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Wednesday 11 September 2013

Mercredi 11 septembre 2013

Standing Committee on Estimates

Comité permanent des budgets des dépenses

Ministry of Finance

Ministère des Finances

Chair: Michael Prue
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Hansard Reporting and Interpretation Services
Room 500, West Wing, Legislative Building
111 Wellesley Street West, Queen's Park
Toronto ON M7A 1A2
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON ESTIMATES

COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Wednesday 11 September 2013

Mercredi 11 septembre 2013

The committee met at 1627 in room 151.

MINISTRY OF FINANCE

The Vice-Chair (Mr. Taras Natyshak): Welcome back, colleagues. Welcome back, Minister Sousa as well as Deputy Minister Orsini. Thank you very much for appearing before us once again. When we left off yesterday, it was the turn of the PCs for a 20-minute rotation. I'll now hand it over to Mr. Harris.

Mr. Michael Harris: Thank you, Chair. Good afternoon, Minister. Welcome back.

Hon. Charles Sousa: Thank you.

Mr. Michael Harris: I want to talk about new user fees. I know you've got actually a long list of them that were approved here or were put into place, but more specifically, the ones that were approved in principle. There's three in particular: Drive Clean, GeoPortal licensing and key performance indicators at private colleges. Minister, why were these approved in principle?

Hon. Charles Sousa: You make reference to a number of revenue tools, user fees. I'll get back to you on the specific ones that you've mentioned. As I mentioned earlier in my opening statement, a lot of proposals come our way, but not all of them are accepted.

Mr. Michael Harris: Was it, of course, to generate surplus funds by raising some of these fees, specifically Drive Clean?

Hon. Charles Sousa: Well, some of them haven't changed in over 15 years. There are a number of fees that government provides, but the only fees that, once they're increased—they're there to recover costs.

Mr. Michael Harris: Specifically Drive Clean, I'm not sure, and I wonder if you can explain to us why that specific program was targeted. Was it because you thought perhaps Ontarians wouldn't notice—it was an easy fee to increase?

Hon. Charles Sousa: I'm just trying to verify what changes occurred. Deputy?

Mr. Steve Orsini: Yes, let me just speak generally, then; on the specific ones, we'll have to ask officials to come to speak to those items.

One of the things that the former Auditor General in one of his reports was looking at was cost recovery of services provided to businesses or individuals and, as a policy, stressing the need to have some type of cost recovery. It's still a decision of the government as to whether or not something is changed. We know that the government has not adopted all the proposals that may have been brought forward to be fully cost recovery.

Don Drummond, in his report—the commission also looked at the issue of cost recovery and recommended that the government should look for cost recovery where possible. Again, it's a government decision whether the government does or not, but as a matter of principle, both the Auditor General and the commission advised on ensuring that the service level and the cost in providing that service are matched with the fees associated with that.

On the specific ones you're referring to, we'll have to ask officials to come up and talk about those particular ones.

Mr. Michael Harris: Well, you mentioned cost recovery. Of course, I'm not sure if you're aware, but, Minister, were you aware that Drive Clean was actually running a surplus?

Hon. Charles Sousa: Say again?

Mr. Michael Harris: You talk about cost recovery and fees, but were you aware, or are you aware, that the Drive Clean program was actually running a surplus?

Hon. Charles Sousa: Well, we know that, as mentioned, the Drummond report and the Auditor General have both recommended to index the fees to inflation plus and/or cost recovery of those initiatives. But I'll get my officials up here to determine exactly the status of Drive Clean, if that's what you're asking, in terms of its positioning right now.

Mr. Michael Harris: Well, I'm just wondering—

Hon. Charles Sousa: So we've got Greg up here who can clarify that position.

Mr. Michael Harris: My question to you, Minister, was on the fees that were actually approved in principle pertaining to Drive Clean. You talk about cost recovery, but it, in fact, was actually running a surplus of $11 million. Then you were proposing to actually hike that even further. I'm not sure if you remember what the Auditor General—

Hon. Charles Sousa: You're confusing matters somewhat because you're suggesting things have been approved or decided upon, and, as I said at the outset, proposals are made and analyses are made. Those recommendations or proposals are then brought up to us for review. At that point, we make those decisions.

At this point, I'll ask Greg to determine as to where we stand.

Mr. Greg Orencsak: Greg Orencsak, Associate Deputy Minister of Finance.

Mr. Harris, you've raised the question of Drive Clean in particular, and maybe I can give you a little bit of background and context on that particular program.

The Ministry of Environment is responsible for administering the Drive Clean program, and they monitor the costs associated with delivering the program, as well as the cost recovery ratios. They may adjust fees to make sure that those are consistent over time.

I think, in terms of the Drive Clean program in particular, there was a proposal in the 2012 budget to look at converting Drive Clean to a slightly different delivery model by a delegated administrative authority. I think there was legislation that was proposed before the House to facilitate that, but that legislation was struck down as part of consideration of the 2012 budget bill.

So as part of moving the administration of the program to a delegated administrative authority, the government planned to adjust fees because it would have been collected through that other authority, as opposed to government. With those legislative amendments not having been passed, the government needed to continue to administer the program, so I think there were adjustments that were proposed by the ministry for the government to continue to collect those fees. There were no changes proposed in the fees, but we were just catching up to what the ministry thought they were going to be able to do versus what actually ended up happening.

Mr. Michael Harris: Right. Thanks. I guess what I'm trying to say—and I kind of flash back to those commercials where the credit card companies have got their hands in your pockets, and it seems awfully familiar with this government. I've heard from over 10,000 people on Drive Clean.

You say that it's a cost recovery program, but yet it ran a surplus of $11 million. Where did that $11 million go, Minister? And why was there a proposal, then, to increase that by another $18 million to $30 million?

Hon. Charles Sousa: Mr. Harris, it's interesting that—and, again, I caution the way we ask these questions, because you're suggesting on the one hand that we adopt certain recommendations brought forward by Don Drummond and others, and yet now you're suggesting that those shouldn't be done. But of course, we, as a province, have to take into consideration all of the recommendations that are brought forward. We then make appropriate decisions, and the decisions on the administration and the increase of that program did not occur.

Mr. Michael Harris: So I'm just asking—we'll go back, then, to the Auditor General. He talked about the $11-million surplus in Drive Clean. That's not cost recovery. Where did the $11 million go? What did you spend it on?

Hon. Charles Sousa: And the Auditor General also recommended to index these fees and to increase them. Again, we chose not to do so.

Greg, if you just want to confirm which ministry in which it is covered, and we'll go from there.

Mr. Greg Orencsak: Yes, so it's a program that is administered by the Ministry of the Environment, and they are responsible for the fees, so they would be in a position to provide additional information about that.

Mr. Michael Harris: I don't know if one of your deputies can explain what the surplus of $11 million for Drive Clean was used for. What was it used for?

Hon. Charles Sousa: Mr. Harris, as we just noted, you're probably best to ask that minister and that ministry.

Mr. Michael Harris: Because you do know that it is illegal to collect more revenue than is spent to operate the actual Drive Clean program. You do realize that, right?

Hon. Charles Sousa: We will have to ask the minister and the ministry as to what determinations they have done and where the money was spent.

Mr. Michael Harris: So, will you actually be listening to the Auditor General, or will you simply continue to forge ahead with some of these proposed fees that—

Hon. Charles Sousa: Mr. Harris, you're speculating on something that hasn't happened and that did not occur. The question is, where did the money go and what was it used for, and I again suggest to you that you speak to the minister and the ministry that are managing the file.

Mr. Michael Harris: So, if the government isn't proposing to proceed with that, why did they approve it in principle?

Hon. Charles Sousa: Again, I cautioned this committee at the very outset: We do obviously want recommendations, analysis and proposals to be made. We do not want to curb any of the activities that the bureaucracy makes in determining what it is this government should be aware of, nor do we want them to stop advising us of potential risks and potential options.

As it relates to the issues that you speak of, those are items that are brought forward, and they are deliberated, and then they come—eventually—up to the ministry for some decision-making. We decided not to proceed in the capacity you have just said.

Mr. Michael Harris: When those proposed fee hikes were proposed, did you not inform the ministry of the Auditor General's report in terms of not increasing those fees?

Hon. Charles Sousa: Mr. Harris, I would talk to the minister affected and the one that's managing that file.

Mr. Michael Harris: That ministry said in June that it would be working with your ministry, actually, to discuss those options about a possible fee decrease. Have you had any discussions with that minister or ministry, and are you working on any fee decreases for Drive Clean?

