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Tuesday 17 November 2009

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des débats
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Mardi 17 novembre 2009

**Standing Committee on
Estimates**

Ministry of Small Business
and Consumer Services

**Comité permanent des
budgets des dépenses**

Ministère des Petites
Entreprises et des Services aux
consommateurs

Chair: Garfield Dunlop
Clerk pro tem: William Short

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON ESTIMATES

COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Tuesday 17 November 2009

Mardi 17 novembre 2009

The committee met at 0901 in committee room 151.

MINISTRY OF SMALL BUSINESS AND CONSUMER SERVICES

The Chair (Mr. Garfield Dunlop): We'll call the meeting to order. Good morning, everyone, and good morning to Minister Papatello and all the folks from the staff of the Ministry of Small Business and Consumer Services. We have today and tomorrow to finish up estimates for this year. We have this morning and time after routine proceedings today, and tomorrow afternoon after routine proceedings as well. The questions today should be directed to Minister Papatello and the staff based on small business services in that ministry.

With that, we will start. The first 20 minutes goes to Mr. Shurman. You have 20 minutes to ask questions to Ms. Papatello.

Mr. Peter Shurman: Thank you, Chair, and good morning, Minister. I'd like to make a few opening comments and ask for your reaction, just to get all of this on the record.

My questions will, for the most part, focus on the results of your ministry's activities when it comes to small business and to economic development in Ontario as it relates to small business. I have noticed that most of the time, when asked about what you've done for the economy, the answers we get focus on how much money you have spent and less on what was achieved, not whether taxpayers' money was utilized in the best possible way to achieve the best possible results.

Ontario's unemployment rate at this point stands at 9.3%, which everyone in this room knows is higher than the national average. When it comes to job creation, your government has insisted on a strategy of corporate welfare. Our party believes that the job of government is to create the economic conditions that allow businesses to thrive. The McGuinty government has chosen to subsidize individual businesses. Just recalling some of your activities in the last couple of months, you've been in, I believe, Ancaster helping a candy company and you've been in Guelph helping a kitchen cabinet company. There's nothing wrong with those companies, but those are individual picks rather than aid to an industry overall, and that strategy hasn't worked.

Ontario is losing jobs. This year alone, the government has presided over the loss of over 200,000 jobs, and the

fact is that our manufacturing sector in our economy has been bleeding since the McGuinty government came to power. Industry experts tell us that our manufacturing sector may never recover, and stakeholders tell us that our auto sector will not reach its previous levels despite government bailouts. So it's clear that Ontario's economic recovery will only be achieved through what happens to small business.

In April, CFIB, the Canadian Federation of Independent Business, released a tax index that ranked Ontario the second-to-last province in Canada when it comes to a business-friendly environment. In my view, we may not be setting out to kill small business, but we're sure doing a good job. I'd like you to react to what I've said.

Hon. Sandra Papatello: Thank you, and good morning to everybody. It's good to be back at the committee. Chair, it's nice to see you again, of course. I appreciate the comments by my critic for small business.

I just want to remind this individual from Thornhill that while you weren't with us in 1995 and 1999, through those terms of government, and 2003, in fact, somewhere in the early 2000s it was the government of the day that actually assisted Honda when they decided to expand their new engine plant in Alliston. Again, in September 2003, your colleague sitting beside you will remember that just on the cusp of the election of 2003 it was again the government of the day that reached out to Navistar with a significant announcement. As you recall, we are still watching the fallout of Navistar activity today.

It was, in fact, the Mike Harris government and the Ernie Eves government that reached out, not to the industry at large, but in fact to those specific companies to offer assistance to those companies (1) to maintain their footprint in Ontario and (2) in fact, to expand. That's very much what we've been doing today. In 2003, we extended an Ontario investment strategy for automotive generally, and all five of our OEMs participated. So it certainly wasn't a selection of particular companies; all companies could have applied for that fund.

As well, the various examples you have used are companies that applied to an advanced manufacturing investment strategy. All companies can apply, and when they meet the criteria, then we're really fortunate that some of them are, in fact, in a position to expand in this day and age, in this environment, and we're pleased to be able to assist them to do that.

Those two programs are both loan programs that would be repayable, and they do have to meet job

numbers as well. There have been a number of order paper questions that have asked for that various result, and we've certainly provided that.

As far as how we're doing against the world, we recognize what our neighbours and friends recognize today: This has been a world recession; it's not just unique to Ontario. In fact, it's Canada at large and North America at large, and even emerging economies like China and India suffer tremendously. Japan has been seeing literally half of its exports lost for some time during this recession period. That impacts on all of us.

We're fortunate that our small businesses have done well in comparison to how others have done. For example, the CIBC report that came out a couple of months ago took stock of how much job loss was suffered between multinationals and the small business sector. In fact, it was the small business sector, through this recession, that maintained more employment than their colleague multinational companies. That bodes well for us, and indicates that when you are a small business, you have an opportunity to respond quickly to turn the ship around, to do things you need to do and to maintain employment. Our government has recognized the difficulties we faced in this recession—that it's not been unique to Ontario—and we've needed to cope with that.

As a consequence, I think many of us will remember that our dollar started to rise in about 2000. Twenty per cent of our GDP is based on manufacturing, and much of that is exported; for example, 85% of our automobiles go south of the border. When we see a dollar rise, even a slight one, our manufacturers will feel an immediate clenching, and that becomes difficult, so they have to move to become more and more productive. A number of the services we provide, in particular to small business, the portion of the ministry we're here to speak to today, speak to the kinds of services and access to export opportunities we can offer to our companies to help them overcome what is, frankly, a world economy. More than ever, our companies have recognized that they need to move beyond their typical export borders; they need to get out and see the world and see what other jurisdictions could use their products. We try to help do that through the services this section of our ministry provides.

Mr. Peter Shurman: You've painted a pretty broad picture. Regardless of who issued grants or assisted companies, you're out of the realm of small business when you talk about Navistar and Honda. What I'm trying to zero in on is the burden that I believe—and I think a lot of people, CFIB included, believe—is placed on small business, more in the province of Ontario than in other provinces. I'll bow to what you tell me on percentage level, but certainly in excess of 80% of business operating in Ontario right now is small business. So really, when it comes to the engine of the Ontario economy, you're talking about a lot of people trying to make a lot of economic activity occur in a climate where, from my perspective, we're tying their hands. How much revenue, for example, has been received through audits and fines for small businesses during 2008-09? Do you have those figures?

Hon. Sandra Pupatello: I think those audits and fines might likely be through other ministries, but we'll certainly check to see if there are any that would be received through small business. We wouldn't be a collection agency for any level of fine, so it would be pertinent to another ministry under estimates. But we'll certainly make sure that if there are any to small business, we'll get you that information.

Mr. Peter Shurman: Can you talk to me in generalities, then, about the level of intrusion that audits and fines represent on small businesses? I have personal experience in this; I don't know if you do. I owned and operated a small business for 15 years, and sold it in 2003—no particular coincidence with that year; it just happened that way. This was not a huge business; it wasn't a tiny business. It employed 120 people. This predates your government, in fairness. It's only gotten worse since. The onus on us to allocate valuable time and resources—I remember a provincial sales tax audit and issues on WSIB that didn't even apply to my business that were quite intrusive, time-consuming and really unaffordable.

I get complaints like this in my office all the time. What about you?

0910

Hon. Sandra Pupatello: I will tell you that since 2003, we've had a significant decrease in the number of regulations that apply to small business, and we've been motivated actually to do that. For many years now—and it's not one particular government at fault; I think it has grown over the years—our government and the previous government had a focus on getting rid of regulations that weren't necessary. In the first go at it, there was a lot of low-hanging fruit, where there had been a review in ministry after ministry where antiquated 1800s-type regulation didn't need to be on the books, and the likelihood of them actually being applied was slim, so it was easy to come up with a large number of regulations that had been eliminated.

As you get closer to where that sweet spot is and how regulated a business should be, I think it becomes more difficult and you have to be aware of what you are removing and what is relevant to public safety, whatever that issue is.

It depends on the sector as well. If it's a sector that has a tremendous impact on the environment, there will be more regulations that apply to it than perhaps to a retail space on a main street in any city or town in Ontario. But I do know that we've made a significant effort and had good results in decreasing the number of regulations that apply.

In addition, something that's very relevant, that I think you'll appreciate if you've been in business yourself with that size of an employee base, is that we've also gone at the types of forms that have to be filled out and how. We've actually decreased the number of forms required, decreased the length of forms, simplified the forms; we've taken an axe, really, to them so that people can do it more quickly.

We've engaged in a number of activities that make life simpler for business by accessing one website to get at everything that you might require. It saves businesses a tremendous amount of time and energy just looking for where to go to find the appropriate information that they need for their business, depending on what sector they're in.

If you go to our website for small business—we launched that not too long ago. We're having very good feedback on the simplification of interacting with government, understanding that yes, interacting with government is a necessity for business; yes, small businesses pay taxes. So on every front, we are trying to simplify that by doing much of the work behind the scenes so that what they get is one activity that accesses as much as they need.

I hope that there may be further questions around our activities on that one-window approach because we are getting good feedback. Organizations like the one that you referenced, in fact, have helped us. Our small business agency is a sounding board for us as well to get good information on how to simplify life for business.

Perhaps you'll be returning to your small business and you'll find that life will certainly be simpler for you there.

Mr. Peter Shurman: Your work is cut out for you if you're talking about simplifying the workload on small business, because I don't think there's a small business person in the province of Ontario who wouldn't tell you that the onus, the burden, the workload that's placed on that business, even if it's one, two, three or 10 people, is as large as—indeed, it's larger than—any other province in the country. Do you agree with that statement?

Hon. Sandra Pupatello: I don't know how it applies across provinces necessarily, because our world now—when we're doing our comparisons, frankly, we're looking at jurisdictions around the world. The companies that we're engaging are in Europe, for example, and I will tell you that we have a number of European companies—in Italy, France, Germany—who are looking at Ontario for two reasons: They are finding a very simple place to do business, compared to the bureaucracies that they find in Europe. That could be because of their own country's level, in addition to being a part of the EU now. That, coupled with a strong euro, is making Ontario a very lucrative place for them to look to do business in. We're seeing some great interest, and it's causing our offices there to be very busy with companies that want to see it. How do you do business in Ontario versus in Europe? We're much simpler, much easier. The interaction with government is much easier.

I have to say that we're trying to take advantage of as much technology as possible, accessing technology for a business to talk to government in a very simplified manner. You've heard of the 1-800 number, where people dial one number and they can access all the information they need from that one source. It takes a tremendous amount of change in the back offices to make that happen. A lot of technology needs to be upgraded, so it'll

be a multi-year approach while we change, and as we change, we start to merge the architecture so that it all fits together well.

I have to say that I don't believe it's a partisan position to want business to be simplified as business interacts with government. I think every party would seek to do that.

Mr. Peter Shurman: Minister, it's not a partisan position. Everybody wants small business to thrive in the province of Ontario, and I don't think you'd get anybody in this room disagreeing. The issue is how hard it is to be in small business in the province of Ontario. With respect, I'm sure that it's an interesting comparison to be talking about Europe, but I'm much more interested in whether a business feels comfortable in Ontario or more comfortable in British Columbia.

Hon. Sandra Pupatello: I would say that British Columbia is also a competitive province for Ontario, and there are a number of companies from BC that are also looking to Ontario. I think we have to be mindful that our competition in North America is in a number of state jurisdictions, so we have to contrast lots of laws and regulations across lots of dimensions, whether it's labour, whether it's environment. Somewhere in the middle is where Ontario should be. We want to be kind to the environment, so our government, including your previous government, initiated lots of things to be kinder to the environment. That does mean regulation, so can we do that in a simplified manner so that business can respond easily and we don't add additional cost to business? We have taken an initiative around the environmental assessment process since 2003 where we're streamlining work with the federal government so that things don't take as long so that we parallel the activity as opposed to one after the other so we can cut swathes of time out of that process. There are a number of activities across a number of ministries that, in the end, make it simpler for business.

I think we have more work to do, and I sure wouldn't disagree with you or with the CFIB on their position, because ideally we want it to be the easiest place to do business. I think we're further ahead than we were, we're certainly moving in the right direction, and we have more work to do. I'll be the first to acknowledge it.

I do think you have to acknowledge, though, that we've eliminated a tremendous amount of regulation. We've got a 25% decrease at this point. The forms have been eliminated and simplified. A tremendous number of them—I think some 600 of them—have been eliminated. That's all very good work, and I think we're doing it properly. We're doing it with good consultation. We're not eliminating things that shouldn't be. We're very mindful, when we add them, that we look at what we can remove when we're adding new ones.

Mr. Peter Shurman: I appreciate the fact that you're presenting the macro view as you see it. Let me talk a little bit about the micro view and get some input from you. I have been recently in a couple of groups where small businesses were put together and had the chance, as

you sometimes do, to talk to individuals, moms-and-pops for the most part, people with one and two and six and seven employees. I'm remembering one particular woman, not two weeks ago, literally breaking into tears and telling me, "We have worked so hard on this business for so many years. Why is there so much regulation? Why are they bothering me so much?" Basically, the feeling is—let's start with taxes, now—that you're breaking their backs.

The Chair (Mr. Garfield Dunlop): Four minutes left in this round, by the way.

Hon. Sandra Pupatello: This round.

The Chair (Mr. Garfield Dunlop): No, I mean—

Hon. Sandra Pupatello: I know what you mean.

Mr. Peter Shurman: We're just beginning.

Hon. Sandra Pupatello: I think it's important to have a relative conversation about taxes. For example, we've tabled three budgets consecutively now that have all adopted decreases for small business. I don't know how both parties will ultimately continue to vote on the budgets presented by this government, but this last one is showing \$4.5 billion in decreases for small business. It's really important to note that we're moving in the right direction. We've recognized that we can't drop them entirely to where people want them to be because we have revenues that the government desperately needs for our focus on health care and education. However, we have had a seven-year plan, we're in about the fifth year now, of a decrease in the educational property taxes for business. Year after year after year, that number is coming down.

People have to take stock of where we were. In fact, since 2003, we're significantly less. Now our corporate tax rates are comparable and competitive in North America, and we have great documentation that regardless of where we are—if we're in Chicago or Boston, compared to the balance of the provinces in Canada—we are very competitive on the corporate tax scale.

What I will do, perhaps when we reconvene this afternoon, is bring you the chart where we show our competitive jurisdictions and how we rate in competitive tax for corporations. We've removed the threshold for small business; that was in the last initiative.

I believe that you would support these initiatives. They're things that were never done when your party was the government, but we've recognized, as the world has grown smaller, as we've faced a recession, that we have to do more and more to help our businesses be competitive.

0920

Mr. Peter Shurman: Tell you what, you bring those, and I'll bring the CFIB survey that shows that people in Ontario and Quebec feel they're most under the gun—most of all, Ontario—where small business is concerned.

Would you say that we have, what, 800,000 small businesses registered in Ontario now?

Hon. Sandra Pupatello: I can certainly check the number. It depends how you break it down. Keith West is our ADM; I think he's got some numbers for you.

Mr. Keith West: If you follow Statistics Canada, there are more than 370,000 small and medium enterprises in the province of Ontario.

Mr. Peter Shurman: Okay. The PC caucus's small business jobs plan—you've heard about that—announced recently calls for a one-year payroll tax holiday on new hires. We think that's a really great idea to stimulate small business. Is that something you would buy into?

