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(Hansard)**

**Tuesday 15 September 2009**

**Journal  
des débats  
(Hansard)**

**Mardi 15 septembre 2009**

**Standing Committee on  
Estimates**

Ministry of Research  
and Innovation

**Comité permanent des  
budgets des dépenses**

Ministère de la Recherche  
et de l'Innovation

Chair: Tim Hudak / Garfield Dunlop  
Clerk pro tem: William Short

Président : Tim Hudak / Garfield Dunlop  
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

## STANDING COMMITTEE ON ESTIMATES

## COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Tuesday 15 September 2009

Mardi 15 septembre 2009

*The committee met at 0900 in room 151.*

### MINISTRY OF RESEARCH AND INNOVATION

**The Vice-Chair (Mr. Garfield Dunlop):** We'll call the meeting to order, ladies and gentlemen. I'd like to welcome Minister Milloy and the staff of the Ministry of Research and Innovation here today. We're here for the consideration of the estimates of this ministry for a total of seven and a half hours. The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister, and I met Mr. Ross earlier, has made arrangements to have the hearings closely monitored with respect to questions raised so that the ministry can respond accordingly. If you wish, you may, at the end of your appearance, verify the questions and issues being tracked by the research officer.

We will commence with vote 4301. We will begin with a statement of not more than 30 minutes by the minister. You can spend the whole 30 minutes, Minister, as you know, on the work of your ministry, followed by statements of up to 30 minutes by the official opposition and the third party, and then the minister will have up to 30 minutes for a reply. So it's in the 30 minutes by the official opposition and the third party and the second round of 30 minutes for the government that questions can be answered and asked, as well as statements. The remaining time will be apportioned equally among the three parties.

We can start. So, Minister, the floor is yours, and you have up to 30 minutes.

**Hon. John Milloy:** Thank you very much, Mr. Chair and committee members. It's a pleasure to be back. I spent two wonderful years in the estimates committee so it's great to be back here again, this time sitting on the other side, I guess, to answer the questions as opposed to asking them. I just wanted to take this time to talk a little bit about our 2009-10 estimates and the ministry's role in making this province one of the best places in the world to translate a great idea into a new product, new business and new jobs.

First, I'd like to introduce senior ministry officials here today; first, my deputy minister, George Ross, and beside him, assistant deputy minister Tony Rockingham. Also with me today is assistant deputy minister and

science adviser Kamiel Gabriel; our director of commercialization, Bill Mantel; acting director of research and policy, Craig Fowler; acting director of outreach and promotion, Ryan Lock; John Marshall, who is our director overseeing our initiatives addressing venture capital; and our director of communications, Deborah Swain. As is the usual practice, if members have technical questions I may call on these individuals to help out providing some further information. I want to acknowledge the hard work, leadership and commitment to research and innovation that this team and our entire ministry staff demonstrate every day.

Innovation is now, more than ever, a critical element in growing our economy. We live in a world where globalization has fundamentally changed what makes economies competitive. As the Premier puts it, it's a world where, from wherever you are, you can borrow capital, you can copy technology and you can easily buy natural resources. That means there's only one thing left on which to build a high-wage, high-quality-of-life, high-standard-of-living economy, and that's talent; there's nothing else. Supporting talented people across this province is exactly what my ministry is about. It's an important part of our government's five-point economic plan. It capitalizes on a significant Ontario advantage: our skilled workers, our globally recognized research institutions and researchers, and our talented entrepreneurs.

The McGuinty government has made it a priority to help these talented people in their efforts to translate their ideas and their ambitions into new products, new business and new jobs. In fact, the Ministry of Research and Innovation is the only stand-alone provincial ministry dedicated specifically to innovation in Canada. Our role is to be a catalyst, supporting and bringing together the efforts of innovators across the province. They are the ones making world-changing discoveries, starting new companies, introducing innovative new products and accelerating Ontario towards a better future. Our job is to ensure that they have the support they need by making Ontario a great place to innovate. More importantly, it is our job to ensure that the sum total of all of their efforts results in new business and new jobs across Ontario.

Today, I am here to talk about how our ministry is achieving this. Over the last year, we've introduced forward-looking policy to create an environment in Ontario that encourages and supports innovation. We've made significant investments to support and attract talented researchers. We've made great strides in helping

innovators and entrepreneurs turn great ideas into new products, new business and new companies. We've helped raise Ontario's profile on the world stage as a place where innovation is happening, ensuring that we continue to attract the talent and investment we need to grow and compete.

First, I'd like to talk about the significant advances we've made on the policy front. While really talented, ambitious people can ultimately find success wherever they are, the right public policy can make their job easier, and forward-thinking public policy can be the difference between islands of success and an entire economy propelled by great ideas and new innovations. That's why one of the most important things my ministry did last year was to launch Ontario's innovation agenda. It's a plan that leverages one of this province's greatest strengths: the talent and imagination of its people. It's a plan that focuses on areas where this province has the research and entrepreneurial capabilities and market opportunity to be a global leader. These areas also represent some of the most compelling challenges that face Ontarians in the world, challenges like tackling climate change through innovation and bio-based environmental alternative energy and clean technologies.

We're conquering diseases through breakthroughs in the life sciences, biotechnology, advanced health technologies and pharmaceutical research.

We're bridging distance between people and giving all citizens equal access to information through continued innovation in digital media, information and communication technologies.

These are areas that reach across our entire province and our entire economy. That's why the McGuinty government has committed \$3.2 billion over eight years to put Ontario's innovation agenda into action. It's funding that is supporting world-class research and researchers working across Ontario. It's capital that's supporting innovators and entrepreneurs and developing new products and new businesses ready to take on world markets. It's support to connect innovators across the province to ensure that the ideas we're developing in labs make their way into the marketplace. That's important because the future of this province will depend on how well we translate the richness, talent, skills and ideas we have into economic competitiveness and growth.

An important part of Ontario's innovation agenda is building a supportive business environment for innovation. That includes tax policy that encourages innovative companies. For example, last fall the McGuinty government introduced the Ideas for the Future Act, 2008, which provides a 10-year corporate income tax exemption for new companies that turn homegrown ideas into Ontario jobs and products. Specifically, this tax exemption, which is the first of its kind in Canada, encourages Ontario's entrepreneurs through commercialized research coming out of Canadian universities, colleges or research institutions. It's one way we're making it more attractive to innovate in Ontario.

Another is the tax reform measures the McGuinty government introduced in the 2009 budget. These reforms,

which will take effect July 1, 2010, are the single most important thing we can do to strengthen our economy and strengthen the environment for innovation in this province. When the McGuinty government looked at best practices around the world, we noted that every other country in the Organisation for Economic Co-operation and Development, save the United States, has a value-added tax, as do four other Canadian provinces. It's the way modern, globally competitive jurisdictions do business. If we were starting a tax system from scratch, we would not require our businesses to collect two different sales taxes, send them to two different governments and comply with two different sets of regulations. We would choose a modern, efficient, single sales tax system that reduces business costs. At the same time, we're moving forward with permanent income tax cuts for Ontario businesses and families. In all, 93% of Ontario taxpayers will get a permanent income tax cut.

#### **0910**

These reforms will encourage the kind of business investment in productivity, competitiveness and innovation that's critical for a modern, growing economy. In fact, once fully implemented, our comprehensive tax reform package would cut Ontario's marginal effective tax rate on new business investment in half.

There are many ways that we are working to strengthen the climate for innovative businesses here in Ontario. We are doing this through enhanced tax exemptions and credits for scientific research, experimental development and the commercialization of intellectual property. Taken together, these measures are making Ontario one of the most attractive places in the world to develop a great idea into great made-in-Ontario products and new jobs.

Innovation is a process that relies on a steady flow of new ideas and new knowledge. We're fortunate in Ontario that we have a lot of world-class researchers working on potentially world-changing research—people like Dr. Paul Corkum, one of the top physicists in the world. Each year we celebrate excellence in research through the Premier's Discovery Awards, highlighting individual achievement and showcasing Ontario's attractiveness as a global research centre.

This year we recognized Dr. Corkum. He is best known as the father of attosecond science, using lasers to peer into matter. The laser emits a short pulse of light timed by the attosecond, one billionth of one billionth of a second. To give you a sense of how brief this is, one attosecond is to one second as a second is to the age of the universe. Getting laser pulses that incredibly brief allowed Dr. Corkum to capture the world's first picture of an electron, one of the smallest bits of matter in the universe. The ultimate goal of this work is to actually control the movement of electrons as they speed inside molecules. As esoteric as that sounds, it's groundbreaking work that could revolutionize fields ranging from diagnostic medicine to computing, expanding the boundaries of science and enabling technology breakthroughs. It all starts with the hard work and talent of researchers like Dr. Corkum.

That's why, since 2003, the McGuinty government's funding for research has reached a historic high of \$1.3 billion. We're investing in the work of world-class researchers right across the province through our Ontario research fund research excellence program, which since 2004 has committed nearly \$300 million to support leading-edge research. In recognition of the particular challenges around funding leading-edge genomics research and the tremendous potential of breakthroughs in this area, the recent budget committed an additional \$100 million to create the Ontario research fund global leadership round in genomics and life sciences, known for short as GL<sup>2</sup>. This initiative will ensure that Ontario has the funding to support and attract leading genomics researchers. By supporting their work, we will generate new knowledge that could lead to cures, better treatment and, more importantly, the prevention of diseases like cancer, diabetes and heart disease.

But it's not enough to simply support research projects. Talented researchers also need access to the latest tools and facilities, which is why our Ontario Research Fund's research infrastructure program has committed close to \$310 million since 2004. This funding for new labs and equipment leverages 150% of our investment from the federal government, institutions and industry.

Ontario's commitment to maintain and support this province's world-class research capabilities is getting noticed. An excellent example is cancer research, where, thanks to the efforts of the Ontario Institute of Cancer Research, or OICR, Ontario is quickly becoming a world leader. The McGuinty government committed \$357 million to create the OICR, aligning Ontario's considerable strengths around cancer prevention, detection, diagnosis and treatment. In April 2008, OICR's leadership was confirmed when it was selected as the global secretariat for an international effort to unlock the genome of the 50 most common cancer tumours. The project, called the International Cancer Genome Consortium, will generate a staggering 25,000 times more data than the Human Genome Project, and Ontario, through OICR, has been asked to serve as the global data centre for the project. In essence, we will develop the largest health informatics database in history, and play a significant role in understanding and ultimately beating cancer.

Ontario also recognizes that maintaining and building this sort of research leadership in the future means investing in promising up-and-coming researchers today. That's why we committed \$11.5 million over the last year to support 82 emerging researchers through the Early Researchers Award program. This funding helps young researchers launch and build their careers in Ontario. Researchers funded through this program also engage with youth to encourage them to choose a career in science and engineering. To date, these efforts have created 550 outreach events across Ontario and reached almost 24,000 young people in our schools. In addition, MRI has committed more than \$5.4 million to initiatives that help schoolchildren discover science. Those efforts generated well over 4,000 events across the province last year and reached over 134,000 youth.

Talented people with great ideas are where innovation begins. It's very important to note, though, that that's not where it ends. If we are to create an economy propelled by innovation, Ontario must excel at turning new knowledge into new products, new business, new companies and new jobs. To ensure that we do just that, MRI is making significant investments to help innovators and entrepreneurs take new technologies from the lab to the marketplace. Our recent budget committed an additional \$50 million to enhance the successful innovation demonstration fund. This fund has already announced support for 10 Ontario companies, committing more than \$22 million to help them demonstrate emerging bio-based, environmental and alternative energy technologies. According to the GLOBE Foundation of Canada, "the global market demand for these" sorts of "water purification, solid waste management and clean energy technologies exceeds \$1 trillion per year." These demonstration projects help innovative Ontario companies go after that incredible opportunity. It helps them attract the lead customers and investment needed to take their business to the next level.

This revolution in clean technologies is creating remarkable opportunities within existing industries as well. Ontario's agricultural and forest industries, to name just two, are finding new markets in growing areas like renewable environmentally friendly materials and clean energy. Ontario is helping them pursue these opportunities through several initiatives. For example, we have committed \$25 million to establish the Centre for Research and Innovation in the Bio-Economy—or as it's more commonly known, CRIBE—in Thunder Bay. This centre takes advantage of Ontario's considerable forestry expertise. It will attract world-class researchers and industry leaders to develop the next generation of renewable materials and energy from forestry by-products.

Another way MRI is helping is through our support for the Ontario BioAuto Council, which generated several projects over the last year that connect forestry and agriculture to manufacturing. One of these projects is helping Ontario auto parts manufacturer the Woodbridge Group develop its BioFoam technology. It's a material derived from plant seed oils instead of petroleum. Today, it's used in the seat cushions, head restraints and armrests of several popular vehicles. Thanks to BioAuto support, Woodbridge is developing new applications and new markets for the material. One of these is a system that incorporates BioFoam with natural fibres to create automotive ceilings that are lighter and provide better cabin sound quality. As consumer demand and regulation accelerate the development of greener cars, these kinds of projects are helping Ontario-based manufacturers stay at the leading edge with better, more environmentally friendly products.

Innovation isn't just helping traditional industries find new markets and new opportunities; it's also helping Ontario attract research-intensive high-growth sectors like biopharmaceuticals. PricewaterhouseCoopers predicts the global market for pharmaceutical products,

excluding medical devices, will more than double in sales to \$1.3 trillion by the year 2020. With Ontario's biopharmaceutical investment program, or BIP, as it's more commonly called, we're working to ensure that Ontario is a global destination for biopharmaceutical research and development. Already, the program has contributed to expansions in Ontario by leading pharmaceutical companies like Sanofi Pasteur, Purdue Pharma and Pfizer. These companies are expanding their research and development footprint in Ontario, developing new and better ways to treat disease and creating new, high-value jobs.

#### 0920

Big pharma companies aren't the only ones creating jobs. Ontario is also home to many emerging innovative companies. While they might be small today, they're fast-growing and hold great promise for creating new jobs. In many cases, they already have a solid business plan, a great technology and talented leadership. What they need to grow in Ontario is access to investment capital. That's why Ontario is working with the investment community to ensure this province has the right investment climate to support the growth of innovative companies.

One way we're doing that is through the Ontario venture capital fund, or OVCF, which was launched in June 2008. The fund is a partnership between Ontario and OMERS, the Royal Bank of Canada, the Business Development Bank of Canada and Manulife Financial, thus bringing together government and key institutional and corporate investors. Ontario committed \$90 million to the fund and with the contribution of its partners, we've created a \$205-million fund. Managed by TD Capital partners, this market-driven fund of funds invests in underlying investment funds that in turn invest in innovative companies.

By providing more resources to top-performing Ontario funds, the OVCF helps make our strongest performers stronger. That's important. Successful VCs aren't just sources of capital; they're very, very good at identifying and developing high-potential, innovative companies. That skill means that investment flows to the companies most likely to succeed and most likely to grow, generate profits and create jobs. It's a skill set we need in Ontario, not only to ensure our best companies grow, but to make sure they grow here at home, because in the absence of talented VCs, innovative Ontario companies have two choices: They can stay in Ontario and perhaps become a local success, or they can find somewhere else—Boston or San Diego or Singapore—where there is a more supportive VC environment, and then grow into a global success. With initiatives like the OVCF, we're ensuring innovative companies can grow into global entities right here in Ontario.

In a typical year, bringing \$205 million of new money into the venture capital market would have probably been on its own a pretty significant accomplishment, but as all of you know, this last year was far from typical, particularly when it came to the capital markets. As credit markets tightened up, it became increasingly difficult for

emerging companies to raise capital. For new, innovative companies looking for investment to grow, options grew very thin.

Recognizing the need to respond quickly, the McGuinty government announced the new \$250-million Ontario emerging technologies fund in March. This fund will co-invest, alongside qualified venture capital funds and other private sector investors, directly into the high-growth, high-potential companies, the kinds of companies pursuing the tremendous global opportunities we've identified in Ontario's innovation agenda.

It's an approach designed to get investment capital directly into these companies, mirroring the market and taking advantage of the investment expertise we already have in Ontario. This is a priority for our government, which is why we moved quickly to establish the fund. When we announced it in March, we said it would be up and running by the end of July 2009 and I'm pleased to report it was launched on schedule. That means that in a very short period of time, Ontario has helped increase the pool of capital available to invest in innovative companies by nearly half a billion dollars. Equally as important, we've partnered with the investment community to ensure that we establish a strong and sustainable climate for innovative companies in this province now and well into the future.

Money is very important, but capital alone will not make Ontario one of the best places in the world to bring innovation to market. Places like the Silicon Valley offer capital and access to a whole network of experts—people who know how to grow an innovative company. By tapping into that network, a company can get the type of valuable advice, connections to management talent and access to the kind of opportunities that only happen when groups of talented people get together.

Our aim is to build that kind of network right across Ontario. To accomplish that, MRI embarked, in September 2008, on a review of the existing programs and partnerships Ontario has in place to support commercialization. From Windsor to Ottawa and from Thunder Bay to Toronto, Ontario has partnered with organizations that help their clients researchers, entrepreneurs and innovative businesspeople move new innovations to market. Across Ontario, their combined efforts have touched thousands of innovators and helped create over 200 new companies and over 1,500 jobs; in other words, they do good work. But if we're going to realize Ontario's vision of being one of the top three jurisdictions in the world at commercialization, good or even really good isn't good enough.

So the ministry turned to experts—leaders in business, investment and research communities here in Ontario and around the world—to independently review this existing network of programs and partnerships, and advise us on how best to move forward. What did they tell us? To truly compete against the Bostons, Cambridges, San Diegos and Singapores of this world—in other words, to become a destination for talented investors, entrepreneurs and innovators—their review found that Ontario needs to

do two things: first, make our network more coordinated and more client-focused; and second, make it easier for innovators across the province to find the support they need to move their ideas to the global market.

Over the next year, we will do just that. We're building on our existing partnerships to create a new, more coordinated, more client-focused network. When we roll out this improved network early next year, an innovator will be able to walk in the door of whatever partner organization is closest and easily access expertise that's just around the block or right across the province. Innovators will have access to best practices from around the world, programs linking them to researchers and successful entrepreneurs, and funding and advice to get their ideas into the marketplace.

As much as possible, this network will make geography irrelevant. It will make shifts between government programs seamless. It won't matter where you are. It won't matter what stage your idea or business is at. All that will matter is the quality of your idea, the depth of your commitment and your drive to succeed. It's the kind of network Ontario needs to accelerate and replicate the success we're already seeing across the province, not just in Ottawa or Toronto or Waterloo but in places like Windsor and St. Catharines and Thunder Bay.

Earlier, I mentioned the Premier's Discovery Awards, which recognize research excellence. Ontario also recognizes talented entrepreneurs and innovative businesses with our Premier's Catalyst Awards. This year's winner was Cinevate, a Thunder Bay company started by founder Dennis Wood in the basement of his home. In two short years, the company grew from a great idea into a leader in the field of optical and cinematography products. The company's flagship product allows today's newest video cameras to use traditional photographic lenses, allowing filmmakers to achieve the quality and look of Hollywood films at a fraction of the cost. It's an innovative approach that has generated a lot of interest and a growing, new company. It's the kind of success we can and must repeat again and again right across the province if we are to compete based on our best asset, the talent and skills of our people.

I'm proud of the work my ministry has done to support leading researchers and entrepreneurs. Success has a way of breeding success. In Ontario's case, our world-class research institutions and innovative companies can be a powerful magnet, attracting new talent and investment. But that will only happen if people around the world are aware of the exciting things happening here. That's why Ontario participated in Cleantech Forum XXI in San Francisco last February. It's an event that attracts 800 of the world's clean-technology sector leaders, representing over \$3 trillion in capital, together with entrepreneurs, scientists and policy-makers. MRI worked with several ministries, including the Ministry of Economic Development and Trade, the Ministry of the Environment, and the Ministry of Energy and Infrastructure, to coordinate our participation. It was an opportunity to showcase our innovative companies, our

remarkable pool of talent, and leading policy like the Green Energy Act.

**0930**

Ontario has also participated in BIO 2009 in Atlanta, the world's largest life sciences networking opportunity. This year, Premier McGuinty won the International Leadership Award for Ontario's strong commitment to the development and growth of the biotechnology sector. The award was presented at the conference, raising Ontario's international profile as the place to be for biotech.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got just over a minute, Minister.

**Hon. John Milloy:** Okay.

My ministry will continue to work in partnership with other ministries to find new opportunities to profile Ontario innovation and Ontario innovators on the world stage. As we move from success to success, this province will become a sought-after destination for talented people, innovative companies and global investment.

Maybe with that, Mr. Chair, as I have less than a minute, I will conclude. I look forward to the comments and questions from the committee. You said I had less than a minute, right?

**The Vice-Chair (Mr. Garfield Dunlop):** Yes. You've still got 30 seconds or so.

**Hon. John Milloy:** Oh, okay. That's fine. We'll add it all up for the end.

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

Now we turn it over to the official opposition. You have 30 minutes to either ask questions or make a statement or a combination of both.

**Mr. Jim Wilson:** Okay. Thank you very much, Minister, and your colleagues, for being here today. On a personal note, I want to thank you for your personal note to me earlier this year when I wasn't feeling so well and took ill, so thank you for that. It was much appreciated. That's about as nice as I'm going to be today, though.

