Dwight Duncan: Good try. I'd have to shred you if I told you, Tim.

Mr. Tim Hudak: The challenge here, Minister, obviously, is that it says under extraordinary circumstances you can run a deficit, and obviously this is the first time this part of the act will be used since it was passed. It sets a precedent going forward. So that's why I'm wondering, then, in your interpretation, what's the bottom line for extraordinary circumstances? Where do you draw the line?

Hon. Dwight Duncan: I certainly think we're witnessing unprecedented extraordinary circumstances today. I wouldn't want to establish that definition, because I just don't know what's going to happen in the future. Some day, you may be back in office and be faced with a set of circumstances that nobody could have envisioned. I think people elect governments to make those determinations. I think we've done so in what I would call a prudent and responsible way, and I think that we've lived up not only to the letter of the transparency act, but also to the spirit of the act, and accordingly have made the decisions we've chosen to make.

Mr. Tim Hudak: Does a 1% drop in revenue count as extraordinary circumstances?

Hon. Dwight Duncan: When it's into the multi-billions of dollars, yes, and when you see the variance in corporate tax revenues and so on. Again, it would depend on the nature of the circumstance. So I'm not going to define it clearly. What I will say is that an extraordinary circumstance is what's happened in the world economy and how it's impacting on Ontario, particularly in the last six weeks, although I think, arguably, there's an element of extraordinary circumstance that's gone on over the course of the last year.

Mr. Tim Hudak: Subsection (3)—

The Vice-Chair (Mr. Garfield Dunlop): Three minutes.

Mr. Tim Hudak: Thank you, Chair. Subsection (3) of the same section:

"Recovery plan

"(3) If the executive council plans for a deficit for a fiscal year, the executive council shall also develop a recovery plan for achieving a balanced budget in the future and the recovery plan must specify the manner in which and the period within which the balanced budget will be achieved."

When can we expect that recovery plan?

Hon. Dwight Duncan: In the budget, normally. For instance, when we inherited the $5.5-billion deficit that your government left, we spelled out how we would get out of the deficit, the time frame over which we would do it, and we achieved that. I would likely suggest that we'll see that in the next budget.

Mr. Tim Hudak: So we'll see in your upcoming spring budget when the province will return to the black and how it will be achieved?

Hon. Dwight Duncan: Based on our best projections at that time.

Mr. Tim Hudak: How am I doing there, Chair?

The Vice-Chair (Mr. Garfield Dunlop): You've got two minutes left.

Mr. Tim Hudak: I'll move from that topic to—I want to go back to page 31 of the actual estimates. This is ministry administration, financial and administrative services, operating. The thing I noticed on the chart on page 31: There is a $5-million increase in the salaries and wages item for ministry administration, financial and administrative services. This is, on top of that, more than doubling the budget for that allocation from 2006-07. So in a couple of years, you've gone up over $5 million. Can you explain in these trying economic times, when you're trying to exercise some constraint, how you could justify a $5.1-million increase in salaries and wages in that part of the ministry?

The Vice-Chair (Mr. Garfield Dunlop): Minister, you have a about a minute and a half to answer this.

Hon. Dwight Duncan: Yes. Helmut?

Mr. Helmut Zisser: Which one is it? Page 31?

Mr. Tim Hudak: Yes. The results-based plan briefing book is what I'm referring to. It's vote 1201-1, sub-item 2. Again, ministry administration: The item is financial administrative services.

Mr. Helmut Zisser: Are you referring to the first number at the top of the—

Mr. Tim Hudak: Exactly. Salary and wages, which has climbed from actual $3.2 million in 2006-07 to $8.8 million in estimates for 2008-09.

Mr. Helmut Zisser: The decline from $12.9 million to $8.8 million?

Mr. Tim Hudak: I'm talking about the increase from actuals to the estimates for 2008-09. The interim actuals for 2007-08 were at $3.7 million, and your estimates for this year are $8.8 million.

The Vice-Chair (Mr. Garfield Dunlop): Perhaps you might have to get back to him on that.

