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**Tuesday 7 October 2014**

**Journal  
des débats  
(Hansard)**

**Mardi 7 octobre 2014**

**Standing Committee on  
Estimates**

Ministry of Infrastructure

**Comité permanent des  
budgets des dépenses**

Ministère de l'Infrastructure

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 7 October 2014

Mardi 7 octobre 2014

*The committee met at 0900 in room 151.*

## MINISTRY OF INFRASTRUCTURE

**The Chair (Ms. Cindy Forster):** Just before we start this morning [*inaudible*] after the last estimates we had last week, so we want to kind of verify some of that. I remind the members that the purpose of the estimates committee is for members of the Legislature to determine if the government is spending public money appropriately, wisely and effectively in the delivery of the services intended.

I would also remind the members that the estimates process has worked well with a give-and-take approach. On one hand, members of the committee take care to keep their questions relevant. The ministry, for its part, demonstrates openness in providing information requested by the committee.

So we're going to start here today—

*Interjection.*

**The Chair (Ms. Cindy Forster):** Thank you, Mr. Hatfield.

We're here today to consider the estimates of the Ministry of Infrastructure for a total of 10 hours. The ministry is required to monitor the proceedings for any questions or issues that the ministry office undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to the questions raised, so the ministry can respond accordingly. If you wish, you may, at the end of your appearance, verify the questions and issues being tracked by the research officer here today.

Are there any questions before we start?

I am now required to call vote 4001, which sets the review process in motion. We will begin with a statement of not more than 30 minutes by the minister, followed by 30 minutes—

**Mr. Randy Hillier:** Can we not give it to—because there was confusion last time.

**The Chair (Ms. Cindy Forster):** It actually starts with the minister, 30 minutes, and then it will be followed by statements of up to 30 minutes by the official opposition, and 30 minutes by the third party. Then the minister will have 30 minutes to reply, then the remaining time will be apportioned equally among the three parties. Are we clear?

**Mr. Randy Hillier:** Thank you.

**The Chair (Ms. Cindy Forster):** Minister, the floor is yours.

**Hon. Brad Duguid:** Thank you so much, Chair. I was joking with some of my colleagues; I am sporting a tan that's a little more than the usual. No, this isn't Frank Klees making a comeback; I am Brad Duguid, freshly back from a week with my wife in Mexico. I was saying I haven't been away for a full week with my wife since our honeymoon seven years ago, so it's well overdue.

Coming off the plane, I have to tell you how excited I was to find out that within 48 hours I'd be here before you for 10 hours—getting off running this week. So I'm really excited to be here, and probably still a little bit in a Mexico mode, but pleased to be able to appear before you today and looking forward to chatting a little bit with you about the Ministry of Infrastructure and some of the work that we do.

As you know, some of the functions of the former Ministry of Infrastructure have moved around. In fact, the infrastructure policy and planning function was formally transferred to MEDEI, which is my ministry now, just yesterday.

I'm here to speak to what's been put forward in the estimates, specifically that part of the government's strategy that invests in infrastructure, oversees growth planning and manages the government's realty portfolio. It may be a little bit confusing, because some of those functions have now moved to other ministries, and we can certainly chat about those. I can respond as best I can to those questions, and those that I may not be able to respond to, I'll have some able supporters—

**Mr. Randy Hillier:** You just mentioned, Minister—sorry to interrupt you.

**Hon. Brad Duguid:** That's okay.

**Mr. Randy Hillier:** You made reference to something that just happened today, and I didn't catch what—

**Hon. Brad Duguid:** Oh, no, that's the transferring of the roles of the ministries from—the transition officially was done just in the last 24 hours, this week. I'll go over some of the stuff with you. Specifically, the part of the government strategy that invests in infrastructure, oversees growth planning and manages the government's realty portfolio—that's what's before us today. Not all of that is currently under my current portfolio, but the infrastructure piece certainly is. But that doesn't mean that I won't be able to respond to the questions you have on things like growth planning, which is now under the Ministry of

Municipal Affairs and Housing. There are some other functions that have kind of moved around in the transition. If there are questions about that today, we're happy to respond as best we can to that.

I want to introduce some of the ministry officials that are here today: Deputy Minister Giles Gherson, whom many of you would know. He has actually been my deputy officially now for 24 hours, so I don't know what help he's going to be today to us. He said he's been cramming and studying, working hard to try to get up to speed, but he has a very capable group of folks behind him here that will be able to respond to our questions if he's not able to. So we might have to cut Giles a little bit of slack today, given that he's new in the position.