I think we'll probably be asking most ministries this, both in the House and as they appear before estimates, and that's in terms of just—I'll get to some of your investments later—accountability for all ministries. Just to put my questioning into context, Mr. Chairman, I want to go over some of the disturbing things we've seen at eHealth and OLG and that just very briefly.

Over the past year, and particularly this summer, taxpayers have learned a lot about how this government's massive abuse of tax dollars at various government agencies has affected trust in your government.

At eHealth Ontario, over a four-month period, executives spent over \$16 million in taxpayer-funded health care dollars on outside consultants without allowing public bids, even though it employs 160 people who make over \$100,000 a year. One consultant was allowed to bill \$300 an hour to read newspapers, watch television and engage in conversations on the subway. Another consultant billed \$300 per hour to plan a Christmas party, then hired an executive assistant who got paid \$1,700 per

day, or \$213 an hour. After three months on the job, then-CEO Sarah Kramer topped up her \$380,000-a-year salary with a \$114,000 bonus. They also spent \$27,000 to sponsor a conference in Quebec that appears to have included a nice cocktail reception for its participants.

At OLG, we saw the same excessive use of consultants. After being hired, OLG president Kelly McDougald dished out a \$1-million untendered contract to Caldwell Partners, the same executive search firm that suggested her as a candidate for the job in the first place. The finance minister admitted there were untendered contracts given out at OLG, although he didn't provide details, so I assume there's a lot more.

Over at MPAC, we learned how more rules were broken. According to their policies, external consultants that are extended beyond their initial term cannot have a dollar value of more than twice the amount of the original contract, yet an internal audit found the agency extended contracts to anywhere from five to 14 times the initial value, for a total of \$11.4 million.

The misuse of tax dollars seems to be just the tip of the iceberg, so I just want to ask you to give an overview of what specific steps you have undertaken to ensure that the \$500 million that your ministry spends isn't being abused like it has been in some other ministries.

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

**Hon. John Milloy:** Thank you very much, Mr. Chair. Mr. Wilson, if it's okay, I will give you an overview of the ministry and then, perhaps, if you have specific questions, we have officials who can talk about it.

Obviously, the Ministry of Research and Innovation has a number of different types of programs that come forward.

Research programs—if I can divide my answer up and begin with research programs—involve scientific peer review panels composed of world-class academics and industry experts, with the exception of the post-doctoral fellowship program which defers adjudication to eligible institutions. Internal due diligence includes the determination of eligibility and compliance with individual program guidelines, as well as adherence to the ministry's service standards.

In terms of the cluster of programs we might call commercialization programs, here again the ministry uses expert review to determine how all funds are allocated. Experts who are used are often seasoned entrepreneurs with a strong background in both business and technology issues. Where the funds are provided to an organization, strategy and economic development experts are used to provide advice. Often, international panels are struck. Where the ministry provides money directly to companies, there are three levels of due diligence: first, technical feasibility of the potential product or technology; second, financial due diligence on the financial strength of the company; and, finally, an interim ministry review to ensure projects are consistent with the priorities of the government.

MRI strategy calls for funded projects to be benchmarked with the best in the world. Accordingly, the

ministry seeks out the best people in their fields globally to provide due diligence.

In terms of procurement within the ministry, my ministry always follows the Management Board of Cabinet guidelines. The guidelines in place before the summer, as you know, were changed on June 17 when he announced that the government and all its agencies would no longer allow single-source contracts for consulting services. The Ministry of Research and Innovation began to follow those new guidelines immediately and will continue to follow the government's procurement policies.

In terms of agencies and other entities which receive operating funding from MRI, the rules of these are specified in contracts and agreements. As a result of concerns raised during the summer and the changes made in directives which apply to agencies, MRI has been in contact with the groups we provide funds to, alerting them to changes in expectations. All active agencies of MRI have confirmed that they will meet the requirements of the new directives.

Contracts with other groups which are not agencies but which receive ongoing support from MRI will be modified as necessary to ensure parties meet the new expectations.

Finally, in terms of the ministry itself, we've adopted modern controllership principles in ensuring compliance with contracts. Staff undertakes a review of payment obligations when invoices are received to ensure that any payments from MRI are consistent with contractual obligations. In addition, the ministry makes use of internal audit services and special reviews when circumstances warrant their use.

That's an overview of the programming and the ministry itself. As I say, if you have individual questions, either I or officials can answer.

**Mr. Jim Wilson:** Okay. I know in your ministry, because I was Ontario's first minister of research, that you do use experts. I was wondering if you could tell us how many experts you've used, how much money you've spent on them. Also, you probably use external consultants. That's what most other ministries call them. I was wondering if you could tell us, over the last fiscal year again, how much money you've spent on external consultants.

**Hon. John Milloy:** Sure, we can provide that in written form to the committee.

**Mr. Jim Wilson:** Could you let us know which of those were sole-source contracts?

**Hon. John Milloy:** Yes, we can provide that information. As you rightly point out, we deal with highly specific and often technical issues and sometimes need to reach out to very specialized individuals.

**Mr. Jim Wilson:** In the last fiscal year, did the ministry conduct any focus group discussions or hire someone to do it? If so, will you provide the committee with a copy of their report and their invoices?

**Hon. John Milloy:** Certainly. We're making note of these requests.



**Mr. Jim Wilson:** In the last fiscal year, did the ministry conduct any polling? If so, will you provide us with the results of that polling and the cost to have that polling done?

**Hon. John Milloy:** Yes. Just for Hansard, I'll say we're noting the questions here.

**Mr. Jim Wilson:** The 2007-08 public accounts show that the ministry spent over \$71,000 on the Sutton Place Hotel. What was this for? If it was for meetings, why couldn't you use the government offices, which wouldn't cost the taxpayers an extra penny?

**Hon. John Milloy:** Again, we can get you background information on that.

0940

**Mr. Jim Wilson:** Okay. The 2007-08 public accounts also shows an expenditure of over \$70,000 to Strategic Counsel, and we'd like to know what that was for.

**Hon. John Milloy:** We'll, again, take note—

**Mr. Jim Wilson:** And just turning to—yes, I appreciate that you'll have to get back to us on a lot of the stuff.

Ontario Centres of Excellence: As you know, they're not subject to freedom of information, so we've been trying to get the information from them. In 2007-08, their annual report shows that the Ontario Centres of Excellence had expenditures of almost \$39 million. Again, within those organizations, could you tell us how much money was spent on external consultants and so-called experts and which of these were sole-sourced? Could you provide us with a list of these external consultants and experts? Of the amount spent on external consultants, how much was spent on communications consultants? Of the amount spent, again, how many were sole-sourced? The 2006-07 annual report lists the names of the companies which OCE holds debentures in, but in the 2007-08 annual report the list is missing and it only states the number of companies that OCE holds debentures in—just the number of companies. Can you explain why that change was made?

**Hon. John Milloy:** Yes, we're taking note of those questions, Mr. Chair.

**Mr. Jim Wilson:** Okay. Will you provide us a list of the companies that OCE held debentures in as of March 31, 2008, and March 31, 2009?

**Hon. John Milloy:** Yes, we're taking note of all of these, sir.

**Mr. Jim Wilson:** Perhaps it's time to make OCE subject to freedom-of-information legislation. Have you explored that with them or with your government?

**Hon. John Milloy:** Not that I'm aware of. I'm very new to the post.

**Mr. Jim Wilson:** Do you know why, after all these years, they're still not subject to freedom of information? Does anyone know the history?

**Hon. John Milloy:** I believe that actually falls under a different ministry, does it not, in terms of freedom of information? Perhaps I can ask my—

**Mr. George Ross:** I'm not familiar with the specific provisions of the freedom of information act and how

they relate to the OCE. We will undertake to look into that, Mr. Wilson, and get an answer back to the committee. I should say, though, in the context of the review of our commercialization programs that the minister referenced in his opening remarks, we have gone through a process with the Ontario Centres of Excellence to update their contractual relationship with the ministry. That contract, going forward, will reflect the new provisions the government has put in place for all agencies with respect to travel and hospitality.

**Mr. Jim Wilson:** Okay. Just so you know, Minister, and you probably do know or you would know, our research staff wrote to the head of OCE asking for these very same things: use of consultants, companies they hold debentures in etc., and our staff was told by the CEO that the information would not be disclosed because OCE is not subject to FOI—freedom of information. So if the OCE is to be transparent and accountable, why wouldn't they share information with us? I mean, the Premier has consistently said that he wants his government to be open and accountable, and yet we ask such simple questions—they do receive over \$40 million in taxpayers' money. Do you have any explanation for their unaccountability at this point?

**Hon. John Milloy:** First of all, Mr. Chair, we're going to endeavour to provide answers to Mr. Wilson, but I think just for the record here it should be noted that the OCE has a number of different funders—the province, the federal government as well as the private sector. So it is not a sole provincial agency. It's one that we fund, so our relationship is slightly different than it might be in other cases.

**Mr. Jim Wilson:** Fair enough. I expect they have trade secrets and some patents pending and stuff like that, hopefully, too in it. But just for the record, the FOI legislation allows exemptions for that sort of thing, so if we could make it more transparent, I think it would be in the best interest of the taxpayers.

Mr. Chairman, I'm just going to move on to venture capital. You'd spent some time talking about that. I have a rather lengthy letter here that was sent to the Premier on March 16. I'd like to read it into the record because it explains their concerns, obviously, better than I can do on their behalf. It's from Canada's Venture Capital and Private Equity Association. It is fairly lengthy but it is also quite informative, from Gregory Smith, the president of the CVCA. It reads:

“Dear Mr. Premier:

“On behalf of Canada's Venture Capital and Private Equity Association ... I would like to draw your attention to the critical situation facing Ontario's venture capital industry.” I'm just going to ask you at the end, Minister, to comment on what they say and the points they raise. “The current severe economic downturn is further exacerbating an already difficult fundraising and investing environment and risks compromising our collective ability to fund the industries of tomorrow.

“Venture capital (VC) firms generally focus on entrepreneurial and fast-growing small businesses in the

technology arena, including information and communications technology, life sciences and biotechnology, alternative energy and clean tech. Perhaps the best known Canadian VC success story is Research in Motion, which has fundamentally changed the way we work and communicate, while at once creating tens of thousands of jobs and serving as an engine for Canada's economy.

"The CVCA has recently released a study on the economic impacts of venture capital. This study has been led by the CVCA with the financial support of Ontario, several other provincial governments and the federal government. This study clearly shows that venture capital in Canada has resulted in the creation of close to 150,000 jobs and an additional 1% to Canada's GDP. In addition, according to the Information Technology Association of Canada (ITAC), 700,000 Canadians work in the broader information technology and communications technology sectors.

"This record reflects the specialized business-building skills that Canada's venture capital firms bring to their portfolio companies. It is also a measure of our long-term focus, astute risk management and strong sense of corporate responsibility and accountability to stakeholders.

"While the venture capital industry has been a key driver of Ontario's prosperity, our members are currently facing significant challenges that we believe require government action. At a time when our economy urgently needs new success stories like RIM, ATI, Open Text, Cognos and Corel, we believe that it is vital for the government to address"—then they list a couple of things:

"—current lack of funding available to bridge the gap between research and development and the commercialization of promising technologies;

"—existing obstacles to foreign investment.

"Each of these challenges is presented below along with a proposed approach to form the basis for a more detailed discussion."

They talk here about both the involvement of the federal government and the provincial government.

Under the heading of "Access to Funding":

"Given the current economic environment, fundraising in our sector reached new lows in 2008. The ability of funds to raise new capital impacts their capacity as financial intermediaries to make investments into promising companies. Because of the increasing difficulties in fundraising between 2003 and 2008, venture capital investment in Ontario dropped to \$99 million in Q4 2008, down precipitously from \$177 million in Q3 2008 and from \$217 million in Q4 2007.

"The lack of capital available to venture capital investors reflects the broader market volatility and the new market realities. Institutional investors such as pension funds have incurred considerable losses in their public equity portfolios, which in turn has resulted in a corresponding lower allocation to venture capital and private equity. Additionally, individual investors are increasingly reticent to invest in publicly-traded vehicles such as labour-sponsored venture capital corporations, for a

variety of reasons, including the gradual withdrawal of tax incentives for investing in the asset class.

"Simply, the lack of capital is putting Ontario's innovation at risk. Without funding, there is an increasing and very real risk that Ontario will not be able to fully capitalize on and benefit from its multi-billion-dollar investment in research and development.

"We note that the federal government has already taken significant steps towards improving SMEs' access to credit. However, the fastest-growing, most export-intensive Canadian SMEs are disproportionately backed by equity infusions from venture capital funds. The current economic environment is depriving venture capital funds of their ability to raise capital, thereby robbing our most promising SMEs of the opportunity to grow.

"A practical commercialization support program will ensure that more of Ontario's enterprising companies are able to realize their full potential, which will help to strengthen Ontario's competitiveness in the global, knowledge-based economy of the 21st century. The CVCA recommends the following initiatives:

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"—setting up a federal, \$300-million, third-party-managed fund of funds similar to the fund recently established by Ontario to help fuel the growth of vibrant, leading-edge companies"—you mentioned that in your remarks;

"—doubling the size of the Ontario venture fund through a direct injection of \$200 million in government funding;

"—improving the federal scientific research and experimental development program (SR&ED) so that for every \$1 of approved claims, \$1.50 is returned to the company, thereby stimulating its growth and development; Ontario's support on this score would be welcome;

"—enabling greater use of government procurement/offsets to encourage domestic as well as foreign multinational investment in domestic venture capital funds; and

"—creating an incentive for large Ontario corporations to invest in domestic VC funds, where an investment in a VC fund would receive the same tax treatment that is currently available for in-house research and development.

"These measures would benefit Ontario's technology firms as well as its venture capital funds in both the short and medium term and would improve our collective ability to achieve the longer-term innovation and productivity goals that are necessary to maintain the province's competitiveness in the global economy."

Just another page and a half. Under the heading "Removing Remaining Obstacles to Foreign Investment":

"Foreign venture capital investment has historically been an important contributor to the success of emerging Canadian companies. However, at the end of the fourth quarter of 2008, foreign venture capital investment in Canada fell 56% in 2008 relative to 2007, the lowest level in five years. Moreover, this trend appears to be accelerating.

“We encourage the government to examine ways to improve Ontario’s and Canada’s investment appeal. The CVCA shares the analysis of the situation put forth by the recently-released federal Advisory Panel on Canada’s System of International Taxation, namely that the current section 116 process ‘may negatively affect Canada’s ability to access foreign capital, particularly by private companies.’ ... The advisory panel’s recommendation 7.4 that deals with this matter is, regrettably, insufficient to deal with the problems encountered by our members and by the foreign investors with whom they deal.

“Canada currently defines taxable Canadian property to include shares of a private corporation resident in Canada. At the same time, Canada’s tax treaties cede taxing jurisdiction to the country where the non-resident vendor is resident, provided the shares do not derive their value principally from real property. Based on the large number of tax treaties Canada has concluded, it appears that Canada is prepared to exempt from taxation all gains realized by non-residents, other than the gains from the disposition of real property.

“In light of this treaty ... we believe that Canada should adopt a broader exemption in its domestic law to exempt gains realized by non-residents other than those arising from the disposition of real property.

“We see little benefit in providing the exemption only on a bilateral basis. The benefit of a broader exemption is that it would make Canada a more attractive destination for equity investments by non-residents and, in particular, venture capital and private equity funds. A broader exemption would also reduce a significant compliance burden that acts as an impediment to foreign direct investment in Canada. Unfortunately, recently enacted changes regarding the section 116 clearance certificate process did not address the issue and are unlikely to reduce the number of situations involving arm’s-length transactions in which clearance certificates are obtained. We recommend amending the definition of taxable Canadian property so as not to include the shares of a private corporation resident in Canada other than when such shares derive their value principally from real property in Canada.” I guess they’re just, on that whole point there, looking for you to do some lobbying with your federal counterpart.

“This proposed solution would put an end to the onerous section 116 compliance requirements (except for real property), should not result in any significant tax revenue loss and would mirror the practices of most leading international jurisdictions.

“We would strongly urge Ontario to continue to press the federal government to remove the section 116 obstacles to foreign investment.”

Finally, under the heading “Encouraging Angel Investing”:

“Although it is not within the CVCA’s mandate, we recognize the important role that angel investors play in our ecosystem. Although the CVCA has not taken a formal position on the topic, I will note that one half of

US state governments have adopted some sort of ‘angel tax credit’ to stimulate the creation of start-ups.

“In closing, the strength of our venture capital industry has a direct impact on Canada’s economic health as well as the financial well-being of millions of Ontarians. At the CVCA, we take this responsibility very seriously.”

It goes on to say you can contact Gregory Smith, president, or the executive director—they would like to meet with the Premier. It has been c.c.’d to you and Dwight Duncan.

As they’ve noted, and as you noted in your remarks—you noted that you brought in the emerging technologies fund at about the same time this letter was written, I guess in March, to try to address some access to venture capital. How does that work? Does it work the same way as the Ontario venture capital fund or the Ontario fund? What are we talking about?

**Hon. John Milloy:** You’ve raised some very important points about access to venture capital, and the letter you read into the record obviously touches on different levels of government. I will point out that the CVCA, both in that letter and in other publications, has been very supportive of our fund of funds, as we call it, the Ontario venture capital fund, which helps grow venture capital funds which in turn invest.

The Ontario emerging technologies fund, which we announced around that time and that came into being at the end of July, works slightly differently. It’s \$250 million over five years. What we do is make co-investments. In other words, we reach out to the venture capital community. We, in a sense, pre-approve a venture capital list, a VC who wants to come forward, saying that after they’ve done the due diligence, they’re in a position to recommend investments. Once they have this pre-approval, they bring forward an investment. Again, after suitable due diligence, we co-invest with them. What it does is give them the lead. They’re the ones with the expertise; they’re the ones out in the marketplace; they’re the ones who are taking the risks, so to speak. In a sense, we’re benefiting from their expertise and they’re benefiting from this pool of cash. I believe this goes a long way to meeting some of the concerns that were raised in the letter you read into the record.

I would also note, on this whole issue around section 116, understanding that the Premier has written to the Prime Minister on that to raise some of the concerns that were put forward there.

Mr. Chair, I’m sensing I may be out of time on this round, or do we have another minute or two?

**The Vice-Chair (Mr. Garfield Dunlop):** You’ve got three or four minutes. I’m just more concerned about the construction equipment than anything else.

**Hon. John Milloy:** Well, we’re building Ontario here. But if I can also, with your permission, Mr. Wilson, ask my deputy to speak in a little more technical detail on some of the other points raised in the letter you read.

**Mr. George Ross:** First, I would observe that we’ve been working very closely with the CVCA in the development of all of our venture initiatives. In terms of

context, when it comes to the issue of access to capital and venture financing in Ontario entrepreneurs and their companies, I think it's important for us to set some context. Back at the beginning of our work on development of the Ontario innovation agenda, one of the key issues facing the province was lack of capital. I think it is fair to say that venture capital financing and fundraising were going to all-time lows. We saw that there was a series of issues causing that, not the least of which was lack of returns in historical funds that had been working in Canada.

The ministry set about, in a very principled way, to address some of these issues. As part of our innovation agenda, with the advice of experts, including the CVCA, we developed a three-part plan when it comes to venture capital. The first part was to see seed-stage financing. This is usually financing at an amount lower than \$1 million. It's critical to the start-up and first-round financing of companies put in place. As a result of that, the government put in place the accelerator fund, which is a \$29-million fund focused on investment directly in seed-stage companies. That program is being delivered quite successfully by the OCE and MaRS as a partnership. That was the first part of our program.

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The second part, as Mr. Wilson pointed out, was the Ontario venture capital fund, the OVCF. The target here was to really attract institutional investors, large pension funds and financial institutions back into venture capital financing. They had been moving out of that sector for some time.

Our Ontario venture capital fund was set up as a limited partnership with a number of other partners; \$90 million was invested by government, and that has been levered up to \$205 million. That fund is up and running now and it is making commitments to underlying venture capital funds. In many cases, those are lead investments, so these are the first commitments that some of these funds are getting as they're doing the rounds in raising funds for investment.

As we were doing this work in establishing our venture capital program, the economic situation in the province—and globally, in fact—changed. It became very evident to us that some of our more mature innovative companies were also struggling in raising capital, not just seed-stage companies. As a result, the government put in the emerging technologies fund. This is a fund that is really modelled after the best practice in co-investment funds. That is targeted at getting money directly into companies. Our principled approach in that program is really to follow smart money that's coming from the market. We will follow investment from venture capital funds that are already considering investment, and those funds that we will co-invest with have to be pre-qualified by us. So there will be a very high standard that will be applied to who we invest with and the types of projects that we invest in.

**The Vice-Chair (Mr. Garfield Dunlop):** That pretty well cleans up Mr. Wilson's time, the official opposition.

The third party, Mr. Bisson. We'll do 20 minutes of your time now and adjourn at 10:20 to go down to the House for question period. Okay?