Mr. Helmut Zisser: Yes. I don't have a ready explanation for that one.

Mr. Tim Hudak: Okay.

Mr. Helmut Zisser: But certainly the subsequent decline is there as a result of the reallocation of funding from the Ministry of Finance to the Ministry of Revenue at the time that ministry was created, so the monies were shifted to the new ministry.

Mr. Tim Hudak: I'm looking to compare the actuals that were spent with your estimates for this year.

Hon. Dwight Duncan: We'll get back to you. My sense is these have to do with the separation of and re-integration of the Ministry of Revenue.

Mr. Tim Hudak: Okay. Maybe next round, Chair. I know it's a bit of a detailed question.

The Vice-Chair (Mr. Garfield Dunlop): All right. So we'll get back for clarification on that. We'll finish off the day with 20 minutes to the third party. We might have a vote there at 10 to 5.

Mr. Michael Prue: I have a number of questions relating to access to credit, but before I get there, there was a question raised by Mr. Naqvi about seniors. You responded at some length about the government programs for seniors and the availability of $250 this year, $500 next year. One thing that I have never heard an explanation for, though, is for a senior to qualify, they must not have any outstanding taxes owing. I'm just wondering about the rationale.

Hon. Dwight Duncan: Steve, can you respond to that, please?

Mr. Steve Orsini: My name is Steve Orsini, assistant deputy minister, office of the budget and taxation.

To qualify for this program, a senior has to file a tax return for the prior year and has to meet a number of conditions in terms of paying property tax and having an income, as the minister mentioned, below certain thresholds.

I will need to confirm as to whether or not they need to have their taxes paid—a lot of times we have set-off programs; you only get a grant if you've paid your other taxes. In this case, I'd need to confirm that. I don't think that's the case, but I need to follow up on that.

Mr. Michael Prue: I just can't put my finger on it now; I didn't come prepared for this question. But when Mr. Naqvi asked it, it seemed to me that one of the conditions in which a senior could only be eligible is if there was not an outstanding tax arrears, taxes that they still owed to the municipality from the previous year.

Mr. Steve Orsini: For their property tax?

Mr. Michael Prue: Property tax.

Mr. Steve Orsini: That's separate and distinct.

Mr. Michael Prue: Okay.

Mr. Steve Orsini: They have to have paid their property tax. I think you're raising a point. If they haven't paid their property tax, that would be a condition of them qualifying for the program.

Mr. Michael Prue: This is what I do not understand. You have seniors who are in some considerable financial stress. They have not been able to pay their property tax from the year before, in whole or in part. They are now under increased stress. These would seem to be precisely the seniors we should be seeking to help rather than to say, "You're not eligible."

Mr. Steve Orsini: If they pay their property tax, let's say, a year later, they can refile. The condition is you have to pay your property tax and then, in return, you get a grant up to $250.

Hon. Dwight Duncan: It's essentially a credit against what you pay. We're not crediting against something you haven't paid.

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Mr. Michael Prue: Right. But I do have a number of seniors in my own constituency, and I am thinking of one woman in particular. She came to me on one of the coldest days last year, and her property tax was due. She had no heat in the house; the oil company refused to deliver oil to her. She had a cheque in her hand and asked me what she should do. My advice to her was not to freeze to death, to put the oil into the house and to not pay the property tax instalment at that time because she could catch up later, over the summer period—which is precisely what she did. I think I gave her good advice.

Unfortunately, for the balance of the year, although she could pay the other property instalments, she never could fully pay off that one. I'm just worried that a woman like her, who was trying her best to stay in her home well into her 80s, would not be eligible.

Hon. Dwight Duncan: People are faced with extraordinary circumstances, there's no question. Our tax policy has to be what I would term broadly fair.

I'm not familiar with Toronto. I know my municipality doesn't move on particularly seniors who are delinquent for quite a period of time. There can be somewhat onerous penalties in interest, which generally—again, my experience with seniors is that municipalities are pretty willing to waive those if there is a genuine situation and if there's a plan in place to eliminate an unpaid property tax. In fact I know, again in the circumstance of my municipality—I'm not familiar with Toronto—there are often very generous repayment opportunities afforded to people over an extended period of time.