We also have Chris Giannikos, who is the former ADM of infrastructure policy and planning. He's not working with my ministry anymore; he's now with the Ministry of Finance, but he's here nonetheless.

Larry Clay is here with us—

**Mr. Percy Hatfield:** Can they just wave, Minister, when you mention their names?

**Hon. Brad Duguid:** Yes. Chris is here now.

Larry Clay is the ADM for the Ontario Growth Secretariat. He's been around here for a while. He is part of the Ministry of Municipal Affairs and Housing now, so he's one of the staff that have moved over to municipal affairs and housing.

Bruce Singbush is actually still with me. Bruce is the ADM of the realty division. I'm happy to at least have one of our backup members here still with me.

This morning I'm going to touch on some of the key priorities for the Ministry of Infrastructure that carry on at MEDEI, at municipal affairs and at Treasury Board. I'll outline how our government oversees infrastructure planning and investment, how we manage sustainable growth in communities, and how we develop and implement strategic policies for government-owned realty assets. This year, for the first time, our priorities are also being made public, as you know, to all the public, as ministry mandate letters have been posted online. This unprecedented step towards open and transparent government will help heighten accountability and ensure tax dollars are being spent wisely.

I can't overstate how much infrastructure plays a pivotal role, and I'm proud to say that no government has done more than ours to invest in infrastructure. It creates jobs and builds stronger communities, and building modern infrastructure drives economic growth. I think all of us recognize that. But you don't have to take my word for it; research really backs this up. An April 2013 report from the Conference Board of Canada found that every dollar invested in public infrastructure in Ontario raises gross domestic product by \$1.14 in the near term. In addition, our own studies show that returns on this dollar grow to \$3.10 in the long term while supporting jobs and facilitating private investment.

I think that's one of the reasons why the Premier thought it was wise to combine economic development with infrastructure. Now, economic development isn't

before us today, nor are the functions that we do in that ministry. Perhaps at some point in time I'll have an opportunity to appear before you on the economic development side. But there is a good interrelationship between our investments in infrastructure—maybe the single greatest tool that governments have to directly create jobs is the investments we make in infrastructure. Our 10-year infrastructure plan, in fact, is expected to support, on average, more than 110,000 jobs each year in construction and related industries.

Since 2003, the province has invested nearly \$100 billion in infrastructure, focusing on what makes our communities stronger: assets like hospitals, schools, transit and highways.

#### **0910**

The 2014 budget commits to investing more than \$130 billion in public infrastructure over the next 10 years, including about \$12.8 billion in 2014-15. That's almost twice as much from Ontario alone as the \$70 billion that the federal government plans to spend right across the country. I think all of us would like to see a stronger federal partner when it comes to building modern infrastructure, because we know that's going to help grow our economy and meet our economic needs. As you all know, and some of you have joined us as well, we've repeatedly called on the federal government to at least match our commitment when it comes to infrastructure investment.

My mandate as Minister of Economic Development, Employment and Infrastructure will be to build a strong, diversified, globally competitive economy that will provide jobs, increase productivity and result in more prosperity for Ontarians. We've shown that we're well equipped for this challenge, and I'll share some real results and impacts with you today.

The government recognizes that now is the time to be making investments that will help spur economic growth and create new jobs necessary to support eliminating the deficit. To start, our government recognizes that our job is not just to invest more but to invest wisely. As our government moves forward with our plan, we will do so through the lens of fiscal prudence. My ministry will do this by working closely with the Ministry of Finance and Treasury Board secretariat to ensure that all of our spending aligns with government priorities. We'll also do this by working under an evidence-based 10-year policy framework, a long-term capital plan that takes a holistic view of infrastructure investments.

We've seen real results from our government's approach to infrastructure planning. In Hamilton, for instance, Ontario's investment in the Centre for Mountain Health Services involved the construction of a new facility to provide more in-patient beds and more services. It has expanded outpatient clinics for psychiatry, diagnostic imaging and medical services, along with research and academic spaces. In Waterloo region, Ontario's investment in a consolidated courthouse will bring justice services together under one roof in a modern, accessible facility that will help reduce delays in the court system and increase access to justice.