**Mr. Gilles Bisson:** Sure.

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

**Mr. Gilles Bisson:** I just want to say upfront that I too, along with most people, agree that Ontario needs to do much more when it comes to positioning our economy for the future. We're fortunate in Ontario, but being fortunate is also part of what is going to be part of the problem in the future. Ontario was situated just absolutely perfectly when it came to the North American economy vis-à-vis the United States. We had the natural resources, we had the manufacturing base, we had the low electricity and we had the largest trading partner to the south, which, in the old economy, worked quite well. We were seen as the industrial heartland of Canada. Southern Ontario specifically benefited greatly when it came to jobs in the manufacturing sector that blossomed in places like Oshawa and Toronto and Hamilton and others. Northern Ontario, obviously, because of its natural resources, did quite well.

The difficulty now, as we all know, is that the economy is changing. Unfortunately or fortunately, depending on what side of the medal you find yourself on—I say, unfortunately—we see a lot of our manufacturing jobs being exported, not only here in Canada but in the United States, to Third World countries. Larger manufacturers have decided, for economic reasons, that it's far better to pay a worker in China or India or wherever it might be less money—I wouldn't say China; China has their own companies—but far better for them to manufacture in areas that have lower wages. I tend to think that's wrong, but such is the case that we're seeing tens of thousands of jobs being exported into Mexico and to other countries on the Pacific Rim that fare a lot worse for workers across the world.

So what do we do? That's really the question. The challenge is, can Ontario stand alone against globalization? I don't think we can; I've said that for a long time. Do we need to embrace it? Probably not, but there are certain things that we can do to position ourselves so that we are in a better position when it comes to how we as an economy compete against those other economies of the world and North America. I think the work that your ministry does is one of the key things that needs to be done as far as how we position ourselves in the future.

My questions to you are going to be a bit looking in the past as far as the existing industry—because I really believe that you can't forget the larger companies out there that exist in Ontario, that have been here for a lot of years and that are fighting and struggling to stay alive as they transition into the new economy. So I'm going to ask questions specifically about some of those.

I want to also talk in regard to what your ministry is going to be doing or what it is doing when it comes to the natural resources sector. I don't need to tell you—you know as well as I do—that mining is doing fairly okay now because of commodity prices. Gold, at almost

\$1,000 an ounce, is a pretty good cure for most needs to find investment and accelerate projects in places like Timmins and others, but certainly the forestry sector has really taken a shellacking over the last six years or so. As a result, we've seen about two thirds of that industry shut down, to where communities across the north have lost, in many cases, their only employers. I want to talk to you a little bit about what your ministry has or has not done and what they should be doing in order to assist that. So that's sort of the gist of where I am coming from, but I just want you to know upfront that I believe that your ministry can play a key role because it is part of what needs to happen in order to transition us to this new economy.

I guess the first thing I want to talk to you about is something your deputy mentioned earlier on, and that's the emerging technologies fund. The forest industry is obviously an important industry to Ontario—tens of thousands of jobs directly and tens of thousands of jobs indirectly. It's a fairly efficient industry. I don't want to give anybody the impression here all of a sudden that we're still working in the technologies of the 1950s and 1960s and we somehow have got to get up with the world. In many ways, the Ontario forest industry is light-years ahead of others when it comes to how it utilizes the processes of both harvesting timber and processing timber into some finished product. I guess my first question to you is, do you have any specific examples of where your ministry has dealt with companies such as Weyerhaeuser, Tembec or Buchanan or whatever when it comes to helping them position themselves into new markets and new technologies in their production facilities?

**Hon. John Milloy:** Sure. I'll just point out that although we have a number of different funds that we can speak about in terms of their relationship with companies in the natural resource section, the emerging technologies fund is an arm's-length venture capital fund, so in a sense we're looking for the venture capital community to come to us with investments that move forward. Just to give a bit of a response to your overview, one of the whole roles of the Ministry of Research and Innovation is to try to create a continuum—I like using that health phrase—of work where, on the one end, we're investing in pure research, in top-of-the-line, world-class research which is going to lead to discoveries which in turn could be commercialized; we support the commercialization through to companies that are trying to kind of get over the hurdle and get to market; and then, finally, through companies that are up and running that are looking to go through a transition. Much of the work we do, of course, complements what goes on in other ministries. I'm not here today, in any way, to suggest that we're the full economic range; obviously, my colleague in the Ministry of Economic Development and Trade plays a very important role.

You mentioned the north; you mentioned the forestry industry. I think you're aware—and I mentioned in my remarks about CRIBE, which was recently set up in the Thunder Bay area and is just one response to some of the

things that are going on. I'll ask my deputy or others to—you're asking about some specific companies, but also to comment on the industry itself, the forestry industry.

**Mr. George Ross:** Mr. Bisson, my first response to your question has to do with our agenda overall. The ability of our industries, whether they're existing industries, large industries, or new, start-up-type companies, to compete on a global stage has to do with their ability to rapidly innovate and to increase productivity through our research and development. So the focus of our work, whether it's in funding research projects where there are industrial partners or whether it's investing in innovative small companies, is all about allowing those companies to get access to new and rapidly changing global markets. I think it is fair to say that when it comes to the forest industry, a lot of the challenges that have faced that industry have to do with changing global markets. The ability for those companies to continue to compete on a global stage, as they have in the past, will really reside in their ability to innovate.

We in the ministry do focus on the bio-economy and clean technologies as one of our focus areas. The innovation agenda that has been established spoke to the need to have some focus to the activities of the ministry, and the bio-economy is one of those areas. The way we came to that particular focus area had a lot to do with the natural attributes of the province. We do have a sustainably managed boreal forest that has particular technical attributes to the fibre that comes from it that makes it really well-positioned for not only the high-quality paper and lumber products but also for new types of materials. So when you decompose that fibre into its molecular structure, there are great opportunities for the use of that fibre into different types of industries altogether.

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There's an organization called the Ontario BioAuto Council that we support, along with the Ministry of Agriculture, Food and Rural Affairs. Its whole focus is really trying to take bio-based materials and translate those into new manufacturing products for the automotive industry and other industries as well.

With respect to working with specific companies, the Centre for Research and Innovation in the Bioeconomy which is now up and running has had discussions with AbitibiBowater in Thunder Bay around the establishment of a pilot biorefinery. Obviously that company is going through some challenges right now, but those discussions continue. That company sees the benefits of exploring new products and value chains for their future, and we will continue to have those kinds of discussions. A pilot biorefinery like the one we're talking about in Thunder Bay would allow small entrepreneurs and big companies like AbitibiBowater to test new products and demonstrate those products on a commercial scale.

So, there is some great promise in using that northern boreal forest fibre to develop new products. There will be increasingly global markets that will be in place to demand that product.

**Mr. Gilles Bisson:** Thank you for your talk, but I was asking: What specific initiatives can you point to in your

ministry that point to work that's being done with industry as it is now in regard to emergency technologies or any type of assistance? Are you working with anybody in northern Ontario?

**Hon. John Milloy:** You mean with the forestry industry?

**Mr. Gilles Bisson:** Yes, that was the question.

**Hon. John Milloy:** The one that comes to mind right away is CRIBE, as the ministry pointed out. The origins of CRIBE—it was announced that we were going ahead with it as a result, I believe, of an election commitment. A task force was created in May 2008 to provide advice and recommendations. The final report came in in December 2008. We had an interim CEO, and on August 6, 2009, the first general meeting was held in Thunder Bay. Part of the CRIBE mandate is to work with the forestry industry. As the deputy mentioned, the discussions that are going on right on with AbitibiBowater—

**Mr. Gilles Bisson:** I see some activity within your staff, but I again come back to the question: What specific examples do you have of work that you're doing with individual forestry companies in northern Ontario other than the initiative under CRIBE? Have you been working with Weyerhaeuser, Tembec, Buchanan? Which ones are you working with, because it's fairly important.

**Mr. George Ross:** We can follow up, Mr. Bisson, with other companies that we've had direct contact with. I don't have the information directly available right now.

**Mr. Gilles Bisson:** Have either you as the deputy or the minister had any discussions with the industry directly?

**Mr. George Ross:** We work closely also with the Ministry of Natural Resources and the Ministry of Northern Development, Mines and Forestry and their work in supporting the forest industry as well. So the mandate of MRI cuts across all of government.

**Mr. Gilles Bisson:** I understand. Northern development plays a more direct role, but my question is: Have you met with forest industry representatives, either yourself as the deputy or the minister, in the last 12 months? Have you?

**Hon. John Milloy:** I've only been minister for two months, so I could get you information on the—

**Mr. Gilles Bisson:** That's why I'm asking. Have you, in two months? Let's start with you, Minister.

**Hon. John Milloy:** No, I have not.

**Mr. Gilles Bisson:** And the deputy?

**Mr. George Ross:** I have had some meetings with forest industry representatives. I don't recall the exact ones. In the development of the CRIBE initiative in Thunder Bay we're working very closely with FPInnovations, which is the industry R and D group that really represents industry R and D right across the range of sawmilling and pulp and paper. I don't recall specific meetings with the forest industry, but we've certainly been very active with their R and D association.

**Mr. Gilles Bisson:** That's normally the answer I would give as a politician if I—anyway, that's a whole other story.

Can you, then, provide me with whatever contact your ministry has had with the industry over the last 12 months? I don't need specifics, but just: What percentage of your business do you do in your ministry that relates to the forest industry? Specific programs when it comes to assisting that industry: Are there any particular initiatives that you can point to that have assisted in funding new technologies to assist with the production means of those companies?

**Hon. John Milloy:** Again, just two comments. If I can go back to the earlier one: The ministry works directly with companies through various programming but we also have, as I outlined in my opening remarks, a network of research organizations etc., community support or economic support organizations, which we fund. Part of the work that's going on right now is to bring a little more coherence to it.

When you're talking about contact with the forestry industry, we also would have indirect contact through these bodies that we fund. MaRS was mentioned, and OCE, but we also have more regional bodies—

**Mr. Gilles Bisson:** Do you deal with the OFIA at all?

**Hon. John Milloy:** Again, I'll turn to my deputy for specifics.

**Mr. George Ross:** The connection with that element of the industry is not in our mandate. That's a question best directed to Northern Development, Mines and Forestry.

**Mr. Gilles Bisson:** But clearly, your ministry is responsible for spearheading innovation when it comes to how our industry operates. Would you first of all agree that forestry is an important industry in Ontario?

**Hon. John Milloy:** Of course forestry is. And as I said—

**Mr. Gilles Bisson:** Okay, and if that's the case, what percentage of the work are you doing vis-à-vis the forest industry?

**Hon. John Milloy:** As I say, we can get you more specifics but—

**Mr. Gilles Bisson:** It sounds like, to me, not a heck of a lot. I'm not trying to be mean to you here, but there's an extreme amount of frustration in communities across the north that have seen their only employer shut down—places like Smooth Rock Falls and others—and they see a lack of response on the part of this government and the federal government vis-à-vis their situation. I'm just trying to point out that there is an economy in northern Ontario that is important to the rest of this province. Forestry: Although today it's having some difficulties, one day it's going to rebound. I think that your ministry has to help in putting forward the support that they need in order to position themselves for the new economy that's going to ensue after this recession is over.

I'm a little bit taken aback at the lack of contact that your ministry has had with that industry. To say it's MNR and it's NDMF—yes, I understand, they're important ministries and are line ministries to that industry. But it doesn't leave you off the hook. I just would ask you, in

your work as a minister and as a deputy, and the rest of your staff, to pay that industry a little bit more attention.

Let me give you a little bit of a sense of part of the difficulty. Your deputy talked about biotechnologies in regard to the initiative in Thunder Bay, which is a good thing; I support that, and that's a great initiative. But there are others out there that are trying to get projects off the ground. You've got Villeneuve Construction, which is trying to get a biomass plant started up in Hearst. They have access to the fibre; they have access to the capital. You know what their problem is? The province. They can't get access to the ground because ORC will not deal with them when it comes to making sure that the land that is necessary for them to get access to that fibre is made available. The bureaucracy of what they have to go through to get access is just phenomenal: one year trying to work with ORC, through this province, in order to get access to that fibre, and they're no closer today than they were a year ago.

I have Smooth Rock Falls, where five investors have come together with \$47 million in order to start a biomass project in Thunder Bay in Smooth Rock Falls. Again, what's the issue? They need to get access to timber. Where the heck is this government in order to give access? Nowhere. We're able to cut trees and send them off to Quebec, or leave them standing in the forest, but we're not allowed to provide an adequate amount of timber for those particular new technologies.

So if this government is saying, "We need to position ourselves in the new technologies, in the new markets," we're not doing a pretty darned good job of making that happen.

Will I get a chance a little bit later, Mr. Chair? Because I think that I'm out of time.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got about another three minutes.

**Mr. Gilles Bisson:** I'll give him three minutes to respond.

**Hon. John Milloy:** Can I respond?

**The Vice-Chair (Mr. Garfield Dunlop):** Please respond.

**Hon. John Milloy:** Mr. Bisson, I hear what you're saying. Is there always more to do? There is. But I think the way you've dismissed CRIBE and said, "Well, that's fine"—CRIBE was a pretty major initiative which has forestry as one of its centrepieces.

I also mentioned the fact that we have a network of organizations, if I can use that term, which are partnered with MRI. The regional innovation network, RIN—that's one form of these organizations—for Ontario North currently includes research at Lakehead University, Great Lakes Forestry Centre with the Canadian Forestry Service in Sault Ste. Marie, and the Ontario Ministry of Natural Resources, Sault Ste. Marie, as well as private companies with a focus on energy, fibre and chemicals in these and other northern locations. There's an example of RIN, which is a partner organization, which we helped fund, which is out there doing the type of research and work that's needed.

As I say, I obviously take everyone's point: There's more work that needs to be done. But at the same time, there are two examples where we are active in the north, and we'll certainly endeavour to give you more. Everything from pure research through to the continuum: It's going forward.

**The Vice-Chair (Mr. Garfield Dunlop):** Have you've got a quick question there?

**Mr. Gilles Bisson:** No, I think the deputy was going to respond to—

**The Vice-Chair (Mr. Garfield Dunlop):** Oh, I'm sorry. Mr. Ross?

**Mr. George Ross:** I was just going to follow up. We haven't made direct investments in the large existing forest industry, but over the life of the Ministry of Research and Innovation there has been some \$25 million that has gone into projects in northern Ontario. So this is everything from early researcher awards to money that goes through the centres of excellence and has had benefit in northern Ontario. Many of these investments are investments in people and research activities that will have benefit for the forest industry and other industries that are resident in northern Ontario.

**The Vice-Chair (Mr. Garfield Dunlop):** I think we'll recess now until 3:30 this afternoon, after routine proceedings. For the members of the subcommittee, if they could meet after question period in the west lobby, okay?

So with that, we'll recess until this afternoon. Thank you.

*The committee recessed from 1020 to 1538.*

#### ELECTION OF CHAIR

**The Clerk pro tem (Mr. William Short):** Good afternoon, honourable members. It is my duty to call upon you to elect a Chair. Are there any nominations?

**Mr. Reza Moridi:** May I nominate Mr. Garfield Dunlop as Chair of this committee?

**The Clerk pro tem (Mr. William Short):** Mr. Dunlop, do you accept the nomination?

**Mr. Garfield Dunlop:** Yes, I do.

**The Clerk pro tem (Mr. William Short):** Are there any further nominations?

**Mr. Gilles Bisson:** I nominate Bob Bailey.

**The Clerk pro tem (Mr. William Short):** Do you accept the nomination as Chair?

**Mr. Robert Bailey:** I'll decline at this time, but thank my nominator.

**The Clerk pro tem (Mr. William Short):** Any further nominations? Seeing none, I declare the nominations closed and Mr. Dunlop elected Chair of the committee.

**Mr. Garfield Dunlop:** Thank you very much.

#### ELECTION OF VICE-CHAIR

**The Chair (Mr. Garfield Dunlop):** Thank you very much, everyone. Good afternoon, honourable members. It is my duty to call upon you to elect a Vice-Chair now. Are there any nominations?

**Mr. Jim Wilson:** Mr. Chairman, I would like to nominate Mr. Bob Bailey as Vice-Chair of the committee.

**The Chair (Mr. Garfield Dunlop):** Any further nominations?

**Mr. Gilles Bisson:** I want to second that.

**The Chair (Mr. Garfield Dunlop):** There being no further nominations, I declare the nominations closed and Mr. Bob Bailey elected Vice-Chair of the committee. Thank you very much, Bob.

**Mr. Robert Bailey:** Thank you, Mr. Chair.

**The Chair (Mr. Garfield Dunlop):** Imagine if the elections were this easy, eh?

#### APPOINTMENT OF SUBCOMMITTEE

**The Chair (Mr. Garfield Dunlop):** Mr. Moridi, have you got a resolution on appointment of the subcommittee?

**Mr. Reza Moridi:** I move that a subcommittee on committee business be appointed to meet from time to time at the call of the Chair, or at the request of any member thereof, to consider and report to the committee on the business of the committee;

That the presence of all members of the subcommittee is necessary to constitute a meeting; and

That the subcommittee be composed of the following members: the Chair as Chair; Mr. Delaney, Mr. O'Toole and Mr. Bisson; and that substitution be permitted on the subcommittee.

**The Chair (Mr. Garfield Dunlop):** We've heard this motion as moved by Mr. Moridi. Mr. Moridi has moved that a subcommittee on committee business be appointed to meet from time to time at the call of the Chair, or at the request of any member thereof, to consider and report to the committee on the business of the committee—

**Mr. Gilles Bisson:** Dispense.

**The Chair (Mr. Garfield Dunlop):** All right. Any discussion or comments? If none, all those in favour of the motion? That's carried, and there's nobody opposed.

#### SUBCOMMITTEE REPORT

**The Chair (Mr. Garfield Dunlop):** Now we have a report of the subcommittee from this morning.

**Mr. Gilles Bisson:** Mr. Chair, the subcommittee met earlier today, and we have the following three items:

(1) That if the Minister of Municipal Affairs and Housing is not able to appear before the committee on Wednesday, September 30, 2009, the deputy minister or the parliamentary assistant shall attend the meeting on his behalf.

(2) That the Minister of Economic Development and Trade be requested to appear before the committee on the first Tuesday during the consideration of the 2009-10 estimates of the Ministry of Small Business and Consumer Services.

(3) That the Minister of Consumer Services be requested to appear before the committee for the remainder of the committee consideration of the 2009-10 estimates

of the Ministry of Small Business and Consumer Services.

**The Chair (Mr. Garfield Dunlop):** You've all heard that report of the subcommittee. Are there any questions or comments? All those in favour? That's carried.

#### MINISTRY OF RESEARCH AND INNOVATION MINISTÈRE DE LA RECHERCHE ET DE L'INNOVATION

**The Chair (Mr. Garfield Dunlop):** Minister, thank you very much for appearing again. We'll convene with the Ministry of Research and Innovation. Mr. Bisson, you have 10 minutes left in your first 30-minute rotation.

**Mr. Gilles Bisson:** Okay. Just to pick up where I left off, what I was trying to get to earlier in our questioning was that obviously this ministry can play a fairly key role in being able to shape where Ontario's economy's going to go in the future. We all know that the economy not only in Ontario but across the world is changing and that we need to be able to position Ontario and its manufacturing and resource sectors in such a way that we are able to take advantage of every possible opportunity by way of new technologies, new markets, etc. I think this ministry can play a fairly significant role in helping to shape where Ontario's going to be not just next year but 10, 20, 30 years from now.

What I was trying to get at was that it seems from the vantage point of many people in northern Ontario that the emphasis is always on basically industries other than the natural resource industries that we have in northern Ontario. I was a bit—I wasn't taken aback. Quite frankly, I wasn't surprised at all that one of the things that I was asking was just how much time this ministry spends with one of the key sectors in this province, which is the forestry sector. There's been some contact. I don't want to say there's none—that would be unfair—but clearly it's not the front-and-centre issue for the ministry or the government.

I just want to say before I go to the next part that I really think that's a disservice not only to the industry but to Ontario. The agricultural sector, the manufacturing sector, the resource sectors, pharmaceuticals and others are all important components of the Ontario economy, and I think that somehow or other we need to figure out how it is that we can spend the amount of time, money and resources in order to do all that we can in this province to make sure that those sectors are strong and moving in the right direction when it comes to how to position themselves as far as what key investments need to be made in order to take advantage of whatever new technologies or new markets may be available.

Just so that you know, Minister, and you know because you're in this committee, the first 30 minutes give us an opportunity for you as minister to tell your story about what you believe your ministry is doing and should be doing, and us in the opposition to talk about



what we think we need to do. What I want to do in these last few minutes is just to tell you a little bit about a couple of instances that are happening in my part of the world that really are frustrating people. I'm not going to put all of the blame on your doorstep because that would be unfair. It's not all of your doing. Obviously, there's enough blame to go around and some of that our own. I'll just give you a couple of examples.

In the community of Hearst, it was known as one of the strongest—I'm going to say this in French, because les citoyens de cette partie-là du comté sont francophones et ils ont le droit de savoir que leur député va s'adresser à eux en français.

La communauté de Hearst a toujours été une communauté où l'industrie forestière était primordiale. On a eu dans cette communauté des employeurs tels que Tembec, Weyerhaeuser, Levesque Plywood, Lecours Lumber, et j'en passe, qui ont été vraiment la partie clé de l'économie de la région de Hearst.

Hearst, comme toutes les autres communautés dans le nord de l'Ontario, a été affectée de manière très négative avec les changements dans les marchés dont vous avez parlé plus tôt, et on voit à cette heure que beaucoup de ses entreprises sont soit fermées, soit beaucoup réduites en opération quand ça vient aux chiffres bruts qu'elles sont capables de produire chaque année. Cela veut dire qu'il y a beaucoup de mises à pied.