Hon. Sandra Pupatello: Well, I think that for those who—

The Chair (Mr. Garfield Dunlop): You have a minute to answer this.

Hon. Sandra Pupatello: I think that if those who were involved in putting a task force together for your party were to look at the history, even since 2003, in the tax initiatives alone for small business, I think your task force would agree that in fact the government is moving in the right direction: They've decreased taxes for small business; they've eliminated the threshold that pops them into another category of tax; the education property tax—which was a seven-year approach to totally eliminating it; the capital tax that has been completely eliminated by July 2010, which means for companies who invest, they won't be paying that capital tax—that is something that has been talked about for many years but in fact was never done and is being done effective July 2010. These are tax initiatives that have a tremendous impact on the bottom line for companies, not to mention the HST, which for businesses is dramatic. In one fell swoop, come July 2010, these companies will be able to eliminate 8% from their input costs, which means they'll be in a position to lower their costs on to the consumer. This is a huge step forward in being competitive, and we recognize it's being competitive in North America and the world.

The Chair (Mr. Garfield Dunlop): We'll now go to the third party. Ms. DiNovo.

Ms. Cheri DiNovo: Thank you, Minister, for appearing before us. Also, thank you, ministry staff, for all the work you do. It is duly acknowledged.

I have a couple of opening remarks, and then I'll start into the questions, most of which I think I've already given to your staff so they've had some chance to prepare.

First and foremost, I think it doesn't take a rocket scientist to look at the changing face of business, not only in Ontario but around the world. If you go to just about any big city now you'll see the same chains, the same stores, just on a retail basis, so that there's kind of a homogeneous look to cities. This is the changing face of business, which is to say, increasingly small business is having a hard time of it and globalization is taking over. We're part of that. I get that. At the same time, we also recognize, in the New Democratic Party, that 90% of new jobs, and jobs generally, are generated by small business, not by big business, in Ontario, so this is a critical facet of our economy.

I'm going to focus on a few things. First of all, the cost of the HST and the implementation for small business: We've heard a number of complaints in our

office about that. It's onerous, particularly onerous the smaller the business is.

If I could characterize the way the New Democratic Party and the small business owners in TABIA and CFIB see the McGuinty government, I think they would characterize the McGuinty government, really, as a government of big business, as over and against small business. Why do I say that? Well, we often hear the McGuinty government talking about tax relief and the corporate tax breaks. Quite frankly, that doesn't help small business. For the most part, small business isn't making any profits these days. Medium-sized business has a hard time making profits these days, and I can tell you that even those that are keeping their heads above water are not in a position, usually, to take advantage of those corporate tax breaks. That's problematic.

Then, there are all sorts of ways in which this government has, and I don't think it's going out on a limb to say it, hurt small business—things like undue regulatory load. I'm talking about specific industries. For example, Karl's butcher shop existed in my riding for over 40 years. It was driven out of business by this government because all of a sudden they were required to put \$200,000 worth of capital investment into a business that had passed muster with Toronto public health authorities for 40 years. It was good enough for Toronto public health authorities but not good enough for the provincial ones, hence it was driven out of business. Small ma-and-pa pharmacies have come to me and said, "Why is it that Shoppers Drug Mart, for example, gets all the WSIB business and they don't get any WSIB business? It's a good question; I can't answer it. Again, small business is not being helped by the administration; it's being hurt by the administration.

Franchisees as contrasted with franchisors—a classic case of small business against big business. Franchisees in one year alone—this is Google. I'm afraid this is Internet info, and I haven't been able to get a substantiation for it, but we saw something like 5,000 lawsuits against franchisors by franchisees in one year alone—clearly a problem of defending the interests of franchisees, many of whom are new immigrants, many of whom invest their life savings, many of whom get ripped off.

The smart meter implementation: Again, the cost of that to small business is onerous.

The discrepancy between 416 business and 905 business: This comes from TABIA. When I was first here, I introduced a motion to rationalize the business education tax, and although the government has made some moves in that direction, one small business owner told me it saves him something like \$10 a month, so far and away from what small business is looking for in terms of 416 being unduly hard hit by the business education tax as compared to 905 business—again, no explanation really because education is education across the board. Again, I've kind of given the big picture.

Finally, there isn't really any help for small business start-up. Here we are in a recession. You get laid off as a line worker at an auto plant, you're at mid-life, it's hard

to retrain and go into some other business, but here's an opportunity—and this is how I think a lot of small business starts in Ontario—to start your own business. You've always had this burning idea to do something. What do you do?

First of all, a loan isn't going to help you, because, quite frankly, if you've been laid off, you're probably already maxed out on your credit cards, line of credit and your mortgage. What you need is a grant. Many jurisdictions in the world give grants to people in just such a position, with a workable business plan.

For example, in the early 1990s, there was a grant program—a huge take-up, huge popularity. I think it was \$5,000 at that point. They'd give a grant of \$5,000 for a decent business plan. It took people off social assistance rolls, it helped with the EI payments, and guess what? Those micro kinds of grants helped furnish small business, especially for women, interestingly enough, and new immigrants.

That's the kind of stimulus that small business is looking for now. I would suggest that, right now, even a \$10,000 grant would help a lot of people and would save the government money overall, depending again on the viability of their business plans.

I want to hear, too, from the government about bankruptcy rates and what's happening there.

Finally, I want to hear about assistance to small business—and this is a complaint I get all the time—in meeting their obligations under the Ontario disabilities act.

Now, do we in the New Democratic Party think that the Ontario disabilities act is a good thing? Yes, we do. But you can imagine the onerous cost to a small business to implement. Say you're a restaurant and your washrooms are in the basement. All of a sudden, you're going to have to do a huge renovation on your property. You're going to have to do it by such and such a date. How is the government going to help you do that? Again, this hurts small business. It doesn't hurt big business; it hurts small business.

My church, for example, just put in an elevator. It cost them \$250,000 for an elevator. They had to fundraise to get that money.

This is going to be implemented across the province, and across the province, you're going to hear the cry from small businesses as to how they meet these obligations.

That's the overview, and to get down, then, to some of the questions. First of all, I didn't even mention this question, but it's a question that CFIB would like to have an answer for: What is the government doing to help defray the rising costs of credit card processing fees on small business? I know that many small businesses in my riding are now doing cash only because of this.

Hon. Sandra Pupatello: I certainly appreciate the overarching commentary to start, but I think that I want to refer back to the comments we made when the PC member was asking questions as well.

We've acknowledged that all governments over time have had to rethink how they approach small business, and I think we've done that. You've listed a number of examples where small business centres right across Ontario are there for the express purpose of giving assists to business.

0930

It isn't necessarily a grant or loan program out of those offices, but often what businesses need are connections, networking opportunities, need-to-know information, access, again, through one website.

We can find out if grants and assists are available for things like lowering their heating costs—simple things about running their businesses. I have, in my own hometown of Windsor, a woman named Nancy. She's famous amongst the small business community because everything you need to know, you give Nancy a call and she'll help find where you get that information.

That is largely what the small business department of economic development and trade does: They run these business offices across Ontario. They deliver services to business. Those are services that I think are welcomed. It gives them access to information, and often it's one of those catchphrases—you gotta know to know. If you don't know a program exists, you don't know whether to take advantage of it.

The government has worked hand in hand with local utilities, for example, to offer up support to small business, if they're going to make changes, to be more green, to be more fuel-efficient in their operations. There is assistance available there.

Ms. Cheri DiNovo: Excuse me, Mr. Chair. With all due respect, I asked a question and I'm on limited time here; I've got 20 minutes. I would ask that Madam Minister answer the question about the credit card processing.

The Chair (Mr. Garfield Dunlop): You can interrupt. That's part of the proceedings here. You can if you're—

Ms. Cheri DiNovo: Yes. Well, I just want to bring it back to topic, because you can chew up the entire time and we're not going to get an answer to our question.

With due respect, I asked about credit card processing fees on small business. What is this government doing to help defray the costs?

Hon. Sandra Pupatello: You did mention a whole series of issues for small business, so I thought it was fair that our government respond to much of it. I think the Ontario disabilities act is an important one, an important point for how small business will be responding to this between now and 2025.

In particular, when it comes to financing, again, our small business offices across Ontario are there to give assists to businesses. In particular, financing through banking and credit cards tends to fall under federal regulation. I will have a look and see—if we reconvene this afternoon, or when we might get a response back to this member—if there's any activity throughout our ministry in interacting on regulations or fees through banking with the federal government, which oversees banking regulations that relate to credit card activity.

Ms. Cheri DiNovo: Okay. The second question: Why didn't the government consult small businesses before they mandated the use of smart meters?

Hon. Sandra Pupatello: I think the whole use of smart meters has come on in a very stepped process. This is something that's outside of the small business ministry, so what we can do is refer the smart grid questions to the Ministry of Energy in terms of what their plan is.

But it has begun in the GTA. There's a stepped plan to have them going across Ontario. And in terms of participation, I'm certainly aware of the smart metering system at the residential level.

Mandating for business: I'm not certain what the member is referring to in terms of mandating it, because frankly, we're going to be moving fairly slowly, from my perspective, in giving opportunities for businesses to have smart metering.

Ms. Cheri DiNovo: The problem for small business, of course, is that they're unduly affected by this. Since you open your business during peak hours of the day, usually—most small business opens during the day—you're going to be paying the highest rate. So it's really a policy that's geared, in a sense, for residential use, not business use, and unduly affects and hurts small business. This again comes from CFIB; it comes from small business itself. They would just like to know.

Hon. Sandra Pupatello: It may be because a significant proportion of businesses that are members of the CFIB are retail-based, but a number of our businesses across the province, in fact, are 24-hour operations or, at minimum, two-shift-type operations, where smart metering is very useful. So there may be unequal benefits, but I think that in every case there should be some benefit to that program.

Ms. Cheri DiNovo: Again, I think the question speaks more to the consultative role, that they felt left out of that conversation. They felt left out of the decision-making process and would have liked to have had input.

The minister made mention of the disabilities act and talking to the federal government about financing, I think was what I heard.

Here's a constant frustration of small business: Most small business is financed as far as they want to be; let's put it that way. They don't need any more debt load. It doesn't help much to even get a better rate on their debt right now. What small businesses want to do—most small businesses that I've talked to, anyway—is get out of debt; they don't want to get into debt. So more loans or better loans are not their answer, for the most part, right now. When you're looking at huge capital outlay—again, everything from elevators to completely remodeling your restaurant—and this affects everyone—surely the government has some kind of strategy in mind for small business. Let's hope we get out of the recession by then, but even so, this is a huge capital outlay for just about every small business in the province in some way, shape or form. So what's the plan, Madam Minister?

Hon. Sandra Pupatello: I had the good fortune of being the Minister of Community and Social Services,

which the AODA falls under, and struck those committees that dealt with the various sections of our communities where they would be dealing with and developing plans to enact accessibility between now and 2025. In fact, I remember clearly receiving a tremendous amount of criticism from the New Democratic Party for it being too slow, for it not being implemented immediately, which would have caused tremendous issues of the kind that you describe now—only we would have had them all by now, because the NDP, I remember, wanted it all implemented immediately. I'm glad to see that you joined that party since then to bring them some sense in terms of how we have to implement things that are a tremendous change across our communities, and in particular on small business.

I will tell you, though, that small businesses on a regular basis make capital outlays in terms of improvements and maintenance. They do that ongoingly; it's a function of their business. They knew that this act was coming. It has been in place already for years, and we've been discussing it. The whole point of it becoming so public and letting people know that it's coming back in 2003, when we started talking about it, and when it was finally tabled and passed in about 2005 or 2006, was so that people would know, as we moved forward, that these things were going to be required. So as they made their plans four or five years ago and into the future, knowing that this kind of effect is going to happen, they could start to plan for the kinds of investments that would be required, when they do have maintenance as a line in their budget every year, so they would start to implement the kinds of things that make their place far more accessible, slowly, between now and 2025.

We're hoping, of course, that everybody is going to come along for this ride and will find a way because it's in all of our best interests. There have been innumerable studies that have mentioned that they have access to a greater customer base when they open their doors and make themselves accessible to people, not just those with physical disabilities, the elderly, people who are frail; it just opens the door to many, many more customers. In fact, when we did studies across American states where this had been implemented, they found that they could increase their revenues because they had such a large customer base. We hope that, over time, that will be the experience Ontario shares as well.

Ms. Cheri DiNovo: Thank you, Madam Minister. Basically, what small business is hearing out of that, unfortunately, is that they're on their own, that they're not to expect much help from this government.

HST implementation costs: Many, certainly most of my small businesses, are upset about the HST, period. They don't want to see it come in. But in particular, they're upset about the implementation cost. It's a considerable cost; they have to change everything—their computer programs, their pricing, their brochures, their advertising, yada yada. We've heard an on-average cost of transition—I understand that there's a credit here. The credit is, as I understand it, a \$300 to \$1,000 small

business transition credit. But our small business is estimating that it's going to cost, on average, about \$3,845 on a per employee basis. This comes from their research, not ours in the NDP. Again, I'm just asking if there's going to be any help from this government to defray the real cost of that transition.

Hon. Sandra Pupatello: Yes. I'm glad you referenced—

The Chair (Mr. Garfield Dunlop): You have about three minutes.

Hon. Sandra Pupatello: There will be a total of about \$400 million available in one-time transitional assistance for small business. I don't believe that the true costs are known yet; it is still new. Our minister just tabled final regulations in a budget bill yesterday in the House.

As more information becomes available to them, I hope they'll find that they can see the benefits, because the HST as a policy is the single largest initiative that a government can put forward in one fell swoop to increase competitiveness and productivity for our businesses, given that we are up against the world right now in this recession. So transitional assistance is going to be useful for them in a tax credit form. In addition, they're going to see the ease with which they can interact with government when it comes to these taxes. There will be one submission, not two. There will be one form, not two, and each of these forms causes all kinds of work and time, and it's just going to be simpler. There's an estimated half-billion dollars in savings to small business just from the streamlining of the process moving to one system. That is largely going to impact on business. The Ontario Chamber of Commerce did a tremendous amount of study before they presented their position and it was their number, in fact, that was suggesting a half-billion dollars in savings from just streamlining administration by moving to one tax system. So I think it's important to put all of it in perspective.

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Moreover, since the lion's share of our businesses are small and medium-sized businesses, representing over two million people who work in that industry, these are taxpayers themselves. In addition to the HST being implemented, everyone, 93% of all of our income taxpayers, will receive a tax decrease. So all of us, except those in the highest bracket, are going to receive a tax decrease. That means that each of us individually will be paying less tax. They'll also be subject, a big swath of them, to a one-time payout of about \$1,000 over three instalments to assist in their own transition as consumers. Those are people who largely work for small businesses.

We know that this is going to be a change. Nobody likes change. Most people don't like to change their seat in a room, let alone change how our tax policies are implemented. So for small business, we need to do our work in educating them about what the benefits will be to them as a business, what they won't be paying as a business, because all of their inputs now are decreased by 8%. Transportation costs for things where they have to get their product to places: That tax will be decreased for

them. In all other jurisdictions where this has been implemented, that has meant that the cost of their consumer goods has decreased. So the public can be assured that if we do what everyone else has done, that is what we are looking forward to: a more competitive price on the product, businesses that pay less tax to actually produce their goods. In the end—

Ms. Cheri DiNovo: It's unfortunate—

The Chair (Mr. Garfield Dunlop): That basically finishes—

Ms. Cheri DiNovo: It's unfortunate that CFIB does not agree with that.