Hon. Charles Sousa: We have ongoing discussions between our officials, if I'm not mistaken. When they percolate up, that's when the discussions are had with the various ministers, but if you can just comment, Deputy, as to how that proceeded?

Mr. Greg Orencsak: As part of normal course—and I think you're referring to the Auditor General's report from 2009, I believe, where the auditor looked at fees and made some recommendations, including the ones that the minister referred to. I believe, and I don't have the auditor's report in front of me, that the ministry accepted the Auditor General's recommendations, and it provided some commitment for next steps and following up. Those questions are appropriately put to the ministry.

In terms of fee changes in general, ministries are responsible for administering those programs, and they are in a position to bring those fee changes forward for consideration by the government. That ministry, as I think it said in response to that report, is acting on those recommendations.

Mr. Michael Harris: Yes. I guess I'll go back to the fee. That was the actual Auditor General report from last year. The recommendations—the proposed ones, or approved in principle—were approved. I guess, again, I'll question you: Did you not take into consideration the advice of the Auditor General when proposing? I know they were approved in principle by cabinet, but did you not take into consideration the Auditor General's recommendations pertaining to the fee increase associated with Drive Clean, at all? Did anybody? Did they just—

Hon. Charles Sousa: You're making reference to a number of proposals, options and analyses, but what you're not asking is what was approved by the government. That is what was done, not what you've suggested. We have ongoing deliberations, as it should be. Ultimately, we make a decision, and the decision that was made didn't include what you have just talked about.

Mr. Michael Harris: All right, so I'll leave that part of it, but I'm curious about the $11-million surplus. Where did it go? What did you spend it on?

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Hon. Charles Sousa: I've already told you; you have to speak with the minister in the ministry that's administering that file.

Mr. Michael Harris: But it all goes into kind of one bucket, right? You're ultimately responsible—

Hon. Charles Sousa: Mr. Harris, obviously the ministry has incurred some degree of operations around the issue; you'll have to ask them.

Mr. Michael Harris: I'm just curious on how long actually your ministry has collected. We see an $11-million surplus on Drive Clean. I think Ontarians are being gouged every month when they go to renew their licences. You're forcing them to actually take these absurd tests that have clearly outlived their usefulness one, two or three times in that case. They're sick and tired of it. You've run an $11-million surplus. I think it's fair for you to tell us where that money was spent. And if you can't, when will you decrease it? That's my next question.

Hon. Charles Sousa: I kind of have to reject the premise of your question. What we have is a Ministry of the Environment administering a situation that's critical to the well-being of the province and of our environment, no less. They want to ensure that operations of vehicles that are old are appropriately in safe condition and certainly are accommodating the very nature and protection of the consumer and of the communities. It's a safety issue.

If you're opposing that, fine, but we have to continue to safeguard the communities and safeguard the streets, the roads and the operations of those vehicles. But at the same time we have to protect the consumer. As a result, decisions that you're suggesting by the ministry didn't occur. I suggest to you to talk to the ministry to determine where the funding and the operations continue, but if I'm not mistaken there are needs and requirements for that program that are incurring costs.

But also, you have to recognize that this isn't something that has happened recently; it's something that has been ongoing for some time. And recommendations made by the very individual that you're advocating for us to adopt in their entirety suggested that we do this. We chose not to. The same goes for the Auditor General. We make decisions based on the information that's provided. In this case we continue to support the consumer and continue to support the environment by protecting the safety of those roads.

Mr. Michael Harris: We just hear that you're always in Ontarians' pockets: new user fees—there's a massive list of these—Drive Clean. You're running an $11-million surplus on what should be a cost recovery program. Where did you spend the $11 million? In June, I asked your environment minister about this and he said he would be working with your ministry. I'm not sure that the bureaucrats can actually explain to us if in fact the environment ministry has been in touch with you pertaining to this situation, and when will the decrease for Ontario consumers—you're talking about protecting consumers, but with an $11-million surplus to run a cost-recovery program, I don't see that protecting consumers at all. When will you be bringing in a decrease? Your own environment minister said he'd be working with the Ministry of Finance. Has that happened? When will Ontarians see a decrease in Drive Clean fees?

Hon. Charles Sousa: Now you're advocating not to adopt the recommendations made by Drummond? I just want to be clear on that issue, because this is one of his recommendations as well. It's good that you're flip-flopping on that one also. In the meantime, we will continue, based upon what you've just stated, to review the status of these programs to the best benefit of the consumer. Certainly, there are still certain operations and certain vehicles that need to be administered.

Mr. Michael Harris: I don't know if you can explain again about the bureaucrats that you've worked with at the Ministry of the Environment on decreasing the fee and where the surplus of $11 million went. We said we would scrap Drive Clean altogether, so I just want that to get on the record, first off. We feel it has outlived its usefulness. But again, you're charging Ontarians $11 million more than what you should be charging them in terms of the cost recovery. There was a proposal to increase it even by more: $30 million. Again, have you had discussions with the Ministry of the Environment to decrease the fee?

Hon. Charles Sousa: To you, Deputy.

Mr. Steve Orsini: I think that ministries—and it's not just unique to the Ministry of the Environment but right across the system—are working on policy issues all the time. It's each ministry that will decide if and when, and they consult with the Ministry of Finance. It's not unique to that ministry, but all ministries do. At the time that the ministry is prepared to decide on what policies and what changes to bring forward—only that ministry is in a position to comment on that. I think the minister's point about having questions directed to the Ministry of the Environment is an appropriate course.

Mr. Michael Harris: We don't have him before estimates, of course, and I did ask him that in June. He said he'd be working with the Ministry of Finance. So that's why I felt it was relevant today.

Also, looking at the Auditor General's statements on the $11-million surplus, putting the government basically on notice that that basically is illegal to do—it's an illegal tax. Where did it go and when will you decrease it? That's basically what was my question.

Hon. Charles Sousa: Mr. Harris, the Minister of the Environment, that ministry, is the best place to go, and we'll endeavour to find that out.

Mr. Michael Harris: All right. Thank you.

Mr. Rob Leone: Minister, I want to ask more about your plans, or lack thereof, to get the province back on balance. One of the things that I know was contemplated in the 2012 budget was wage restraint and a wage freeze, but time after time, we continue to hear that your government is engaged in actually increasing the envelope of compensation to these groups. So have you abandoned a wage freeze as part of your plan to get the province to balance?

Hon. Charles Sousa: No. We're continuing to advocate for wage constraint, recognizing the challenging times that are before us. We're working closely with the stakeholders involved to administer negotiations within the pay envelope that we now have.

Mr. Rob Leone: Yeah, but we hear things like the LCBO compensation package increasing. It's not uncommon that we pick up the news, once a week, once a month, where we see another government group getting another settlement to increase their salaries and compensation.

At the end of the day, that is part of the plan to get the province to balance, and—

Interjections.

Mr. Rob Leone: They're your colleagues that are talking; they're not mine. If they continue to do that, they're taking my time.

But you continue to actually promote this idea of wage constraint, but we don't see the evidence of that. So can you point to the evidence of where you are actually restraining and having a wage freeze and whether you actually plan on continuing it for how long? Is it two years? Is it beyond two years? Because that's essential to getting the province and the books to balance. So where are you in wage restraint?

The Vice-Chair (Mr. Taras Natyshak): One minute left.

Hon. Charles Sousa: I appreciate the question, and it's something that we're continuing to work with closely with the parties involved in a more collaborative approach so that we can ensure success. If you look on page 126 of the budget, we very much highlight specifically the performance of the Ontario public sector negotiations versus the Ontario private sector, Ontario municipalities and the federal public sector, in which Ontario is almost at zero compared to the rest in terms of average annual base wage increases.

So we have done a lot of work to control those wages; we've done a lot of work since then to continue to negotiate effectively. When you talk about the LCBO and others, they did it within the envelope, so it didn't affect the overall dividend to the province. It's still within the envelope that we've established for them. More importantly, it's enabled us to have some tremendous success with cutting our spending since the previous years.

Mr. Rob Leone: Do we know if that envelope is bigger or smaller than—

The Vice-Chair (Mr. Taras Natyshak): Thank you very much, Minister. We will move now to the NDP for 20 minutes. Ms. Fife.