Ce qui arrive, c'est que le gouvernement a bien dit, « On veut que les communautés regardent d'autres opportunités, pas seulement l'industrie primaire elle-même, dans la manière qu'elle allait, mais quels autres marchés sont disponibles? » Et l'une des affaires dont on parle, c'est la biomasse. Il y a une bonne opportunité d'avancer des projets très intéressants quand ça vient aux investissements dans le nord de l'Ontario et pour les emplois en regardant la biomasse à Hearst, à Constance Lake, Opasatika, Smooth Rock Falls, et j'en passe—en la regardant sérieusement et en mettant en place des programmes de biomasse.

La situation à Hearst est pas mal intéressante parce qu'on a à Hearst présentement un entrepreneur M. Villeneuve, à qui appartient une compagnie avec des chiffres assez importants dans la région. Il est préparé à investir son argent avec quelqu'un d'autre—50/50—pour mettre en place une industrie de biomasse directement à Hearst. Alors, ce n'est pas une question qu'ils vont vous voir pour vous demander de l'argent. Il est possible qu'ils vont aller vous voir à un point, mais eux autres sont préparés à mettre leur argent dans ce projet-là.

Ils ont dépensé assez d'argent, un montant assez considérable, pour aller investir directement avec quelqu'un qui connaît ce marché, quelqu'un qui a fait ces travaux et qui comprend comment cette industrie-là marche et quoi faire pour la faire rentable. Ils ont les matières primaires. On sait qu'il y avait le vieux BioShell qui était directement à Hearst avant et qui a beaucoup de biomasse qui pourra durer sept ou huit ans pour la production de cette usine. Et dans la région, il y a d'autres biomasses qui sont disponibles.

Le problème, simplement dit : la propriété à laquelle ils ont besoin d'accéder pour commencer ce projet-là a déjà appartenue à Levesque Lumber. Quand ils ont fait faillite, le terrain était repris par la Couronne, parce qu'il y avait des taxes qui n'avaient pas été payées. Et le problème, c'est qu'ils ont besoin d'avoir la permission afin d'accéder à ce terrain. Ça fait au-dessus d'un an qu'ils essaient de « dealer » avec la province à travers l'ORG pour avoir les permissions nécessaires d'avoir accès au terrain et d'aller en avant pour bâtir cette usine et commencer ce projet.

Ils sont complètement frustrés. Je les ai rencontrés dernièrement, et c'est une histoire qu'on entend assez souvent, à beaucoup de reprises : on a un investisseur qui est préparé à commencer un projet. On ne demande que le gouvernement nous donne rien; ce qu'on demande, c'est qu'ils nous permettent de faire ce qu'il y a à faire. Le ministère dans ce cas-ci, qui est responsable de l'ORG, se traîne les pattes et ne donne pas l'opportunité d'avoir accès à ce terrain. Ça va possiblement faire fuir les investissements et les investisseurs qui sont en place.

On se trouve très frustré quand on entend, d'un bord, le gouvernement qui dit, « Allez faire votre ouvrage et organisez-vous pour entrer dans cette industrie de biomasse », et on a quelqu'un qui est préparé à le faire; on est frustré par le processus qui a été adopté par la province.

J'ai combien de temps, just so I know?

**The Chair (Mr. Garfield Dunlop):** Six minutes and 35 seconds.

**Mr. Gilles Bisson:** Six minutes? Oh, not bad. I still have time.

**The Chair (Mr. Garfield Dunlop):** I'm sorry; four minutes.

**M. Gilles Bisson:** Donc, dans le cas de Hearst, on a quelqu'un qui est préparé à faire les investissements, de faire ce qu'il y a à faire. Le problème, c'est la province.

Sur l'autre bord, we have the community of Smooth Rock Falls. The Tembec pulp mill was in Smooth Rock Falls. It operated for many years in Iroquois Falls. It was originally the Abitibi pulp mill. It was eventually bought by Malette Lumber and eventually went over to Tembec when it was sold off. They shut down two years ago. The same story: The government said, "Pulp mills aren't doing too well; markets are bad. What can we do to help you?"

Give the government some credit. I'm not one to come here and to say at every occasion that the government's always wrong, because governments do do some things, at times, that are positive, as your government did in this case. They provided the municipalities with, I believe, about \$300,000 in order to help them make the transition so that they can hire consultants and look at what's possible in using that old site where the pulp mill was in order to start something else.

They came up with two possibilities: one was a cedar mill, and the other one, in this case, is a biomass plant. The cedar mill—I'm not going to get into that story as I

don't have the time, but I want to talk about the latest one.

**1550**

The community went out and they raised \$47 million. They got five investors to put money up, they formed a co-operative of investors—private sector investors—who put up \$47 million as the money needed for them to secure the credit and everything else that they need in order to be able to start up this particular plant. The problem, simply put, is twofold. The most important one is access to fibre. The community needs, for this project to go forward, to have an allocation of timber from the crown forest that surrounds it. There were 700,000 cubic metres of wood that used to be tied to that community at the Abitibi mill, the Tembec mill, and the community feels and I feel that they should have access to that fibre because those licences and those permits were given to operate a mill in Smooth Rock Falls. What happens? The government says “Go deal with Tembec. Do a business-to-business relationship in order to get access to the fibre.” Well, if I'm Tembec, I'm not in the business of trying to help my competitors; that's not what I'm in the business for. I understand why Tembec is somewhat reluctant to provide fibre. But that's why the province is there and that's why these are crown forests.

**The Chair (Mr. Garfield Dunlop):** One minute, Mr. Bisson.

**Mr. Gilles Bisson:** Yeah. So they've got to the ministry and they've gone to the ministers responsible, both Cansfield and Gravelle, to say, “We need you to help us secure an access to fibre so that we can get this plant up and running.” We've been going at this for some time now, but I can tell you they're extremely frustrated. On the one hand, the government says, “Yes, we want Tembec to give them wood,” but they're not prepared to utilize their authority as the crown in order to make sure that allocation happens. There's a distinct possibility at this point as we speak today that that \$47 million is going to fall off the table, and that's a crying shame because here you've got a community that's done what it had to do. They've raised the money and they're able to go forward. What's missing is the co-operation of the provincial government. Now, not your ministry in this case—it's somewhat related—but certainly to God the crown has to use its responsibility in making sure that there is an ability to allocate timber off of our crown forests.

So I just want to say as we open these estimates, there's a lot of frustration out there. People understand the economy has changed. People don't like it but they accept it and they know that they've got to change with it. But when you're trying to go through the change and you're not getting the support from your provincial or federal governments to make that happen, it's a very frustrating process and at the end of the day people get pretty discouraged through the whole process. So through these estimates I want to ask you some specific questions around some of that, and we'll come back to that when it's my turn.

**The Chair (Mr. Garfield Dunlop):** Okay. Well that's great then. Thank you very much to Mr. Bisson and now the minister has 30 minutes to respond.

**Hon. John Milloy:** Thirty minutes?

**The Chair (Mr. Garfield Dunlop):** Yes.

**Hon. John Milloy:** Oh, okay.

**The Chair (Mr. Garfield Dunlop):** But you can have your—

**Mr. Gilles Bisson:** You can use questions from the government too.

**The Chair (Mr. Garfield Dunlop):** Yes, questions can come from your government members too.

**Hon. John Milloy:** Thank you very much, Mr. Chair, and congratulations on your election to the post.

I want to begin my response in really picking up the points that were raised by Mr. Bisson. I think all of us recognize the passion in which he speaks of the north and the concern for the forestry industry. Obviously, he's raised a number of concerns related to communities in his constituency that are struggling as the forest industry goes through quite an unprecedented transition at the moment.

The nature, though, of the way our government has these various divisions between ministries—and he raised this himself in his comments—is that to speak to the forest industry as a whole involves a number of different ministries. Obviously the lead on that is my colleague the Minister of Northern Development, Mines and Forestry, that responsibility having been transferred over to him just several months ago. At the same time, there's work that's done by the Ministry of Finance and the Ministry of Economic Development and Trade. I just say at the outset that some of the specific cases that he raised, when we're talking about the Ontario Realty Corp., when he's talking about natural resources, and later when it was transferred over to northern development—I obviously can't talk about those issues. I'm not the minister responsible and there will be other opportunities for them to speak.

One of the frustrations of this process is that when you have a topic that touches on different ministries, unless you want to have a process where we all come—and maybe we want to see that at some point, specific hearings on an area—we can only talk about how our ministry relates to an industry like forestry. I'd say that the way we relate to industries like forestry, like mining, which are so important to the north, tends to be looking at the fact that they are going through a transition and tends to be very much tied to the research and innovation in terms of investing in initiatives which are going to help them in that transition and help them develop new technologies and new approaches.

I think, before we broke this morning for question period, that I raised the point about CRIBE and the fact that, although Mr. Bisson, in fairness, acknowledged CRIBE as being important, I felt that he dismissed it very quickly. In my response, I'd like to share with the committee a little bit more of what CRIBE is about because CRIBE is very much an attempt by the Ministry of

Research and Innovation to address this transition that's going on in the forestry industry. If I could give a bit of a description of its creation:

"The Centre for Research and Innovation in the Bio-Economy (CRIBE) in Thunder Bay will create new opportunities and high-paying jobs in this rapidly growing and cutting-edge sector of the forestry industry." I'm reading from a backgrounder that was issued to describe it. "CRIBE is an important part of Ontario's efforts to support growth in the bio-economy, replacing products now made with fossil fuels with those created from renewable resources.

"This centre will attract world-class researchers to northern Ontario and will work to develop the next generation of forestry products, including environmentally friendly substitutes for a range of materials used in Ontario's factories. CRIBE will focus on research, development and commercialization as it relates to the use of fibres, molecules and cellulose from Ontario forests for new products and processes such as resins and medicinal compounds. The centre will:

"—focus on industry-led projects with clear market potential;

"—feature strong linkages to research strengths across Ontario ...;

"—leverage other program investments from the provincial government ...; and

"—leverage other provincial infrastructure investments....

"The centre's R&D program is expected to research, develop and implement new technologies and/or processes, carry out pilot/demonstration projects and drive a new culture of innovation in the forestry sector."

As I mentioned, this was announced and a task force was set up to look at its implementation. The task force went out—I'll share this with the committee—to hold information sessions across the north, three in Thunder Bay and one each in Timmins, Sudbury and North Bay.

The question was asked this morning about contact with industry. I'd like to share with the committee that at each of these sessions, invitees included major forestry companies, for example, AbitibiBowater, Buchanan, Marathon Pulp, Grant Forest Products, smaller forestry-related companies and entrepreneurs. One of the Thunder Bay sessions was hosted by the Northwestern Ontario Forest Coalition. An invitation was extended to all of the coalition's members, which included representatives from the Northern Ontario Municipal Association, the Federation of Northern Ontario Municipalities, the Ontario Lumber Manufacturers' Association and the Nishnawbe Aski Development Fund. Approximately 100 people attended these sessions.

Further consultations were also made possible by the deputy's presentation of CRIBE during one of the consultations for the growth plan for northern Ontario. I think I mentioned this morning that the first inaugural meeting, if I can put it that way, was held just several weeks ago in Thunder Bay. My colleague Michael Gravelle, the Minister of Northern Development and

Mines and now forestry, represented the government at that time.

I just really want to put on the record the fact that in terms of our work in the forestry sector and in terms of new research and new products and new approaches, we have taken a leadership role. I hear your passion and I hear your concerns, but I do point out that there are other ministries that are perhaps dealing more with the industries on the day-to-day, just because of the nature of their mandate.

CRIBE is not the end of the story in terms of forestry. MRI has invested over \$7.4 million in 32 forestry-related projects since 2003 that will obviously have an impact in northern Ontario.

MRI has provided over \$1.9 million to a project investing in genomics approaches to mitigate fungal threats to crops at Trent University, which will have an impact on the forestry sector.

MRI is investing over \$2 million in the Centre for Plant Phenogenomics, based at the University of Toronto. This cutting-edge research facility will enable scientists to study plant traits at the molecular and cellular levels and improve the speed and commercialization by both the agricultural and forestry industries. The results will include healthier plants, improved crop management techniques and the development of new, renewable bio-products.

#### 1600

The Ontario Research Fund's research infrastructure program, which I believe I referenced this morning, has made several investments in forestry-related projects. The green energy laboratory—I'll describe it: To help industry leaders find solutions to this challenge, Lakehead University established an innovative green energy laboratory. It will be a new and unique laboratory in northern Ontario, committed to research and development of advanced biomass conversion technologies for biofuels and value-added products.

MRI is investing \$200,000 in the laboratory for forest genomics at the University of Toronto. The proposed facility will enable the examination of the genetic circuitry encoded within a tree genome and determine the factors that affect adaptation to ever-changing environments. The expected results may have a profound effect on forestry, one of Canada's primary industries, as they'll be looking at issues affecting forest tree breeding, production and conservation.

Mr. Chair, again, I just wanted to put on the record some of the work that's being done in that area.

To follow up with that, I'd like to talk a bit about mining, and perhaps we'll be getting into mining. As we go through the questions, that may be a further topic, but just to put on the record some of the work that we've been doing in mining, obviously another industry very, very important to northern Ontario, MRI has provided over \$10.2 million to 18 mining-related projects since 2003 that will have an impact on northern Ontario.

Through the Ontario Research Fund's research excellence program, over \$8 million was provided in funding

to Laurentian University to undertake research to develop innovative methods for mining operations. This research will also examine how to improve the design and construction of underground excavations, the integrated planning, design and optimization of mine sites, and water and waste management. In addition to providing for safer and more productive mining in Ontario, the research will inform the development of deep repositories for nuclear waste and safer, more effective underground excavating in urban areas.

Through the Ontario Research Fund's research infrastructure program, over \$837,000 has been invested in seven mining-related projects. These include nearly \$50,000 to establish a laboratory for experimental petrology and ore deposits research at Laurentian University. The equipment to be purchased will be used to establish the laboratory for experimental petrology and ore deposits research at Laurentian University. It will consist of three complementary modules, each one with specific pressure range of use.

Over \$100,000 has been given to the marine minerals research laboratory at the University of Ottawa. Ontario is a global leader in mining exploration and development, including in the search for new mineral deposits on the ocean floor. In recent years, Ontario-based organizations have teamed up with partners from the United States and Germany to discover new deposits at active hydrothermal vents in oceans near Iceland, Papua New Guinea, New Zealand, Tonga and Antarctica. Working with equipment purchased with an Ontario Research Fund infrastructure award, researchers will advance this discovery and exploration. The proponent and his colleagues will create new geological and environmental models of marine mineral deposits, develop an inventory of the occurrence and distribution of metals and minerals in the marine environment, and develop the scientific and technical expertise necessary to explore and develop these resources.

Again, Mr. Chair, just an opportunity to put a little bit on the record about what's happening in both the forestry and mining sectors.

I just want to pick up on that, if I can share a little bit more on this issue of innovation and research in the province of Ontario. I think a misconception is that it's only about large communities like Toronto or my community of Waterloo region or Ottawa, which are sometimes held up as the hubs—very much the high-tech view of things. I just want to share with the committee and again put on the record some of the work that we're doing in other areas of the province and in other fields.

Agricultural innovation—very important, obviously, to the economy of this province. My ministry has committed \$2.5 million to support collaboration between the University of Western Ontario, the University of Guelph, the University of Waterloo and Stanton Farms.

Stanton Farms is one of the largest dairy farms in this country. Like most large, modern livestock operations, it produces a problematic by-product: manure. Nearby residents are not too happy about the odour. This is in the

community of Ilderton. As it decomposes, as members know, it gives off methane, a powerful greenhouse gas, and if the manure is spread on fields, there's obviously a risk of contamination of local wells. At the same time, large dairy farms need a supply of power—preferably clean power—to run a range of equipment.

Stanton has met all of these challenges with a single, innovative solution: a biodigester system that will turn manure and waste water into clean energy. This facility will get rid of the odour and take advantage of the methane gas to generate clean electricity—enough electricity, in fact, to power almost a third of the homes in the nearby town of Ilderton. Plus it will also produce a pathogen-free fertilizer that can be used to grow animal feed or other crops.

Even better, not only has this project solved a range of challenges at this particular farm, but it has created a solution to make all kinds of farms more efficient, a technology that Ontario can sell to the world.

It's exactly this kind of innovative thinking that our government is working to encourage across the province and across the economy.

I want to talk a little bit about manufacturing. Again, moving a little bit out of the usual places to talk about central Ontario: Earlier this morning I mentioned how Ontario support is helping auto parts manufacturer the Woodbridge Group develop greener auto parts, developing products made using plant seed oils instead of petroleum. I think it's a great example of how innovation is helping Ontario's parts manufacturers meet the rising demand for greener products.

I've also mentioned our innovation demonstration fund and its support for manufacturer 6N Silicon, a company that's producing the material needed to make solar panels. We're supporting another company through that program that's turning its expertise in solar energy into manufacturing jobs in Ontario. The company is Menova Energy, and they've developed a solar collector technology that takes advantage of a pretty simple principle: If you focus the sun's rays, you can get a lot of heat and energy.

Of course, sometimes developing the simplest of ideas actually takes a lot of talent and perseverance, and fortunately, Menova founder Dave Gerwing has both. His inspiration moment came when he got caught in an ice storm with his five-month-old son. In an interview in *Canadian Business*, he said, "Twelve days of no heat and power. It was a taste of life without electrons. For me, it was one of those epiphany moments. I was like: This could happen. At the time, I was working with engineers who had the basic skills that go into concentrators. So it all came together."

What came together is essentially a ring of curved mirrors attached to the necessary sensors and mechanisms to allow them to follow the sun, capturing and focusing its power. That makes it possible to harness the sun to heat, cool and generate the electricity needed for large buildings, like the 220,000-square-foot Walmart super-centre that will be built in Markham as part of the demonstration we're funding.

The really interesting part of this project is its partnership with a company called Woodbine Tool and Die. Woodbine's traditional customers are in the automotive sector, and business of course isn't what it once was. Enter Menova, which has created a partnership with Woodbine, a partnership that allowed Menova to very quickly have the manufacturing capacity it needed. For Woodbine and its workers, the partnership has provided a new customer and access to a new and growing market.

I want to talk a bit about eastern Ontario and the community of Cornwall. Of course, we have their representative here in the committee. Innovation is helping Cornwall rediscover water power. In the mid- to late 1800s, Cornwall emerged as a growing manufacturing centre. A big part of the reason was unlimited water power from the St. Lawrence River. Now, thanks to a demonstration project supported by Ontario, Cornwall may witness the beginning of a renaissance in this province's ability to harness power from our multitude of waterways.

The project, by Verdant Power, will generate electricity by harnessing the current of the St. Lawrence through underwater, damless turbines. They look a little like underwater windmills and rotate slowly enough to allow fish to pass through safely and with minimal impact on the environment.

It's an approach that could make it practical to utilize the estimated 2,000 megawatts of untapped water power potential in Ontario. That's enough potential clean power to supply a million and a half homes. The technology demonstration will generate about 20 jobs but the remarkable potential of the technology shows promise to create far more jobs in manufacturing and clean energy.

#### 1610

I'm just putting on the record some examples of maybe going outside some of the traditional communities that come to mind, or traditional—what we might want to call high-tech. It's obviously very central to the province, but I think it's important to put on the record in response that we are very active throughout the province.

I just wanted to pick up some of the other comments that were made this morning in terms of accountability and in terms of how we work with the partners that we provide funding to and address the issue of jobs and their presence here in Ontario, because I think we all recognize that it's one thing to create jobs in Ontario but it's another thing to keep them there. When we talk about—as I did this morning—that our most important resource is talented people, they're obviously incredibly mobile. They can find job opportunities around the world and have the luxury of selecting the place that best supports their aspirations. And with them obviously goes the potential for new products, new companies and new jobs. The best way to address this challenge—perhaps the only way—is to make sure that Ontario is the best place in the world to innovate, and that means ensuring that this province has the talent, a supportive business climate and the right public policy to support innovation. As I outlined in my introductory remarks, that's exactly what the government is doing. We're investing to make sure

Ontario researchers have the resources they need to be the best in the world. We've introduced comprehensive tax reforms that, when implemented, will cut Ontario's marginal effective tax rate on new business investment in half. We've introduced two new programs that have helped increase the pool of capital available to invest in innovative companies by nearly half a billion dollars. We're attracting talent and investment to Ontario by raising our profile at global industry events, and we've created a comprehensive innovation agenda to ensure that Ontario can turn the talent and ambition of its people into new business and new jobs. These measures are not only making it easier for Ontarians to innovate in this province; they're also helping to attract new talent, retain that talent and attract new research.

I want to talk for a second about cancer research. I think I mentioned this morning about the Ontario Institute for Cancer Research's leadership in a global research program to unlock the genome of the 50 most common cancer tumours. It's that kind of talent that has also caught the attention of GE Healthcare. Hamilton was selected by GE Healthcare to be the first site in the world to receive new prototype technologies for use in a molecular breast-imaging research program. This cutting-edge technology has the potential to find very small tumours, leading to earlier detection and better outcomes for women with breast cancer. Hamilton researchers will design and lead clinical trials to evaluate the new technology, the first step on the road to moving this new tool into use by the medical community.