The Chair (Mr. Garfield Dunlop): Now we'll go to the government members. You have 20 minutes. Mr. Ramal.

Mr. Khalil Ramal: Thank you, Minister, for appearing before our committee. I have a different perspective from the opposition party and also the third party. I know they painted a very negative picture for the people of Ontario and the role of government in assisting the small, medium and large businesses across the province. I personally have a different experience with your ministry and with yourself in particular. In fairness, I should probably share the whole information with my constituents and all the people who are watching us today. I want to thank you personally for coming many, many times to my riding and coming to London to assist many companies that are facing some difficult times, to give them the chance to sustain their operations in the city of London and also in the province of Ontario. It has meant a lot to us as citizens of London and Ontario to see the government and your ministry play a pivotal role to assist those companies to keep their doors open and help many people of my city to keep having jobs and providing food for themselves and their families, and for the taxpayers of the city of London, the tax base of London, and also for the province.

Minister, I know you've been busy and you've met many different companies and you assist all the people who knock on your door and you try your best to see how you can support them in many different ways. I met with you and with a company not long ago here in Toronto to assist that company to expand and hire more people. I know we're facing difficult times, not just in the province, not just in Canada, not just North America but worldwide. Can you tell us, what's your strategy? What's your plan? Are you going to continue your new direction in order to support the companies—I think successfully. You're able to maintain a lot of the jobs in the province of Ontario, despite the third party and the opposition party's saying that you're not doing enough. But in my own eyes, and from my information, you're doing an excellent job. I want to thank you again and I want to tell you that your initiatives and new directions have been many. I know with your positive attitude, you support some companies that for some reason want to leave the province, or they cannot operate anymore despite whatever you offer them—financial support or whatever support you give. So can you tell us what you do in general

to assist companies—small, large and medium-sized—across the province of Ontario?

Hon. Sandra Pupatello: Thanks for your commentary. I think it speaks well of all of the bureaucrats that work in the small business division.

I think that if there's one area of government where they are firing on all cylinders here and humming like a machine, it's the small business centres right across Ontario, which are run by the small business division of the Ministry of Economic Development and Trade. Our folks are out there, they're on the road, they're on the ground, meeting with businesses on a regular basis. They also come armed with this huge toolbox, and inside there is all kinds of information to be useful to businesses. Depending on what we have on offer in terms of programs and support, if it's a program that the Ministry of Training, Colleges and Universities comes out with, we make sure that our businesses are aware.

The last budget, for example, tabled massive increases to the apprenticeship tax credit, and we need our businesses to know that this is an offering that they can take advantage of. It's open to all businesses that meet the criteria within the Ministry of Training, Colleges and Universities, and in fact many are. So whether it's a program or an assistance or a tax credit that's affiliated with our ministry or another ministry of government, it's the small business offices that are out there to get to the grass roots businesses and see that they're well-armed to get the kind of assistance that will help them move their business forward.

In tax policy, I think our Ministry of Finance has responded dramatically over the course of three consecutive budgets to table decreases to small business taxes, and in a number of other areas, like the elimination of the threshold for small business, so that there isn't that sort of unsightly cap where businesses would stop because they would be popped into another level of taxation. Those are really important initiatives that are meant to encourage businesses to do more.

We have a tremendous relationship between the divisions of economic development and trade, so that our offices around the world that might be in the international trade division suddenly become open to small businesses in London and St. Thomas and Wawa and Windsor, where they can actually look and say, "Hey, I've got a product that could be for sale in Paris. How do I get information in a whole other country in Europe?" In fact, we have access to that kind of on-the-ground information because of the office that our ministry has in Paris, and likewise, if it's in Munich or London—if it's financial services based, depending on the sector—there will be a sector just like it that they could do business with around the world. Our small business offices have access to get that kind of information to our folks no matter where they are in Ontario. We work collaboratively with the Ministry of Northern Development and Mines so that all of our information is available to those folks for small business in the north.

I think that service really is the key here. We have to get information to them quickly and give them the tools

so that they can succeed in their business. I think we've had some good success. There's no question that over the course of the last two or three years, Ontario in particular has been hit hardest—harder than any other place in Canada—for a lot of reasons that, frankly, a provincial, subnational government cannot control: the level of the dollar, for example; what other countries are doing; how the worldwide financial crisis hit us, how it impacted on the recession at large, and how that impacts where we export our products. Frankly, our economy really is tied to how the consumer is feeling in the U.S. Those are some of the things that the Ontario government, or Ontario in general, can't control. But we're working on it, and it's a matter that when you're faced with some tremendous challenges the government, too, comes to the table to give as much assistance as we're able.

Mr. Khalil Ramal: Thank you very much. My colleague has a question.

The Chair (Mr. Garfield Dunlop): Mr. Delaney.

Mr. Bob Delaney: At the time that I served as the parliamentary assistant to the Minister of Research and Innovation, one of the things that I especially enjoyed was attending all of the many science fairs. One of my personal things, being a graduate in science, has been to adopt the Peel Region Science Fair and to be in many ways its patron. I've always been struck by how much young entrepreneurs have to offer and how much they look forward to participating in the marketplace. As I've gone especially to the science fairs—and I'm going to keep coming back to them—I'm really struck by some of the really, truly innovative ideas that kids come up with. In some of them, what I've been able to see are ideas that are more or less market-ready and are not merely demonstrations of a concept. In the cases of a few that I remember, particularly in green-roofing and heat retention in homes, not only was I interested but so were a number of others who were potential funders.

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As we teach our youth some of the things that they can take in terms of intellectual capital and turn into a very viable product, one of the other imperatives that comes to mind is that you see good products, but when you chat with a lot of the young entrepreneurs and some of the, I guess, future generations of small and medium-sized businesses in the province, you're struck by the fact that they know how to do the thinking. But the other part of it, which is to say the assistance to businesses that would represent the backbone of tomorrow, is one where I've thought, you know, we could be doing many more interesting things for our younger entrepreneurs.

I think it makes it relevant to some of the things that we're discussing today, because with the mandate that your ministry has, particularly as regards preparing small and medium-sized business owners of the future, I thought I would give you a chance to expand on some of the thinking that you're doing, some of the outreach that you've been doing, to allow the future business and community leaders to strengthen our economy. I'm going to ask if you could perhaps speak about that for just a few minutes.

Hon. Sandra Pupatello: We could speak about this all day, actually, Chair.

Interjection.

Hon. Sandra Pupatello: I said that we could speak about this all day, Chair, and I'd be happy to, actually.

Anyway, I think that the small business department of this ministry has some significant programs for young entrepreneurs, and programs that are wildly successful too. None, of course, are of my creation; they've been around for some time, but they keep improving.

We did have one that was just launched last year under Minister Takhar, who was very global in his thinking as well. He created a program called global traders program, which was really innovative, for government to step in and assist young people to get out there in the world, to see how business is done in other parts of the world. The benefit that they then bring back as young people, as students, moving into a local business, is tremendous. The global traders—it's called the Ontario Global Edge, actually, not traders. We've had 50 program placements per year; that's the target. They go to all kinds of far-flung places. They're organized to be doing co-ops in various places around the globe. We're having really, really great success with this. It really was an effort to get young folks in our businesses in Ontario to see far beyond what our traditional marketplace has been in this province.

There's an Ontario secondary school business plan competition where, through the school boards, we would reach out and offer prizes to individuals who tabled a really terrific business plan. Interestingly enough, a number of people, whether these young people win the competition or not, use these business plans in fact to enact a business.

There is a future entrepreneurs curriculum, a tool kit that's been made available in our official languages to get into every school board so that teachers can adopt and use the tool kit to teach entrepreneurialism to their students, something that we think is a mindset that starts at a young age.

There is a youth entrepreneurship partnership, which provides funding for not-for-profits whose focus is getting out there and getting young people totally turned on to being their own businessman or businesswoman. There are rounds of funding that go out each year to support this. It's Ontario-wide and it receives terrific success. One of them was the Canadian Youth Business Foundation. They would help on the order of almost 400 young people through funding that we support.

One that I think is really of interest, because it has long-lasting implications for the Ontario business scene, is the summer program for summer entrepreneurs, who go through a process to be selected where they'll receive a grant of up to about \$3,000 to start their own business in the summertime, the qualification being that you know that they're going to return to school. But what's really interesting is that hundreds of them, over the course of this program being set up, are still operational today. There are some 850 new businesses today that started as

this summer program, that started with a small grant for an individual to launch their business. We don't just turn over the money; the program is actually set up so that they're matched with mentors in business who meet them on a regular basis to help them walk through all of the steps required to start your own business. The success rate is tremendous: an 85% success rate, which would be constituting that they make more money than they spent, these young people. But just knowing that these companies continue is the best outcome of all, because what starts as a good idea for a young person with lots of energy through the summer is, in fact, a business that keeps going and a business that that individual continues to return to even after they've done their schooling.

I know that many MPPs take time during Small Business Week, which we just had in October, to reach out to our young people in all of our communities to talk about entrepreneurship. I've been struck, in the many places that I've been fortunate to travel to promote Ontario, to see a level of entrepreneurialism that I think we still need to achieve here, that it's still up to us to get young people to think about the possibility that their future is running their own business. Items like the curriculum, the tool kit available for our young people in schools to actually be taught that this is a viable alternative, is exactly the way we need to go. The benefits are palpable: If we see that small and medium-sized businesses make up 95% of all our business, then we're doing a really good turn for the economy as well. For young people, the confidence it instills in them to start a business when they're young keeps them thinking that this is something that they can do.

Mr. Bob Delaney: One that some of the kids have talked about is one that I think you mentioned, Summer Company, in which the successful applicants receive, I believe, some start-up costs. I wonder if you could expand on that a little bit because a lot of the brighter kids don't really know that it exists, and some of the best inventions would do very well to get out of the lab and get a summer's worth of experience in the hands of someone who may potentially be a business owner. One of the other things it would do is to encourage some of the young people who have conceived of an idea in which the person who has conceived the idea may not necessarily be the one most appropriate to running the business. So the Summer Company idea gives them a chance to find and partner with someone whose skills may be more entrepreneurial than those in straight product development. Maybe you could expand a little bit on some of the mechanics of how that program works.

Hon. Sandra Pupatello: The small business enterprise centres across Ontario, of which we have 56 in total, reach out, through those offices and colleague not-for-profits who are interested in this, to get the word out to young people that this is a program that's available. A student would apply and be accepted. They would receive \$1,500 at the beginning of the summer. At the end of the summer, they receive an additional \$1,500, and in between, they keep all of their profits. Right at the

beginning of it, they are matched with mentors who do a similar type of business. Those mentors are selected by our staff in various offices and these non-profits who have a collection of people who want to do this as their volunteer activity. So the mentorship program links them on a regular basis, giving them access to guidance, information, network opportunities, what they do to help sell their business and sell their products.

In the end, it's a great opportunity. It links young people into the business world at a very early age, it links them with automatic contacts to people who are in that business through their mentors, and the success of it, in the end, is tremendous. It speaks for itself that so many of them—since its inception in 2001, we've had over 2,500 who have gone through the program. Of all of those, to have over 800 businesses that are still in operation today as a result of this program I think speaks volumes about its success. To one-stop shop, by the way, go to our website. What's our website address for small business? Go to ontario.ca/economy and go into the summer student program, and they'll find it.

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Mr. Bob Delaney: We're just about at the end, which is unfortunate because there's still an awful lot to explore. In the next round of questions I'm probably going to be talking about some of the things we can do to help young entrepreneurs, especially in communities such as I come from, where so many of the families are from abroad, be it western Asia, southern Asia or eastern Asia. Mom and dad have business networks and it stands to reason that some of their children would think, "Doesn't the whole world operate globally?"

I know the ministry has some programs that encourage and assist young people in starting to think and operate globally, so perhaps in the next round we'll have a chance to explore those.

I think that about takes care of our time, doesn't it?

The Chair (Mr. Garfield Dunlop): You're just about right on, yes. What we'll do is, we'll take about five minutes now for Mr. Shurman at this point and then we'll recess until this afternoon because we have a vote in a couple of minutes. So, Mr. Shurman, you have about five minutes.

Mr. Peter Shurman: Okay, thank you, Chair. I want to continue, Minister, on something I touched on as my time expired last time around, and that was particularly the PC caucus small business job plan that we've unveiled.

You talked about being partisan or not being partisan. I don't think this is particularly partisan. We happened to author this thing, but, to my mind, it's something you could buy into very easily because what it says is, "Payroll tax holiday on new hires for one year." What does that do? It gets people off the unemployment rolls. It stimulates small business by giving them a tax holiday for a year. In effect, it's a quid pro quo. There's no cost. Why wouldn't you adopt a strategy like that?

Hon. Sandra Pupatello: In fact, we have had similar notions. It was the Premier's pet project. He was

determined that he would help to encourage small businesses who are taking new and innovative ideas. When those individuals take a great idea and turn it into a business, they will receive a tax-free 10-year period for the provincial portion of corporate tax in this province. That was a notion that was put forward. It was in a budget that was two budgets ago, I believe. A tremendous response because they said, “Wow, that’s good.” That’s something that will encourage people to actually jump into business, take that new idea and commercialize it—

Mr. Peter Shurman: You’re telling me we’re on the same page here.

Hon. Sandra Pupatello: —and they get a 10-year tax break. What’s really unfortunate is that you voted against that measure when it came forward, because in fact that seems to be the kind of thing you would support. I have to say that a number of the initiatives that we’ve brought forward are meant, especially from a tax policy perspective, to be of assistance to business.

The lion’s share, the biggest impact for better competition, better productivity, is the move to a single sales tax. The savings and streamlining of business applications for a small business to have to manage is tremendous, and I think we need to be supportive of things that will streamline business. You yourself spoke of the level of paperwork, the level of paper burden. These are the kinds of things that, in one fell swoop, will eliminate a tremendous amount of that paper burden.

Mr. Peter Shurman: Minister, with respect, let me just stop you there. You’re going off into the HST realm. I’m quite prepared to go through an entire round of questioning later today on that issue because I have some thoughts on it and I want to hear your reactions, but I do want you to answer this question: Are you prepared to implement a plan that gives small business a tax holiday for a year for hiring new people?

Hon. Sandra Pupatello: I think it’s probably safe to say that we believe that our plan for small business is the plan that works, a plan that we’ve been implementing for a number of years now. All of it has been around decreasing taxes to small business. So I think we’re actually on the same page in terms of where we want to go for small business. Lowering their business taxes—the business education tax has been lowered. It will be lowered seven years in a row until it’s eliminated, and we’re in about the fourth or fifth year of that process right now.

We’ve eliminated the small business threshold. We’ve actually lowered the rate they pay. Those are significant—and again, the biggest in terms of a tax change for small business that will help not only what they pay in tax but how they pay is that streamlining that paper burden, eliminating that paper burden, is the implementation of a single sales tax.

So I think that both of us agree that we need to decrease taxes for small business and we need to simplify their lives in how they interact with government. I fully expect that you would be supportive of this when it comes to a vote in the House.

Mr. Peter Shurman: We agree on simplification; I’m not sure we agree on how to get there.