Ms. Catherine Fife: Thank you very much, and welcome back. We are going to be talking at length today about auto insurance. I know it's everybody's favourite topic. So maybe Phil might like to come up, because there are some detailed questions that we're hoping to follow up with based on what was in the budget.

Minister, we were surprised about your announcement on August 23 that the new return on equity for auto insurance would be 11%. You had indicated in question period late last spring that there would be a 25% reduction in the rate, from 12% to 9%. Can you explain why you changed your mind and any details pertaining to that change in number?

Hon. Charles Sousa: We are reducing the ROE; we are taking a rolling average to get it done. Actually, the effect of the ROE is much lower than that still. It is under review, and if I could pass it on for clarification.

Mr. Phil Howell: I think it might be useful to provide the appropriate context here. The minister did make that statement in the House, and the minister has gazetted a policy statement—which I know you've seen—more recently, in August, and in that directed us, or asked FSCO, to take a look at the ROE.

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The roots of the ROE review actually go back to a recommendation coming out of the Auditor General's 2011 report, when the then auditor suggested that we take a look at the ROE benchmark that we use in the rate approval process. In approving rates—and this is all laid out in the Insurance Act—we have a responsibility to ensure that the approved rates are sufficient to not impair the solvency of companies. Consequently—

Ms. Catherine Fife: But on that same point, though, doesn't an 11% ROE make it more difficult for you to achieve the 15% premium reduction? You don't think so?

Mr. Phil Howell: The two aren't connected. The ROE is an integral element: Some return on the equity capital invested by shareholders of insurance companies into the auto insurance line is required. To do that, we have benchmarks. The benchmark that had been used prior to currently was 12%; it is now 11%.

Coming out of the study that followed from the Auditor General's recommendation that we review the ROE benchmark, we have—and the study which was delivered to me in late June, the new benchmark and the methodology that has been put in place to establish the ROE annually is all laid out on our website, and anyone can get it.

Ms. Catherine Fife: I've seen it on the website, actually, but if you can't push the return on equity down past 11%, I think that that does place a barrier for you to actually reach the 15%.

Mr. Phil Howell: Sure.

Ms. Catherine Fife: It does call into question—if you're using those numbers, is the 15% reduction in auto insurance even possible? You did reference the AG, which is good, but the return-on-equity benchmark has been historically linked to the rate offered by long-term government bonds, so there is a history here.

Mr. Phil Howell: No.

Ms. Catherine Fife: No, that's what the AG said in his report. You say "no," but the AG said "yes" when he looked at the issue. That's far lower than an 11% rate. There's your answer, and then there's the political question.

Hon. Charles Sousa: I think it's appropriate for us to actually explain what the ROE is and what the actual numbers are that are being established right now.

Mr. Phil Howell: First of all, I do want to address the statement in the auditor's 2011 report, in which he gave as a rationale for looking at an appropriate benchmark the fact that long-term bond rates and long-term government rates were much lower in 2011 than they were in 1996, the last time that the ROE benchmark was reviewed.

That is not to say that the ROE benchmark was ever based on long-term government bond rates. It's not, and it would be completely inappropriate to do that, given that, in Ontario, insurance is provided by private companies. Their cost of capital is quite a bit higher than the cost of capital for a government.

Ms. Catherine Fife: So you fundamentally disagree with what the AG said in his report on that one piece—

Hon. Charles Sousa: No, that's not what—

Mr. Phil Howell: I didn't disagree—sorry, Minister.

Hon. Charles Sousa: The AG made reference to the existence of the yields on current bonds and made a comparison, but it's not the basis by which FSCO is making their determination.

But it's interesting to note that the actual ROE that's being achieved by these very companies is not 11% or 12%. It's under 10%; it's around 5% or 6%, if I'm not mistaken.

Mr. Phil Howell: On average, over the past several years, it would be well below 10%. Again, the ROE benchmark that's used as a cost of capital—remember, another obligation for the superintendent under the act is to ensure the long-term solvency of the companies. In other words, rates cannot be established that will impair—

Ms. Catherine Fife: The profitability of the company. Yes, I get that.

Mr. Phil Howell: —the ability of the company to continue. Obviously, if you don't—

Ms. Catherine Fife: I don't think that's in question here, quite honestly, in the province of Ontario.

Mr. Phil Howell: No, but if you don't have a return on capital or if you don't have a benchmark—if you don't incorporate that return on capital into the rate approval process, you can't do that.

Hon. Charles Sousa: But let's clarify the premise of your question. The point is, we're going to continue to review ways to reduce the ROE benchmark used in this rate approval process and consider ways to make the benchmark more transparent to consumers. That's how it's outlined in our policy statement. It's not a static number; we are continuing to look at ways to facilitate the passage of those savings to consumers and lower the overall premiums.

Ms. Catherine Fife: Okay, so it's a bit of a moving target—

Hon. Charles Sousa: So it's not a done deal; it's something that we're continuing to look at reducing.

Pardon me?

Ms. Catherine Fife: It's a bit of a moving target, then, that ROE, because you—

Hon. Charles Sousa: And it should be, because the environment is also a moving target. We're within an economic situation where rates, at this point, are very low, so it's probably something appropriately done, to reduce. But if things change and rates go up to 25%, again we have to take into consideration what that rate should be.

Ms. Catherine Fife: Well, it hasn't been a moving target that has served the people of the province very well in this particular industry.

I just want to move on, then: same statement, obviously, but in terms of some of the other issues you list in your policy statement from August 23.

Let's start with the independent experts, for instance. These experts were supposed to look at whether industry savings are being passed on to drivers. What is the status of those independent experts? I personally, actually, would have thought that you would have appointed them as soon as the budget bill was put in place. I mean, we are looking for a 15% reduction in auto insurance. Can you give us an update on those experts, please?

Hon. Charles Sousa: Yes, I'll pass this to the deputy. We're working on that now. Go ahead.

Mr. Steve Orsini: The policy statement did make reference to that. One of the things that the ministry is currently doing is going through a procurement exercise to ensure that we have independent experts in the field that the government can appoint to provide that advice, not only on whether the savings are being passed through, but also ensuring that all sufficient tools are in place to reduce costs, because the strategy is to get costs down and have the savings passed through so that average premiums can decline. The government wanted to ensure that all sufficient tools or mechanisms are in place to bring those costs down. They're going to be providing advice on that as well.

Ms. Catherine Fife: You said that there's a procurement process for experts?

Mr. Steve Orsini: Yes. As part of ensuring independent experts, we need to recruit for those skills in individuals: make sure they don't have a conflict of interest, that they're independent, that they bring the right set of skills to this issue.

Ms. Catherine Fife: So far, it has been five months since the budget passed. Are you close to finding some experts on this issue?

Mr. Steve Orsini: We're going through the procurement process at this point, and we're hoping, if things work through, to have that group established in the fall.

Ms. Catherine Fife: It is the fall, so soon, then? This fall?

Mr. Steve Orsini: I'm not being that precise because I don't want to prejudge a process that has to follow each step of the way. It's not a straightforward—

Ms. Catherine Fife: Okay. But I'm sure that we'll be able to have access to who those experts are, right?

Mr. Steve Orsini: I would be surprised if they weren't going to talk to individual folks in terms of what issues and advice they would have.

Ms. Catherine Fife: Okay. So building on my previous questions, many actuaries that I've talked to—and I still am surprised to hear myself say that I do talk to actuaries—have claimed that insurance companies are artificially reducing their reported profits by pumping up their reserves. In other words, they are taking the savings from the benefit cutbacks and pumping up reserves as opposed to reducing premiums. Do you have a comment on that?

Hon. Charles Sousa: That's exactly why we're moving forward on the initiatives that we've taken: to ensure that FSCO and others have the oversight and the power to oversee the activities of these companies

Ms. Catherine Fife: So when you say that that's exactly why you've given powers, do you mean that's exactly true? You think that this is a valid and true statement?

Hon. Charles Sousa: Oh, no. See, you're presuming—and maybe FSCO can respond to this properly, because that's the job of FSCO. Over to you.

1700

Mr. Phil Howell: Just to clarify, our job is not to audit insurance companies, and that's where the reserves are reflected. But the reserving processes and procedures that an insurance company will undertake will reflect what their external auditors require. They'll also reflect the opinion of each company's appointed actuary. Under the act, all insurance companies have appointed actuaries.

Appointed actuaries don't just glibly reserve to under-report profits. The reason that they're reserving is that they're following their own very high standards of conduct that are set by the CIA—not the Central Intelligence Agency but the Canadian Institute of Actuaries—and the reserving decisions that are made by companies will reflect advice from both the actuaries and the requirements that their external auditors will require in order to approve their financial statements.