GE chose Hamilton because it combined the capabilities of organizations like the Ontario Institute for Cancer Research, the oncology and nuclear medicine programs at McMaster University and Hamilton Health Sciences, and the Hamilton-based Centre for Probe Development and Commercialization. It's a combination of talent and capabilities that they could only find in Ontario.

It's that kind of talent that's also helping to attract leading pharmaceutical companies like Sanofi Pasteur, Purdue Pharma and Pfizer, to expand their R and D facilities in Ontario. I mentioned our biopharmaceutical investment program—or BIP, as it's called—earlier. It provides funding to help companies expand their research facilities and take advantage of the incredible talent we have in this province to help to keep their businesses on the cutting edge.

While it does create an incentive to expand facilities in Ontario, the facilities would be useless without the talent to turn ideas into new approaches to treating and curing disease. It may be funding that creates the expansion, but it's the people who create the value.

While the McGuinty government's approach is to keep and attract jobs and investment in Ontario by ensuring that this province is one of the best places in the world to innovate, as I said earlier, we also take our responsibility to Ontario taxpayers very seriously. We know that we must make investments that create new jobs in Ontario, jobs across the province, jobs that have great potential to create more jobs. We know that taxpayers' money must

be directed at improving the quality of life for people in this province. That's why we've made jobs and investments in Ontario a significant part of the evaluation process for our programs that support technology commercialization. Companies have to show that they plan to create jobs here and that there is potential for growth.

In the case of our Ontario emerging technologies fund, where Ontario will be making investments directly into companies, we have built in protections to ensure that if a company we invest in leaves the province, Ontario will recoup its investment by selling its interest. It's an approach that recognizes that in an age of globalization, we can no longer build walls around Ontario to keep jobs here. We must instead ensure that we have a climate that attracts jobs and investment, and we must create incentives to create jobs in Ontario through all of our investments. At the same time, we absolutely have to ensure that taxpayers' dollars are only invested in initiatives that will benefit our economy, our province and the people of Ontario.

Through our programs, we've struck a careful balance between the need to create a great climate for innovation in Ontario and the need to ensure that taxpayers' dollars are being invested wisely. That leads to the whole question of, where do we invest?

Again, on the topic of accountability, I wanted to spend a minute on that, Mr. Chair.

By international standards, Ontario is not a giant. We have a lot of things going for us—talented people, access to significant markets, a supportive business climate—but to compete globally, we have to prioritize. We must focus our efforts in areas where we have the research and business strength and global market opportunity to punch above our weight. We must focus, in other words, where we are already, or can be, global leaders. That's exactly what our government has done through the innovation agenda.

**The Chair (Mr. Garfield Dunlop):** You have a couple of minutes left. I wanted to let you know that.

**Hon. John Milloy:** Okay. Thank you.

Through careful consultation with innovators and business leaders across the province, we've identified global challenges that Ontario can and should address: challenges like tackling climate change through innovation and bio-based environmental alternative energy and clean technologies; or conquering diseases through breakthroughs in the life sciences, biotechnology, advanced health technologies and pharmaceutical research; or bridging distances between people and giving all citizens equal access to information through continued innovation and digital media information and communications technologies. These are among the most pressing challenges, the biggest opportunities, of our generation, and Ontarians have the opportunity to create solutions, and in the process, build businesses and create jobs. That's how the government plans to grow the economy and the jobs of the future. We are supporting talented people in this province and their efforts to develop solutions that address these challenges and bring them to

market through existing businesses or brand new companies. We don't claim to know what the winning solutions will be. What we've done is identified the challenges and focused our funding and investments in these areas.

As I've outlined in my remarks, solutions can be found right across the economy and right across the province. We're funding projects on farms and in factories, developing innovations that could impact everything, as I've spoken about, from forestry to pharma, from auto parts to energy production. We're supporting projects that partner us with companies that range from start-ups to industry leaders. Our reach is, in other words, quite broad; it has to be. It's hard to predict where the next breakthrough will come from or what form it will take. The McGuinty government believes our role is simply to act as a catalyst for the talented people in this province, to give them the support and environment they need to succeed and let them figure out the best path to success.

Mr. Chair, I suspect I'm out of time. Am I?

**The Chair (Mr. Garfield Dunlop):** You're right on.

**Hon. John Milloy:** I'll finish, then, on that note and look forward to further questions and comments.

**The Chair (Mr. Garfield Dunlop):** Thank you very much, Minister. Now we'll go to the official opposition for 20 minutes.

**Mr. Jim Wilson:** Minister, thank you for your response to some of the points that we had mentioned this morning.

Just going back to the Ontario venture fund, I gather this fund is only a little bit over a year old. Is that right? Ninety million dollars of the \$205 million is Ontario taxpayers' money, and the rest, the \$115 million, comes from Royal Bank, OMERS, Manulife, BDC and TD. Given how tight people are telling us venture capital is out there—someone asked me at the break whether that is enough funding—what would you expect the take-up to be in the near future and the distant future?

1620

**Hon. John Milloy:** I'm going to turn it over to my officials in a second, but the simple answer is that that fund represented a very important step forward in terms of injecting capital into the venture fund community or the venture fund market. To answer directly your question—was it enough?—no. We recognized that we also needed to look at the investments themselves and the venture capitalists that were coming forward. That's why we came forward with almost its partner, the Ontario emerging technologies fund, which was announced at the end of July. That fulfills a similar role, in terms of injecting capital into the market, but takes it from a different perspective—I think I had a chance to speak about it this morning—by partnering with venture capitalists and matching their fund and using their wisdom and know-how.

If I may, I'd like to turn it over to my officials, who could provide a little bit more technical background on the venture fund—the fund of funds, as it's often called—and where we're at.

**Mr. George Ross:** As the minister mentioned, the Ontario venture capital fund is part of a comprehensive program we have to support venture capital investment in Ontario, and it is a model that is set up through a limited partnership. So the Ontario government is partnered with other financial institutions—I think the minister mentioned those institutions this morning—and the mandate to invest out of that limited partnership has been provided to TD private equity. They professionally manage the fund on behalf of the limited partners. Their job is to assess requests that come in to them for commitments to underlying funds. So a venture capital fund will approach them, and they will do the due diligence on the organization and make a commitment accordingly. There are parameters around their commitments that have been set by the limited partners, in terms of returns and pacing of investments and those sorts of things, which are part of the commercial arrangement we have with the partners.

To date, they have provided about \$37 million worth of commitments into a number of funds—I believe they've made four commitments. They also have the ability to provide co-investment directly into companies, and I believe they've made one direct investment commitment as well to date. The fund commitments are three to five years, and the investments can go over an eight-year period.

**Mr. Jim Wilson:** The retail venture capital: I believe that in your 2006 budget, your government announced that it plans to eliminate the 15% provincial tax credit for investors in labour-sponsored investment funds by the end of the 2010 tax year, and I guess it has been extended by a year since then, to the end of 2011. Given that retail VCs are having a difficult time raising capital in this economic climate and since Nova Scotia, New Brunswick and Saskatchewan are raising their tax credits in this area, have you given any thought to revisiting that decision?

**Hon. John Milloy:** I think that, in a sense, we're developing a suite of funds. We've talked about the Ontario venture capital fund, and again, I think the Ontario emerging technologies fund was another approach, different from the LSIFs, that is modelled—I think the deputy spoke about this in an earlier response—on best practices where we're able to access the best expertise of the market, where we have qualified investors who come forward. First of all, they prove their bona fides, and then they come forward with a particular investment where we match them and, in a sense, use their expertise and their know-how for free. In terms of the model and the best practices in place, I think that's seen as a better approach than what existed in the past.

With your permission, I'll ask to see if the deputy wants to add to that.

**Mr. Jim Wilson:** Yes, specifically on that tax—I have a conflict of interest because I'm an investor in labour-sponsored funds, so—

**Mr. George Ross:** We're actually not equipped to talk about the specifics of LSIFs. That's really a matter for the Ministry of Finance to comment on. So I'm sorry, I just can't answer the specific questions.

**Mr. Jim Wilson:** I thought I'd try.

Just going through the Internet, I came across a blog. It's a bit of a complaint, I guess, about the emerging technologies fund that you've been quite proud of. The blog on the Internet, by Suzanne Dingwall Williams, is called *Venture Law Lines*. She's a partner with *Venture Law Associates LLP* in Toronto, a boutique law firm representing entrepreneurs and emerging companies. She has worked on Wall Street and Bay Street and at Nortel Networks, and now advises private companies. Here's what she posted on her blog on August 4, 2009, under the title *Ontario's Emerging Technology Fund: Fuhgeddaboutit*—and I'll just give you a chance to comment on it. It'll take me a minute or two to read what she said.

“While we were all heading off for the long weekend, those scamps”—her words, not mine—“at the Ontario Ministry of Research and Innovation were busy launching their long-awaited guidelines for obtaining matching funds from the emerging technologies fund. You can view them over here”—and she gives the link—“but make sure you bring your time machine with you so that you, too may travel back in time to a place where these guidelines might be relevant.

“By creating a process so onerous that no self-respecting angel would bother, the OCGC has narrowed the ETF so that matching funds are essentially available only for VC investments made in Ontario companies. What VCs would these be? I ask you. The ones receiving funds from the Ontario venture capital fund, which is also managed by this same group? (PS, there aren't any, unless you count the two commitments made to local venture capital funds which have yet to close).

“Certainly the guidelines can't be aimed at matching US VC investments, since it requires that the ETF's investment be bought out if at any point the funded company loses a significant Ontario footprint. Most US VCs ascribe to the 'scale sales and executive team in a US office' approach to building a company.

“The most meaningful investment activity in Ontario in the last two years has been that done by angel investors. As a reward for their engagement, they now must complete a lengthy application, including a statement of their net worth and the names of several personal references, before their investments may be considered for matching money.

“It also is not clear who is vetting and assessing these applications or how this can be done in a timely manner: The fund is administered by the Ontario Capital Growth Corp., whose board of directors consists of four senior public sector employees that have been allocated to the OCGC on a part-time basis.

“The ETF was a really brilliant policy initiative that could have accelerated the growth of all those Ontario start-ups that stayed the course in the last two years. The impact of the guidelines? I'm hoping someone has a better view than I.”

Obviously, she's got some complaints there. Do you want to just make a comment on it?

**Hon. John Milloy:** Sure, I'll make a general comment, and I appreciate your sharing it and looking for our

feedback and not necessarily associating yourself 100% with what's there.

I've got to tell you, the commitment that we made was to have it up by the end of July. I will admit that we went—maybe like a student finishing a term paper—it was the afternoon of the final day of July. Since then, I've had a chance to actually participate in two round tables with members of what you might call the high-tech, the venture-capital community. I've heard nothing but praise for the fact that we kept our word, that we got it up. It was 4 o'clock on a Friday—and perhaps my officials can share the number with you; I can't remember the number of hits we immediately had. People were waiting for it. There has been a lot of excitement in the community about moving forward.

The concerns she raises—unless I misunderstood—have something to do with the fact that we're looking for, if I can use the term, Ontario content; that these are Ontario companies and Ontario investments. Again, I think all of us struggle with that balance here in government: We want to recognize that we live in a global marketplace, but as I think I responded in my follow-up remarks, we also want to be very careful with Ontario taxpayers' money and be Ontario-focused.

I don't share her pessimism. I've had very positive feedback. As I say, I think people were very impressed that we met the deadline. They were waiting. Instead of heading off to the cottage—perhaps they have a computer at their cottage—there was a lot of interest from the moment it went live.

With that, I might ask my officials if they want to speak to some of the more technical aspects of it.

1630

**Mr. Jim Wilson:** If you get up and going with venture capital with Ontario's help and then you bring in venture capital from the US, does that disqualify you? Do you have to pay back your Ontario portion, or am I misinterpreting what she's saying?

**Mr. George Ross:** The fund is open to co-investment with VCs from the US. The model is really built around some principles that balance the need for due diligence over the use of the money that has been allocated to us by government and the need to rapidly deploy that money into the companies. So we will be following on investment decisions that have been made by other qualified venture capital partners. In addition to VC firms that could be pre-qualified, there is a provision in there to allow us to come alongside angel investors as well.

Obviously, angel investing is a different business than venture capital investing, and the requirements for due diligence are slightly different there, but the whole goal of this program is to actually move capital into the companies quickly. Since the program has been up and running, we've had a significant amount of interest in it. I believe—these are some early figures—we've had 13 requests for qualification as investors and we have six potential deals that have come in since the program has been up and running. We are now doing our due diligence on those, using expert external firms to provide

the due diligence of the deals and the screening that's necessary.

**Mr. Jim Wilson:** Okay. Are they coming from any particular sector of the economy?

**Mr. George Ross:** The program is focused on key industry sectors, and they align with the focus areas of the innovation agenda. Clean technology and the bio-economy is one of those areas; advanced health technology and medical devices, and firms that are working in pharmaceutical research; and the last area is the whole digital media and information technology space as well. I don't have the specific details on all the deals that are coming in. My sense is that they're spread across those three areas.

**Mr. Jim Wilson:** So again, you had the Ontario venture capital fund, and then you felt the need to have this new fund. I'll also have some questions later about the complications of some of these things and all the different programs you have in your ministry, which in one way is a compliment. When I was starting down this road, we didn't have this many programs. We certainly had a lot of money at one time. I think we had the Ontario challenge fund and the Ontario research and development fund. That's as far as we got at that time.

Again, explain the rationale of why you had to do the emerging technology fund and just didn't build upon something you already had.

**Mr. George Ross:** As I said, there are three parts of our work in the venture capital space. The first part was that several years ago there was a real need for seed-stage investment in new start-up companies. The accelerator fund program, delivered by MaRS and the Ontario Centres of Excellence, was put in place to make seed-stage investments in Ontario-based innovative companies. That program has been up and running with some success for a period of time.

**Mr. Jim Wilson:** That was a \$1-million shots at a time type of thing?

**Mr. George Ross:** They're under a million. They're typically less than half-million-dollar investments, and I can certainly provide some data on the activities of that program.

The more persistent issue, though, and the underlying issue that was facing Ontario, and Canada in general, was the lack of ability of venture capital funds to raise capital into their funds. These venture capital funds are critically important to an innovation ecosystem like Ontario. Not only do they invest in the companies that will grow jobs and new industries in the future, but they bring management expertise to the table to help those companies move forward. So our next concern was to actually try to kick-start fundraising for those venture capital funds. That was the focus of our fund-to-fund programs, the OVCF. What we did in that regard was use government money to lever or incent institutional investors to come back into this space. Large pension funds and financial institutions had moved away from fund investment to different types of private equity investments. So we used our fund to incent additional money into that space and this is how we established our limited partnerships.



But, Mr. Wilson, the focus of that fund is really around getting venture capital funds, underlying funds, working again in Canada. A number of other jurisdictions in Canada have also used similar approaches: British Columbia, Alberta and more recently Quebec have used a very similar model to what we're doing here in Ontario. The whole idea behind that, as I said, is to really get fundraising going again, and this is why the Ontario venture capital fund has been focused on lead commitments to some of these funds that allow them to go out and raise capital in other areas, including the United States.

**Mr. Jim Wilson:** Thank you. Mr. Chair, Mr. Bailey would like to make some comments.

*Interjection.*

**The Chair (Mr. Garfield Dunlop):** Four minutes, yes.

**Mr. Robert Bailey:** Okay. Thank you, Minister Milloy, for coming here today. I apologize; I wasn't able to be here this morning. Welcome to your new role.

In your results-based briefing book—I was looking through it a little earlier—I see that in 2008-09 we voted approximately \$490 million to this ministry. Could you list for me some of the benefits that you and your deputy minister could point to from that money that was allocated? It's almost \$490 million; \$489 million and change, so I rounded it off to \$490 million. I was just wondering if you could list some of the benefits that you've seen already from that investment.

**Hon. John Milloy:** Sure. I only have three minutes. I'd be happy to continue in the next round.

I think what you have to realize, and I've made the point this morning, is that we're looking at a whole continuum in terms of the investments that are being made by the ministry. You begin on that continuum with sort of providing talented researchers with the means to work on pure research and then applied research; developing products; then getting into the whole issue of knowledge transfer; turning it into a product; turning it into a company; setting up businesses; developing markets; and then ultimately, of course, going into the global marketplace and the Ontario marketplace. So it's hard to quantify it in one or two numbers, but I can give you some stats in terms of results over the past number of years.

In terms of job creation, 4,000 researchers have been funded by the Ontario Research Fund and research infrastructure program. They were retained or recruited from both the research fund and the research infrastructure fund. There are almost 100 private sector jobs from 11 spin-off companies out of these research funds. And we've seen almost 500 research and construction jobs through the biopharmaceutical investment program.

The international cancer genome project that I spoke about this morning: MRI invested \$40 million in OICR to collect research data and share it with scientists worldwide. This project will be a magnet for other investments and create jobs for more than 50 researchers. Also, 105 full-time FTEs were created through the health technology exchange.

That's more on the job side, but obviously within that, you're looking at some phenomenal research opportunities. My first couple of months as minister, I've certainly spent—just almost by happenstance, I've met with a number of leaders in the genetics field. The work they're doing, in terms of the development of our expertise in terms of genetics and the various genome projects that are going on, is truly world-class. We are world leaders, but it's going to have profound implications in terms of health care, both in terms of how we treat disease but also in terms of overall costs as the system moves more to a system of personalized medicine; i.e., that they can look at an individual like you or an individual like me who may have a certain ailment, and narrow it down much more fully than they could in the past. All of a sudden, you can exclude all sorts of tests and treatments which may cost considerable amounts of money, you can exclude pharmaceuticals which may cost considerable amounts of money and narrow it down.

The exciting thing about a lot of the work that's going on in terms of genetics is that it is very, very current. I mean, when I speak to these scientists, they're not saying, "In 50 years we'll be able to do this." They're talking in a matter of months or years, depending on the nature of it, that we're going to be seeing these changes go forward.

1640

**The Chair (Mr. Garfield Dunlop):** I think that pretty well—

**Hon. John Milloy:** That's okay. I'd be happy to continue—

**The Chair (Mr. Garfield Dunlop):** You know what? We'll have other questions as well.

*Interjections.*

**The Chair (Mr. Garfield Dunlop):** We'll go now to the third party. You have 20 minutes, Mr. Bisson.

**Mr. Gilles Bisson:** Thank you very much, Chair. Just a number of questions in regard to the expenses of the ministry. In your salaries and wages component, you're saying you've got a budget of \$13,152,000. That equals how many full-time and part-time employees? What is the staffing complement for 13 million bucks?

**Hon. John Milloy:** We can provide all that information to you.

**Mr. Gilles Bisson:** How many people work for you, Minister? You should have an idea.

**Hon. John Milloy:** Okay.

**Mr. George Ross:** We have 146 full-time equivalent positions in the ministry. Currently, I think about eight or 10 of those positions are vacant right now.

**Mr. Gilles Bisson:** So, eight vacancies and you plan on filling?

**Mr. George Ross:** Oh, yes. It's all under active recruitment.

**Mr. Gilles Bisson:** I take it you have some fairly specialized staff, so your salary range is from a low to a high of how much?

**Mr. George Ross:** I don't have specific salary details here today, but we're—

**Mr. Gilles Bisson:** You'd have scientists, I take it?

**Mr. George Ross:** Oh, we do.

**Mr. Gilles Bisson:** So you've got to pay them a decent buck. What range of salary are we paying people at the high end?

**Mr. George Ross:** I'll have to get back to you with specific salary ranges. We have our employees classified according to the jobs they do and according to the—

**Mr. Gilles Bisson:** Do you have anybody from your financial services here with you?

**Mr. George Ross:** Yes, we do.

**Mr. Gilles Bisson:** That's what finance estimates are about. Can we have that person come forward?

**Mr. George Ross:** Maybe I could—the specific question is about—

**Mr. Gilles Bisson:** Well, if you don't have the answer, I'd like to talk to your staff in regard to basically salaries and different stuff. There are different things I want around your services. There are various things that I want to get into around the finances.

**Mr. George Ross:** I can answer as many of those questions as I can.

**Mr. Gilles Bisson:** All right, and if you can't—

**The Chair (Mr. Garfield Dunlop):** Let the questions go to the deputy, and then if there's something he can't answer, he'll go through to the staff member. Okay?

**Mr. Gilles Bisson:** Yes. That's why we bring the staff here. I'm just making the point.

You have 146 full-time, FTs. You have eight vacancies. Do you have any of those who are temporary on top of the 146?

**Mr. George Ross:** That is our complement of positions.

**Mr. Gilles Bisson:** That's total?

**Mr. George Ross:** That's our limit, yes.

**Mr. Gilles Bisson:** Okay. Your salary range, let me just back to that again. What would be the high end of what you would pay somebody with some fairly specialized—ballpark, \$200,000, \$150,000, \$300,000?

**Mr. George Ross:** Oh, I can't answer that. I'm going to have to get back to you with the salary ranges, on the specifics—

**Mr. Gilles Bisson:** Does anybody know in the room?

**Mr. George Ross:** We have a series of classifications for staff—

**Mr. Gilles Bisson:** I know. I understand.

**Mr. George Ross:** —and some are over \$100,000. I don't believe any of our staff are close to \$200,000.

**Mr. Gilles Bisson:** Okay. Well, that's what I was looking for. The majority of your staff, are they fairly specialized or is it fairly generic? Like, most people have a fair amount of specialty in the ministry, so you probably have to pay them a little bit more money than the base?