I think this is designed to refund something that's been paid. If it hasn't been paid, it's difficult to do that. Once it's brought up to date and a plan is put in place, my understanding is they then can re-file. I think that's appropriate under the circumstances.

Mr. Steve Orsini: If you have a specific case, that's something we could look at. I'm not sure of other provisions, as the minister referred to, at the municipal level or in the tax code that might provide some relief, but that's something we could follow up on.

Mr. Michael Prue: It's not just one specific; this is the one that instantly comes to my mind, but there are many seniors out there who have not been able to keep up totally with their property taxes.

Hon. Dwight Duncan: Yes, and I don't think you or we can hold out that we can help everybody keep up with their property taxes. This isn't designed to do that. This is designed to assist people as they make their property tax payments in what we think is a balanced and prudent way that recognizes particularly the challenges with assessment changes, with the challenge more particularly with municipal property tax changes that exceed perhaps what they may be seeing in their income. If somebody has a problem making all those payments, this wasn't designed for that, nor can it, nor could any government of any political stripe offer a program that could do that.

Mr. Michael Prue: No, I'm not suggesting that. Perhaps I'm not explaining this well enough. A person misses one payment out of sometimes six, sometimes 12 payments, and they have never been able to catch up on that one payment. They are otherwise fully paid up, but they always seem to be one month behind because the choice was oil and not freeze to death. This is just one woman, one payment behind—she's been one payment behind now for a year, and she is not eligible. It's a matter of maybe a couple of hundred dollars, if it's even that.

Mr. Steve Orsini: We can always come back with clarification, but if I understand your point, if they're paying their property tax up to a certain amount for the year and they file their tax return, they're supposed to record how much property tax they paid that year. If they paid most of it, they'll be able to file the return and show the amount of property tax that they've claimed.

Mr. Michael Prue: Even though they haven't paid all of it?

Mr. Steve Orsini: Even though they haven't paid—

Mr. Michael Prue: That's what I needed to hear.

Mr. Steve Orsini: No. If they didn't pay—I understood that they didn't pay any of it.

Mr. Michael Prue: No. They paid as much as they could.

Hon. Dwight Duncan: As long as it's over $500.

Mr. Steve Orsini: It's tied to their level of income as well.

Mr. Michael Prue: You don't have to worry, in Toronto, about them paying $500.

Hon. Dwight Duncan: No, but I'm just saying that's one of the criteria. You're not going to get a credit for more than what you paid, is essentially what it says.

Mr. Michael Prue: Okay. It took a long time to get to that.

The Vice-Chair (Mr. Garfield Dunlop): Yes, you've got 12 minutes left, just so you know.

Mr. Michael Prue: All right. Access to credit: My understanding—and again, this question was asked in the House today, so it might be a little bit redundant, but I'd like to get some clarification, because I think the answers we get here generally are superior to the one-minute answers we get in the House. My understanding is that in the past week, two letters have been released by manufacturing groups, pleading with the government to provide short-term credit assistance. One came from the auto parts association, and that went to the federal government, although I understand that the Ontario government has a copy of that, and one from Jayson Myers, on behalf of the coalition of manufacturers.

You said in the House today, or someone said in the House, that they were aware of these letters. Media reports have quoted Mr. Myers's letter saying, in part, "Credit is still not available for many of our businesses," and went to say, "We urge your governments"—"governments," in plural—"to introduce temporary guarantees for loans and lines of credit, so that our financial system works for otherwise credit-worthy businesses facing the prospect of a sharp downturn in demand."

Other countries are giving billions upon billions of dollars to banks and other credit agencies. I'm not sure, and I'm not aware of how many are going directly to businesses. Is Ontario contemplating any actions to assuage the fears of Mr. Myers and others?

Hon. Dwight Duncan: There is no other country at this point in time that is doing that, that I'm aware of. I stand to be corrected on that.