I will say that in an environment where there is uncertainty about claims costs because of uncertainty around the parameters of the product, there is likely to be a situation in which reserves will be higher than they would be otherwise simply because there is greater uncertainty in the system. And remember, the whole process of both rate approval and filing for rates from the company side is based on an assessment of future costs and where those costs are going.

Ms. Catherine Fife: And I appreciate the clarification that it's not FSCO's job to audit auto insurance companies. I understand that.

I also want to point out that not—and I don't want to put words in your mouth either, but you have responded strongly to some of the information out there in the insurance field that profits are being pumped back into reserves. Perhaps it's a matter of clarity, because there are a lot of grey areas, and not all insurance companies do this. But somebody has to be watching the insurance industry, and you have given new powers to FSCO to examine rate applications. Does FSCO now have the power to question this practice? That's a valid question.

Hon. Charles Sousa: Yes, that's a very valid question. To supplement some of the work that FSCO is doing, it's one of the reasons why we've retained an independent expert panel to provide greater transparency and accountability. It states right here in the policy, to "report on … the effectiveness of the" auto insurance "marketplace in providing affordable premiums to consumers," to assess, specifically, what is happening in the marketplace. But I think it's appropriate that we have clarity as to what happens when an application comes our way and how it proceeds.

Mr. Phil Howell: Again, to be clear, we've always had the ability and always have, in the process of reviewing a rate application, discussed—because we have our own actuaries too, and they will discuss—

Ms. Catherine Fife: Everybody should have their own actuary.

Mr. Phil Howell: They should. And they definitely will discuss the assumptions that the company makes and will arrive at determinations in terms of a rate approval process, whether those assumptions are legitimate. We won't approve rates if the sort of behaviour that you were suggesting some of your actuarial friends have said is happening is going on, if those aren't legitimate.

Now, what we didn't have before the budget bill, and for which I am very thankful that the bill passed and the government gave us the power to do, was to require companies to come in and file, to make a major filing. While we—

Ms. Catherine Fife: So now they have to come in and they have to seek the rate—

Mr. Phil Howell: While we've always had the ability, when they do file, to be able to question those assumptions, what we didn't have—

Ms. Catherine Fife: And are you tracking that?

Mr. Phil Howell: —until the recent budget bill, until the orders that I issued on August 23 to call companies in, was the ability to get in and actually see the books.

Ms. Catherine Fife: You understand the concern out there, though, right? This is more than a public relations exercise. If some auto insurance companies are pumping up their reserves, then indirectly they're making the case, and they can still make the case, to FSCO that they don't have the room to decrease premiums.

Hon. Charles Sousa: You're making some serious allegations here, and I think we need to provide some clarity as to the position that FSCO takes and the government when it comes to some of these private companies. I think the deputy may want to step in.

Ms. Catherine Fife: I'm not making allegations.

Hon. Charles Sousa: Yes, you are.

Ms. Catherine Fife: No, I'm not making allegations. I'm making the allegation that you don't have an expert panel when you just referenced that you did. You said your expert panel is looking at this when they're not, because you don't have it.

Mr. Phil Howell: I think it's very, very important to not confuse a whole bunch of things here. FSCO is an arm's-length financial services regulator. Part of that responsibility is approving insurance rates in this province. That responsibility is governed by our enabling legislation.

The expert panel that's being talked about here is not someone that is going to come in and in any way meddle or interfere with the rate approval process. The expert panel is presumably—it's a government initiative—going to provide some assurance that the process that we follow at FSCO under our legislation—and I can absolutely assure you that it's extremely rigorous and it's undertaken by very highly skilled professionals, by actuaries. Our whole rate application analysis team will generate rates that are fair in the context of the current environment, and they will clearly reflect the fact that there have been some savings coming from the 2010 reforms.

Ms. Catherine Fife: There are a lot of questions out there around the role of FSCO with regard to the way that they deal with insurance companies and how rates are set. So I hope that the expert panel moves towards creating some parameters and a framework that's clear to everybody.

But it goes without saying that FSCO is going to have to be far tougher on many of the insurer practices, especially with regard to reserves, if we're going to get the premiums down by 15%.

Hon. Charles Sousa: I'm going to ask the deputy to step in on that in regard to—you've mentioned the reserves numerous times, and I just want some clarity.

Mr. Steve Orsini: No one could draw the conclusion here that we would concur with the premise that has been raised about how companies are treating those reserves. I don't think that would be fair; they operate with certain standards.

We have a process in place. FSCO has its legislative regulatory authorities of how it conducts its review. As the superintendent has mentioned, they follow that rigorously.

Because this is an important public policy issue, the government has appointed, or will be appointing in the near future, an expert panel to provide advice on a number of things: Are savings being passed through to ensure that the reforms that are being made are passed through to consumers as quickly as possible? In addition, whether or not additional tools or mechanisms are needed to reduce costs: That's an important other element because it's a dynamic environment and it's a dynamic industry. It's crucial that the government has all the tools and mechanisms it needs to reduce costs passed on to consumers so that premiums, on average, fall by 15%.

Ms. Catherine Fife: Perhaps in the next cycle I'll get a chance to talk about those tools and mechanisms.

The Vice-Chair (Mr. Taras Natyshak): Thank you very much. That ends that round.

We'll now move to the Liberal members. Mr. Del Duca, 20 minutes.

Mr. Steven Del Duca: It's 20 minutes, Mr. Chair?

The Vice-Chair (Mr. Taras Natyshak): It is 20 minutes.

Mr. Steven Del Duca: Thanks very much. Minister, good to see you again here at this committee this afternoon.

I wanted to pick up one of the threads that I had discussed with you yesterday at committee, and it was your answers in response to what budget 2013 and what the Ontario Liberal government is doing with respect to supporting municipalities. In particular, yesterday, I had asked you to highlight or emphasize what we're doing to assist northern and rural communities.

We did hear your answer yesterday, but today I wanted to delve a little bit further into some of that stuff and ask you specifically about changes that are contemplated with respect to the Ontario Municipal Partnership Fund, the OMPF. I'm wondering if you can provide the committee with some more information about what the government envisions taking place with respect to this particular fund.

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Hon. Charles Sousa: As you know, over the course of a few years now, we've identified the OMPF funding to be reduced—being offset, mind you, by increases in other programs to the municipalities. The idea is to try to provide more equity and more stability in terms of where that fund will be on an ongoing basis. It also equals out the playing field, because there are a number of municipalities that have already been reduced and some others have not. In fact, that's what just happened a month or so ago with the changes that I advised the GTA and Toronto with, as well as some of the other municipalities that are being affected. That has all been known and was all recognized. We're reducing it next year. Then it's going to be a stable funding thereafter, after a three-year period. But what is important is, there are other programs, because we're uploading more, so the net benefit to those municipalities is going to be greater than what it is today.

The municipalities, AMO and others that we have had discussions with in regard to this have come to the understanding as to where we're going, and they're fully aware as to the outcomes.

It's important to continue on with the collaborative approach with the municipalities to assure—and what they're looking for is, they want determination; they want consistency. They want assurances that the funding is there on an ongoing basis, and that's what we've established with OMPF.

Mr. Steven Del Duca: Thanks very much for that answer. Moving away from a discussion about what's taking place with respect to municipalities, I wanted to talk a little bit about one specific industry or sector. I'm wondering if you can provide us with some information about what the government is doing to help support Ontario's domestic wine and craft beer industries.

Hon. Charles Sousa: As you know, one of the benefits of the LCBO is its ability to distribute local brands of both local wines and local brew. We've expanded some of our distribution of the LCBO as well as some boutique stores to accommodate local wineries. Had it not been for some of the initiatives that were brought forward by the LCBO, we wouldn't be able to have the dynamic and vibrant wine industry that we now have in Niagara and in the western part of the province, in the southwest.

All of this is important for us. The VQA and the other opportunities that come from the industry enable us to have a more vibrant selection. Certainly, we want to be able to accommodate a greater trade into the other provinces and other jurisdictions around the world. Icewines have become very popular throughout the world as a result of some of the initiatives that we've taken.

Mr. Steven Del Duca: Thanks very much for that answer. One of the things that we've heard here in the Legislature—and in my previous life, I had heard a lot of discussion around the impact of what we call the underground economy and how it's impacting what's taking place in Ontario. I'm wondering if you can provide the committee with a little bit of information or elaborate on what the government is doing in order to move this issue forward and address the underground economy.