What I want to know, and let’s be specific here, is: Do you have any economic impact studies that would suggest that a policy like the one we’re putting forward would not stimulate business growth?

Hon. Sandra Pupatello: I can tell you that a number of the elements of the small business plan that your party did adopt are things that are outside the realm of the estimates committee for the small business department. They deal with the Ministry of Labour etc., so we wouldn’t have access to the data that—

Mr. Peter Shurman: Minister, do you have an impact study, because I’ve got to believe that somewhere—

Hon. Sandra Pupatello: An impact study for what, now?

Mr. Peter Shurman: On what the impact would be—

Hon. Sandra Pupatello: Of the HST.

Mr. Peter Shurman: —on the implementation of a policy—not the HST; a policy like what we’re suggesting, where you look at a tax holiday, because the people around you, and an awful lot more behind them, do nothing but this kind of work. That’s what they’re there for, regardless of who’s in charge of the government of the day.

I want to know if you have studies that say, “We’ve looked at this as an avenue that we could possibly explore: giving a tax holiday to businesses. We’ve seen these kinds of programs before under various governments. Have you an impact study that says that this is not a good idea?”

Hon. Sandra Pupatello: Just so I’m understanding clearly, you’re looking for an impact study that we would have done on your proposed policy?

Mr. Peter Shurman: Not on our proposal, but that proposal—a tax holiday at a certain level for new hires. It has been done before. It is, from our perspective, a policy for the times, but it’s not something that’s brand new.

Hon. Sandra Pupatello: I just want to clarify. You proposed that as a policy for your party, but you don’t have an impact study for it?

Mr. Peter Shurman: No, no. We’re not questioning me; we’re questioning you. Do you have an impact study that says our plan is not right?

Hon. Sandra Pupatello: I can tell you that we wouldn’t do an impact study for everything that ever gets proposed by others outside of the government. We take great ideas from people on many occasions, and I can tell you that—

Mr. Peter Shurman: I’m just trying to find out, Minister—

The Chair (Mr. Garfield Dunlop): Mr. Shurman, we’ve reached our five and a half minutes. I think it’s time that we recessed and went down to the House to vote.

We will see everyone here this afternoon after routine proceedings. Thank you very much.

The committee recessed from 1006 to 1615.

The Chair (Mr. Garfield Dunlop): We'll call the meeting back to order. I see petitions are over. I'm sorry about the delays.

When we left off, the official opposition had about 15 minutes remaining in their time. Mr. Shurman, please feel free to go ahead.

Mr. Peter Shurman: Thank you, Chair. At the time we left off this morning, we were having a discussion about the PC caucus's small business job plan, and a little bit of a debate, I guess, Minister, on whether or not you had an impact study that suggested that this wasn't a good idea. I don't think this is a particularly Conservative idea; I think that it's just a good idea. You've got the high-priced help that can do these studies—well, you do, and I don't—and I'd like to know whether you have considered the concept of a tax holiday for a year to put people to work in small business, because frankly, and I'd appreciate your comments on this as well, with the number of small businesses operating in the province of Ontario now, which we went through this morning—it's hundreds of thousands—if, through any policy, this or any other, you could hire one additional worker in each of those businesses on average, you'd eliminate unemployment. So what's wrong with the idea?

Hon. Sandra Pupatello: I think there are lots of good ideas to encourage small business to, in fact, hire people. A significant idea, one that has been roundly supported by a number of small business organizations, is decreasing the corporate tax rate, for example. From this morning's conversation, we spoke about how competitive the corporate tax rate has become for Ontario, and I did promise that I would bring you a chart this afternoon, which you have in front of you there, that makes some comparisons between our jurisdiction and our competitive jurisdictions, as well as a chart on, just in the manufacturing sector, how well Ontario's tax rates compare.

We're very competitive. We have initiated a 10-year holiday on provincial corporate tax for a company that takes a great idea and commercializes it. That's a significant announcement and one that I think you would applaud, because you are clearly a supporter of small business and of anything that's going to help small business get out there and be in the world and do business in the world.

I guess my only—

Mr. Peter Shurman: Let me stop you, Minister, because we're going further afield. I asked you about a specific idea, a tax holiday on payroll taxes for a one-year period to get these small businesses—a major part of the economy; we've agreed on that—going again now. What's wrong with that idea right now? Because I've got to tell you, when you start talking in the terms that you've just used—and there may be nothing wrong with what you said; it's all factual—the eyes of the average small business person, and that's my background, glaze over when you talk about corporate tax rates and a per cent here or a per cent there. At the level of a business doing \$1 million, \$2 million, \$3 million or \$5 million, it matters, but it doesn't matter till next year when I pay it,

and who knows how much it's going to be? But right now, I've got a cash flow problem, and my cash flow problem is going to be alleviated if I can hire more labour and not pay the payroll tax that is due every month or every two weeks or however often I account for it. That's what I'm talking about, that's why this idea has been put forward, and that's what I want you to react to.

Hon. Sandra Pupatello: I guess I'm just surprised, because when a party puts forward policy like that, they typically go through the effort of looking at what the economic impact is of the policy, because then the party would also be called upon to suggest what their platform would cost and where they would find the money to do that. I would imagine, then, that if it's part of your PC policy for small business, you would tell us what the cost is, and/or the economic impact of it, because that's the kind of work that parties do when they develop policy.

We have not done that work because, in fact, it was put forward by your party. I can't tell you that there's something wrong with it or something good about it. What I can tell you is that we are always open to accepting good ideas that would go into the mix for consideration every time we have a budget process.

Having a forum like this, when estimates calls on the small business department of economic development and trade, is the perfect opportunity to put forward good ideas. I would tell you that I'm happy to add that one to our list of things that would continually be up for consideration. Is it going to happen? I can't suggest that it is. I don't know what the cost of it is. If you know that—you likely have some of those numbers, because you in fact included it as party policy—tell me what the cost of that is. All of that is something that can go in the mix.

I think you probably have seen that this has been a government that for six years now has tried to respond to small business needs, and that successive budgets have taken steps in the area of tax policy, just like the example that you've given me, and made it easier for businesses to do their job in Ontario.

We have seen a huge economic recession. We all know that's the case. It hasn't just hit Ontario; it has hit globally, and we know that because our small businesses are in the numbers that they are, it actually helped in terms of maintaining more jobs, because small businesses were able to maintain more of those employees as compared to the multinationals here in this province. Thank goodness for that, because Ontario, as you know, suffered more than any jurisdiction.

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We're welcoming great ideas. If you have a great idea, I'd ask you to put it forward. I appreciate that you just have. I'll tell you that I'm happy to put that into the mix as we move forward into our budget deliberations. As you know, that has begun.

Mr. Peter Shurman: Let's move into a subject that you've touched on during the morning and explore it a little further: the HST. You contend and your government contends that the HST is going to be very beneficial for small businesses. I found it, by the way, rather inter-

esting, and I've got to just mention this, that at noon today, apparently, your colleague Minister Wilkinson went up to Barrie to speak to—I don't know if it was the chamber of commerce, but a business group up there, and there was a cost for lunch, apparently \$45 plus GST. His message was what his message has been, which is that things won't cost any more when there's an HST. I'm just wondering, if he goes up to speak to them post-introduction next year it will be \$45 plus HST, which would negate what he said, wouldn't it?

Hon. Sandra Pupatello: It wouldn't, actually, because, in fact, if you talk about a business like that, you're going to look at all of the input costs that that business has to deliver that lunch to my colleague and all of those guests at lunch today. All of those input costs for him to do business and serve that lunch have decreased by 8%. That's the beauty of the HST. It actually simplifies the business tax structure for people to do business.

And I get that there's a public out there that looks at themselves as consumers only, but what we know is that this is a changing environment. It is a whole world out there that has become much more competitive than we've ever faced. We do not have a dollar that is 35 cents lower than our American counterpart. That's 35 cents that they need to gain somewhere in terms of productivity, and we have to find a way to do that.

Ontario companies have lagged behind their American counterparts on the score of productivity. I can't tell you all of the reasons why, but one reason that we know, because we've studied it and we've read studies of why that's the case, is that they have not adopted new technologies as quickly as their southern counterparts. So just at the time that they need to be more productive, more competitive, because they're losing that benefit that they have always had easily, just because of the dollar—they need to be more productive, and we've got to find ways to encourage them to do that.

So when you heard that we announced that Yves Landry Foundation fund for \$25 million, that Canadian manufacturers got \$25 million, specifically it was put forward for small businesses, and it was specifically put forward for projects where we would fund a 50% grant for their projects that proved that they would improve productivity. It's those kinds of initiatives—

Mr. Peter Shurman: Okay, let me stop you. This is not the HST, Minister.

Hon. Sandra Pupatello: But the whole point of it is, we can only do so many of those. The government will only have so much money like this. What can government do in one fell swoop that will impact all businesses, and in particular small business—and especially our manufacturers, who have the largest level of inputs in order to produce the product that they make? It's changing the tax structure.

When you come from a community like mine, when you've met people who have lost their job and you look at it and say, "What are we supposed to do as a government to fix this?" I have to tell you, you've got to be

in a modern economy, which means a modern tax system. Something that worked in the 1960s is not going to work today when it's a whole big world out there that's crashing down on Ontario, which is more bound by exports than any other jurisdiction in this country.

Mr. Peter Shurman: So you're going to give them an 8% input tax credit that makes them more competitive; that's what you're saying.

Hon. Sandra Pupatello: I'm telling you that our small businesses can be more competitive when we simplify the tax structure.

I get that our small businesses today, with the level of information out today, still can't walk through their balance sheet to say, "Where am I saving the 8%?" But they will. And we've walked through that. We've seen where they won't pay that recurring 8% in their business processes.

Mr. Peter Shurman: I submit to you, Minister, that you're wrong. I'm going to tell you why you're wrong, and you can react to it. Have you been in small business, Minister? Have you owned one?

Hon. Sandra Pupatello: No, but I have many people in my family that have been—

Mr. Peter Shurman: All right.

Hon. Sandra Pupatello:—so all of us have businesses around us.

Mr. Peter Shurman: Fine. I'm not preaching to you. I'm going to give you the benefit of my experience. I was an owner-operator for 15 years. I went through what I like to call the 5 o'clock—a.m.—sweats, because that's what small business owners do every once in a while when they feel threatened. That's the nature of being an entrepreneur. I accepted it at the time. I accept the fact that it's part of my experience now. Frankly, I did well, sometimes with the help of governments and sometimes in spite of them.

But here's my experience: My business was a service business—it wasn't a manufacturing business—so it didn't have huge input costs; it had huge personnel costs. And as you well know, as minister and just as a person living in Ontario, we're moving into a much more service-based economy. So I'll give you a rough look at my balance sheet around the time I sold my business, a business of about \$500,000 a month. There were very small margins in the business that I was in, and high labour costs, about \$350,000 in labour per month, with \$50,000 in profit and \$100,000 in other expenses.

Labour doesn't carry the benefit of an input tax credit at the GST level or, futuristically, in the HST area. So what would happen is, I would go out and I would bill \$500,000 and I would charge out, at the time, 7%, so I'd have to collect \$35,000, take away my input tax credits, which were relatively small, and submit the rest to the federal government. Now you'll move that to 13%. So let's say the same guy is doing the same business at 13%. Thirteen times five is \$65,000 which we'd be collecting in a month, and we would have, again, a very paltry amount of input tax credits.

Now, that business was billing on a net 30 basis, and if we were lucky, we were collecting in 60. I ran a line of credit with the bank that cost me money, interest points, to float that. So I was paying the federal government, and pretty soon I'll be paying the federal government on behalf of Ontario as well—if I'm still in that business—a ton of money that I'm paying for. I'm paying for the use of that money. I'm sometimes not even collecting it. I'm not being reimbursed for that. That's the onus that I would carry and that my counterparts in today's world will carry, and there's no benefit to that 8% input tax credit and there's no benefit to the 5% input tax credit, with the exception of my Xerox machine rental.

Hon. Sandra Pupatello: Actually, I don't think you're correct, and you're not accurate. There's more than just your Xerox machine. Moreover, your consumers—and I don't know what business you were in and I don't know what kind of business you were in—are benefiting by this tax policy change. The simple move to a single sales tax is one part of the greatest tax reform that this province has seen since Upper and Lower Canada joined to make Confederation here. This is the single greatest change that we've had in a century.

Mr. Peter Shurman: Why do you think that?

Hon. Sandra Pupatello: It's because it is also imbedded in this legislation, which you also saw—you will also see a reduction for 93% of our taxpayers getting an income tax cut. That means they pay less to government overall. That means there's more money returned to them in their pockets for spending.

In addition, in five provinces that have already gone down this road, all of the studies show, because they've been at it for years already, that where they've done the single sales tax, they have in fact seen prices go down. Consumers benefited. We, in addition to just that single sales tax, are able to return money to consumers, putting them in a position to buy more as consumers. So not only do they pay just once, but as a businessman you only make your submission once: one set of papers to one level of government.

And, yes, there are differences in how this is going to be impacting. It's not the same for everyone—

Mr. Peter Shurman: Minister, I only submitted one set of papers to one level of government before.

Hon. Sandra Pupatello: Well, you'll just have to let me finish. I'm just suggesting to you that the best predictor of the future is looking at the past, and I think you'd probably agree with that. When we look at what's happened historically, when our colleague provinces have moved in this regard, they have not seen price increases and they have not seen the kind of sky-is-falling reaction that we hear from opposition members. I'm suggesting to you that 20% of our GDP is based on manufacturing, and they likely will be the largest beneficiaries of this kind of policy. It matters that our manufacturers do well, because that means our IT sector does well, and so do our financial services and all the other sectors in Ontario when we're strong generally.

And, yes, we need to be stronger right now. We have got a tsunami of an economic recession that we're facing.

“Stand by. Do whatever we've been doing,” is not good enough for our businesses. It calls on us to do something remarkably different that is focused on making our business more competitive. I will go home and tell that to my folks in Windsor, who are at the epicentre of this recession, because those people, by those studies that have been tabled already, will see 600,000 new jobs over time. That means something to the people where I live, and that's why I am totally behind this policy. I'll tell you that in five years, you and I are going to chat again, and I'm going to ask you, has the sky fallen?

Did prices go down? Did people in fact see an income tax decrease? The answer is going to be yes, that what we said is in fact happening.

Mr. Peter Shurman: I think in five years—

The Vice-Chair (Mr. Robert Bailey): Thirty seconds.

Mr. Peter Shurman: In five years, you and I are going to chat again, Minister, and we're going to look at each other and we're going to say, “You know what? We governed, you governed, stuff happens, and I guess we were wrong,” because you're not going to create 600,000 new jobs, and you and I both know it. But we'll continue the conversation shortly.

The Vice-Chair (Mr. Robert Bailey): Thank you. Ten seconds to go.

Mr. Hampton, sir.

Mr. Howard Hampton: I have some questions about some particular sectors.

In my part of the province, the tourism industry is very important. You get a lot of Americans in particular who will come for a week of hunting or a week of fishing, and typically they'll pay, if they drive up, \$1,000 per person per stay. If they take one of the more exclusive fly-in places, they can actually get up to \$5,000 per person per stay, so per person per week.

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When I talk with tourist operators in my part of the world, they all say the HST is going to be a problem because it's going to be 8% added on. Are they wrong?