There are just a couple of examples of a long list of infrastructure investments. I guess the point I'm making is that these investments really do matter to communities. They make a difference in the everyday lives of Ontario residents, from one part of the province to the other.

The overall numbers are actually quite impressive. In the past decade in Ontario we've built 23 new hospitals, and 650 new schools have opened or are under construction. We've invested almost \$17 billion in capital funding to support public transit across the province, and we've expanded or rehabilitated almost 7,900 kilometres of highways. This is the distance from Toronto to Vancouver and back—a pretty significant accomplishment, I would say. And 950 bridges have been built or repaired—that's more than the double the number of municipalities in Ontario—which is, again, something that we are very proud of. It doesn't stop there.

Our planned investments as part of our 10-year framework include transit projects, like the increase in GO Transit service between Kitchener and Toronto from four to eight train trips per day in 2016. Major hospital expansion and redevelopment projects are also part of it. We're providing over \$11.4 billion over the next 10 years for that. This is in addition to 10-year funding of almost \$700 million for repairs in hospitals, and \$300 million to help shift care from hospitals to community settings. We will be providing more than \$11 billion over the next 10 years in elementary and secondary education infrastructure funding as well. This includes more than \$4.2 billion to help address school repairs and \$750 million over four years in new capital funding to support school consolidations.

The benefits of the government's sound planning not only make up for the historic underinvestment in our infrastructure, but give us a solid foundation for the future. We recognize the importance of investment in municipal projects as well. The province has already made nearly \$200 million available under its Municipal Infrastructure Strategy to help municipalities prepare asset management plans and address critical road and bridge projects. Municipalities like Northern Bruce Peninsula and Sault Ste. Marie used the investment to pave and widen major road arteries, and that improved public safety.

In Wasaga Beach—every time I think about it, I think about my youth. I wonder how many around the table have similar ideas, but those are stories I wouldn't be able to share, I don't think, with the committee. But I do have fond memories of Wasaga Beach. There, the Schoonertown Bridge was widened to four lanes, adding full sidewalks and improving safety for vehicles, cyclists and pedestrians.

These improvements are essential to help our municipalities grow, but we've heard from our municipalities that we must do more to help them maintain critical road, bridge and water infrastructure. That's why, in August, as part of the government's new 10-year economic plan, we launched the permanent Ontario Community Infrastructure Fund. This fund will provide \$100 million permanently for small, northern and rural communities. It

includes \$50 million in formula-based funding and \$50 million in application-based funding. That's important because that's something municipalities have been asking for.

Some of us around this table were former municipal councillors at one time or another, and we recognize how challenging it can be on a municipal council when you have your own municipal priorities, and every time a federal or provincial government gets together and puts together an infrastructure program, it doesn't always meet your top priorities—which means you've got to now rejig what your priorities are to get access to that federal and provincial funding. It may not be as politically advantageous to do it that way, because you don't have as much of the announcements every year of funding—because it's a continual flow of funding—but it's probably a better way to do infrastructure and it's certainly something the folks at AMO have been looking for, for a long time. That's the difference between formula-based funding and application-based funding. Right now, we're looking at a half-and-half approach. As we see asset management plans evolve across the province with municipalities—and they're doing a pretty good job on this right now—we'll feel more and more comfortable moving it to more formula-based funding, and we've committed to doing that and phasing that in as we go forward.

We really have tried to bring a strong focus to the importance of asset management, both for our own infrastructure and municipal infrastructure. We have helped hundreds of municipalities with implementing that.

We're working with the federal government as well, continuing our advocacy work to try to bring more federal dollars to Ontario, as I mentioned earlier; but we're mindful that municipalities have projects that can't afford to wait. So in August, as I said, we launched the Ontario Community Infrastructure Fund, and we've also opened an intake under the federal Small Communities Fund. Through the Small Communities Fund, Ontario and Canada will each provide \$272 million to support critical projects in communities with populations under 100,000.

The Ontario Community Infrastructure Fund and our continued advocacy for fairer investment commitments from the federal government are the result of a long and productive collaboration with our municipalities. We've worked closely with AMO on the structure of this new permanent fund, and that's frankly what municipalities were calling for. I'm pleased to be able to say that's what we've been able to deliver.

We value our partnership in helping smaller communities as well. We'll continue to take a strong stand on behalf of municipalities to work closer with the federal government to increase infrastructure funding there for those communities, to ensure that they're getting their fair share of funding.