Hon. Charles Sousa: It's a critical issue. A couple of things that the government took to combat some of the underground economy and some of the problems it has—even with those most vulnerable who are working in the underground economy. It's not just those who are profiting from dealing in cash; it's also employees and others who are working for those employers in an underground economy who aren't protected by way of WSIB and other means of protection and pension and so forth. These are critical issues of safety as well as economic well-being for the province.

A couple of steps have been taken. One major step to combat the underground economy was the introduction of the HST, in that these companies that want to provide in cash won't benefit now from the flow-throughs of exemptions through the HST. In some respects, they'll be captured by some of the supplies they end up having to buy. It's a minor point, but it's an important point to try to legitimize some of these operations.

The other one is, working closely with the federal government in capturing those that are operating in the underground economy in terms of putting cash registers and certain technologies in place in certain retail outlets so that we can monitor them even more closely in capturing some of the revenue that sometimes goes hidden. I'm working closely with the federal government; our officials have been working closely with Revenue Canada, and we're adopting some of the initiatives that have actually been introduced through the province of Quebec. Some of that technology is being adopted in Ontario to try to find ways to combat it.

But one of the major issues, even more than the economic issue, is the social impacts that the underground economy have. The VAT, that being HST, has been one way of monitoring or curbing some of that activity. But the WSIB and those who are hurt on the job: That's even more threatening. Those who don't have access to pensions and benefits: They too are at risk. These are the kind of things that we're trying to protect. That's why we're taking the actions that we have.

Mr. Steven Del Duca: Thank you.

Mr. Mike Colle: Minister, after the financial collapse in 2008, we took steps to rescue General Motors and Chrysler, who were on the brink of bankruptcy. At that time, we put forward, in a loan, money to keep them solvent and keep the jobs. I noticed today that you announced that you would be selling the government's shares. I think it's GM only.

Hon. Charles Sousa: Yes.

Mr. Mike Colle: I'm just wondering how this will work. Will there be any financial benefit to the province by selling these shares, or is it essentially a neutral outcome? What is the result of this transaction that we're embarking upon?

Hon. Charles Sousa: I appreciate the question. It's important to note the steps taken in 2009 to support, in this case, both General Motors and Chrysler. We were the only subnational jurisdiction to be involved. There was the federal government of Canada, the federal government of the United States, and the province of Ontario.

We got involved in a way to support the industry, recognizing the tremendous economic impact it would have on our province and, for that matter, on our nation. If it hadn't been for those steps—it was essential for us to protect over 100,000 jobs in Ontario alone. Members of the opposition opposed it, and they called it corporate welfare.

Today, I can recap some of what has happened. We offered $4.8 billion in Ontario assistance, of which only $4.6 billion was drawn down. GM received $3.6 billion at the time. Recovery to date has now been $1.3 billion, including yesterday's transaction. Chrysler's assistance was $1 billion, of which we've now recovered $0.7 billion. In that regard, we're out of our position, so there will be no further recoveries through Chrysler. In November 2010, Ontario sold approximately 11.7 million of its GM shares, yielding proceeds of $389 million.

On September 10, 2013—that was yesterday—the federal government entered into an agreement to sell 30 million shares of common stock of GM, or approximately 21% of its holdings, to the Bank of America Merrill Lynch and RBC Capital Markets. Ontario has one-third interest in the shares held; we then sold one third of our shares. That resulted in 10 million of Ontario shares being sold.

I worked with the federal government not to interfere and not to provide any market deviation. We worked hand in hand with the federal government: When they sold a block, Ontario would sell a block so as not to interfere with the market conditions.

Further details about the share price and cash proceeds to Ontario will be made available after the federal government reports its trade with US and Canadian securities regulators. That will come in the next several days.

Ontario will continue to monitor the value of its remaining shares in General Motors and assess the appropriate timing for that share divestiture. Ontario, in conjunction with the federal government, remains committed to exiting from the ownership of GM while maximizing the value of the government's interest for Ontario taxpayers. What's critical is that GM, Chrysler and the auto industry have been able to have greater recovery as a result of our partnership. We've been able to protect over 100,000 jobs and the tertiary suppliers in Ontario will continue to be able to support the industry.

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Mr. Mike Colle: The bottom line, though, is: How does this impact the Ontario economy with this sale going on of shares?

Hon. Charles Sousa: Ontario will now receive some additional funds from the sale of the proceeds of the shares that we made yesterday. That will become public in the next couple of days as to the amount, because it will be subject to a particular price point, which is now being assessed.

Mr. Mike Colle: Okay. Another question I just had—I got to thinking about some insurance questions I had. I think I've got a few.

Hon. Charles Sousa: I should add: Then the proceeds will be brought into government, and they'll be used towards reducing our overall position and reducing the debt and paying for the programs.

Mr. Mike Colle: I just had a few questions about insurance, an old favourite topic of mine. Maybe if I can get Mr. Howell to come up; you might be able to help.

In the anti-fraud task force, which is quite a comprehensive look at fraud, one of the things that—I mean, maybe I missed it. What I was looking for was, was there any analysis done in terms of where people's premiums go—what portions? I've always wondered, because everybody thinks it's the insurance companies that run insurance, and we know it's run by the tow truck drivers.

I want to find out what percentage of people's premiums do tow truck drivers make, what percentage of people's premiums do physiotherapists make, what percentage of people's premiums do auto collision repair shops make. What do lawyers make of the premiums we pay? What's their cut on the premiums we pay? The paralegal industry—I know in my community, I have all these paralegal companies that say, "Slip and fall? We guarantee you $20,000. Come to us. You've got a car accident? Guaranteed money." What do these companies make?

What do the medical assessors make—the people who do the assessments of the assessments of the assessments of the assessments of the assessments? A lot of these are medical doctors, and others are physiotherapists. Others are psychologists; others are speech therapists; others are everything under the sun. But anyway, what percentage of the premium paid goes to the assessors of the assessors of the assessors? Also, obviously, the insurance companies: What do they keep? Insurance brokers: What is their percentage of what they get in providing auto insurance?

And all the related health care providers that are—as you know, we have basically a two-tier health care system in Ontario. We have the public health care system—the hospitals, the doctors—but then we have the private health care system within insurance that is totally unregulated and sort of operates in this mystic world of health care, but it's private and provides for private care and private tests and the whole gambit.

Has there ever been a breakdown to see, when we pay our $1,000, $2,000, $3,000 a year for our auto insurance—is there a breakdown of where this money goes, either in part or in whole? Has that ever been looked at, or is that impossible to get, since a lot of it is proprietary information that insurance companies are holding? Is that possible to get, or has it ever been looked at? I've never seen it, but I'm just wondering if it's there.

Hon. Charles Sousa: We did a little bit of that in the budget last year under section C. We actually put graphic comparisons of what happens in Ontario versus other provinces. We actually have a graph that talks about the additional costs per vehicle in Ontario. It relates to caregivers, housekeeping, income replacement, attendant care, exams, medical, compensation, collision and comprehensive. We have a chart in regard to that. We also have a chart that's very telling, and that is on page 281, illustrating the dramatic increase in Ontario, in relative terms to the other provinces, in terms of actual benefit claim costs relative to others—how much more it is. We also have some comparisons here, to touch upon some of what you've asked.

I'm going to ask the deputy to drill down even further on some of the specifics.

Mr. Steve Orsini: Your questions really drill down to a level of specificity and disaggregation I don't think we have, but we'll follow up on that.

What I do want to highlight is a number of things that you talked about in the anti-fraud task force. It was chaired by Fred Gorbet, a former federal official, and had a group of people, either consumers or experts, providing advice to the government on what could be done to reduce fraud, to protect those who require benefits, but really address fraud to reduce the costs of providing auto insurance and, therefore, that would help drive down premiums.

They made a number of recommendations, some of which the government has moved forward with, and some of the others are still under review. The budget bill that was passed earlier this year contained some of the measures to move on those initiatives. I think that's where we'll get some further insights, as those measures take effect, as the expert panel advises the government on what additional measures may be required.

The government will continue to review those recommendations and continue to consult on their application in terms of some of the specific things you had mentioned. The tow truck industry: How does that impact? What are some of the things the government may want to consider around that? There's a private member's bill that tries to address some of those elements.