**Mr. George Ross:** There's a combination. The people are paid according to their jobs and their classifications as opposed to their specific credentials that they come in

with. But I should tell the committee that we have a fairly highly skilled workforce. It's very diverse and very highly skilled. We have a number of PhDs, MBAs and engineers who are in our ministry, and they do good work.

**Mr. Gilles Bisson:** Okay. So the 146, most of them are situated here, and where else?

**Mr. George Ross:** They're all situated here.

**Mr. Gilles Bisson:** So they're all? So you have nobody out in the field anywhere in any of the universities or anything like that?

**Mr. George Ross:** No. Our reach as a ministry extends through our stakeholders as well, and they are—you know, we have relationships with organizations right across the province, including research institutions.

**Mr. Gilles Bisson:** Okay. So you list in your estimates \$1.3 million in transportation. I take it that your staff have to travel to different places. What exactly are you guys doing? I don't want specific names, but give me a sense of what it is you do when you get out there to spend \$1.3 million.

**Mr. George Ross:** It depends on the program you're talking about, Mr. Bisson. For example, when we are about to launch a new research round under the research infrastructure, staff from our research branch go around the province and consult with the institutions, the hospitals and the universities. We attend scientific conferences and present papers. Also, we have a mandate to promote Ontario on a global stage. So every year we attend the big BIO conference in the United States and other conferences like that as well.

**Mr. Gilles Bisson:** I was trying to pull out of the estimates, and maybe I just don't see it here—but this year, you're projecting \$1.3 million for transportation communication. How does that stack up against last year? What would it have been last year? For some reason, under the actuals for 2008, I don't seem to find it. Maybe I'm looking in the wrong place. Anybody have that?

**Mr. George Ross:** So this is a year-over-year comparison you're looking for?

**Mr. Gilles Bisson:** Yes, just ballpark—where are we compared to last year?

**Mr. George Ross:** I think our travel would be comparable to what it would have been in previous years. We're not anticipating any big, additional travel.

**Mr. Gilles Bisson:** I'm just wondering why it is, in this particular format, that we don't have last year's actuals for transport. Is it there? Am I not seeing it? Does anybody know?

**Hon. John Milloy:** I've seen it broken down. I'm just looking for it.

**Mr. Gilles Bisson:** As you're looking for that, I'll get to the next question. If somebody in the ministry—I just find it's how we present, and it's not entirely your doing, but the way estimates are presented in the documents, there's sometimes a little bit to be desired. It's nice to have some comparables, to be able to look back at the last couple of years and see where expenses are and how

they compare to other years. It's hard to do that in the present format that we have here right now. So, if you can, a little bit later on today, if somebody can give me what your transportation communication was for last year's budget.

There's another line over here, and I didn't quite understand what this was all about. On page 26, you talk about other transactions, \$51,000. It's not a lot of money, but I'm just wondering what that's all about. What is that, other transactions, \$51,000. Is that membership to organizations or something?

**Mr. George Ross:** I'm going to have to get back to you on that one. I'm not sure. We're going to have to ask staff to follow up on that.

**Mr. Gilles Bisson:** And do you have somebody here in the room who can do that?

**Mr. George Ross:** Yes. I will follow up on that. I will definitely get that answer for you.

**Mr. Gilles Bisson:** At one point, I wouldn't mind having people answer these questions.

Okay, moving on, there's that. Then there's—

**Mr. George Ross:** Mr. Bisson, could you just please give us a reference on a page?

**Mr. Gilles Bisson:** Yes, I'm looking at your estimates binder at page 26, under table 3, "Other transactions, \$51,000." It's not a lot of money, but I'm just wondering what "other transactions" are that are not listed under services or supplies. I'm not quite sure what that was all about.

**Mr. George Ross:** Okay, we'll give you a definition of that category.

**Mr. Gilles Bisson:** Yes, not a problem. Also, on the same page, under "Assets," you have "Deposits and prepaid expenses." I take it that's money that you re-collected on loan guarantees or something, that \$7 million?

**Mr. George Ross:** I'm going to have to ask my CAO, Jeanette Dias D'Souza, to come forward.

**Mr. Gilles Bisson:** Yes, because most of my questions are—

**Mr. George Ross:** Your questions are more definitional around these categories—

**Mr. Gilles Bisson:** If you could, please.

**Mr. George Ross:** So is Jeanette here? Maybe I could ask her to come forward.

**Mr. Gilles Bisson:** She's been biting at the bit. I've been watching her.

**The Chair (Mr. Garfield Dunlop):** Jeanette, could you please introduce yourself?

**Ms. Jeanette Dias D'Souza:** Thank you. Jeanette Dias D'Souza, CAO.

With all due respect, I'm part of the team and was trying to provide some of the information. I do not have all of the specific information, but I think I can shed some light. You asked an earlier question about the \$51,000. That is actually a bad debts expense that the ministry made provision for. When we forward monies to different organizations, prudent financial management requires us to make an educated estimate of—

**Mr. Gilles Bisson:** How much bad debt you're going to have.

**Ms. Jeanette Dias D'Souza:** Exactly. And it doesn't mean that the money is bad, but sometimes the timing doesn't happen in quite the right year. So under prudent financial management, that is what we provided. We actually, moving forward—

**Mr. Gilles Bisson:** May not even spend it.

**Ms. Jeanette Dias D'Souza:** —as we get a track record, we don't believe we'll even require that much money.

**Mr. Gilles Bisson:** Okay. Was there such an amount posted for last year's estimates?

**Ms. Jeanette Dias D'Souza:** I believe there was only a placeholder of \$1,000.

**Mr. Gilles Bisson:** Okay. And so I take it, because there's more activity in the ministry this year, with additional programs, that's why you've bumped it from the \$1,000 to the \$51,000.

**Ms. Jeanette Dias D'Souza:** We take a step back and we take a look at everything that we have going on, and we make informed decisions about what we need to provide. That was the decision in terms of, again, prudent financial management, but having a little bit of a track record under our belt, we would probably expect to see that reduced in subsequent years.

**Mr. Gilles Bisson:** So, just on the following, again on table 3, deposits and prepaid expenses is \$7.8 million. Can you explain what that is exactly?

**Ms. Jeanette Dias D'Souza:** Yes. I can give you a general explanation, and perhaps we may need to come back with more specified information.

**Mr. Gilles Bisson:** Okay. That's fair.

**Ms. Jeanette Dias D'Souza:** When we advance funds to different organizations, there is, of course, a certain point in time when, because of financial rules, they are actually their funds, but in the meantime, we may advance the funds as a prepaid. Technically, it's still ours; it's our receivable. Again, we have to record it in a manner that is appropriate.

1650

Once the funds have completely been turned over to the organization, then it's expensed. But in the meantime it sits as our asset, so to speak, and that's what that was.

**Mr. Gilles Bisson:** Oh. So this is money that's earmarked but has not gone out the door, in simple layman's terms.

**Ms. Jeanette Dias D'Souza:** Some of it could have gone out the door but it's still our money. We still recognize it until we give up full rights. I'm afraid I don't have the full details on this, but that's the best general explanation I can give you.

**Mr. Gilles Bisson:** And so that seven million, that's again an estimate of what you think that will be for the year.

**Ms. Jeanette Dias D'Souza:** I believe, based on the number of programs—again, some diligence is done as to how we think the funds are going to flow. I'm afraid

that's the most detailed explanation that I could give you on that.

**Mr. Gilles Bisson:** Then there's "Loans and investments," \$1,000—there's not a lot of money. Is that \$1,000? Yes, it's \$1,000. Right under "Assets"—"Deposits and prepaid expenses," "Loans and investments," \$1,000.

**Ms. Jeanette Dias D'Souza:** I'm sorry, could you tell me what page we're on?

**Mr. Gilles Bisson:** Table 3, page 26.

**Ms. Jeanette Dias D'Souza:** Twenty-six, okay. Any time I hear the number \$1,000, I automatically think it's a placeholder. Yes. That particular line, that \$1,000 you're looking at, is a placeholder. The line above it, the \$7,847,000, is the amount I was referring to earlier.

**Mr. Gilles Bisson:** Yes. The placeholder is \$1,000, so you put that, because you have to account for it somewhere. Un-muddle me here. You're going to have to re-explain that seven million to me again. I understood what you're saying is that you'll approve funding for somebody's application but the money is not quite out the door; some of it is. At what point does it come off your books as an expense?

**Ms. Jeanette Dias D'Souza:** That I would want to check on, but there is a definite point at which we say, "Okay, it's no longer ours," and at that point it's expensed. Prior to that, it is our prepaid.

**Mr. Gilles Bisson:** All right. So you'll provide me with that. And the \$1,000 is a placeholder for that seven million?

**Ms. Jeanette Dias D'Souza:** No, the \$1,000 is a placeholder, and I apologize; I don't have that explanation immediately—

**Mr. Gilles Bisson:** It's not big money, but I wouldn't mind knowing what it is.

**Ms. Jeanette Dias D'Souza:** Okay.

**Mr. Gilles Bisson:** Carrying on, page 27: Again, "Research and innovation program," another placeholder of \$1,000?

**Ms. Jeanette Dias D'Souza:** Under the capital assets, Mr. Bisson?

**Mr. Gilles Bisson:** Yes.

**Ms. Jeanette Dias D'Souza:** That is a placeholder that most ministries have been asked to place for the potential purchase of capital assets in the ministry, like IT equipment etc.

**Mr. Gilles Bisson:** A thousand bucks?

**Ms. Jeanette Dias D'Souza:** That's a placeholder. We use that \$1,000 very often as a placeholder for a very specific reason.

**Mr. Gilles Bisson:** You ain't gonna buy a lot for a thousand bucks, I figure.

**Ms. Jeanette Dias D'Souza:** It makes a pretty good placeholder, we think. And we were asked—

**Mr. Gilles Bisson:** Explain it to me, because I really don't get why you would do it that way. I understand that you have to have a placeholder if you plan on expending money.

**Ms. Jeanette Dias D'Souza:** It allows us to create the line. Once we have the line, should we need things—

**Mr. Gilles Bisson:** Then you can transfer money from another line and bring it over here.

**Ms. Jeanette Dias D'Souza:** This \$1,000 was set up at the request of the central. All ministries, I believe, have been asked to place that there so that we can all start to record properly our assets.

**Mr. Gilles Bisson:** So walk me through what this would look like at the end of the year. The \$1,000 on page 27: It's a placeholder that creates a line that deals with equipment that you may have purchased at the ministry, but that purchase obviously is going to be over \$1,000, right?

**Ms. Jeanette Dias D'Souza:** I believe so, and as we go through the year and start to record the results for this year, then we'll have a better idea of what that number will be.

**Mr. Gilles Bisson:** That money would come from what line? It would come out of "Supplies and equipment," the \$731,000?

**Ms. Jeanette Dias D'Souza:** Very often, our IT purchases are purchased by a cluster. We have IT clusters. Certain charges would flow through to the ministry.

**Mr. Gilles Bisson:** So it's bought across the government and then that equipment comes to your ministry and it may be paid by what? Not a special warrant.

**Ms. Jeanette Dias D'Souza:** No. The ministry would pay it; correct. We would find another place and then record this correctly.

**Mr. Gilles Bisson:** Okay, normally—and I take it that either comes out of supplies and services, or the "Services" line, I would think?

**Ms. Jeanette Dias D'Souza:** I would think so, yes.

**Mr. Gilles Bisson:** All right. So that's new, then.

Then there was another transaction, a different placeholder: \$2,000 in "Capital Summary by Vote and standard account." The one that says—just at the bottom of page 27. It says "Other transactions, \$2,000." It's obviously another placeholder, but for what?

**Ms. Jeanette Dias D'Souza:** Actually, I know that represents two \$1,000 amounts. If you don't mind, I would like to respond back to the committee on that one.

**Mr. Gilles Bisson:** Okay. "Land and marine fleet"? I didn't quite get that one.

**Ms. Jeanette Dias D'Souza:** That is standard wording that we were asked to put in. Because we are one of many ministries, we go with the standard wording. That's something that was provided to us.

**Mr. Gilles Bisson:** Why? The only marine fleet that we have, as far as I know, is owned by Ontario Northland.

**Ms. Jeanette Dias D'Souza:** I think I would need to check at the centre with the provincial controller or finance in order to get the exact reason for that. But I do know we were specifically asked to provide that wording.

**Mr. Gilles Bisson:** But you don't own any boats, the last time I checked.

**Ms. Jeanette Dias D'Souza:** As far as I know, to the best of my knowledge, MRI does not have any boats.

**Mr. Gilles Bisson:** I know—the minister has got a yacht. Is this the yacht line?

**Hon. John Milloy:** I bought it for \$1,000.

**Mr. Gilles Bisson:** Not bad. You're pretty good. So you're saying that every ministry has been asked to put, under "Capital assets," "Land and marine fleet" as a placeholder?

**Ms. Jeanette Dias D'Souza:** I believe—

**Mr. George Ross:** We follow a standard format for filling in our briefing books, so this is the standard government format that we follow. Not all business of ministries is the same. An operating ministry may, in some cases, have capital assets that a ministry like ours doesn't.

**Mr. Gilles Bisson:** I would like to ask the researcher something.

**The Chair (Mr. Garfield Dunlop):** Pardon me?

**Mr. Gilles Bisson:** I'd like to ask Mr. Richmond something. It's either Mr. Richmond or it might be the clerk. There's a standard by which the estimates binders are prepared—right?—that all ministries have to conform to? I don't know who can answer that question.

**The Chair (Mr. Garfield Dunlop):** Yes, you can go ahead. Please respond.

**Mr. Jerry Richmond:** With respect, Mr. Bisson, I would think it might be more appropriate to address your question to the ministry officials. We can handle it, but they're directly involved.

**Mr. Gilles Bisson:** No, no. I am not asking for specific expenses. I do remember that we had this conversation in committee a while back where we changed the format for ministries to respond in preparing their estimates—not to respond, but how the estimates are prepared. And my question is: Is that something that we've asked for, that these kinds of placeholders be inserted for all ministries? They may not have the expense in that ministry, but the line is there, and I'm just wondering where that comes from.

**Mr. Jerry Richmond:** Can I suggest that you pose that to the ministry officials? If their response is not adequate, we will pursue it in research.

**Mr. Gilles Bisson:** Okay. I'll go back to the ministry. Have you looked at other binders? Do you they have that same line, "Land and marine fleet"? For example, economic development and trade, northern development and mines.

**Ms. Jeanette Dias D'Souza:** I believe they do, but I would prefer to double-check and respond back to you.

**Mr. Gilles Bisson:** Okay. I just thought that was interesting when I saw it.

A couple of other things. On page 28 under "Operating," again, you've got, in the second window, that \$51,000 for bad debt. I take it that refers to the same bad debt that you've got reported under "Other transactions" in table 3, right?

**Ms. Jeanette Dias D'Souza:** It does indeed.

**Mr. Gilles Bisson:** Okay, so it's not an additional one. And that would be the same thing with the special warrants for amortization, which is another placeholder. That's separate, on table 7 for capital? Table 7, the other side, under "Special warrants"—"amortization, \$1,000." I take it that's a placeholder again?

**Ms. Jeanette Dias D'Souza:** It is.

**Mr. Gilles Bisson:** And is that the same placeholder as one of the other ones we were looking at?

**Ms. Jeanette Dias D'Souza:** Do you recall that there was an item of \$2,000 and I told you it was made up of two \$1,000 amounts?

**Mr. Gilles Bisson:** We found them.

**Ms. Jeanette Dias D'Souza:** This is what I'd like to check. I believe it's those two, but I'd prefer to check.

**Mr. Gilles Bisson:** And that's what the next is in the other window, "Research and innovation"—\$1,000 is the second one, I take it?

**Ms. Jeanette Dias D'Souza:** I believe so. Again, I will check and get back to you.

**The Chair (Mr. Garfield Dunlop):** You've got two and a half minutes left.

**Mr. Gilles Bisson:** So in two and a half minutes, if you could provide, maybe next time that you come up, a little bit of a fuller explanation about, number one, what these particular placeholders are. What function do they serve, what do we expect to have spent in those placeholders by the end of the year and how do they compare to last year, if they did exist last year?

Under "Ministry administration"—I'm going to bring you back to table 6 under "Operating." When I look at the ministry administration, the \$4.8 million, that would include the money that you have for—no, it doesn't add up; that's why I circled this.

I'm going to go between two pages. I don't mean to confuse you, but that's the only way I can do it. Page 26, table 3, says, "Services"—\$10 million, right? Those are services that you account for in the ministry, the functions that you do. But then when I look back over "Ministry administration"—\$4 million. It's different. I take it that includes some staff wages, some equipment rentals etc.

**Ms. Jeanette Dias D'Souza:** If I may, table 3 provides a breakout of the ministry by type, so all the salaries are together, all the employee benefits are together—

**Mr. Gilles Bisson:** Yes, there's a blend.

**Ms. Jeanette Dias D'Souza:**—where, in table 6, it is presenting the information organized in a different manner by a different heading.

**Mr. Gilles Bisson:** And it's a blend of—it could be salary, it could be—okay, gotcha. Am I running out of time?

**The Chair (Mr. Garfield Dunlop):** Yes, that winds up your time right there. You have another 20 minutes coming up 40 minutes from now.

Now we'll go to the government side. The parliamentary assistant, Mr. Moridi. Please go ahead.

**Mr. Reza Moridi:** Thank you, Mr. Chair. I would like to begin by congratulating you on being Chair of this

committee and Mr. Bob Bailey being vice-chair of this committee. I'm also new in this position as parliamentary assistant to the Ministry of Research and Innovation. Before asking my question, I would like to make a few comments about the importance of research and innovation and then put my question to the minister.

**1700**

As we know, science is the basis of engineering, and engineering is fundamental to the design and manufacture of every product—

*Interjections.*

**The Chair (Mr. Garfield Dunlop):** Could we keep it a bit quieter in here.

Go ahead.

**Mr. Gilles Bisson:** Sorry, I apologize.

**Mr. Reza Moridi:** Not at all, Mr. Bisson.

As I was saying, science is fundamental and basic to engineering, and engineering is fundamental to the design and manufacture of every product and every structure, and every structure and every product is the element and object of the economy. So when we are talking about science, actually we are talking the economy. The development of science is dependent heavily and solely on research and innovation, of course. So if there is no research, no innovation, there will be no science and, of course, engineering, and this goes on and relates to the economy.

When we look at the history of science and engineering, going back not very long ago—maybe 150 years, 100 years or even less than that—scientific discoveries or innovations were solely based on accident. Basically, scientists in various schools and universities, mainly in Europe and other parts of the world, were doing some experiments, some thinking, some imagining, and as a result of that very informal or accidental sort of imagination and work, discoveries would happen, and in fact did happen, and in reality they changed our world.

I'll give you a couple of examples, just to appreciate the importance of research and innovation. About 115 years ago, a young British scientist was working on something called cathode rays. Cathode rays were one of the mysteries that scientists were trying to understand. As a result of experiments this scientist was doing at Cambridge University, in England, understanding something that was called a cathode ray at that time—the reason it was called a cathode ray being that it was something that was coming from a device called a cathode. That's why they called it a cathode ray or cathode radiation.

That experiment by this young scientist by the name of J.J. Thomson, who later became one of the top scientists in the world—he was in his 20s, actually; he was one of the youngest professors at Cambridge University to become Cavendish Professor of Physics, which is a top honour in the UK. If you have that title, you are the greatest physicist in the UK. In his experiments, he discovered by accident a very tiny particle, which was called an electron. This discovery basically opened up a new concept in the whole science of matter, which was based on the philosophy developed in ancient times about

2,000 years ago by the Greek philosophers that the smallest part of matter is something called the atom. The discovery of this tiny particle, which was 2,000 times smaller than the lightest known atom, the hydrogen atom, basically broke an idea, a philosophy of 2,000 years.

This discovery changed our world. The discovery of this tiny particle basically opened up the science of electricity; created a new science, which today we call electronics; and created a new understanding of optics, of light, because we didn't know the nature of light. This was a mystery for the whole of science: What is the nature of light? This discovery helped us to understand the nature of light.

This discovery also helped scientists understand the structure of the atom, and that later on led to nuclear energy and the utilization of nuclear radiation not only in industry but in health care and so on and so forth. Also, understanding this tiny particle led to another discovery which today we know of as X-rays, or unknown radiation. Can you imagine the impact of this discovery, the X-ray, just on the health care sector? Today you can't imagine any hospital, any dental clinic, any health care sector, having no X-ray machine.

So these discoveries which happened in the past all came through by accident. But this is not true these days. Starting in the 1940s, the American scientists at Bell Telephone Labs tried to make plans for discoveries. Up to that point, discoveries or advancements in science and technology, or innovations, as I said earlier, happened by accident. But in the 1940s, the American scientists at Bell labs decided they were going to build something that they later on called the transistor. So that was a plan. The discovery of the transistor wasn't just a discovery; they planned to make it. In order to do that, of course they had very thorough planning. The scientists from various branches of science including physics, theoretical physics, mathematics, chemistry, all got together and made plans, and of course industry and the American government provided funding for them, and then in 1948 they came up with this major discovery which they called the transistor. Again, that changed the whole world of electronics. Today you can't imagine any electronic equipment not having a transistor.