Just as we're supporting our smaller communities, we're also investing in our larger cities, which many would call Ontario's economic engines. In these cities,

there has been no higher priority than transit. In Toronto, the Yonge-University-Spadina line is being extended to York University and into Vaughan; in Ottawa, work has begun on the Confederation Line, a 12.5-kilometre LRT project; and in Waterloo, a 36-kilometre rapid-transit corridor is being built to connect the urban centres of Cambridge, Kitchener and Waterloo. Those are just a few of the projects that are under way, with many more to come.

I mentioned earlier that Ontario knows that in times of fiscal restraint, we must invest money wisely. Another way that Ontario is applying a fiscally responsible lens to its infrastructure investments is through alternative financing procurement, or the AFP model. Ontario is a leader in delivering on major infrastructure projects through the AFP model. And let's be clear: AFP is not privatization, but since private money is involved, companies have a strong incentive to manage projects effectively. As a result, AFP has established a track record for delivering major projects on time and on budget.

I'm pleased to be able to say that of the first 30 projects to reach substantial completion through this project, 28 were delivered on time and 29 on budget—not perfect, but pretty darned close. When you compare that to the record of governments under all stripes, frankly, and governments around the world, that's a very, very impressive record. In fact, it's garnering attention internationally as being seen as one of the models that others are looking at to try to adopt.

Through Infrastructure Ontario, the province is delivering 80 AFP projects, valued at about \$35 billion in capital costs. Projects under construction or completed have an estimated \$3 billion value-for-money savings.

#### 0920

So Infrastructure Ontario is seen internationally as one of the models, if not the best model—certainly in North America, and maybe around the world—for delivering infrastructure projects. Imperfect as from time to time it may be, it may well be the best system out there right now. It's something we'll continue to work with all parties to try to improve, but something I think in Ontario we can probably take a fair amount of pride in. So kudos to the folks at Infrastructure Ontario for the good work that they've been doing over the years to deliver a record amount of infrastructure projects for us.

Making smart fiscal decisions means looking at not just the direct or immediate impacts of infrastructure investment, but the long-term legacies that they leave behind. Ontario has seen considerable stimulus thanks to the Toronto 2015 Pan/Parapan Am Games. The construction of the athletes' village has accelerated the development of the formerly derelict West Don Lands area. The village will leave the city with a legacy of state-of-the-art infrastructure for things like recreation facilities, condominiums and affordable housing units for future residents.

Meanwhile, constructing the flood protection landform has unlocked the potential for new development in the West Don Lands and East Bayfront precincts and will

provide comprehensive flood protection for much of Toronto's downtown core.

I recommend to any members, if they get an opportunity to take a tour down in that area of some of the plans and some of the work that is being done down there—it's actually quite fascinating, and you'll see it is something that's going to pay off, not just for the city of Toronto, but for the province in terms of growth, jobs and economic development opportunities.

As my colleague Minister Coteau has already pointed out, Toronto 2015's capital budget for the construction or renovation of 25 sport and recreation facilities and other projects will provide \$49 million in savings for municipalities and universities related to their share of venue construction.

A great example of this is the aquatics centre sports complex at the University of Toronto Scarborough campus, a campus that I happened to go to when I was younger, and not far from where I live. It's not in my riding, but it's not far from where I live. This project finished on time, on budget. Actually, it was under budget. The complex was seen as an important addition to the campus, and one of the things that I find really intriguing and really inspiring is the fact that UTSC students voted to contribute \$30 million of their own funds toward the development of the facilities. So that's just an example of the kind of partnership that's taking place in building some of these Parapan Am Games facilities, the University of Toronto being there and, of course, the students being involved in the facility. I've got to tell you, I really recommend for all members, if they like to work out, to go out there and work out. We'll make sure you can get into the gym. It's just a phenomenal, world-class facility. I was there a couple of weeks ago. I dropped in and ran into a gold medal Olympian who was training there. I saw Canadians on the national synchronized swimming team already training out of that facility. They were down in the pool. The facilities: full accessibility and just state of the art. Their elite athlete gym—this stuff blows me away. Everything is fully accessible. So you'll see athletes with disabilities training alongside athletes who are world-class athletes as well training in that facility. It also has another training facility for students and the public as well.