Those are some of the things the government will be exploring on that—again, reduce costs and have those costs passed through so premiums, on average, come down by 15%.

Mr. Mike Colle: I was in this committee—not this committee; another committee—and we dealt with insurance. It seems the going rate is $2,000. If you get picked up by a tow truck driver in Toronto, you'll get taken to the tow truck pound—his or her pound—or to a friendly pound.

Then, if you go to your auto collision repair shop and say, "Hey, listen, my car got into an accident. This tow truck guy was so nice to me, offering me coffee on the 401, where I got hit, but he took my car and it's over there, and here's his card"—well, as you know, Rocky at the auto collision shop phones up the friendly tow truck driver and says, "Oh, you've got Mrs. Papalucci's car over there. Can I have it?" And you know what they say: The going rate is 2,000 bucks.

In one case I had, the car was across the street from Rocky. It was in a major car dealer; a major car dealer had the car. The friendly tow truck driver phoned the major car dealer. So Rocky phones across the street and says, "Hey, your car is across the street. I hear it's driveable. I'll even come over and drive it across to my shop. Can I come over and get it?" "Sorry, you can't—2,000 bucks." Eventually, he had to pay 2,000 bucks to get that car, and Rocky then drove it across the street to his auto collision shop.

I'm just giving you this as an example of somehow, whether it's the insurance companies, whether it's the system, nobody ever wants to get to the point and say, "Where is the money going?" Everybody assumes it's the big, bad insurance companies getting all the money. In some cases, the insurance companies are complicit in having these arrangements.

We should try and find out the breakdown of our premiums, that are worth billions of dollars and, in some cases, we know, are going to very nefarious organizations that have been involved in physiotherapy, have been involved in everything, and that are involved in the tow truck business. The Hells Angels have been involved in the tow truck business in Ontario in the past; we know that. So—

The Vice-Chair (Mr. Taras Natyshak): Thank you very much, Mr. Colle. Your time is up. I've enjoyed your anecdote.

We will move on to the PC caucus for—

Mr. Rob Leone: I was almost going to give up my time to hear the rest of the story.

Mr. Mike Colle: Don't get me started with tow trucks.

Mr. Rob Leone: We were just getting to the Hells Angels there. Jeez. Wow.

Minister, I want to go back to this wage restraint thing that we were talking about before. Now, the LCBO had a deal recently tabled—I think in May or June of this year; before the long weekend—where there was a signing bonus of about $1,600 given to members of that bargaining unit. I want to know if you can tell me whether receiving extra compensation of $1,600 is, in fact, a wage freeze.

1730

Hon. Charles Sousa: As mentioned, the LCBO's negotiations occurred independently. They were mandated to do so within the envelope that they were receiving, and they had to have offsets for any constraints or any deals that they were to make, and to ensure that the province's dividend would remain and become better. They accomplished that; they provided the offsets that were necessary. As I've stated, the overall benefit—if you look on page 128 of the budget, "Going forward, compensation costs must be addressed within Ontario's existing fiscal framework, which includes no funding for incremental compensation increases for new collective agreements." It states further that we're confident that even broader public sector partners will work together to achieve these outcomes.

Mr. Rob Leone: So when I say "wage freeze," you're not just talking about wage freezes; you're talking about compensation, meaning benefits and other things as well?

Hon. Charles Sousa: No, we want them to be within the envelope, and we recognize that there are offsets. What's really important here is the net benefit to taxpayers and the net benefit to government. As a result of some of the negotiations and deliberations that we've done, we've actually been able to cut spending year-over-year and control our spending in the going-out years because we're not increasing the spending on an actual basis.

It's also important that we find those savings. We need to find those savings by working collaboratively with our collective agreements and with our labour partners to ensure that they themselves look at ways to offset compensation with cuts and savings.

Mr. Rob Leone: You're saying you're cutting spending. I just want to bring to your attention—I'm just looking for my relevant chart here; now I can't find it. Spending in 2003 was $80 billion. Spending in 2012 was $122 billion. That's a 53% increase.

Hon. Charles Sousa: I think you're talking about where we're going, right? As I've stated, I made it very clear in our budget: no funding for incremental compensation increases. I've stated further, "In future rounds of bargaining, the government is willing to work with employers and bargaining agents to look at mechanisms such as productivity improvements as a way to achieve fiscal and service delivery goals." We want to work with all our partners to ensure that we improve delivery of service and improve productivity by ensuring that we work within the fiscal constraints that we have. I've stated clearly that that's the way that we will go.

Mr. Rob Leone: Your predecessor, Mr. Duncan, said that a wage freeze meant a 0% wage increase. He talked about negotiated settlements of zero and zero. Your language never actually uses "wage freeze." You talk about "envelopes" of money not increasing.

Now, if wages were at zero and zero, and signing bonuses weren't added, in fact, you would have more room in that envelope, would you not? I mean, you're saying that $1,600-per-person deal with the LCBO, for example—if you didn't have to give that, you'd have more money in the government's coffers to pay down the debt and reduce the deficit even further, would you not?

Hon. Charles Sousa: The LCBO negotiated a deal as an employer with its employees, and they negotiated offsets. To that effect, they had no incremental increases in their funding compensation, which enabled us to still maintain our dividend and—

Mr. Rob Leone: So it's not a wage freeze; it's just offsets? You're talking offsets now?

Hon. Charles Sousa: No, we said, "There's no money for any incremental increases." That's what we're saying.

Mr. Rob Leone: I agree there's no money. There's no question about that.

Hon. Charles Sousa: We're not providing any increases. We will continue, and as I've stated—it's even highlighted—Ontario wage settlements are much lower than they are in the private sector.

Mr. Rob Leone: You're suggesting here that you have no wage freeze. That's what I'm hearing from you.

Hon. Charles Sousa: I'm saying that there's no envelope—there's no pay—available. There's no more money available for incremental increases.

Mr. Rob Leone: I remember reading a press release about your envelope with respect to the LCBO. Your envelope was tied to receiving a $1.6-billion dividend. That was the envelope. That's a pretty big envelope, isn't it?

Hon. Charles Sousa: Yes. The monies that the LCBO provides the province and the people of Ontario are $1.6 billion to help support schools and hospitals and services.

Mr. Rob Leone: What I'm suggesting, though, is that if you actually engaged in a proper wage freeze and then negotiated—

Interjection.

Mr. Rob Leone: Okay. Thank you very much.

What I'm trying to suggest here is that if you adopted your predecessor's language of zero and zero—clearly I think your government understands that there is also some room to manoeuvre on the benefits side as well, where sick pay, retention pay, signing bonuses and pensions are all involved in the total compensation package of the government. But if we actually engaged in a wage freeze and start talking about ways we can reduce some of those benefits, would your government not have more money either to reduce the deficit further or to spend it in other ways? That seems logical, doesn't it?

Hon. Charles Sousa: Right, and no funding for incremental compensation is what I'm saying. There's no more funding for any incremental compensation increases. As a result of the measures we've taken, we're constraining and controlling our spending and enabling us to move to tackle and eliminate the deficit as planned.

Mr. Rob Leone: So going forward, can we expect wage freezes from your government?

Hon. Charles Sousa: As I've said, there's no more funding for any incremental increases in compensation.

Mr. Rob Leone: For how long?

Hon. Charles Sousa: More importantly, as a result of the negotiations that we've been having, more importantly, as a result of the co-operation and collaboration that we're having with labour and with our stakeholders and with our partners, as opposed to some of the suggestions that have been made in the past by others, we've been able to negotiate even greater offsets, even greater savings to the tune of—where are we here?—$6.5 billion in cumulative reductions compared to the commission's forecast.

Remember, Don Drummond came to us, alerting us to the situation in a big way. Not only did we assume and take some of the steps necessary; we went beyond that. Just in the pension savings alone, because of the collaboration that we've been doing, we've been more than offsetting the suggestions of a zero-zero.

Mr. Rob Leone: When I walk around at events and people come to me and say, "What's the government doing with respect to wages?"—obviously wages make up a substantial portion of your budget—and they talk about a wage freeze, I can't say to them with a degree of certainty that you've actually frozen wages.

Hon. Charles Sousa: No, you can say this: The forecast was to increase, just in pension expenses alone, about $1.1 billion over that period of time. As a result of the steps we've taken, the cumulative reduction is now going to be $6.5 billion. We are now, on the net present value of that negotiated deal, saving the province $1.8 billion. So you can tell them that as a result of our negotiations, as opposed to a combative approach, we've done even better.