Hon. Sandra Pupatello: I can't tell you the specifics per sector, and I think that we're going to reserve some of these questions and have someone from the finance ministry—because I know that this is the small business department of the Ministry of Economic Development and Trade, so in terms of numbers, in terms of specifics, I can certainly speak at a high level. But I think what you're looking for is some much more detailed information that I'd be happy to go and get and make sure that we offer to you.

Mr. Howard Hampton: Let's just assume for a minute that these small business people know what they're talking about. They've been in the business for a while. Their concern is this: If it's just one of the places where you drive into the tourist resort at \$1,000 per person per week, adding on an extra 8% is \$1,080. And if you're one of the fly-in places, where you actually get a private lake at \$5,000 per person per week—let's add on 8%—that now becomes \$5,400.

They say, "Look, you only have to go 90 kilometres west and we're competing with Manitoba tourist operators who will not be charging the 8%. Or you only have to go 20, 30, maybe 80 kilometres south and you're dealing with tourist operators in northern Minnesota who will not be charging the 8%." The question they're asking me is—you're the minister of small business, and I'd like to know the answer—how are they going to compete with tourist operators in Manitoba or Minnesota who are not going to be charging this extra 8%, which in some cases will be \$400 a week and in other cases maybe \$100? How are they supposed to compete?

Hon. Sandra Pupatello: Again, I think the detail per sector is something that's either going to be answered by the Ministry of Tourism, which deals with this, or the Ministry of Finance on specifics. But I will tell you that outfitters today right across this country are facing a real dilemma, and a serious season that hasn't gone well, and the lion's share of the issue is around the dollar value. Most of these outfitters are American, and they're not coming in the numbers they have been because our dollar has been so much stronger against the American dollar, and that is a significant issue for them. Because so many of them travel—they don't all fly—fuel costs have added to people staying closer to home as well.

But again, we have to look at what has happened in the past. The Atlantic provinces and Quebec have been at a harmonized sales tax for many years already. A significant portion of their industry, in particular tourism, is related to outfitting. They have not seen the kind of drama unfold that you are suggesting. I am not going to suggest for a minute that these folks in northern or northwestern Ontario aren't worried; they are all worried. They are worried because they are having a tough season now, and they are concerned that they need to understand the kinds of changes that are being brought about.

But I will say that those in the outfitting business know—in Atlantic Canada they have not seen the kind of effect that you're describing, nor in Quebec, and they have been with a harmonized sales tax for some time.

Mr. Howard Hampton: But they're not immediately next door to jurisdictions that offer the identical service for a lower price.

Hon. Sandra Pupatello: Quebec is right beside Ontario, so it would have been the same argument, and in fact that's not what happened.

Mr. Howard Hampton: You don't find that kind of tourist industry and that kind of concentration of tourism in northeastern Ontario that you find in the northwest. You don't find a million people coming across the border between May and September for the sole purpose of going hunting and fishing, and that's what it is.

Let me ask you another question. Can you tell me how the HST will apply to the volunteer sector?

Hon. Sandra Pupatello: No. If you could table the question for me, though, I'll make sure we get it for you from our Ministry of Finance, who have that detail.

Mr. Howard Hampton: Let me just assume again that these folks know what they're talking about. I

received an e-mail today from St. John Ambulance in Kenora. St. John Ambulance in Kenora does fundraising. They go out there in the community and they work very hard to get the community to contribute money. They get some money centrally from St. John Ambulance. But their budget for a year is about \$50,000, and they've been told by their accounting people that they'd better add another \$4,000 into their budget this year to cover the HST. So in a place where there is very high unemployment, where many people have taken wage cuts and are actually earning less, they're looking at having to go back to the community and asking, "Can we fundraise another \$4,000?" and telling people, "This is just to cover the cost of the HST." How successful do you think they're going to be?

Hon. Sandra Pupatello: I think these questions have been put to the Minister of Revenue in the House in the past. I don't have their detail today. But I will tell you that he has managed to get information to the non-profit sector about the level of tax credit that is available to charities, and we'll be certain that St. John's in Kenora gets access to that same information. Perhaps, based on your question, we should see that that information goes out to the accounting sector as well.

Mr. Howard Hampton: But I don't know how they're going to get a tax credit. They don't pay taxes. It's a charitable, not-for-profit organization. If they don't pay taxes, how do they get a tax credit?

Hon. Sandra Pupatello: It's actually a rebate as opposed to a tax credit; excuse me. So with their submissions, they'll be able to recoup it.

I'll tell you that as the Minister of Economic Development and Trade, and today talking for the small business department of that ministry, I would not have the specifics about rebates for the non-profit sector, but I'll be very happy to provide that for you.

Mr. Howard Hampton: The other folks who have raised some serious questions—a number of the communities in my constituency border on Manitoba. Winnipeg is easy access. On average, I'm told, they said to figure on \$10,000 for funeral costs, and they've been told that \$10,000 will become \$10,800—another \$800 tacked on. Many people may reside in a community like Kenora or Rainy River but they have family in places like Steinbach, Manitoba. I had one funeral director say to me, "I think we're going to have an exodus of people who say, 'Look, you know, I'll take my deceased mom to Winnipeg or I'll take her to Steinbach and have the funeral services performed there.'" Now, I don't know about the legal ramifications of that. Maybe you can tell me.

Hon. Sandra Pupatello: Again, I'm happy to get information from the appropriate ministry for you.

Mr. Howard Hampton: But their concern is that another \$800 is simply something that people will not pay. People will go elsewhere to access the service.

I have another question. Again, I don't know how to answer all of these. It would be nice if somebody in the government could answer them.

Because the winter is very long, a lot of people in my part of the province, especially people who have paid off their mortgage and have accumulated a little bit of savings, try to spend a week or two weeks in Mexico or Cuba or someplace where it's warmer, especially in January and February. I'm told that, on average, it will cost about \$1,000 a person for a week, and on average about \$2,000 a person for two weeks.

I'm told that the HST is going to apply to this service: the booking of the ticket and the whole deal. This is a service that will be taxed by HST. I don't know. Do you know?

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Hon. Sandra Pupatello: I think there will be services where it certainly will apply. I will be very intent on getting you a complete listing of that. There is one available now. There's a website up and running that people can see—I'll get you the address for it as well—so that we can be as clear as we can be with the public.

Let me just go back and say again: Any of the businesses which have to take in items in order to produce their service or their good will have reductions in what they pay.

What's important to note is that this is not the first province that has gone down this road. It in fact will be the sixth, followed closely by the seventh. There are 27 countries in Europe—never mind the states or the provinces within each of those countries, but 27 countries entirely that have moved to a single sales tax.

Yes, it's a different form of taxation; it's a different way to apply it. None of us likes to change things. But the world we are living in now, with the kind of economic recession that we face, compels us to do it differently.

We have got to get our system modernized. We have to make it so that we don't have businesses paying repeated tax as they get on their way to delivering that service or product. We've got to take that out of it for them, which reduces their costs. That gives them the perfect opportunity to lower their prices. It makes them more competitive when they do that.

We know that if we're the sixth province getting in this game, it means that with the five that have gone before us, we have an opportunity to look and say, "What happened when they did it?" And realistically, they found a very good outcome. They did not see a rising of prices, like some in opposition have claimed would happen. In fact, they have seen some price reductions. That's our reality. We can only go by what we have seen, what has already happened—and not in some far-flung country but right here in our own country.

We're the sixth. It's not as if we're breaking new ground here. We are simply modernizing a tax structure, and it's one that we're compelled to do. Ontario has to be more competitive, all the way along. If we can help with tax structures changing and being modernized, then we have to go this route.

Mr. Howard Hampton: Chair, I've heard enough. This isn't answering my question.

The Vice-Chair (Mr. Robert Bailey): Okay.

Mr. Howard Hampton: What these people would like to know is—here is what they're faced with. There are a number of people who operate travel services and they're quite concerned that people will simply access the travel service in Winnipeg, Manitoba, and save a couple of hundred dollars on each vacation. They'd like to know: How do they compete?

Hon. Sandra Pupatello: I do appreciate the specifics, but the reality, if I might, is that the questions that are put to this committee are in fact for the small business division of economic development and trade, and these questions are pertaining to the Ministry of Revenue and the Ministry of Finance.

I'm happy to make my best effort, but when I can't give the detail, then I think it's fair that I would be able to table as much information as I can get for the member.

The Vice-Chair (Mr. Robert Bailey): Point well taken, Madam Minister.

Hon. Sandra Pupatello: Thank you.

The Vice-Chair (Mr. Robert Bailey): Mr. Hampton, if you can move on to a different—

Mr. Howard Hampton: No, I'm not going to move on.

The Vice-Chair (Mr. Robert Bailey): Okay, well—

Mr. Howard Hampton: These are the questions. I'm sorry, Chair. These are the questions that small businesses are asking. Frankly, they don't give a damn what the tax structure is in Switzerland. They want to know how they're going to compete with somebody who is 30 kilometres away or 60 kilometres away—

Mr. Bob Delaney: Chair, on a point of order.

Mr. Howard Hampton: —who can offer the same service for \$200 or \$300 or \$400 less.

The Vice-Chair (Mr. Robert Bailey): Order, Mr. Hampton.

Mr. Howard Hampton: I'm appalled that the minister can't answer the questions.

Hon. Sandra Pupatello: I will tell you, Chair, that in this regard, when we're talking about business competitiveness in this province, this move will put us ahead of our neighbouring provinces that are not moving to a harmonized sales tax. It will put us ahead of the game in competitiveness. This is what we know has been the case where it has already been adopted.

We also know that our world has gotten a lot bigger than just our neighbouring jurisdictions. It's not just about the Great Lakes states anymore. It's not just about the provinces that are next door to us. It's about the whole world. Our province needs to be on the leading edge, including how we modernize our tax structure while we are able to extract a cost from their cost of doing business and producing that service or that product. It's important in this day and age especially.

Frankly, every government should have done it. Every single finance minister, after leaving the chair—including Finance Minister Laughren, who sat in the NDP government—said that he wished he had done it. But it's fine to say that when you're gone, because it's easy to do

nothing and it's harder to actually do it. And it's about time.

When you are in a community that's facing job losses like we are, when we know that we've got to make big, bold moves to be competitive, because it actually matters right now whether people are going to get jobs or not get jobs, yes, we'd better have the nerve to do it.

I'll tell you that even five years from now, when we look back and see how this has fared, I'll go to these same members who are complaining today and say, "Was it worth it to finally come into the modern age and be competitive?" You're damn right it's worth it.

The Vice-Chair (Mr. Robert Bailey): Madam Minister, we've got a point of order. Mr. Delaney.

Mr. Bob Delaney: Yes, Chair, with regard to the points raised by the member for Kenora–Rainy River, I might draw his attention to the transcripts in Hansard from this committee—I believe it was July 31—when the Minister of Finance was before the committee for an entire day, and the points being raised by the member for Kenora–Rainy River were by and large raised by the members of all three parties during the discussion with the Minister of Finance. If I may, I'd refer him to the Hansard transcripts of that day, where he will find most of the answers to the points that he has been raising with this minister. It would be arguable that those questions are indeed out of scope for this particular ministry.

The Vice-Chair (Mr. Robert Bailey): Thank you. Point taken.

You've got five minutes left, Mr. Hampton.

Mr. Howard Hampton: Point of order, Mr. Chair: I would hope that the minister responsible for small business might know how this tax is going to affect small businesses across Ontario.

Hon. Sandra Pupatello: I think I've made it pretty clear what my views are regarding a harmonized single sales tax—and it is good for business. That's why I find it surprising that this member doesn't want to acknowledge that the Ontario Chamber of Commerce, which represents tens and scores of chambers across Ontario, for three years running had this item as their number one request of government: "Please move to a modern tax system for business." This is what they want. They've done their reports. We've done our reports. In fact, we've got a series of them that have been tabled, and what they've said, all of these—now, I'm not a tax specialist. I don't know if there are any around this committee table. But if they're not tax specialists, then it compels us to go and ask them, "What do we think the effects will be?" So we did. It isn't just the C.D. Howe Institute, which some might say is a little more right wing, but even what would be considered left-wing organizations and economists have suggested we have to do this. Poverty groups have said, "Thank goodness you're moving in this direction." In addition, all of our bank economists have suggested we have to do this, and all of them have said to the government, "Thank goodness someone's got the nerve to actually move forward."

You don't think we're doing this to be popular. You don't think we're doing this for the good of our health.

We actually have to do it because it's good policy, and I find it surprising that every single finance minister who used to be a finance minister of this province wished that they had done it when they were the minister, but none of them had the nerve to do it. None of them would take it on. We should have been ahead of those other five provinces that already moved in this direction.

When we tabled this several months ago, BC, within a couple of weeks, held a press conference and said, "We're doing it too," and the finance minister from BC was quoted as saying, "We're not letting Ontario get ahead of us on this." Because we compete with BC. There are sectors in BC that we compete outright for in business, whether that's LA companies that we're trying to land in Ontario instead of BC. That means every single opportunity for us to be more tax competitive actually matters. And I'll tell you what: We're winning on some of those fights and we are snagging them from LA and we're going to continue to do that. But when we show people that we actually have a modern tax system, that in Ontario you make one submission, you do it once, and by moving to a single sales tax submission, we're saving businesses—small businesses, largely—over half a billion dollars. That's not our number; that's the Ontario Chamber of Commerce's number, telling us that that's a fact. But when you make stuff—and we make stuff in Ontario, really good stuff—they save money and they are instantly more competitive.

In this world, we need to be competitive. That's what this is about. It's about what our economy needs, and it's about leadership to do the things that are tough. That's what this government is doing.

The Vice-Chair (Mr. Robert Bailey): There's a little less than two minutes left, Mr. Hampton.

Mr. Howard Hampton: Again, these are small businesses that have very simple questions. How do they stay in business when, for example, they're going to have to charge an extra \$400 for a week's stay at a tourist resort compared to the same tourist resort that's only 70 or 80 kilometres away in Manitoba or 30 kilometres away in northern Minnesota? I don't think I've heard an answer today.

The minister refers to some studies, but 57% of the businesses polled by the Canadian Federation of Independent Business said that there were no beneficial aspects of the single sales tax for their business, and only 2% of the businesses polled said it would provide an advantage over competitors in other provinces. That doesn't seem to square with what the government is saying.

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Now, the Canadian Federation of Independent Business, no matter what you may think of them, do a good job of polling their members. They do a very good job of asking their member small businesses, "What do you think? What is your concern? What are you worried about?" And I find it interesting that only 2% of those businesses polled said they saw any advantage in this tax, and 57% of the businesses polled said they saw no beneficial aspects.

Hon. Sandra Pupatello: I think it's reasonable that businesses do have to learn about how all of this will in fact impact them. That's why it's important that, at the same time, we speak to reports like the TD Bank special report on the price impacts of harmonization, so that they can see how it was done in other places, what the long-term impact has been, how businesses reacted when it was actually implemented, because it hasn't happened in Ontario yet. So, in fairness, we have our work to do to make sure businesses see how they'll benefit.

What I know is that consumers benefit because it comes part and parcel with 93% of income tax payers receiving a tax cut and in addition, in that first year, in three instalments, receiving \$1,000 to assist them in that transition; and small businesses receiving \$400 million in transitional costs to help them get to this new system.

We are very mindful that change is going to be difficult, and we're going to try every measure that we can to make it as easy as we can for them. Thank you, Chair.

The Vice-Chair (Mr. Robert Bailey): Thank you, Madam Minister. The time is up, and we move to the government.