These were the things that happened in the past. Today, as we all know very well, any economic development is based on science and technology. It's not like the old days. Even when you look at our traditional economy in the world, which is agriculture, its history goes back centuries—maybe day one of creation when human beings just wanted to feed themselves, agriculture came into being. Even agriculture today is heavily dependent upon science and technology and innovation, not to mention our own health care.

The market is so competitive, and the world is very small. Scientists can move around very easily from one country to the other and, of course, various countries, various industries, various research labs and universities. They're offering high salaries, they're offering very competitive benefit packages to scientists, and they move

around very easily. At least two or three Nobel Prize winners in physics who are Americans now used to be Canadians. I don't know if they kept their Canadian passports, their Canadian citizenship, but they're Canadians. They moved from our country to the States. We weren't able to keep them in Canada.

The question I'm trying to get to is, what are we doing, Minister, to keep our scientists, our top researchers, in Ontario? We know that this is the key element for the economic development of our province.

**Hon. John Milloy:** Thank you very much for your comments and, I might say in a good-natured way, the seminar on science, too. Members may know that Mr. Moridi is actually Dr. Moridi, an expert in nuclear technology. I had a chance to tour the Bruce nuclear power plant with him, and I kept him very close because he actually provided me with great explanations as to what was going on, though at the end he said it's basically just a big teakettle. That's all a nuclear facility is.

You raise a very central point as to what's happening around the world, and that is—and I think I've made this point a few times in my comments—that talent can move. It's one of the most mobile resources that we have. Although there are always debates and discussions of how we can somehow try to control the situation and require people to stay, the bottom line is that the only successful way to keep researchers here, to retain them, and also to attract researchers, attract expats back, attract new researchers here from other jurisdictions, is to make sure that we have world-class research centres, both independent research centres as well as those located at our universities and colleges; that we have a critical mass of scientific talent and a government that, quite frankly, is making research and innovation a priority.

**1710**

I'm not trying, with the final point, as I think Mr. Bisson said earlier, to act like a politician, saying it's tooting our own horn. I'm hearing it from the researchers that I've met in my short time in the portfolio. They're saying, "Hey, part of the reason we want to stay here is because we have a good partner in terms of the government, moving forward."

Part of the game, though, I would say, if I could use that term, is of course not just attracting the superstars; it's also keeping the young up-and-comers who often are going to be that next Nobel Prize winner, that next inventor of a new technology or product. We have a number of different ways that we can partner with both the new researcher as well as the established researcher.

One is, in terms of the new ones, the early researcher awards. It's a budget of about \$56 million over five years. Actually, in August, I was at McMaster to make one of my first announcements, as minister, of early researcher awards. That round was an \$11.5-million investment in 82 research projects across Ontario. I had a chance to meet a number of the talented researchers at McMaster, and these are individuals who tend to be toward the beginning of their career and who are doing amazing work in a whole variety of fields. They're going

to have commercialization opportunities and also make strides in such key areas as health care and environmental technologies and digital media—those three major themes that we try to develop.

We have, of course, the Ontario Research Fund. I've referenced it today. This, again, obviously now, as we move through the continuum to the more established researchers, provides money for research projects and, of course, money for infrastructure. This often supports teams. Again, I don't want to exclude new researchers, but if you move across that continuum—we also have awards from the province itself to look at the type of dynamism that's out there, the type of success that's out there.

Obviously, our goal is, "Let's develop the new researchers; let's keep our leading researchers here." But at the same time, how can we attract them from abroad, either expats or individuals who are active in other fields and want to come forward?

I sometimes think—and we're going to have a few hours today and over tomorrow and later on to talk about this—examples speak louder than any kind of statistics that we put forward, so I'll give you a few examples of world-class researchers who have come forward.

Gordon Keller, one of the world's leading stem cell scientists, returned home to Canada in January 2007 to lead the McEwen Centre for Regenerative Medicine that was established at the University Health Network in 2003.

Tom Hudson came from McGill University to lead the Ontario Institute for Cancer Research.

Neil Turok—I want to spend a minute on Dr. Turok—is a world-leading scientist. He came from Cambridge University to become the executive director of the Perimeter Institute for Theoretical Physics, which is in my home community. I'd be remiss to not spend a minute or two talking about that amazing institution.

I think people are aware of the generosity of Mike Lazaridis, the president and co-CEO of Research in Motion. He contributed, along with his wife, \$100 million in 2000, then along with other RIM executives Doug Fregin and Jim Balsillie—each provided \$10 million in 2000; the institution established itself—a very, very exciting time in our community. Since then, Mr. Lazaridis has given another \$50 million to the institution, bringing his total support to \$150 million. MRI has been there. We've provided over \$65 million in research funding to the Perimeter Institute since 2003 to match some of Mr. Lazaridis's contribution.

I think the important thing about the institute for theoretical physics—first of all, as I said, we were able to attract Neil Turok over. But when you speak to him, it's about being number one. It's about creating an atmosphere which is going to attract the best of the best coming forward. It's not so much about putting together the all-star hockey team and going after the established person; it's getting the young superstars. It's convincing them that Ontario is the best place to be and having them either stay in Ontario as they move forward or maintain

links to the Perimeter Institute. Now, the Perimeter Institute is theoretical physics, and I think you made the point very well: In theoretical physics, they don't go in and design a product that we're going to be commercializing the next day, but the work they are doing is feeding into so much that's going on, particularly in terms of our high-tech world.

I think of the work that's being done by Raymond Laflamme at the University of Waterloo. He's the director of the Institute for Quantum Computing—again, someone we brought back; a Canadian, I believe. He came from the Los Alamos National Laboratory in New Mexico. He was attracted back to the Institute for Quantum Computing, which works very closely with the Perimeter Institute. You have the theoretical, and they're feeding into people who are focusing through quantum computing on approaches that can be commercialized and moved forward.

In fact, your comment today reminded me of a documentary I saw several years ago at the Perimeter Institute where Mike Lazaridis said that if you were went back in time and accidentally left your BlackBerry there, when you came back, the world would probably be much the same, but if you went back in time 100 years ago and left an up-to-date physics textbook there, when you came back, it would be a much different world because the principles underpinning physics have informed so much of what has changed our technologies as we move forward.

To go to your original question, it's about creating the Perimeter Institutes and about creating them to move forward.

As I said, I can continue with other folks we've either attracted back to Canada or who have come from other countries. Jack Mandel, a top epidemiologist, is returning to Canada to be the first director of the University of Toronto's Dalla Lana School of Public Health. I mentioned Ray Laflamme, and the list goes on. I was recently at the University of Ottawa, where I spoke with Dr. Bob Roberts, originally from Newfoundland, who had spent much time in Texas and has come back to work in the area of genomics at the school there.

I asked him point-blank, "Why would you come from Texas to Ottawa?" He said, I think very candidly, if I can share this, that he had never thought that was going to be an opportunity; he was very established in his career. But he was invited up and told about the opportunities that existed at the University of Ottawa through the medical school there, and of course their ties to the hospital; he was aware of the research funding and research that went forward.

I must say, he's a leader in the area of genomics, in the area of genes and heart disease, who is in collaboration with some of the top-ranked institutions around the world. He said this is the place to be. Ottawa is the place to be to undertake this type of research, and he was happy to come home for that reason—as I say, a very established career in Texas and he's one of our superstars, not only in terms of commercialization opportunities, potentially, particularly in the pharmaceutical field—

**The Chair (Mr. Garfield Dunlop):** You have a minute left, Minister.

**Hon. John Milloy:** —but you can also speak about the health benefits. I referenced earlier: There is an individual who is talking to me about health changes and he's not saying, "Fifty years down the line, we're going to be able to do X or Y." He's talking six months, 18 months that we're going to be making these amazing strides in terms of health.

We're partners there, and he certainly recognized that partnership and said he was able to go on the world stage—I believe he was at the announcement of the GL<sup>2</sup>—and talk about this important partnership and support from the government, and that got the type of attention we need.

With that, Mr. Chair, I've probably run out the clock.

**The Chair (Mr. Garfield Dunlop):** Right on, again. Now we'll go to the official opposition. Mr. Bailey.

**Mr. Robert Bailey:** It was quite interesting listening to the physics and the lesson before on research science as well.

I have a question about carbon capture and storage. I'd like to know what your research and innovation ministry is doing in that field—and if not, why not? Can you elaborate on what investments or what research is being invested in in Ontario?

**1720**

**Hon. John Milloy:** Sure. As I've stated, we're sort of targeting three key areas and one of them is in the area of green technologies. Perhaps I can look to officials, if you have some specific examples?

**Mr. George Ross:** I think it's best to refer this question to Dr. Rockingham, our ADM of commercialization, who has a long history in the energy field.

**Dr. Tony Rockingham:** Thank you very much, Deputy Ross. My name is Tony Rockingham, I'm an assistant deputy minister in charge of innovation and commercialization.

I guess I'd provide a bit of background on your question: carbon capture and storage. Clearly, there are two parts to it: There's the difficulty in trying to actually capture the carbon. Carbon dioxide, as you know, is a potent greenhouse gas. Carbon dioxide is emitted in great quantities whenever you burn fossil fuels. So we're very much aware of the tremendous number of sources of CO<sub>2</sub>, whether it be power plants that burn fossil fuels or whether it be cars that use gasoline and use internal combustion to provide a mode of power source.

So the research that's going on around the world really is focusing on different methods for different technologies. There's a lot of work going on right now in terms of focusing on the large combustion sources, so large power stations, whether they be fuelled by natural gas or oil or coal. They provide some of the best opportunities because you can take advantage of economies of scale in trying to capture that. On the other hand, if you're talking about capture and you're talking about automobiles, there you've got a tremendous number of much smaller sources. So there are different sorts of challenges involved in that.



On the storage side, again, you've got a variety of alternatives there. A number of mechanisms are being considered, whether it's possible to take the carbon dioxide, inject it into deep wells. The physics are interesting: If you are able to inject CO<sub>2</sub> deeply enough into the ground where the pressures can build up, the feel of the carbon dioxide changes. It goes from being a gas to actually being a liquid, and when it's a liquid, it can be combined for very long times with other liquids that are at depth, whether that would be oil reserves, natural gas reserves, saline aquifers or just ordinary aquifers.

Having provided that background, the programs that the Ministry of Research and Innovation—really what we look at, we're trying to provide assistance. Where entrepreneurs have good ideas, we try and ensure that we are a catalyst, but we don't select individual areas such as carbon capture and storage and say, "We want to provide funds to that particular solution."

We have research and development programs where, if there are scientists with ideas that they feel they can develop in partnership with an Ontario research institute, then it would be possible to provide funding for that sort of research. Further down the line, where someone has an idea and they wish to bring that forward for demonstration, for example, because they believe that they've had proof of concept, they believe they've had proof of prototype at a lab scale, then we could assist them through the innovation demonstration fund to bring that idea up to a particular scale, perhaps a scale that would allow commercialization. Through that program, we're able to document what they've been able to do, and that provides them with a bit of an entree into the market.

Further down the line, we also have programs where we can help companies that believe they've got a good idea, whether it be carbon capture and storage or something else, and we assist them through mentoring programs and perhaps understanding what their competition is or understanding what a business plan would look like, where they can go out to the market and entice investors into supporting them so that they can capture larger markets. So that's the sort of background on carbon capture and storage. We understand the science, we understand the physics, and we have programs that can indeed assist people, should they come forward with ideas that meet our criteria for funding those sorts of things.

**Mr. Robert Bailey:** I was going to ask a follow-up to that, Dr. Rockingham. Have you funded any in the last year or so in Ontario? Has there been anybody approaching you for funding and has it been approved or are you still waiting for someone to come forward?

**Dr. Tony Rockingham:** I'd have to get back to you about MRI on that. I suspect if you have other ministries, such as the Ministry of Energy, that would be coming forward—because I know that OPG has certainly been following this sort of technology. In my former life, when I was with the Ministry of Energy and Infrastructure, I was aware of people who would come forward and make suggestions in that area.

**Mr. Robert Bailey:** Do I have some time yet?

**The Chair (Mr. Garfield Dunlop):** Oh, yes.

**Mr. Robert Bailey:** Are you able to comment—

**Mr. George Ross:** Can I just answer your specific question? Sorry to interrupt you.

**Mr. Robert Bailey:** No, I'm fine.

**Mr. George Ross:** We just checked our records. I don't think we have any projects that we funded specific to carbon capture. So it doesn't prohibit anybody from coming forward.

**Mr. Robert Bailey:** Okay. I guess I've got a couple of minutes, then.

So, a second part to that question, if you're able to elaborate on it: In your professional opinion—you said it was your former field—would some of the geology in Ontario be suited for carbon capture and injection? I'm not talking about from cars; I'm talking more from heavy industry.

**Dr. Tony Rockingham:** I think you're asking a very specific question there, and I don't feel I have the expertise to offer an opinion on that.

**Mr. Robert Bailey:** Okay. The second part, on biomass in Ontario—there has been a lot of talk, and I think the minister referred to it earlier as well. Have any industries or any research facilities approached your ministry for seed money for research, development money for biomass that would be able to fuel, for example, power plants or OPG plants that are presently fired by coal—but we're moving off coal and to some other source.

**Mr. George Ross:** Go ahead.

**Hon. John Milloy:** I was going to say we can obviously get you specifics, but if the deputy or Dr. Rockingham want to speak about it—

**Mr. George Ross:** We certainly can follow up with specific company interactions that we've had there. Our innovation demonstration fund is targeted on providing funding for those specific types of companies, where they have an environmental or energy type of technology that they're developing and they need some funding support to demonstrate that technology to prove its technical merits, its investment merits and also, in the case of the sort of technology you're talking about, its ability to hook on to the grid and provide reliable power. We have invested in some companies, through the IDF program, that focus on that sort of technology and we can certainly follow up with you on those.

**Mr. Robert Bailey:** Okay. I met with members of the federation of agriculture the other day, and I know they're interested because of the discussions on biomass and it possibly being a crop that the rural farming community could move to. They obviously need to know that there's going to be a market there. They don't want to get led down the garden path; the farm community makes big investments in equipment and that. So your ministry would be willing to work with members of, say, the federation of agriculture, their research department, if they approached you and your ministry to do work with them on that?

**Hon. John Milloy:** Certainly our ministry does a great deal of outreach and works with individuals who come forward with ideas to channel and direct them into the best programming available. Again, I'll use the word "continuum." We're trying to have a continuum of programs depending on the stage when it comes forward. In terms of making the final approvals, we're very much going out to experts in the field, to panels and a peer review process, to adjudicate on wanting to come forward with various funding recommendations. That's why, in terms of your specific questions, we're very happy to get you that information, but in a sense it's—we build the programs, we do the outreach, but then we allow people to come forward with a specific proposal and allow that arm's-length approach to go forward.

But certainly, the group that you mention, we'd be more than happy to—and I know we do meet regularly with different groups going forward.

**Mr. George Ross:** I can provide one example of a project that has been invested in through the innovation agenda, and this is a company called Pond Biofuels Inc. They're based in Markham, Ontario. They had a \$500,000 investment under the investment accelerator fund, the IAF program, that I talked about earlier in the day.

1730

Pond Biofuels created an operational lab-scale version of its process, but required funding to develop a one-acre pilot bioreactor. The company was able to secure an industry partner within which the pilot project could be developed, and IAF's investment of \$500,000 financed a portion of the pilot. As a result, the IAF investment provided sufficient credibility and comfort to a key industry partner that the partner agreed to move forward with the pilot and, furthermore, invested \$500,000 in the companies on the same terms as the IAF.

Pond Biofuels Inc. focuses on producing biodiesel from microalgae, and the biofuel produced from algae could potentially surpass other biofuels due to its rapid growth, extremely high yield potential and suitability for current infrastructure. Other traditional biofuel feedstock must be grown or develop slowly and can only be harvested at certain times of the year, although the same thing does apply to agricultural feedstock, as you've pointed out. Algae, however, can double in volume overnight and be continuously harvested on a daily basis. Pond Biofuels has designed a closed-system bioreactor that protects the algae from contamination and adverse environmental conditions. The company is able to better optimize the harvesting process by increasing CO<sub>2</sub> levels, nutrients and flow throughout the algae production process.

Biofuels produced from algae have high potential as a fuel source because it grows fast and does not compete with food crops. It is biodegradable, absorbs greenhouse gases and, as it grows, it can be used in diesel engines without modification. So that's one example of an investment made.

**Mr. Robert Bailey:** Did you have some questions you wanted to ask?

**The Chair (Mr. Garfield Dunlop):** Yes, I've got a couple of questions. He's going to just assume the chair for a second.

*Interjection.*

**Mr. Garfield Dunlop:** Thank you very much, Minister. I wanted to talk for a moment for something that's happened up in Simcoe county this year. You've probably heard about this landfill called site 41. There have been demonstrations. It's been very controversial throughout a number of years now—it goes back 25 years. I was getting to the point where the original technology to design the landfill was this process used by the Ministry of the Environment where there was an upward gradient water pressure and that pressure would not allow leachate and that to leak back into the ground. That was the principle of it, and it was established in 1985 or 1983. That was the policy of the ministry at that time. However, with the water taking permit that was used, it was going to be about 800,000 litres a day of ice-cold, fresh water pumped out into a ditch and it would flow out into Georgian Bay. That would go on forever, for the whole life of that landfill and beyond. Of course, the public has been very opposed to this.

That brings me to what they were saying: "Why in Ontario, why as a developing world country and a leader in the world, are we not doing more in waste management?" I'd really like to get your comments with the time you have remaining on any Canadian companies that have come forward to you with waste management technologies, and whether it's incineration, waste-to-energy. Can you make any comments on that? Or can you even get back to us with something that may have occurred with that ministry?

**Hon. John Milloy:** Sure. We could certainly get back to you with a complete answer, but I'll make reference to one IDF success story: Plasco Energy Group. And I look to the Chair to see how much time I have, because I could—

**The Vice-Chair (Mr. Robert Bailey):** A little less than six minutes.

**Hon. John Milloy:** Oh, okay, so I can spend a minute on this. MRI invested \$4 million in this project. The total cost was \$31 million. The funding helped Plasco Energy Group build an 85-tonne-per-day plasma gasification waste-to-energy demonstration plant in the Ottawa region. This included financing toward project machinery and equipment engineering and design, wages, installation etc. MRI's investment has enabled Plasco to attract an additional \$90 million in financing since 2006, which has allowed Plasco to begin expansion and commercialization of their technology into domestic and international markets.

The Plasco Trail Road—it involves the construction, integration and operation of a facility that receives municipal solid waste and converts that waste in a sealed system without air emissions into a product called syngas and a commercially useful inert solid, or slag. Slag is a

glass-like material—I've actually seen it—useful as a construction aggregate.

For every tonne of municipal solid waste to be processed using the Plasco conversion system, enough energy is generated to power the facility and provide approximately one megawatt of net electricity to the local grid. The electricity generated at the Trail Road project facility there in Ottawa will be delivered to the Hydro One grid by connections via Ottawa Hydro. Plasco diverts more than 99% of waste from landfill and replaces those fossil fuels with clean gas.

I put this on the record: Plasco is still in the process of developing this technology, but there is a fascinating idea where not only are you able to create energy from this waste, but the end point is useful as a construction aggregate. We've made that investment. They're doing that work to move forward, attracting other investors, employing folks. It's one example of taking a new look at a problem around waste.

I don't know if the officials want to add any more. Certainly we can get back to Mr. Dunlop or to the committee with more examples.

**Mr. George Ross:** We do have a number of other examples in the kind of description we provided this morning on the activities that apply to waste material as well. There are a number of technologies that can be employed to take fibre from different sources and translate them into new materials, and we've made a number of investments through our IDF program in that area as well, and we could follow up with more details, if you'd like.

**Mr. Garfield Dunlop:** I'd appreciate any information you can provide.

I want to also ask you, do you have a good relationship with the Ministry of the Environment? Because I can tell you one thing, every time there is a landfill placed anywhere, no one wants it. NIMBYism and all that sort of thing comes out. I can tell you that in this particular case, we've seen people from all walks of life come together to object to what could be contamination of water. I would say likely 99.9% of the people we talk to wanted the county and the province, as a group, to work together to build more efficient and more—using high-technical procedures to treat waste. I like the idea of this Plasco that you just mentioned. I believe that's the one former MPP Richard Patten is involved in; I believe he was at one point, anyway.

I think these are really positive developments, and it's the way that I think we're going to have to treat our solid waste in the future. Any information you could provide I would find exciting and I'd like to get that information given to me.

**Hon. John Milloy:** Certainly we'll provide you with a complete detail of the different projects and follow it up—

**Mr. Garfield Dunlop:** Okay.

**The Vice-Chair (Mr. Robert Bailey):** You have a little over two minutes.

**Mr. Garfield Dunlop:** Mr. Wilson, do you have anything to add?

**Mr. Jim Wilson:** No. Go ahead.

**Mr. Garfield Dunlop:** On that again, there is one other question I wanted to ask you and it's a brief question. As you distinguish between your ministry and the Ministry of Economic Development and Trade, what is really the key issue, the key area? The research? I got a sheet here today from Minister Papatello announcing \$3.5 million for an ignition interlock program for a company, I believe, in Georgetown or out in Mississauga, somewhere out there. It was to create jobs and to do research and all that sort of thing with ignition interlock work.