Mr. Rob Leone: So I can't tell them you've frozen wages, though.

Hon. Charles Sousa: You can tell them that there's no more money and we're not giving any more money for pay increases. In fact, you can tell them that we've established net savings.

Mr. Rob Leone: It's very interesting. I've been analyzing your government for quite some time, and we always have these words that we hear, "We're in conversations," "We have envelopes of money," "There's no more money to do this," but you won't say "wage freeze." It baffles me because your predecessor believed a two-year wage freeze was necessary.

Hon. Charles Sousa: Don't be baffled. Look at what has been accomplished, and what has been accomplished came out in our public accounts just yesterday. We have just shown you that we have been able to not only control and constrain our spending; we've been able to reduce it, and reduce it by 0.4% of program spending, of which wages are a part. As a result of that, we're netting out even better than we were before.

Mr. Rob Leone: Okay.

Hon. Charles Sousa: That's how it is.

Mr. Rob Leone: I understand that's what you say how it is, but I'm still trying to understand whether you—

Hon. Charles Sousa: The facts is what it is, yes.

Mr. Rob Leone: I'm trying to understand whether you've deviated from your predecessor's position on wage freezes. You're not giving me any indication that you are following that, because you're using other words to explain different things than I'm asking about. I'm saying, does the government believe in wage freezes? Is there a zero-zero policy? And I'm not talking about compensation; I'm not talking about envelopes. I'm talking about a wage freeze: 0% and 0%, no signing bonuses, no retention pay. Is that the position of the government still, and for how long can we see that from you, as the finance minister?

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Hon. Charles Sousa: Let me be clear here. Two years ago, we introduced zero-zero for two years. Now I'm telling you there's no more money for any pay increases.

Mr. Rob Leone: Okay.

Hon. Charles Sousa: And we've negotiated even greater benefit by further reductions.

Mr. Rob Leone: You know, I think somewhere in the background your communications advisers are thinking you're doing a great job, because you're not really answering my question.

I have maybe a slightly different tack. I hear that you're talking about labour collaboration as something that you've done, and over the last couple of budgets, I know that you've spent a considerable amount of money trying to buy the NDP vote. I'm wondering, how much money do you have in this budget to do that the next time?

The Vice-Chair (Mr. Taras Natyshak): I don't think that "Buying the NDP vote" is a line item on your budget, Mr. Minister, but feel free to comment on it.

Mr. Rob Leone: There's a page in there. What page is it?

The Vice-Chair (Mr. Taras Natyshak): I mean, if it is an expense that's highlighted in the budget, then you can feel free to comment on it, but you certainly don't have to.

Hon. Charles Sousa: Thank you, Vice-Chair, and I appreciate the clarity of that. In fact, there is no line item to that effect. But this an important question in this circumstance.

The member, Mr. Leone, has just asked that we should, as a result of the actions of a minority government, work collaboratively with the opposition. Certainly, our government desires that to be so.

Our government also desires to control and constrain our spending, and to work with all stakeholders in government to ensure that we work together for the purpose of tackling and eliminating the deficit while providing valuable services to the public. In order to do that, we have to work together.

The member has asked a number of questions and has implied a number of initiatives, which is insulting to the extent that we've never operated that way. We want to work with you. We want to work with all sides for the benefit of Ontarians. I think if we were to look at some of the initiatives that have been brought forward, they're in keeping with your very own proposals.

These are shared initiatives, and I think we can find common ground on some of this stuff, including working with our employees so that they, too, are satisfied as to where we need to be. They themselves recognize that we all have to roll up our sleeves, that we have to do our part. We, as legislators, are doing our part, too. We've frozen our pay for five years, and we will continue to do what's necessary. We are working toward a much more positive position for the benefit of the public, and will continue to do that with everyone who wants to collaborate.

Mr. Rob Leone: So in the spirit of collaboration, I know that we brought forth a bill that was endorsed—in fact, it was written—by AMO, in terms of arbitration reform. Why didn't you vote for it?

Hon. Charles Sousa: I guess the question should be posed back to you: Why did you not vote for it? Why did you take it out of the budget in the previous year? It was there.

Mr. Rob Leone: It was a terrible budget.

Hon. Charles Sousa: You guys voted it out. You removed it.

Mr. Rob Leone: We twice brought arbitration legislation—

Hon. Charles Sousa: You removed it from the budget.

Mr. Rob Leone: We twice brought arbitration legislation—

Hon. Charles Sousa: I know what you may have brought forward, and I know what you did, and you voted it out of the budget last year. It was there.

Mr. Rob Leone: Well, why didn't you vote for it, to put back in, then?

Hon. Charles Sousa: Why did you vote it out? That's the question.

Mr. Rob Leone: No. I'm asking you very seriously, Minister. This is your time to answer questions.

Hon. Charles Sousa: Okay, wait a minute now. Let's be clear—

Mr. Rob Leone: No, no, no.

Hon. Charles Sousa: We, as a government, brought it in—

Mr. Rob Leone: This is my opportunity to ask you questions. We're reviewing the estimates of your government.

Hon. Charles Sousa: Yes.

Mr. Rob Leone: So this is an opportunity for you to answer questions.

Arbitration reform has the capacity not only to help the budget of the government of Ontario, but also municipalities, hospitals, universities, what have you. We brought forth arbitration legislation that the Association of Municipalities of Ontario actually wrote. We did that, and you voted against it. So I want to know, if you're serious about collaboration, why didn't you support it?

Hon. Charles Sousa: Okay. So let's be very, very clear on the timing, now. The very last piece of legislation around interest arbitration reform occurred last year. That was the last piece of legislation that came before this House. We brought it in; you took it out.

Mr. Rob Leone: Well, you know, Minister, we can quibble about this all you want.

Hon. Charles Sousa: That was the last piece of legislation around interest arbitration reform. That was it. There is nothing that has happened since then.

Mr. Rob Leone: We had a bill last spring; you should've known about that. Steve Clark had a bill. We had a private member's bill to do that.

Hon. Charles Sousa: The last piece of legislation before the committee was at that point. It was already at its tail end, and you removed it. Your party removed it from the budget.

Mr. Rob Leone: Okay. We can talk about how the amendment didn't go far enough. We brought legislation that the association of municipalities actually wanted, and you obviously voted against it. We can quibble all we want. I know you're going to continue to say what you're going to say and I'm going to continue to say what I'm going to say because that's the way the nature of the beast works.

Where in the budget are the gas plant cancellation costs?

Hon. Charles Sousa: Repeat the question, please.

Mr. Rob Leone: Where in the budget are the gas plant cancellation costs?

Hon. Charles Sousa: I believe $190 million was attributed in the previous year and $40 million was addressed last year.

Mr. Rob Leone: And where's the rest of it?

Hon. Charles Sousa: That's all that's been attributed to the taxpayer.

Mr. Rob Leone: And where's the rest of it?

Hon. Charles Sousa: There is nothing more that's been attributed to the taxpayer base.

Mr. Rob Leone: So the numbers that we've heard of $565 million, at least to date, or $585 million, whatever the number is lately, are not in the budget at all?

Hon. Charles Sousa: The fiscal plan and the impact of the fiscal plan have been addressed. It has been applied to the budget. Has it been applied to the books and public accounts? It's been addressed by the Auditor General. We have now gone even further by asking the Auditor General to do a full review of the overall consequences of the relocation of the plants as they proceed going forward. And as we determine that, we'll then know.

Mr. Rob Leone: So only a small fraction of what the taxpayer is going to be on the hook for has been accounted for in your budgets.

Hon. Charles Sousa: The cost of the relocation has been accounted for, yes.

Mr. Rob Leone: Do you have anything else, Rick?

Interjections.

Mr. Rob Leone: Three minutes? Go ahead.

Mr. Rick Nicholls: Thank you. Minister, I'm going to kind of change the spirit of the conversation somewhat, but I do have a question for you, though.

Licensing: I want to go back to licensing individuals and their car licences. Just recently, the government has implemented an increase in licensing, I believe as of September 3. It's now gone up to $90 per vehicle, correct?

Hon. Charles Sousa: Yes. Again, that's the MTO. You may want to refer to them as to the cost, but again, it's a cost recovery that's occurring. It's also something that Don Drummond and the Auditor General have recommended in their reports.

Mr. Rick Nicholls: That revenue itself—you're saying that the MTO actually collects that revenue and it goes back in, but where does all of that money end up?