Mr. Jim Brownell: It's great to see you here, Minister. I can say that I am not going to be talking doom and gloom today.

I would like to reflect a little bit, first of all, before I ask the question, on some success in small business that I've seen in my riding. It reflects, too, in a senior from my community, my hometown, who hadn't been in to the city of Cornwall in seven months. She met me the other day and she said, "I can't believe the transformation that's going on in the community," when she saw a new Shoppers Drug Mart store being built—it's an expansion, to provide more service—and a brand new Pizza Hut being built just across the street from the Shoppers Drug Mart store.

When I think of small businesses and success—just yesterday I received an invite to cut the ribbon on November 24 at 10 a.m. for Blues Bakery in Morrisburg, one of our little rural communities in Dundas county.

I look at Ross Video. You want to talk about success? Ross Video in Iroquois, Ontario, were the recipients of some help through the eastern Ontario development fund, but they have gone a number of steps further in that business, to showcase themselves on the world stage. They're a soundboard and electronics firm. Their technology is spreading all over this world. This is really what my question is all about. It reflects on high-performing businesses, and businesses that, because of employment increases, can consider themselves as high-performing.

I believe the information is right here, that the latest available data from Stats Canada indicate that 5% of firms in Ontario are high-performing, and that's based on employment. If you take that 5% and look at all the businesses, that translates into about 13,000 firms and businesses here in Ontario that would be classified as high-performing. I can say that Ross Video would be one.

Seaway Yarns in Cornwall is another company that has received support and help from our government. But

once again, they tapped into the niche markets and they're doing all kinds of things, even to dental floss. I didn't even realize that they were making dental floss until I toured the company. I knew that they were doing a lot of other things, but it was beyond my belief that upstairs in the building, they were preparing and coating dental floss.

These businesses—take, for example, Ross Video—will become the next RIM. We know that Research in Motion has made a name for themselves with the BlackBerrys that we all carry and whatnot, but these companies are going to be providing us and our province with those high-paying jobs.

I can say that this little company—actually, it's not little anymore; it's getting on the world stage and expanding—is a job force. They're good, stable, high-paying jobs. That's what we're doing as a province—working very hard to create those jobs—and I commend your ministry for the efforts that you're making in that.

But I would really like to ask you, Minister, how these high-performing businesses and firms, and those that wish to get there on that stage, are succeeding and performing as they move into that success. That's my question.

Hon. Sandra Pupatello: Well, I appreciate hearing it. There are so many good stories in Ontario. There are so many great companies that are international in scope, and I would love the opportunity to just start rhyming off examples of excellence that we have in our backyard. Maybe it's because we're so Canadian that we don't brag about it, but frankly, we need to start telling our stories.

We hear about where they're making dental floss, and you hardly could believe that you've got them making it right in your own backyard, and they're probably exporting it to the world, simply because there are only 13.5 million people in Ontario. We make such great stuff and we make so much stuff that we have to export. We've got to get at those markets all over the place.

This summer, our ministry moved from what was domestic industry in its own ministry, as economic development—international trade and investment was yet another ministry, and small business. When we brought these three together, the beauty is that the simplicity within our ministry to be able to respond to different sized businesses, and offer more service to our businesses because we are integrated, is going to be a great story for those same high-performing companies that you're speaking about.

For example, when we have companies—I've got one in my backyard; actually, it's in Bruce Crozier's riding in Leamington. They make clips for tomato plants. They're from the greenhouse industry. This gadget that—they bought this great machine. This machine—

Mr. Bob Delaney: I have those. They're great.

Hon. Sandra Pupatello: They are. They're called—

Mr. Bob Delaney: We use them in our garden.

Hon. Sandra Pupatello: —KlipKit.

Mr. Bob Delaney: They're great.

Hon. Sandra Pupatello: They're made in Essex county. You see that? And they're totally biodegradable—I don't know if you knew that as well—so they're a sustainable product, it's great for the environment, and they make them there.

Right now, they use them in Essex county, but they don't sell them in any of our chains. They sell them in South America. The way they got into South America was the migrant workers who come in to work for the greenhouse industry, who were so used to using these things, would go home after the season and talk about them. Consequently, everybody who's growing tomatoes in South America is now using these KlipKits made by Ester Mastronardi in Essex county. It's a great story. What else should she be doing?

So when we start talking to her, we say, "Look, where else around the world are there greenhouse industries? Where else do you have massive, rural agriculture products that could use this kind of thing? Then start looking at our map. Come to our website, ontario.ca/economy"—Deputy, is that the right address?—"and come in and look."

We've got 10 offices around the world. We're in markets like Europe. We've got an office in Munich, in London and in Paris. Paris is the last office that we've opened there. We're in emerging economies as well, like Shanghai, Beijing, New Delhi. We now have staff in Mumbai. We're in America. We're in LA and in New York. And we're also in Mexico City. Our exports to Mexico City over the last three years alone have grown by 250%, and that's a tremendous statistic. So we are very active on the world stage, but we could do more.

We've got to help our small businesses get out there and export to places they never dreamed of. Number one, it's easier than it ever was. We're there to help take a lot of time and cost out of discovering where your market is, making you access easily the kind of network—business association, potential partner, potential customer—in these markets that you perhaps have never travelled to. That's the kind of thing that we want to offer to our companies who really are those high performers and who are saying, "I can get out there." We want to help you do that.

We have 26 offices—

Mr. Keith West: Twenty six advisers.

Hon. Sandra Pupatello: Twenty six advisers in 12 larger offices from our small business department, but 56 offices—

Mr. Keith West: It's 26 six enterprise centres.

Hon. Sandra Pupatello: Twenty six enterprise centres—that's right—where we mix it up with the local municipality and offer great services to those business people.

So there's one in your backyard where we have staff, who know the businesses in that community, know the kinds of services that they can provide, to say, "What else can we do so you can grow your business?"

Most people in economic development will tell you that new investment is terrific and we need to look for it,

but retaining and growing the business we have is equally as important. And finding new markets for our products is a great way to increase sales—therefore you increase business and have to hire more people. It's just an all-around great Ontario story.

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Mr. Jim Brownell: I just hope that Ross Video is in that statistic that you mentioned about Mexico City, because the day that we were there to announce some funding through the eastern Ontario development fund, they were just packing all the sound boards for a stadium down in Mexico City.

Hon. Sandra Pupatello: That's great. Well, they're probably in our data as well, and in fact, next week we're going to be leading another business mission to Mexico. We're going to three cities in four days or something. That one is targeted to the tool, die and mould sector. Of course, as you know, Ontario is the king in tool, die and mould. We're taking that around the world, to those markets where there is a growing automotive sector, and Mexico is certainly one of them.

If any of those businesses in your neck of the woods haven't contacted our small business advisors, they really should, because there will always be something more. We tell them, "Go to the website. You'll save money or you'll save time, guaranteed." So we appreciate that.

Mr. Jim Brownell: Very good. Thank you.

The Chair (Mr. Garfield Dunlop): Mr. Craitor?

Mr. Kim Craitor: Minister, I spent 10 years, prior to being a provincial member of Parliament, as a member of city council in Niagara Falls, and I was fortunate enough to be on the chamber of commerce for 10 years. I was probably the longest-serving city councillor on that chamber. One of the things that I learned in those 10 years is that the heart and soul of every community are small and medium-sized businesses. I still, as an MPP, make a point when I'm back in the riding to pop by—to either sometimes phone and make an appointment or just drop by—and see some of the business people, just to see how they're doing and how things are moving along.

So my question is pretty straightforward: Given the current global economic challenges, what is the Ministry of Economic Development and Trade doing to help many of the small and medium-sized enterprises or businesses?

Hon. Sandra Pupatello: For businesses generically or in any particular sector in general—

Mr. Kim Craitor: Yes, just some of the programs that we have in place to help them.

Hon. Sandra Pupatello: Okay. Well, we have a number. In fact, most of our programming across the entire ministry is geared toward small and medium-sized businesses. There have been limited numbers of programs where large businesses or multinationals have participated.

One that's been very successful is the advanced manufacturing investment strategy. That is a loan program that has been focused, obviously, on manufacturing, and manufacturing of an innovative nature—when they're

bringing new technologies to Ontario, that sort of thing. We've had really good take-up and great examples.

Someone mentioned Karma Candy earlier this morning at committee, and it's a great Ontario story of a contract candy manufacturer. He makes candy and chocolate, and he's in Hamilton. Depending on what he's making that day, it will affect the kinds of smells that emanate from the factory, right into the whole neighbourhood, so they know when they're making a peanut butter kind of candy because you can smell it. It must be a great neighbourhood to live in.

They're doing a great business. They have contracts with major retailers in Canada and the US, all from that one spot in an old industrial part of Hamilton, which, in my view, is just reviving because of what Karma Candy is bringing to that neighbourhood. That's a great story, and we were able to help them take it to that next level where they were hiring more people. In this day and age, where you have investors, business people who are prepared to put money on the table—when we're in for 30%, that means others are in for 70%. I think that's significant.

We had a couple of programs this year that we were particularly trying to outreach to our small businesses that are in manufacturing through the Canadian Manufacturers' Association and the Yves Landry Foundation. They're specifically geared at increasing levels of productivity. The beauty of this story is that \$50 million—\$25 million each to those two organizations—went to tens of companies in a grant form to cover 50% of the cost of the projects that they developed. And it was not just our \$50 million that we spent, but in this year, in these past 12 months, which have probably been the hardest of their careers, we found all of those companies prepared to spend \$50 million as well because it was a grant that they had to match. So they did, because they believe in their businesses.

We also knew, working with these organizations, that that money was geared towards increasing levels of productivity. They were going to make more with less, go further with what they were doing. In fact, those are some great success stories.

In my own backyard—it's right on the boundary line, practically—is Dainty Foods. Dainty Foods has had an increase of about 10% in their work out of that facility over the course of the last two years. Unthinkable, one might say, given the cost of the dollar now against our US counterpart and with all that's happening, and yet they're increasing their businesses. They received one of these grants to bring more productivity to that plant facility so that they could do even more. That's a great story. Even this year, when things have been the toughest ever, we're seeing that kind of thing.

We have a bakery on Erie Street in Little Italy around my old neighbourhood where I grew up that's, again, bringing in the kind of manufacturing equipment to up their level of productivity, to help their freezer space so that they can make more and keep more to sell more. It's a great story, and we were able to help this small business

that has probably been in business for over 30 or 40 years. I remember going there as a kid, and when you understand just how far-flung those buns and loaves are, that's a great Ontario story. So we have a number of those kinds of facilities.

Even if it's not a program that's about money, what I find the best part about the small business division is the service that the staff people in those local communities give, because they're the ones who meet businesses all the time. They have great ideas and they make great contacts for people who call them. They ask, "How can I improve my business?" and our folks have the kind of expertise to say, "Let's look at your energy bill. Is there a way that we can bring an expert in here to run an energy audit? Let's see how we can do that. Let's see if there's a program to help pay for that audit. Once that audit's done, let's see what programs we've got to help you with the cost of making those adjustments on the plant floor."

We were at the Ontario Chamber of Commerce just the other day when they held their economic summit in Niagara. They brought a company in from a sector that is a very high energy user, but that, just by going through this process of an audit and looking at their energy costs, reduced its energy cost by 65%. That's a fabulous story. This guy did it with no government help; he took all of his own initiative. But for people who want a little bit of guidance, our guys are just a phone call away. It's great to know that you've got people who can instantly connect you with who you need to speak to about whatever the issues of the day are for your business. That's what I think the best story is about the small business division in this ministry.

Mr. Kim Craitor: Thank you, Minister.

Mr. Phil McNeely: How much time, Chair?

The Chair (Mr. Garfield Dunlop): You've got about four minutes left, Mr. McNeely.

Mr. Phil McNeely: I think it's mine.

Minister, you were in Ottawa on October 2 of this year at the round table for Ottawa's technological sector, and you brought in the leaders of innovation in our community. I thought we had a great two or three hours that morning.

I guess you don't only go to Ottawa; I think in a few weeks you'll be visiting India. I saw the Prime Minister on TV last night; he's in India. He was in India yesterday and he's certainly finally taking steps to promote Canada in India. I think that may be his first trip, but I may be wrong.

We all know that the future of high growth is in the Asian markets, in India and China, and that there's a challenge—probably a challenge that our small businesses are up to in Ontario—to tap into those markets. And we certainly have a lot of new Canadians and not-so-new Canadians who come from both of those countries and will be very helpful to us in that regard.

It's not easy for a small company. I was listening to you talking to somebody who said that they were in business for 15 years. Well, I was in business for 35 years, and I thought you were making good sense earlier, so I just wanted to put that in as well.

In this environment, how is the government helping business succeed in our global markets?

Hon. Sandra Pupatello: Thanks for that. I think that's such a great question from somebody who has business experience, so you recognize how difficult it is. I thought the biggest difficulty was deciding to run for political office, but it may be matched only by the difficulty of making that decision to become your own business, to actually move into entrepreneurship and take that leap and take that risk. It may at least equal that leap into politics and putting it all on the line.

In any event, because you're in business, you recognize that it is tough to break into new markets. It doesn't happen overnight, and depending on where you want to go with your product, you need to start building relationships. New technologies are terrific, but nothing will replace a one-on-one relationship, when you can look them in the eye and figure out whether you like that person and want to do business with them, because in the end, it always comes down to that, right?

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We want to make that easier for people. We want them to discover that they are going to a market where their product has a chance. Our folks actually know that: "Don't bother with this market; they're not ready for you." Let's say you've got a machine that increases the productivity of your workforce by 10 times. What a fabulous machine. That's probably not a good product for India or China or Taiwan or Vietnam or places where labour costs are not really an issue in that environment. You're going to be focused on Europe and on other Western economies where typically the wage rates are higher and they are all looking for increased levels of productivity or decreasing their labour costs. That's going to be your market. So forget emerging economies; this is your focus.

Well, you know what? If someone helped you get to that point quickly, you'd save an awful lot of time in not looking at a lot of places that, frankly, are not going to be interested in your product. So depending on what your product is, our folks know where to guide you, where you should be going.

We were in Ottawa with your crowd the other day, a terrific IT cluster there. We know that there are business people in three significant clusters in the IT area, both in Kitchener-Waterloo and the Ottawa area and certainly in the greater Toronto area. There are other clusters in other parts of the world that our folks can easily do business with. Where are they? Well, we know Los Angeles, New York—we know where those big pods are; we have offices in those places. So who should you be talking to there? We can get our folks to zero in on exactly the kind of business people you should be meeting with. Save yourself some time. "Here are the associations. Here's when they meet." If you're going to take the time to fly to LA, you want to go exactly the days that those groups are meeting so you're going to interact with the people that you want to, saving you time and money. That kind of consultation is invaluable. Better yet, it's free for those businesses—

The Chair (Mr. Garfield Dunlop): Speaking of time, you've come to the end of your 20 minutes a few seconds ago, so we'll—

Hon. Sandra Pupatello: But can I just give a little more info in case people are watching—just one more comment?

The Chair (Mr. Garfield Dunlop): No, you can't. Over to Mr. Shurman now. Maybe later on.

Hon. Sandra Pupatello: I'll get it in on his answer.

Mr. Peter Shurman: I'm sure you will.

The Chair (Mr. Garfield Dunlop): You're pretty good at this.