**The Vice-Chair (Mr. Robert Bailey):** Less than a minute.

**Mr. Garfield Dunlop:** Okay. So I'm just wondering, what would be the key area? What's the key difference between those two ministries?

**Hon. John Milloy:** Obviously, the two ministries work very closely together and there are points of interface. I'll try 20 seconds, and perhaps you'll allow my deputy 20 seconds. I think we are very much—if you talk about the continuum—focused more on the early stages, focused on pure research, focused on discovery, knowledge transfer, technology and product development, while economic development and trade would be a little more in the later stages, with established companies. As I say, there is a degree of interface there and overlap.

I think we've got about 20 seconds, Deputy, if you want to add to that.

**Mr. George Ross:** Right. I think the—

**The Vice-Chair (Mr. Robert Bailey):** A quick answer, and then maybe we can come back to that.

1740

**Mr. George Ross:** Like the Ministry of Economic Development and Trade, our focus, our mandate, is really on creating the jobs of the future. The way we go about that is a balanced investment in research, which creates ideas and talented people that go into the economy that create new industries and new jobs. We share that mandate with the Ministry of Economic Development and Trade and we work very closely with other ministries like the Ministry of the Environment and Ministry of Energy and Infrastructure in our mandate, but our focus is really around translating ideas that are generated in this province, through the wonderful research activities that we have, into new jobs, new products and new opportunities.

**The Chair (Mr. Garfield Dunlop):** Mr. Bisson, you have 20 minutes.

**Mr. Gilles Bisson:** I'm just wondering if you have any answers for the previous questions that I had, because I know that you were going to try to look at some of that in the interim.

**Mr. George Ross:** Yes, we will follow up with those answers as soon as they become available.

**Mr. Gilles Bisson:** No, I'm asking the person who's here if she has any answers.

**Mr. George Ross:** You can direct those questions to me and as soon as I have those answers, we'll bring them up to the table for you. We don't have them right yet.

**Mr. Gilles Bisson:** So when do you expect to have them?

**Mr. George Ross:** We'll endeavour to have those answers as soon as possible and we can certainly bring as many back tomorrow as we have available.

**Mr. Gilles Bisson:** All right. One of the reasons that you bring staff here is to be able to respond to some of these questions. This is a bit of a free-flowing exercise, so I would appreciate a little bit more co-operation on the free-flowingness of this. So if there's anything to report back, I wouldn't mind now, because I'm on another committee tomorrow afternoon.

**Mr. George Ross:** It's absolutely imperative for us to give you good-quality answers, so I'd rather spend the time, make sure that we can answer your questions correctly—

**Mr. Gilles Bisson:** Some of the stuff is pretty basic, and I would think that the ministry—either the minister, the deputy minister or the staff of the ministry—would be able to respond to some of these things a little bit more freely, Chair.

**The Chair (Mr. Garfield Dunlop):** I've listened to the deputy, and he wants to make sure his answers are accurate, so as soon as possible—I think that's what we've expected through estimates—

**Mr. Gilles Bisson:** So why—

**Hon. John Milloy:** I think, Mr. Bisson—

**Mr. Gilles Bisson:** Then, to the Chair, then why are we here with all of the ministry staff if they're not here to answer our questions?

**The Chair (Mr. Garfield Dunlop):** There are certain questions the ministry staff can't answer. I've heard a number of good answers today from the ministry staff. We may not be able to answer them all but he will get the appropriate answers to you.

**Mr. Gilles Bisson:** What I'm getting at, Chair, is that we have ministry staff that are here. I understand that some of the stuff, they may not be able to answer on the fly, but clearly, as a member of the committee, we have the right to ask the ministry questions, and if we want to direct a question to a particular branch of the ministry, we have the right to do that. To the clerk; I want you to confer. That's the process.

**The Chair (Mr. Garfield Dunlop):** I'm sorry; they are doing their best to answer the questions. I don't think anything has changed in the way we've run the estimates committee over the last few years. Not every question is answered immediately. Certainly, many tough questions we get a week later or we get the next day or whatever it may be. I've been fairly satisfied, myself, with what I've heard for answers today, so if we could just get your co-operation to ask a few more questions then maybe we'll get them.

**Mr. Gilles Bisson:** What I'm trying to do is to set a bit of a parameter here, Chair. I've got a number of questions in regard to specific programs and if all I'm going to get is, "I'll respond to you later. I'll give it to you in writing," then what the hell are we doing here? We have a full room of staff here who certainly to God can

answer some of our questions, and if they're not able to because they're a bit too technical or they don't happen to have the figures with them, I understand that, but I want to have an ability to have a bit of a discussion with some of these people about some of these particular programs. There are some questions that I have in regard to the expenditures of the ministry, and it would seem to me that it's not unreasonable to try to get some answers.

**The Chair (Mr. Garfield Dunlop):** Let's move ahead with some questions and we'll see what they can answer.

**Mr. Gilles Bisson:** All right. So let me go back to my original question. We were having a discussion in regard to some of the placeholders that were put in place. I was just wondering if there was any other information that she could provide on the placeholders. It's not a baited question, it's not a difficult question; I'm sure you can provide the answer.

**Hon. John Milloy:** Mr. Bisson, if I may, I think if you review the exchange that took place, because these officials are answering on my behalf, the officials provided you with a fair amount of information. In a few cases they wanted to get back and make sure that that was 100% accurate, and 20 minutes wasn't enough. So I don't think it has been a situation where we've sat here for the 20-minute exchange and said, "We don't have that information." I think I'd say that 80% or 90% of your questions were answered. So I want to come to the defence of my officials, who I think have been very forthcoming.

**Mr. Gilles Bisson:** Just to be very clear, Minister, I've got a lot of confidence in your staff. I'm sure they're quite competent and I'm not trying to trap them; I'm just trying to get some answers to some questions.

On the placeholders, do you have a better explanation so I can better understand what that is? I'm not trying to trap you or anything. I just want to understand the placeholder, the two \$1,000 ones that we were talking about, under capital assets and—I forget what the other one was—under amortization, if there's a better—

**Mr. George Ross:** Mr. Bisson, just before we turn this over to my CAO again, just for the record in the committee here, I just want you to know that our job here as staff is to provide you with the best answers we possibly can. We will do that.

**Mr. Gilles Bisson:** Excellent.

**Mr. George Ross:** That's our job.

**Mr. Gilles Bisson:** Perfect.

**Mr. George Ross:** We need the time to follow up on the questions—

**Mr. Gilles Bisson:** And I understand that.

**Mr. George Ross:** You gave us some questions here that do need some more follow-up. You asked a very general question around salary ranges of staff and those sorts of things.

**Mr. Gilles Bisson:** Yes, and I'm not even going back to that one.

**Mr. George Ross:** Okay, that's fine. But these types of questions require more follow-up. And you asked some very technical accounting questions of my CAO.

I'm not sure she actually has the answers yet. I won't turn it over to her and—

**Mr. Gilles Bisson:** I think she has some of them; that's why I've been asking. Okay.

**Mr. George Ross:** But I can actually get these questions addressed.

**Mr. Gilles Bisson:** Okay, let's see, all right? So on the amortization and the other, if you have a bit of an explanation, just so I can understand how that works.

**Ms. Jeanette Dias D'Souza:** Thank you, Deputy. I was trying to confer back at the ranch. In all honesty, I do need to double-check. I have some information that I can provide to you on some of the placeholder ones. If I could direct you to page 47 of the briefing book, there is a little note at the bottom of the page that I think sheds a bit more light. I suspect you may want more than that, though, in terms of the wording around that one placeholder. So that's one piece of information that I can provide to you.

**Mr. Gilles Bisson:** All right.

**Ms. Jeanette Dias D'Souza:** Okay? That's one piece.

**Mr. Gilles Bisson:** Okay, good.

**Ms. Jeanette Dias D'Souza:** The other placeholder, with all due respect, I really feel I do want to double-check, so I would like to reserve the right to come back to the committee with that information—

**Mr. Gilles Bisson:** Yes. And again, not to be combative, I know that you were having a bit of a discussion. I thought you had something to provide and I was just looking for that, so that's good.

**Ms. Jeanette Dias D'Souza:** And if I may, there is one other question that I can answer for you. When I first came up, you wanted to compare transportation and communication. I am able to provide that answer. The information is actually in the book; it's just the format of it. What I can tell you is, I looked at the transportation and communication numbers. They are interim actual numbers for the 2008-09 year.

**Mr. Gilles Bisson:** What page?

**Ms. Jeanette Dias D'Souza:** If you look at page 30, under the column "2008-09," under "Interim actuals," the third number down is \$158,455. I took that number. I then went to page 32 and again went to the 2008-09 interim actuals—the third number down is \$232,914—and then went to page 38—

**Mr. Gilles Bisson:** Now you can understand why I was a little bit confused.

**Ms. Jeanette Dias D'Souza:** Page 38, the third number down. It's the total of those three numbers, totalling \$777,555, that is the total for the interim actual for 2008-09 for the ministry for transportation and communication.

**Mr. Gilles Bisson:** Okay. So, ballpark, about \$800,000 last year, compared to \$1.3 million, which is what we're estimating this year—ballpark. Right? Am I understanding it right? The actuals for last year for transportation and communication was roughly \$775,000, \$800,000, whatever the number is. We're estimating \$1.3 million, right?

**Ms. Jeanette Dias D'Souza:** I'm just turning to the current estimate number to check.

**Mr. Gilles Bisson:** Excuse me, Deputy? I might have it wrong. Yes, go ahead.

**Mr. George Ross:** I believe you've got that right, the actuals, yes.

**Mr. Gilles Bisson:** Okay. So that's why I raised the question. When I was going through the estimates and I was looking at those numbers, I was trying to total them up and I was having a bit of difficulty. What I figured is that this year, the amount that is being asked for is greater than what it was last year. I just wanted to know: Are we expecting something different this year? Is there something as far as activities in the ministry that cause us to want to have the extra money?

**Ms. Jeanette Dias D'Souza:** I believe that, especially this year, the ministry will continue to be very, very prudent in its transportation and communication number—

**Mr. Gilles Bisson:** I have no doubt about that.

**Ms. Jeanette Dias D'Souza:** —increasingly prudent, and I wouldn't be surprised if we did not reach that. But it would be preliminary for me—

**Mr. Gilles Bisson:** Just so you know where I'm coming from, I'm not saying that you're not prudent. I'm not one to jump all over the public service spending money to travel. That's not what this is all about. Every dollar you spend is well spent, and it's invested for the people of Ontario. I'm not reproaching anything. I'm just wondering why we're estimating \$500,000 more this year than last year. I'm just wondering why that was. Are there other activities that we're going to be involved in?

**Ms. Jeanette Dias D'Souza:** Some of these processes, in terms of coming up with the interim actuals versus when the information would have been sought from the ministry in terms of planning that number: This number would have originated quite some time ago. So we give the best information that we have at the time and certainly fine-tune as we go along. That would have been our best educated guess. But I do believe we're going to be more prudent.

1750

**Mr. Gilles Bisson:** Maybe in my question to the deputy—don't disappear. So in the process, and I understand how it works, you're estimating what you think you're going to need for that line item for this year, and you're asking this Legislature to approve your estimates. What I'm trying to figure out is—and I don't have a problem. If you're doing extra work and you need more money to go out and do it, God bless. I don't have a problem with that. That's not my argument. I'm trying to figure out what the additional ask is for. If you spent roughly \$775,000 in this line item last year and you're coming to us and asking us to approve your estimates for an additional roughly \$500,000, what are you envisioning different this year that you didn't do last year?

**Mr. George Ross:** We do not have any plans for additional travel or communications that's different than our plan last year. This is really just a process that we do

to try to put the best number into the estimates that we possibly can to reflect the level of activity in that area. We don't have a specific work plan that would point out a \$500 increase in—

**Mr. Gilles Bisson:** It's \$500,000.

**Mr. George Ross:** —a \$500,000 increase in any particular—

**Mr. Gilles Bisson:** So then why wouldn't you have just based it on what your actuals were last year if you don't see anything different this year? You can understand why I'm asking the question. And again, I want to be clear to you: I'm not saying you're doing anything wrong here; I'm just trying to figure out why we've budgeted an extra \$500,000.

**Mr. George Ross:** We do the best estimates that we can in each of these lines as we're bringing in our submission to government for budget. We can follow up and do some more analysis on what our budget analysis was there.

**Mr. Gilles Bisson:** Yes, if you could. Perfect. Could you then provide the committee with why it is that you budgeted the extra? What's the rationale?

**Mr. George Ross:** Yes, we will endeavour to get that answer back to the committee.

**Mr. Gilles Bisson:** Okay, sooner rather than later. That's good.

**Mr. George Ross:** If I could, just on one of your other questions, if I may—because I want to make sure we're answering as much as we can. One of your questions related to a provision, a placeholder, as our CAO called it, for loans and investments—\$1,000. I'm looking at page 26. I just wanted to give you an example of the type of program where a loan may be available to a company.

Under our biopharmaceutical investment program, we do have the ability to offer loans to the companies instead of grants. We have not had any uptake on that particular provision. The companies have not come to us looking for loans. If they did and if it was an approved project, that's where it would account for that loan in that line.

**Mr. Gilles Bisson:** Yeah, and you're setting the line there in the event that you've got—

**Mr. George Ross:** That's right, exactly. We need to—I think the term is “keep the line open,” just in case there is—

**Mr. Gilles Bisson:** No, I understand. It makes sense.

Under “Services”—services are a little bit up this year over last year as well. It's under table 3, on page 26. Again, it's that thing where you've got to go and add the numbers from the different pages, so please bear with me. I may have my numbers a bit wrong here. Services are estimated at \$10 million, which is up somewhat from last year, right? Last year, I think it was around \$8 million, if I remember correctly.

**Mr. George Ross:** I think it's important to compare apples and apples in this because we're comparing actual expenditures with budget items. We would have to go back and take a look at what the actual budgeted amount was for those lines to do an actual comparison here, and, as I said, we can follow up with that.

**Mr. Gilles Bisson:** But I guess my question is, this year you're budgeting—if I remember correctly, as I added up the numbers, and I'm just doing this by memory, it was around \$2 million-plus above and beyond what you spent last year. Am I wrong in that calculation?

**Ms. Jeanette Dias D'Souza:** I'm sorry, I have not added the disaggregated numbers—

**Mr. Gilles Bisson:** Okay, maybe when we're back together you can explain to me the rationale. Is there additional work that the ministry is doing? That's legit. If you say to me, “We have additional programs and we're doing the following things that we didn't do last year, and therefore we budgeted,” then I understand the rationale. But again, you're asking us to approve your estimates and I'm looking at the expenditures and there are some good increases here. They might be for very good reasons; I don't quibble. But you've got, as I see it, about \$2 million-plus additional that you're asking for this year over last year for services, and what I'm trying to figure out is, why the additional \$2 million? And your wages are up a bit, but I take it that's mostly just contractual stuff, right? You haven't really hired any additional people this year, Deputy?

**Mr. George Ross:** We've had some small increase in the number of full-time equivalents that I was mentioning that have been allocated to the ministry. I can give you the exact numbers. I need to follow up on that, but our basic workforce has stayed stable over a number of years.

**Mr. Gilles Bisson:** That was my read. It's pretty well the same as it was.

On page 33—and I'm not sure who answers these questions. These are your various programs and stuff. The social venture capital fund that was announced: I think it was announced in the previous budget. Am I correct? The social venture capital fund—when was that announced? About a year ago, I guess.

**Mr. George Ross:** I believe it was announced in—I'll have to check this, but it was either the 2007 or 2008 budget.

**Mr. Gilles Bisson:** That's what I kind of remember. I'm just going by memory. There was \$20 million set aside for that. Has any of that been expended?

**Mr. George Ross:** No, that item was delayed. The implementation of that item was delayed in the fall economic statement.

**Mr. Gilles Bisson:** Oh, that's right. I forgot about that. That's the one that was announced by the minister, by Duncan.

**Mr. George Ross:** Yes. We still are investing in the social venture capital space—social innovation, I should say—through an initiative called SiG@MaRS; that's Social Innovation Generation at MaRS. That program is a multi-year program run by MaRS on behalf of the government, and it's to provide specific mentorship for companies that are working in the social space for—

**Mr. Gilles Bisson:** Can you explain that a little bit better?

**Mr. George Ross:** I can, yes. There are certain companies that have a dual bottom-line mandate. They are money-making, profit-oriented companies, but the ser-

vices that they provide and the business that they provide are focused on the social good, so these are tools, products and techniques that are marketed and that actually have a very, very clear social or environmental benefit. This is an emerging space. It's a global space where a lot of entrepreneurs are combining their commitment to social programs with their desire to make a good living and to run prosperous businesses. They have a particular set of needs for mentorship and for business management skills, and that program being run on our behalf through MaRS provides that kind of support for those companies.

**Mr. Gilles Bisson:** So the \$20 million that was allocated—

**The Chair (Mr. Garfield Dunlop):** You have three minutes left in this round, by the way.

**Mr. Gilles Bisson:** Thank you. The \$20 million on the social venture capital, although allocated, has not been—you haven't expended the money yet. I'm correct, right?

**Mr. George Ross:** That's right. That program has been paused.

**Mr. Gilles Bisson:** And the Ontario venture capital fund—is it the same story there? There was, according to this, about \$90 million. Has that been expended?

**Mr. George Ross:** The commitment to the Ontario venture capital fund has been made, as I said, through a limited partnership, so we're a—

**Mr. Gilles Bisson:** So it has the same status?

**Mr. George Ross:** No, of course not.

**Mr. Gilles Bisson:** No?

**Mr. George Ross:** No, no. The \$90 million that the government has put into the Ontario venture capital fund is, in fact, working. I referenced some commitments that TD Capital, which is our agent running that program for us, has made. So that money is working.

**Mr. Gilles Bisson:** Has it all been expended now, the \$90 million? I would think not, eh?

**Mr. George Ross:** I'll have to get back with the actual cash flow on that. I think there is a commitment that has been made. Under \$40 million—I think it's \$37 million worth of commitments that have been made. So the money is out there working.

**Mr. Gilles Bisson:** Can you provide this committee with a bit of detail as to where and how and how much, and all that stuff?

**Mr. George Ross:** I will endeavour to get that information back, yes.

**Mr. Gilles Bisson:** Perfect. Boy, where do I go in two minutes, because this is a longer one.

The Ontario Institute for Cancer Research: I have no problem with what you're doing, but why is it under your particular ministry? Wasn't that at one time somewhere else, or am I getting the programs mixed up? The Ontario

Institute for Cancer Research: You've got almost \$3 million attributed to that in your estimates. Has that always been funded through your ministry?

**Mr. George Ross:** Yes, it has. And you may be confusing the Institute for Cancer Research with Cancer Care Ontario or some of the organizations that are focused on care. This is truly a research and commercialization activity.

**Mr. Gilles Bisson:** When did that start, this particular institute? In 2006?

**Mr. George Ross:** That was—if somebody can give me the exact dates. It was a couple of years ago that we finalized the contract with them. It's a multi-year contract.

**Mr. Gilles Bisson:** I was reading in your briefing notes some of the details provided in regard to that particular institute. Is there any way to be able to get a bit of a breakdown of how that money is spent?

**Mr. George Ross:** Could you be a little bit more specific?

**Mr. Gilles Bisson:** I'm not clear, in reading both the note that was presented to us with the estimates and the line item, on exactly how that money is spent. It's a stand-alone institute, is what I figure.

**Mr. George Ross:** Yes, it is.

**Mr. Gilles Bisson:** And you flow the money to them. How much of that is spent on research and how much of that is spent on administration etc., is what I'm trying to figure out.

**The Chair (Mr. Garfield Dunlop):** You've only got about 20 seconds to do it.

**Mr. George Ross:** We can follow up. That is a stand-alone institute that was established as a result of the government's commitment to this space. Their primary role—they really have three significant roles. One of them is to set a strategy for cancer research in Ontario, and they've done that under the leadership of Dr. Tom Hudson, who is their lead in the Institute for Cancer Research. They are research funders, so consistent with their strategic direction, they actually provide research funding to institutions, hospitals and universities across Ontario. They also have a commercialization requirement under contract to us. So all of this relationship with that organization is governed by a contract and a plan that we have with them.

**The Chair (Mr. Garfield Dunlop):** Thank you very much to the third party and to the minister and staff at the Ministry of Research and Innovation. We'll adjourn now until 3:30 tomorrow afternoon. Thank you very much, everyone. The committee is adjourned.

*The committee adjourned at 1800.*

## CONTENTS

Tuesday 15 September 2009

<b>Ministry of Research and Innovation</b> .....	E-805
Hon. John Milloy, minister	
Mr. George Ross, deputy minister	
<b>Election of Chair</b> .....	E-817
<b>Election of Vice-Chair</b> .....	E-817
<b>Appointment of subcommittee</b> .....	E-818
<b>Subcommittee report</b> .....	E-818
<b>Ministry of Research and Innovation</b> .....	E-818
Hon. John Milloy, minister	
Mr. George Ross, deputy minister	
Ms. Jeanette Dias D’Souza, chief administrative officer and assistant deputy minister, corporate services division	
Dr. Tony Rockingham, assistant deputy minister, innovation and commercialization division	

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