Hon. Charles Sousa: Again, the recommendations by both Don Drummond and his commission and the Auditor General were to provide some indexation. Some of this stuff hasn't been addressed in over 15 years. It's a cost recovery; it's part of the cost of doing their operations. So it'll be administered and managed through MTO to enable them to recover the cost of delivering that service.

The Vice-Chair (Mr. Taras Natyshak): You've got half a minute left, Mr. Nicholls.

Mr. Rick Nicholls: Okay, thank you.

I guess, looking at those numbers, that's been roughly a 20% increase in the last couple of years that has been directly attributed to or passed on down to consumers, the taxpayers, just for the privilege of driving in this province.

I guess my concern is, what are we doing, and what would your government be doing, to control those costs? Because it seems to me that every time more revenue is needed, we increase fees.

Hon. Charles Sousa: Mr. Nicholls, we've just shown you that we've cut spending year over year for the first time in over a decade. The recommendations that were included here are in keeping with what your party has wanted, and that's to provide the indexation of some of these fees, as recommended by the Auditor General and Don Drummond, which you want us to recommend in its entirety. So I'm confused as to why you're questioning the very thing that you want.

The Vice-Chair (Mr. Taras Natyshak): Thank you very much, Minister.

We will move to the NDP for 20 minutes; of course, we won't get through that, but to you, Ms. Fife.

Ms. Catherine Fife: That's fine. Thank you very much.

I just want to distribute this ad that's out around Queen's Park—would you mind passing that around?

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Although I, too, was interested to hear about Rocky. I mean, we had our own sort of version of Rocky over here a little bit.

So I'm going to be returning just to the role of FSCO, and MPP Colle said this is about the big, bad insurance companies. It really isn't. It's actually about getting to the real numbers so that we can create some systemic change in the industry.

To that end, this advertisement that I've just distributed—did you not get it?

Hon. Charles Sousa: No, I have no idea what this is.

Ms. Catherine Fife: Okay. This ad is out there. I think most people have seen it. It's on the bus shelters outside. It's distributed by the Insurance Bureau of Canada. This is their job: to tell the story in a different tone, in a different way. The one particular line that we find very interesting, and I hope that FSCO does as well, is that they list their profits, return on equity for 2011 and 2012, to be 1.3% and 4% respectively. The actuaries who I've talked to—you know my friends, the actuaries—have said that this number should actually be closer to 19%. Do you anticipate FSCO challenging these numbers as they stand today?

Hon. Charles Sousa: We haven't had time to review this. We'll take a look at it.

Ms. Catherine Fife: These numbers are not new numbers. These numbers are what the insurance industry has been using for—ever since we started talking about reducing insurance rates, this return on equity has been consistently used by the insurance industry. We understand why they're using them; I want to know: Do you understand why they're using them and do you understand where they come from? Because they're not new numbers. I want to know, our party wants to know, the people of the province want to know: Is the government going to challenge these numbers—1.3% or 4% for that matter—when I think there are good reasons to question the validity of these numbers?

Hon. Charles Sousa: Again, we have not had time to review this particular chart. There's no specific time period that has been established. There's no relevance in terms of when this ratio has been attributed. You're asking things without having the full concept and the full scope of where it's coming from. This is an ad from IBC; it's not something that the government has brought forward.

The fact is, we're bringing forward legislation and we're bringing forward policy to pass on savings to the consumer, and addressing the needs of the consumer and ensuring that we reduce those premiums as a result of some of the costs that have been entailed. So we're compelling these insurance companies. We're putting forward a watchdog of sorts, by way of a panel to attribute the overall circumstances of the work that's being done, to pass those savings on to the consumer.

Again, this doesn't have a timeline, so it's difficult for us to comment on what you've stated here.

Ms. Catherine Fife: Well, Minister, no one has said that the government is putting these—these are not the government's numbers. They're from the insurance industry, and they're not new numbers. They are the numbers that have been out there for almost two years. They tell a very different story than the government does.

The question was very direct. Will FSCO be looking at these numbers as we try to reduce rates by 15%?

Hon. Charles Sousa: Catherine, we've just come out with a piece of legislation to address this very issue. That's exactly what we're doing. We're reviewing and assessing the scope of the savings within the industry to make certain that they're passed on. There's also a federal component in regard to the solvency issue of some of these companies. But in terms of the specific items of this chart, I'll ask Phil to comment.

Ms. Catherine Fife: Phil, are these real numbers?

Mr. Philip Howell: No.

Ms. Catherine Fife: Do you know—they're not real numbers?

Mr. Philip Howell: Oh, I'm sorry. I thought you said, "Are they our numbers?"

Ms. Catherine Fife: Oh, Phil, I thought you were going to tell me what I wanted to hear.

Mr. Philip Howell: Sorry, I thought you said, "Are these your numbers?"

Ms. Catherine Fife: No, they're not your numbers. Everybody knows they're not your numbers. But these numbers are not new to you or to FSCO, right?

Mr. Philip Howell: Off the top, I'm not totally sure where they come from. They may be the numbers that came from those studies that the IBC had commissioned and presented to a government committee in the fall. However, I do want to assure all the members of the committee that when we are reviewing rate applications, we undertake a very rigorous review of the individual company's financial position, and in fact what a rate filing entails—they're several hundred pages long—is a detailed look at what each company is doing in terms of where their costs are and so on.

Ms. Catherine Fife: I appreciate that. I guess my question is: Is FSCO able—do you have the tools and mechanisms that we sort of talked about earlier? Do you know—do you have those tools and mechanisms to determine if these numbers are real? Does FSCO have that power?

Mr. Philip Howell: Well, I don't really think that it's FSCO's job—it certainly isn't under the existing legislation—to be opining on industry advertising campaigns. I can assure you that we do have both the capability, the authority and the ability to analyze a company's financial position that they present in the context of a rate application and determine—

Ms. Catherine Fife: But you wouldn't have to audit. We're not asking you to audit. You've said already, "It's not the job of FSCO to audit insurance companies." You wouldn't have to audit a company to find this data out. Some 80% of the people in this province never file a claim in auto insurance. That's how safe the drivers are in the province. So, it would make some kind of sense—just common sense, even like common sense, revolution sense—that these numbers are not real. They're definitely deflated. Can somebody at least admit that these—nobody believes that insurance companies in the province are making 1.3% on their return on equity, right?

Hon. Charles Sousa: Really, we can't comment on numbers that—we can't verify these numbers. They're not our numbers; they're numbers that are being brought forward by an independent body through an ad campaign. What we can tell you is what we did put in the budget. We made reference to some of the specific numbers as presided by the anti-fraud task force since September 2011. Assessments were made in terms of the determination of some of the costs and where they fell and the impacts it has on the province of Ontario.

What's important to note here is our determination over the last number of years—the last two to three years—to find ways to reduce those claim costs so that we can pass the savings on to consumers. That's the work that we're doing and that's what we're trying to assess and trying to ensure occurs. As a result of that, we already have a number of insurance companies already stating that they're going to come forward with reduced premiums. That's what we need to work with.

Ms. Catherine Fife: Definitely. The mutual insurance that I met with—they're already there. They want to be there—

Hon. Charles Sousa: There you go.

Ms. Catherine Fife: —but then you have other sectors or other insurance agencies that are claiming that they're not making any profit and therefore they will push back and say that they cannot meet the 15% reduction. You can't say to them, "Yes, you can," or, "No, you can't" if you don't understand what's in their reserves and what kind of return on equity they're actually making. This is part of the equation on the insurance discussion.

Hon. Charles Sousa: Well, this is the benefit of having a competitive industry. There are over 100 companies competing in this space. We have a sector that's going to be viable. We have a number of companies that have managed their books more effectively than others, and they're in a position to now pass on those savings more quickly. That is what we want. We want FSCO, through their efforts and through their enforcement piece and their ability to compel these companies to come forward for those rate reductions—we're encouraging that to occur.

Ms. Catherine Fife: Okay. Thank you very much. Actually, the remainder of my questions are really detailed, not that some of mine haven't been that detailed, so I think that it's in the best interest not to even start down that road, but thank you very much for some of your answers.

The Vice-Chair (Mr. Taras Natyshak): Thank you, Ms. Fife. Thank you again, Minister and Deputy Minister, for appearing. To committee members, we will adjourn the committee until Wednesday, September 18, 2013, at 3:45 p.m., or after routine proceedings. The meeting is adjourned.

The committee adjourned at 1800.

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