Mr. Peter Shurman: I've got to tell you, I've got my last 20-minute round here and I'm disappointed. I'm disappointed because I think you believe in small business, and there's no question that you believe in Ontario, just as we all do around the table, but I don't think you know an awful lot about the mindset of small business entrepreneurs, of which several have identified themselves here.

With particular reference to questions that I was posing, and then later my colleague from Kenora-Rainy River, you said, "Businesses have to learn how to deal with all of this." You were talking at the time about the response to the CFIB survey. I think you underestimate how small business people think, how they assimilate information, and why they responded to the survey in the way that they did. They're smart people; they're just like big business people. In fact, if I look at my own experience, I was a big business person who decided to go into small business, as many people do, and I think more and more these days, with what's going on in big business here in Ontario. So I'm concerned about that.

I'm concerned that you cite, when you take the party line on the HST, the experiences of other provinces and other finance ministers who wish that they had implemented it etc. I want to know this: When you sat in the closed confines of the cabinet room, Minister, and you discussed the fact, at some point, that the government was considering a harmonized sales tax, did you ever once take the part of small business people, from their perspective, and argue with your colleagues about what the downside might have been?

Hon. Sandra Pupatello: Well, you know that we couldn't divulge what goes on at cabinet. For sure, I will tell you that as a minister in an economic portfolio for these last three years, it has been a wild ride. Our dollar started rising in 2000. This did not happen to Ontario overnight, and in particular—this is important—in southern Ontario, where the greatest cluster of manufacturing is, we have felt what the impact of a rising dollar has been for a long time. All of a sudden there's a financial crisis around the world, and all of a sudden the rest of the country wakes up to what we in southern Ontario especially have been dealing with for some time. And I'll throw into that mix our forestry sector as well, which exports all over, with a major impact regarding the dollar. So we've been feeling this stress in our businesses for a long time.

You have got to understand that when I am presented with an opportunity where we as a government, in one fell swoop, with significant tax policy changes, can dramatically impact the competitive level of our businesses by decreasing their input costs by 8%, that is valuable to me. In addition, when we know that our marketplace matters, so how our consumers are feeling matters, and they realize that they get a permanent, ongoing, forevermore—unless another government perhaps takes over—tax decrease—

Mr. Peter Shurman: That's the plan.

Hon. Sandra Pupatello: —an income tax decrease in terms of what they will be paying personally, which means more money in their pockets—

Mr. Peter Shurman: That's great in theory, Minister, but you're not—

Hon. Sandra Pupatello: —that whole package is important. It isn't just about the single sales tax, and that's a point that's important, because for businesses it's about what it costs to do business, but it's also about their customer and it's about our economy and it's about how people feel, that even when their job situation hasn't changed, if they feel like there's a problem going on, they won't spend like they ordinarily spend. You and I both know that that's important—

Mr. Peter Shurman: The customer, Minister—come on. Let's get real here for a second.

Hon. Sandra Pupatello: I'm getting real. I've been living this life for three years now.

Mr. Peter Shurman: Mr. Hampton asked you a question about a travel agent situation where somebody could go to Manitoba and buy their ticket instead of buying it here in Ontario. I could go on the Web, arguably, and go to Aruba by buying a ticket from a travel agent in New York and avoid the tax altogether; it comes in a nice envelope. Do you seriously think that you're helping the travel industry here in Ontario by doing this?

That's the point I was trying to make before about service businesses. It's all fine and dandy for you to talk about input tax credits. If there are no or precious few input tax credits, what the hell difference does it make? These people are going to go out of business.

Hon. Sandra Pupatello: The point is that this is not the first province that's done this. There is a major tourism industry in Atlantic Canada and a huge tourism industry in Quebec, and we both know that. The fact of the matter is, they have been at it for years—

Mr. Peter Shurman: We also both know that in Nova Scotia they dropped the tax 3.5% provincially before they introduced—

Hon. Sandra Pupatello: They have been at it for years, and the reality is they have not seen that the sky is falling; they have not seen—

The Chair (Mr. Garfield Dunlop): Okay. Finish up, Minister, and then we'll go back over to Mr. Shurman.

Hon. Sandra Pupatello: Well, I do need to finish my statement, in fairness, Chair. We're not the first ones in. We are not breaking new ground on wild tax policy.

We'll be the sixth out of 10 to be doing this, and when you recognize the bulk of our economy and where it comes from—the telecom industry has been begging to eliminate the PST for years. That matters to the GTA. In your backyard, with the number of people in Thornhill who work for the big, giant telecom industry where Ontario does so well, that industry will flourish because of this tax policy. That's important.

I recognize that not all businesses will have the same effect, because it depends on what their business is. Realistically, we need to have the time to get this information to people, to say, "Here's how it's going to work. Here are the transition costs that we're helping you with. Here are the income tax cuts that you're receiving as well." These businesses that Mr. Hampton referenced, and so did you, are the same ones that are getting a small business income tax decrease. We're removing the small business threshold on at what levels they're paying tax. These are significant. These are the things that neither of the last two governments chose to do but we're in fact doing, all as part of a significant tax reform package to benefit small business in Ontario.

Mr. Peter Shurman: What you illustrate, Minister, is that there is a point at which the lines cross, and you haven't enunciated a plan of the type that you describe now so that anybody, at the individual or the collective level, can grasp the plan and even begin to buy into what you're talking about. The bottom line here is that you reference people in Thornhill who work for big corporations. I can show you a lot of people in Thornhill—

Hon. Sandra Pupatello: Or small. Not just big.

Mr. Peter Shurman: Okay, let's talk about a small one.

Hon. Sandra Pupatello: I said the big cluster from big industry.

Mr. Peter Shurman: That's fine, Minister. Let me talk about a small business person in Thornhill; there are many. I'm thinking of a particular guy who's a roofer. He goes out and he says, "Ms. Pupatello, I'd be happy to change your roof for \$6,000, and if you don't pay me with Visa I'll do it for \$5,000 cash." You don't think, seriously, that that underground economy is going to grow as a result of this? I can guarantee you it will.

Hon. Sandra Pupatello: Again, we are the sixth province to get at this. There are 120 countries in the world that do this. We're not breaking new ground here. We're trying to come into the modern age.

Mr. Peter Shurman: You're doing it at the wrong time, Minister.

Hon. Sandra Pupatello: That same roofer that you just mentioned has a massive cost input to deliver a new roof when he goes about his business, right? Obviously, he does. He will not be paying the provincial tax on everything he brings in in order to deliver that service.

Mr. Peter Shurman: I understand that.

Hon. Sandra Pupatello: In my view, we looked to how it was implemented in other provinces. We did not see the price increases that most of the opposition members are suggesting will happen; they did not hap-

pen. Human nature being what it is, Canadians being who we are, I'm supposing that we're probably going to see the same level of impact as we saw in other provinces, and I think that's really important. But in addition, in Ontario those individuals are getting tax breaks, permanent and ongoing income tax reductions in the amount that they will be paying in income tax. Those small businesses are getting reductions in the taxes that they pay also, in addition to transitional support costs that we are offering to them totalling over \$400 million.

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Mr. Peter Shurman: You continually reference other provinces, and I grant you that other provinces did get into this in the 1990s. We haven't seen any change at any provincial level since I think about 1997.

Having said that, those were different times; things were buoyant. But more importantly, Minister, if you take a look at what happened when other provinces implemented a harmonized tax—and I reference particularly Nova Scotia; I could be wrong but maybe only by a couple of points—Nova Scotia dropped its provincial sales tax component by about 3.5%, concurrent to harmonizing the tax. That being the case, they created a revenue-neutral situation which was truly revenue-neutral, versus what you contend is revenue-neutral by dint of the income tax changes you're introducing, which is patently not so. So don't tell me that in 2009 we're in the same position as when those provinces harmonized in the late 1990s.

Hon. Sandra Pupatello: But to be fair, it's in fact the finance minister of the federal government, Jim Flaherty, who has offered up billions of dollars to the Ontario government and who suggested that we need to do this—and your colleague Stephen Harper. They are offering billions to Ontario because otherwise we as a government would lose that revenue. So just to help us manage, that federal government is bringing those billions into the Ontario government because we otherwise would be losing that revenue.

Just to make the point, not only would it not have been revenue-neutral, the Ontario government would be out billions of dollars, and it's the federal Conservative government that is partnering with us in this endeavour, colleagues—I sat right across the aisle from Jim Flaherty. He was your buddy.

The Chair (Mr. Garfield Dunlop): I think he remembers you.

Hon. Sandra Pupatello: He may well remember me. I don't know. The point is that he wants us to do this. He comes from the greater Toronto region. He understands. There is a tremendous caucus up there, apparently, all from Ontario, in cabinet who are paying Ontario billions of dollars—John Baird, who was in the House with me here before he went to the federal government; Tony Clement, who at that point was representing Brampton, greater Toronto—who clearly recognize the benefit of a single sales tax. These colleagues of yours, Peter, were probably at—

Mr. Peter Shurman: They're not my colleagues.

Hon. Sandra Pupatello: They were probably at your nomination meeting; They were certainly at Garfield Dunlop's. Garfield, our Chair, sat with these same people, who said, "Here, Ontario; here's billions of dollars. You need to do this. It's good for you." And we said, "Realistically, we need to hear from the experts."

Mr. Peter Shurman: I'll bet they begged Premier McGuinty to take it.

Hon. Sandra Pupatello: The point is that certainly Quebec wasn't pleased because they didn't receive the same levels of support, because they did do it much, much earlier on. The reality is that the economy did change since the 1990s, when those provinces did bring in the single sales tax.

If the world is different, it would cost Ontario tremendously, and the federal government stepped up to the plate to partner with us in this initiative, these same Conservative colleagues who sat with us in this House, who said, "This is good. This is what happened in other provinces. We have the data for you." Moreover, economists have done studies that are suggesting there are 591,000 net new jobs within 10 years; increased capital investment of \$47 billion; increased annual incomes of up to 8.8%, or \$29.4 billion—those are Ontario figures now—because there are permanent income tax cuts so people keep more of their money. They have more money to spend.

That's why the poverty activists in Ontario are suggesting we need this. It's not just economists from the big banks on Bay Street. It's those representing people who really need help here. And it's small businesses. The Ontario Chamber of Commerce: I'm not certain, as I attend many, many of these chamber events—the lion's share of the makeup of the membership is small business people. It's the chamber who for years, certainly the three that I've been in the economic portfolio, have asked for this very initiative to be tabled in our budgets.

Mr. Peter Shurman: Okay, we're going to agree to disagree right there. But I will say, Sandra, that the next time you have to look at a job change, you should consider sales. Let's move into the regulatory burden—

Hon. Sandra Pupatello: Just for the record, you and I are both in sales.

Mr. Peter Shurman: Not long ago—

The Chair (Mr. Garfield Dunlop): Next question, Mr. Shurman.

Mr. Peter Shurman: Not long ago I attended a small business networking event here in the GTA, and I met with entrepreneurs who have literally risked everything on the success of their enterprises. I mentioned this morning that I had met with these owners, and they all said absolutely the same thing: If the government would get out of their way, things would improve. I certainly believe that that fits in with my experience, and I suspect that my colleague across the way would say, to some extent, the same thing regardless of who the government of the day was.

We can't really talk about small businesses succeeding in Ontario until we eliminate a very extensive regulatory

burden that your government has put on business. I'd like very particularly to deal for a few moments with and have you discuss the impact of Bill 119. Was the small business ministry, which has been in your purview for the last number of months, ever consulted on the impact of Bill 119?

Hon. Sandra Pupatello: What's Bill 119?

Mr. Peter Shurman: Bill 119 is WSIB.

Hon. Sandra Pupatello: Oh, sorry. The Small Business Agency of Ontario, I believe, was actually created under a Conservative government for the express purpose of its appointees coming from the small business sector who on a regular basis receive government-wide initiatives where they take that, digest that and then give feedback.

The specific agenda: As I wasn't the minister at the time, I'm not sure of the agenda of the committee but I'll certainly endeavour to find out what they would have participated in. I suspect they would have. They have been seriously involved in the whole issue of paper burden etc. as a general topic for this committee for some time, have been especially engaged in our initiative called Open for Business, which is government-wide. So I suspect that they would have had it, but I don't know and I will try to find it for you.

Mr. Peter Shurman: I'd like to know that because this plays to the same line of questioning that I was in 20 minutes ago, which is this intra-ministerial discussion. Maybe it's at the cabinet table, maybe it's ministry to ministry, but the bottom line here is that you can never separate. Just because a bill is tabled by one ministry, that doesn't mean it doesn't impact on another. Obviously, in most cases it does.

So I'm interested in whatever input might have been provided by this ministry, under you or your predecessor, to the Minister of Labour in crafting that bill, because the stakeholder response on that particular bill was huge, very particularly at the small business level.

Hon. Sandra Pupatello: Point taken, and I'll certainly try to find that for you.

Mr. Peter Shurman: Fair enough. Let me go on.

The CFIB—and I realize you're going to get back to me with information, but I want reaction—estimated that the average tax hike on small and medium-sized businesses caused by that bill, just that bill, would be over \$11,000 annually. Has the small business ministry done an impact study or any kind of study—and you have your officials with you—on Bill 119 and its effects on the small business sector?

Hon. Sandra Pupatello: The Ministry of Economic Development and Trade is regularly called upon to comment on anything that affects small business.

Do we have information regarding this bill in particular?

Mr. Keith West: In answer to his question, we didn't do a study on it.

Hon. Sandra Pupatello: Okay. No, there wouldn't have been a study done by our ministry, but there may well have been under the Ministry of Labour, but I'll find

out for you. If there is one, I'll see whether or not it's public. It may well be posted on their website as well.

Mr. Peter Shurman: All right, then, I'll look for that answer. But let me take it one step further: Have you and/or officials in the ministry received input from individual small business people on the impact they have sustained as a result of the implementation of that legislation?

Hon. Sandra Pupatello: No. Actually, when I think back to three years in this ministry, I don't believe that I as an economic development minister have received any correspondence as it relates to the WSIB either. I can appreciate the CFIB's position on this. It is an insurance program undergoing tremendous change over the course of the last—well, since 1995 it underwent tremendous changes, but likely because it's fairly well known that it's a division of the Ministry of Labour, that commentary would have been directed to that ministry.

Mr. Peter Shurman: I recognize that the Minister of Labour introduced the legislation, and I think that you're illustrating my point for me. I'm not looking to put something on the table and create a fuss over it as much as to illuminate what's going on here, because the right arm has to know what the left arm is doing.

If you're representing small business and small business is severely impacted, and it is severely impacted—certainly my stakeholders and constituents alike feed this back to me and did during the debate on that bill—I want to know what it is, if anything, the ministry of small business had to say about this bill during the planning phase, during the debate phase, during the implementation phase, because I can tell you that the feedback is still significant to me.

Hon. Sandra Pupatello: Point taken. Because it did occur before I was minister, I'll see what I can find for you.

Mr. Peter Shurman: Okay. Would you know at this point whether there were even any consultations?

Hon. Sandra Pupatello: There may well have been. Our ministry makes regular commentary on anything that impacts business. Typically, as items move forward, if we're not being consulted and we're aware of it, then we insert ourselves into that process as well.

1730

The Chair (Mr. Garfield Dunlop): A few minutes left.