You do raise a valid question, and that is access to liquidity and access to credit, and it is an increasing concern. A number of finance ministers addressed this issue yesterday in Mississauga, when we met. It's something we're hearing not just from the automotive parts sector, but others, and that is the willingness of banks to lend, whether it's to back up receivables—for instance, I've been dealing with a very profitable company that is partly in the automotive parts business that will oftentimes have receivables in the $60-million to $100-million range from the Detroit Three. Banks are not backstopping that work because of the uncertainty in the Detroit Three.

We have provided a number of programs, including the capital tax elimination, but we are not prepared today to make the kind of commitment that some are seeking in the absence of the federal government, as is the case in the United States and the European Union, defining a broader response. You're probably aware that the European Union Commission has directed a report back by the end of December with respect to these issues. We have, in turn, over the course of the last several years, set up a number of funds to assist. One of the undertakings we made was the retroactive elimination and refunding of the capital tax to manufacturers this year. But I would concur with you: There's certainly a liquidity problem, in my estimation.

Part of the other challenge—you can't look at the auto parts manufacturers without looking at the Detroit Three, particularly in Ontario. If there's nobody to sell your parts to, or they're not buying them, it becomes a more challenging scenario.

I think it's incumbent on the federal government, as they have in the past, historically, given the significance of the industry. Even though it's concentrated in Ontario, the significance of the industry to the Canadian economy and to Canadian employment mandates, in my view, that the federal government come to the table. I said today in scrum—I applauded some of Mr. Layton's comments on that particular issue this week, or today and yesterday.

We have not come to terms with that. That letter was sent, as you quite correctly note, to the Prime Minister of Canada. Clearly, Ontario has an interest in this. We continue to work both with original equipment manufacturers—tier 1, tier 2 suppliers—and we take their concerns very, very seriously. Again, I can relay to you that this issue of liquidity, whether for auto parts suppliers or other businesses, is something finance ministers from around the country raised yesterday. Do we have an answer right now to that letter? No. It's a deep, complex issue that could have enormous cost, and we're going to work with the industry through these challenging times.

But again, Michael, I would suggest that unless the federal government comes to the table in a very substantial way, it would be difficult for the province of Ontario to respond.

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Mr. Michael Prue: I understand that. A scenario, which is no longer available to us—way back in the 1930s Mitch Hepburn set up a bank, or it was—

Hon. Dwight Duncan: The Province of Ontario Savings Office.

Mr. Michael Prue: —the Province of Ontario Savings Office, which was, unfortunately in my view, sold off a number of years ago. If we still had access to such a savings office, could the Ontario government have done or contemplated doing something?

Hon. Dwight Duncan: I don't think so; not on the order of magnitude you're talking about. POSO—I forget what they had on deposit. Again, it was a highly regulated financial institution. These are, by definition, high-risk. I'm not sure that depositors with POSO would want their life savings to be invested in receivables to, say, an auto parts company to back it up. So I think the short answer is, no, that's not the answer. Even back in the early 1980s, the last time we saw this kind of turbulence, the governments of the day—at that time, it was the government of the United States, the government of Canada, the province of Ontario and the state of Michigan—chose to deal with the OEMs to ensure that a market existed for the products that the parts makers produced.

Again, this is a much bigger question. We are very cognizant of the real challenges faced by the parts guys. I met with a number of them over the last couple of weeks, and I'll say again here, as I've said publicly, that before Ontario could do anything, before we could even begin to contemplate this whole liquidity issue in both the automotive and the auto parts sectors of our economy, the federal government would have to be at the table, and would have to be at the table in a very, very substantial way. Failure on the part of the federal government to do that would make it impossible for Ontario to do it.

Mr. Michael Prue: Okay. You said that you've met with some of the auto parts manufacturing people and others over the last couple of weeks—

Hon. Dwight Duncan: Individuals.

Mr. Michael Prue: Have you met with Mr. Myers?

Hon. Dwight Duncan: I have not. I believe that my colleagues have. Again, we have an ongoing dialogue with the sector. Just before I came in here, for instance, we were looking at some applications under the Next Generation of Jobs Fund, which is designed to help with what we call the next generation of jobs. So this government has an ongoing relationship with those organizations. In fact, Mr. Myers has been working with the government on the manufacturing sector. My colleague the Minister of Economic Development can talk at greater length about that. We take their concerns very seriously.