Mr. Peter Shurman: Okay. This goes to the entire point of regulatory burden. I might note for the record that I am concerned with the answers that will be forthcoming for this. I'll look forward to them. It goes as well for the minister's statements pertaining to HST and the fact that somehow or other she believes there will be a lesser regulatory burden on that. I don't buy that for a minute.

The young entrepreneurs program, very quickly: You claim that over 40% of small businesses started in Ontario each year are by young people between the ages of 25 and 34 and 16% by young people under the age of 25.

Have you done a study of the economic impact to those small businesses?

Hon. Sandra Pupatello: I think there have been sufficient studies on impacts of small business generally that many groups do, but in particular, are you speaking of any one youth program?

Mr. Peter Shurman: No, not one; I'm looking at very particular age groups, because what we're both looking at is the future of Ontario, and the future is in the hands of younger people—25 to 34, I singled that out as one group; and then under 25. Both of these segments are contributing to the creation of small business in Ontario and I want to know if your ministry knows what the results look like.

Hon. Sandra Pupatello: But we have had such great results from our youth programs for entrepreneurship across this ministry. I can ask my staff to follow with some data, in fact. I was mentioning in an answer to a question earlier about 2,500 small businesses being started just through the summer program. The beauty of that is over 800 businesses continue today, when that program was started in 2001.

Mr. Peter Shurman: Do you know how many jobs were created in each of those age groups?

Hon. Sandra Pupatello: I'll ask my staff to cover that detail, but in the main, all of our youth entrepreneur programs have been wildly successful, totally taken up, and usually it's a problem of plenty, where there are more than we might have money for funding those programs.

The Chair (Mr. Garfield Dunlop): That actually concludes the time of questioning for Mr. Shurman and the official opposition. I will go to the third party. You have 20 minutes, Mr. Hampton.

Mr. Howard Hampton: I want to continue where I left off. I want to ask questions on behalf of all those small businesses that operate hardware stores and sell building materials. One of the realities they face is that somebody can easily cross the border into Minnesota and purchase their building materials or cross the border into Manitoba and purchase their building materials. As I understand it, the way the tax system works now, those things enter the country tax-free. But many of those materials, if they were to purchase them at a hardware store in Ontario, would be hit now with the GST, PST and, as of next July, the HST.

Can you tell me, does your ministry have any strategy to help those small business operators deal with what is already a very uneven situation and, they say, will become an even more uneven situation?

Hon. Sandra Pupatello: Again, most border communities have been suffering some tremendous losses because of the dollar value. I certainly face that in my own community of Windsor. We can feel change with a one-, two- and three-cent difference as it moves up. Today I think it's at 74.9 cents or something versus the American dollar. All of these kinds of incremental changes have an impact on the number of people who come over from Detroit, in our case, across the border in

northwestern Ontario; same thing if it's on the American side.

We recognize that these changes are things that our businesses have been dealing with for some time. In the north, our business services through this department of the ministry are served through northern development and mines—

Mr. Keith West: And forests, yes?

Hon. Sandra Pupatello: Yes. So they actually help to deliver the same services that we have available in the balance of Ontario through these business centres, whether they're our business centres as regional offices or the ones that we share with the municipalities, where we reach out at a very grassroots level to offer all kinds of levels of support: help with finding opportunities for greater levels of competitiveness—what do we have on offer? How do we help with energy costs, energy efficiency? What credits are out there? Are people doing R&D? Can we help them attach to that? Are they taking in co-op students? Do we have tax credits for that? Can we help with some training adjustments? Our apprenticeship tax credit has been increased. Are you aware of this? Are you taking up on this? So everything we can do to help them be more competitive is in fact what our business offices are doing on the ground, including in northern Ontario through the Ministry of Northern Development, Mines and Forestry.

Mr. Howard Hampton: Maybe you didn't understand my question. One problem that local businesses see is the person who lives in Minnesota, in North Dakota, South Dakota, Wisconsin. They purchase some land on a lake. They're going to build a cottage. They look at the price differentials and, as it stands now, they buy their materials in the United States and bring them across the border because they pay less in taxes—less. It costs them less. If you tack another 8% on to the cost of doing business for the hardware store operator in Ontario, you're not going to help them; it's going to put them even deeper in the hole.

The other part of the problem is that people now routinely go to Manitoba to purchase their building products and bring them back to northwestern Ontario because they feel they can get a better deal in Manitoba, and if you tack on another 8% in Ontario, they feel it's going to put them in an even deeper hole.

Do you have an answer for them?

Hon. Sandra Pupatello: Well, we're striving in this department of economic development and trade to help our businesses be competitive—that's competitive today. So I worry that there are businesses in northwestern Ontario who don't feel that they are competitive enough and in fact that their customers may be fleeing now, in the absence of any additional tax reform, that they're leaving now to go to other places to make purchases when those purchases could be available in their own backyard.

We've got a number of opportunities where we do outreach to our businesses to help them be more competitive. We offer those services today. What I will do is find out exactly the closest to your neck of the woods,

whether that's right in Kenora or wherever, to see exactly what outreach has been done, because clearly this is an issue that exists today in the absence of any additional tax reform that is coming. So that does concern me.

I have to say that, against our American counterparts, the rising dollar greatly affects Ontario, especially border communities. We felt it in the area of tourism. We don't have our head in the sand at all. We've watched this for some time, and we know that it's difficult. That, frankly, is why it compels us to be more and more competitive.

If the significant reason behind tax reform is to assist our businesses to be more competitive, then we want our businesses to know how that's going to happen, what it is about their business where they will actually have reductions in their costs of doing business, so they can offer their services at more competitive prices.

This has been the experience in the other five provinces that went down this road, and I believe that is what the experience of Ontario businesses will be as well.

Mr. Howard Hampton: Again, these businesses don't see their costs going down; they see their costs being forced up. They are looking for some answers. How do they compete when their costs rise significantly as a result of these tax changes and the stores and the operators and the resorts that they compete against will not have their costs pushed up by 8%? They're simply asking for an answer.

But let me move on to something else that has been raised. As you would expect in a part of the world that has the greatest number of freshwater lakes in all of North America, easily accessible freshwater lakes, there are literally tens of thousands of cabins and cottages—Lake of the Woods, Rainy Lake, Red Lake, Lac Seul. It's not unusual to see people fly up from California to spend three weeks at—I would not call them cabins or cottages; I might call them mansions. They really are quite something. And many of these people have all kinds of renovation work done.

1740

As somebody said to me, as it stands now, there's a significant underground economy in doing the renovation work. I've had contractors say to me that, with the additional 8% added on, they're going to see more underground work. In other words, the contractor who's honest and pays the taxes and observes the tax laws of the province is going to be at an even greater disadvantage because somebody else is prepared to offer to do the work under the table with no taxes. They are very worried. I mean, this is their work; this is how they survive. In the course of the spring, summer and fall, they might do renovations on 30 or 40 cottages or cabins, or mansions in some cases. They are saying, "Look, I have no idea how I'm going to survive, because there's already a great deal of pressure to go underground, to offer to do it for cash and pay no taxes, and the pressure is going to be even greater."

What's your response to those folks?

Hon. Sandra Pupatello: Well, I have to tell you that you and I should both be concerned about an under-

ground economy today, never mind the addition of tax policy that's coming down the road. So I don't buy the argument that we are concerned because there will be more illegal activity. We're concerned today because there's currently illegal activity. Illegal activity is never acceptable here and we've got to take strides, however we do that, to stop that, because you want everyone playing from the same level playing field. The fact that there may be more—I don't buy that argument.

Again, we have to look at what other provinces experienced when they went down this road, and that was not the case. In fact, what we saw was price decreases, increased levels of competition, increased levels of productivity, new jobs being created. From all of those economists who are experts in this field who have done a significant study on what the economic impact will be for us, looking at over the course of 10 years, it's almost 600,000 jobs being created as a result of this tax policy.

The best part about this tax policy is, in fact, that it's not just about the tax you pay; it's about the tax that you don't pay. A big part of this, as a wholesome policy, is reducing—that 93% of all those who pay income taxes will have a tax cut, and in this first year, \$1,000 of transitional assistance payable over three instalments to help people get over this kind of tax policy shift. And that's important, that it is a whole package. We just can't pick off parts of it without looking at the whole package that is being presented here.

If the intent is that it's to be more competitive, and we see that that's in fact what has happened in other jurisdictions, coupled with the fact that we've never seen such a dire economy around the world and that Ontario is now facing a world that's become more competitive and much closer to home for us, then it's exactly what we need. It does take a government with true leadership to jump ahead and do it, to have a modern tax system available so we save almost half a billion dollars in administrative burden to businesses alone. These same businesses will find less administration, therefore less time required, therefore saving money, therefore putting that time to good use, towards the actual operation of the business, as opposed to the administration of the business. And those are all pieces of information that every MPP should be compelled to share with small businesses in their regions.

I hope that all the members of this committee in particular, having heard for the fifth, sixth or seventh time the well-rounded package around tax reform, will take this message to all of the businesses around Ontario.

The Chair (Mr. Garfield Dunlop): Mr. Hampton, you have about seven minutes left.

Mr. Howard Hampton: Let me zero in on the problem a bit more. You refer to other provinces. In fact, people in the home renovation business have contacted contractors and contracting associations in Nova Scotia, and this is what they were told: When that province added on the 8% blended sales tax—BST, HST, whatever you want to call it—the people who did home renovation work felt that what happened is that a third of the people

who would have done, ordinarily, home renovations or cottage renovations didn't do them because they didn't have the money. They couldn't afford that marginal cost increase that the 8% represented. A third, in effect, went underground. They paid for their renovations on a cash basis and avoided the tax altogether. A third—and maybe these were the government employees who didn't want to get caught stiffing the government—continued to pay through the usual means; that is, contractors who charged the tax. What it meant was, in effect, for those people who were doing this kind of renovation work, two thirds of their market disappeared. A third of the people just said, "I can't afford to do the renovations even though I'd like to, so I'm not going to do it," a third went underground, and only a third paid the new tax for home renovations.

In a part of the province that I represent, that would be absolutely devastating. If you lose two thirds of the market because a third don't do the work and a third go underground, you put literally hundreds of people out of work. They're simply asking—you're the Minister of Small Business—what's the answer to this?

Hon. Sandra Pupatello: I think we got some benefit, that what was happening, in fact, in the late 1990s or mid-1990s, when the other provinces went this route with the single sales tax, is that the economies generally were flourishing, so things were moving along. That's not the case in Ontario today. In fact, Ontario is starting to see some movement and progress in terms of positive movement within the economy, but the benefit is, especially for this particular sector that you're referencing now, we're in the midst of a huge national campaign for a tax credit for home renovations, so that is having a direct impact on this business. We know that the federal government initiated it for exactly that purpose: to help stimulate this part of the economy because it has so much multiplier effect when they do that.

In addition, just on the construction industry generally, we have never had a number of years where we have had this level of significant economic stimulus. What Ontario has put forward, matched by the federal government, is unprecedented—plans, just in the post-secondary system alone, and unheard of investments. If we look at any one of our communities, if you come to my region, virtually every crane that's up in the air, every single construction project on the ground, traffic jams galore because you've got orange pylons all over the place with all this road construction—all of that is tied to provincial funding. It's an unbelievable story, and thank goodness it's there because we need it right now. I suspect the same is true in this member's riding as well in the north—significant investment in infrastructure exactly when we need it, and that means that construction companies are busy.

We do know that there is a struggle going on in Ontario faced more by Ontarians than any other province: (1) we're the largest; and (2) we have the biggest cluster of industries—the types of industries that are most greatly affected by two things: the rise of the Canadian dollar against the American dollar, and that we sell most of our exports to the US where the American consumer is

not as strong as it used to be. Those two factors are things that the provincial government can't control, as much as we would like to. We wish we could, but we can't.

We know things are tough and that it's not going to be easy, and that's exactly when we need to offer up solutions. We cannot leave the status quo as it is—we can't. We're compelled to do it differently. We're compelled to come forward and say, "This is modern." All of the experts have told us that this will make us more competitive and more productive, and that will be the case in every segment of the environment, not just one business. Not just the telecom industry, not just IT, but all of the businesses will have those savings available to them.

In addition, 93% of taxpayers, who are also the consumers, are getting a tax decrease. So I have to challenge all of the members who want to be in opposition to this: Are you honestly opposed to a decrease in income tax for 93% of all of the people who pay income tax in Ontario?

So it's a total package here. Those business people who work in the home renovation business are looking at their consumers, 93% of whom have a tax decrease, which means more money in their pocket to spend on the new door they want to install or the new windows, and to boot, you get the federal tax credit as well for home renovation. So it's a great time to be doing home renos, and I think I see enough of those commercials that I'm going to go get my big yellow envelope myself and stuff those receipts in there.

The truth is, this is tough, and tough means we can't have the status quo. I have heard no examples from the opposition benches about what we are supposed to do when we are facing an unprecedented challenge in our economy here. I don't hear one idea about how we're supposed to do this. But at a minimum—

Mr. Howard Hampton: Mr. Chair?

Hon. Sandra Pupatello: —we are modernizing and we are coming forward with competitive, productive items for small business.

1750

The Chair (Mr. Garfield Dunlop): You're down to just two minutes left, Mr. Hampton.

Mr. Howard Hampton: Mr. Chair, with respect, I asked a simple question and I'm still trying to find the answer. These are contractors; they simply want to know. They've been in touch with home renovation, with the Home Renovation Contracting Association in Nova Scotia, who told them, "Here's what happened to us. A third of the people stopped doing home renovations. A third simply went to underground operators, which meant that our businesses lost two thirds of their business activity." That's what these contractors are worried about. With all respect, Minister, the federal home renovation tax credit is going to finish very soon; it's just about over now.

Hon. Sandra Pupatello: End of March.

Mr. Howard Hampton: Well, not too many people are going to be renovating and building in January, February and March, I can tell you. It's a little cold. So

that tax credit is going to end and then they're going to be hit with an additional 8% cost on the work that they do, and they're seeking an answer. What do they do in terms of people who say, "Well, you know, if you'll give me the cash basis then I'll renovate, but if you don't give me the cash basis, I'll find somebody who will or I just won't do the renovations"?"

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

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

Hon. Sandra Pupatello: Okay. Is this at the end of our session now?

The Chair (Mr. Garfield Dunlop): For today, yes.

Hon. Sandra Pupatello: I appreciate that this has become a debate about the single sales tax, and what I appreciate is the opportunity that we've had to put the whole package in front of taxpayers, to tell people that this is about competitiveness for small business, about getting out there and being more productive, because we are decreasing the amount of taxes that businesses have

to pay in order to deliver that service or make that product. So we have what is a really once-in-a-lifetime opportunity to have a huge jump in the level of productivity and our companies need this right now. In addition, it is a full package. That full package means that 93% of all of us who pay taxes are getting a tax decrease, coupled with other initiatives that we all know about and we've got to be supporting—increases in the tax credit for seniors, for example. We know that all of these combined will make Ontario stronger, and now that we see that the experts have weighed in to tell us that over the course of the next 10 years we're going to see up to 600,000 new jobs being created, new capital investment in this province, that is going to make Ontario competitive, and we are going to be able to take on the world.

The Chair (Mr. Garfield Dunlop): Thank you, Minister, and thank you, members of the committee and members of the ministry. We'll adjourn now because we have a vote and we will meet tomorrow afternoon after routine proceedings. The meeting is adjourned.

The committee adjourned at 1752.

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