Mr. Michael Prue: When the working group was set up, the finance minsters, during the past few days, was this aspect discussed?

Hon. Dwight Duncan: Yes, this will be one of the four things that we're going to talk about again in December: the whole issue of liquidity.

Mr. Michael Prue: Terrific. Okay. Is there still time left, Mr. Chair?

The Vice-Chair (Mr. Garfield Dunlop): Yes, you have about four minutes.

Mr. Michael Prue: Again, on this same issue, I understand that we desperately want the federal government to intervene, to be part of or to put some major money forward, or whatever, but in the past this government has taken a pretty laissez-faire approach to helping businesses other than general tax cuts. Given how little they've done for the auto sector in the past, and given the ideology, it's likely that they're not going to come to the table to give any kind of short-term credit to the auto sector—at least in my view. Does the government have any contingency plans, should you not be able to convince the federal government?

Hon. Dwight Duncan: Let me be crystal clear: In the absence of the federal government, we cannot be part of it. It's incumbent upon the federal government to respond first. I don't think I can be any clearer than that. I've been that way, publicly. From a constitutional perspective through to the revenue base that they have available to them, not to mention the regulatory expertise in terms of lending, in terms of that sort of thing, I can't be more clear that if the federal government is not at the table in a substantial way, Ontario cannot be there and will not be there alone.

Mr. Michael Prue: I don't want to push the issue too much, but it appears to me that because we—

Hon. Dwight Duncan: Michael, if I could just—my deputy raises another point that's very valid.

The Vice-Chair (Mr. Garfield Dunlop): You have two minutes. Go ahead.

Hon. Dwight Duncan: I'll be quick. It's also a competitive disadvantage when the government of the United States is providing assistance. I didn't make that point clear either, so I just wanted to add that.

Mr. Michael Prue: That's the whole reality here, and this is what I'm worried about in our auto sector, given what is happening with our chief trading partner. These automobiles go back and forth, and I'm worried that at some point, as their economy contracts—and we saw the auto sales down 35% in the United States and actually up in Canada—we are going to be the net losers here, even more so than them, unless we have a policy.

Hon. Dwight Duncan: As it is in the United States, it has to be the federal government taking a lead. Ontario will do its part, but in the absence of the federal government, we can't compete with the $25 billion the United States government has put on the table to help with achieving the CAFE standards. We've had anything but a laissez-faire policy, by the way: $500 million, which has leveraged more than $7 billion—

Mr. Michael Prue: I didn't say we had one. I'm talking about the federal government, which has had a total laissez-faire policy. That's why I think we have to do something.

Hon. Dwight Duncan: Well, we can't, in the absence of the federal government. We have neither the resource base to compete with the government of the United States, nor the capacity internally. I can't stress this enough: The federal government's silence at this point in time, in the context of what's going on in Washington, I think, is a real threat to our automotive sector. The government of Ontario does not have the capacity to operate at this level alone. The amounts of money are staggering. The potential debt to the people of Ontario is simply something that we cannot, in and of ourselves, sustain, so it is essential, imperative, that the federal government come to the table. In the absence of that, one province of 13 million people cannot compete with the government of the United States. Therefore, it's absolutely essential, in my view, that the federal government come to the table in what I would term a meaningful way. Ontario will participate if they're there and we'll negotiate, if it comes to that, what our fair portion would be, but to say that $400 million to be spread across the country for industrial purposes comes anywhere near the challenges that I have a very strong inkling are going to be coming our way in the next several weeks and months, I think, is completely unacceptable. I welcome your comments and your support on the issue.

The Vice-Chair (Mr. Garfield Dunlop): That concludes the NDP's time. The government members will carry on for a few minutes here till the bells start to ring. Mr. Naqvi.

Mr. Yasir Naqvi: Minister, I'm going to pick up on the conversation that Mr. Hudak was having with you about deficits and your announcement in the fall economic statement, which I'm sure was a difficult issue for you to talk about: the projected deficit of $500 million that the government will be incurring in the upcoming year. I'm sure that you and your staff and the department did extensive consultations to arrive at that decision, so I was hoping that you could enlighten us as to whom you were seeking advice from, in terms of the economists you were talking to, and what advice you received vis-à-vis the projected deficit.

Hon. Dwight Duncan: I've met with what I would call the 12 leading private sector economists, I've met with the CEOs of most of our major banks, I've met with a number of other leaders in the automotive sector, and others. This is part of our ongoing work.

Let me read into the record some commentary from those economists, just so that we can get it on the record. I'll start with some editorials.

This is a quotation from the Globe and Mail of October 17, 2008: "It would be far more devastating to the economy if, to avoid a deficit, the government pulled the plug on many of the programs that hefty surpluses in recent years permitted."

Henry Jacek, a McMaster University political science professor, is quoted in a CP article of October 16 of this year: "It's hard to imagine how any government in North America, given the economic situation, is not going to be in deficit next year."

Another Globe and Mail editorial from October 17: "Adhering rigidly to debt reduction targets during an economic crisis is unwise policy and unwise politics."

Mr. Chair, I'm in your hands. I don't know how long this bell is.

The Vice-Chair (Mr. Garfield Dunlop): I'll give you a couple of minutes to finish the answer.

1750

Hon. Dwight Duncan: How long? A number of us would like to be in the House for that vote.

Mr. Michael Prue: I do believe it's a five-minute bell.

Hon. Dwight Duncan: It's a 10-minute bell.

The Vice-Chair (Mr. Garfield Dunlop): What would your preference be? A couple of more minutes?

Hon. Dwight Duncan: I'll keep going, then.

Here's what Don Drummond, chief economist for the TD Bank, says: "I don't think it's appropriate to raise taxes or slash spending to try to avoid a deficit." Mr. Drummond is one of those 12 economists that we meet with regularly.

Here's what Doug Porter, chief economist at BMO, had to say: "If a deficit is caused by the fact that the global economy is struggling mightily rather than by overspending, then a deficit is something we probably have to accept."

Again, Don Drummond from TD Bank: "Given that this is not probably just going to be a one-year wonder, it is not appropriate to mount a fiscal stimulus at the time when the economy is going to be hitting its weakest point."

Don Drummond again: "We almost seem more interested in the deficit than we are in jobs and income growth, which is pretty bizarre."

Paul Krugman, Nobel economist—this year's Nobel prize laureate: "Concerns about the budget deficit should be put on hold. The responsible thing right now is to give the economy the help it needs. Now is not the time to worry about the deficit."

Glen Hodgson, senior vice president and chief economist of the Conference Board of Canada, says: "We can also accept a short-term fiscal deficit if there is a shortfall in revenues due to much slower economic growth. It would be wrong-headed economically to slash program spending during an economic slowdown in order to attain a predetermined fiscal surplus or balanced target. That action would only make a difficult situation worse."

Mr. Chair, I'm in your hands. I don't know how long—

The Vice-Chair (Mr. Garfield Dunlop): It's going to go for another two or three minutes.

Hon. Dwight Duncan: Okay. I have one more quote, then. This is from Michael Mendelson of the Caledon Institute of Social Policy: "The problem with deficits is not the mere existence of a financial shortfall. The real problems occur if deficits are too large, if they are built into government budgets as a structural element rather than a cyclical response to temporary conditions, and if they are uncoordinated with economic and monetary policy as a whole."

The overwhelming body of expert advice is that a managed deficit, in these circumstances—not only is it an appropriate policy, it's the right policy, and to do otherwise would do more harm than we otherwise would want to do.

The Vice-Chair (Mr. Garfield Dunlop): Minister, I think that's great for today. We got five minutes in. We'll adjourn until tomorrow at 4 o'clock, and the government will have 15 minutes at that point. Thank you to the minister today and thank you to ministry staff.

The committee adjourned at 1755.

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