So this is going to be a huge legacy that's going to have an incredible impact on that local community, and frankly, there are a lot of opportunities for development around this building. So that's just an example close to my home of the impact of the Parapan Am Games in terms of economic impact and sports impact and community improvement impact.

I'd also like to thank Waterfront Toronto and the board that works there, an incredibly qualified board. If you haven't had an opportunity to meet some of those folks, you should try to. They're doing some great work. I've had an opportunity, through my years—and I know Peter Milczyn, who is a former city of Toronto councillor, will tell you it's been a long haul, waterfront development in Toronto. I've been in public office 21 years, and for most

of that time, waterfront development has been a topic of conversation. I think in the last five years we've seen some incredible progress there. The board at Waterfront Toronto have really done a tremendous job bringing together the interests of all levels of government. This is really not a partisan thing by any means. I mean, you think about it: When this latest Waterfront Toronto scenario developed, you had a Liberal government in Canada and you had a PC government here. Now it's the other way around. It has flipped around, but it has continued along. So governments and parties of all stripes have supported this development through the years. It is, to me, exciting to actually see progress being made down there.

I mentioned the quality of the board because I think they've been subjected to what I would say is some pretty unfair politicking over the last little while. It's election time in Toronto, so I can understand that, but I just want to express my confidence in those folks for the great job they're doing and for actually delivering something on the waterfront and giving us hope that we can build that kind of waterfront that I think is important to Toronto but also important to Ontario, because it's an important piece of economic policy as well to ensure that our largest city has a waterfront that continues to attract attention and attract development and attract tourism at the same time.

I want to continue on and talk about some of the ongoing efforts at Waterfront Toronto. The initial investment was a \$1.5-billion investment. It has generated \$3.2 billion in economic output for the Canadian economy, \$622 million in government revenues and 16,200 full-time years of employment. Waterfront Toronto projects have benefited the provincial economy by attracting \$2.6 billion of additional investment through the development in the East Bayfront and the West Don Lands precincts. So we're talking about pretty big-time investment in very prime areas of the city.

Our approach is based in solid strategic planning to prevent infrastructure deficits. The same rationale and approach is behind Bill 6, An Act to enact the Infrastructure for Jobs and Prosperity Act, which the government introduced in July. The bill, if passed, would require the province to regularly table a long-term infrastructure plan in the Legislature, covering a period of at least 10 years. The proposed legislation would include guiding principles to promote innovation, competitiveness and job creation by helping to promote apprenticeships, skills training and youth employment in the construction of certain provincial infrastructure projects. We're looking forward to seeing this legislation passed in the Legislature so that we can secure evidence-based long-term infrastructure planning in Ontario.

Strategic growth planning is the next area I'd like to talk a little bit about. Strategic growth planning is a sustained approach, not a one-time exercise; it's ongoing. Our government has a strong understanding of this approach. The Growth Plan for the Greater Golden Horseshoe was created to address urban sprawl, protect

farmland and help communities become more vibrant places to live in and more cost-effective to run.

Madam Chair, I have no idea how my clock is running here or how much time I have, but feel free—

**The Chair (Ms. Cindy Forster):** You have about six minutes.

**Hon. Brad Duguid:** I have about six minutes, so I'll probably not get through all of my comments, but that's okay. I'll do the best I can.

I think that one of the things with our growth plan is, we're very proud of the fact that it is something that has been seen internationally as a leader. It was challenging at first for all stakeholders to adapt to the idea, but it's something I think we needed to do. With an estimated 50% increase in population across the greater Golden Horseshoe by 2041, we really need to plan more smartly to ensure that we can accommodate that growth and accommodate it in a way that's intelligent, that's smart, that takes advantage of the current infrastructure that we have and ensures that we protect—whether it be green space or farmland and those kind of things. What our growth plan does is, it provides us with that template to ensure that we're developing in a smart way.

By shifting our investments to help build walkable and transit-supportive communities—that's something that our growth plan also helps to do. Our record investments are building public transit infrastructure. Projects such as the Eglinton Crosstown, the Viva system in York region and the light rail transit system in Waterloo are some of the projects that are under way.

One of my favourite projects that's soon to be under way is the Scarborough subway. That's something I've had the privilege of working toward for about 30 years. Getting a subway to Scarborough City Centre is something that should have been there, I think, all along, frankly—

**Mr. Percy Hatfield:** I remember your Christmas card.

**Hon. Brad Duguid:** Yes, you remember that, do you? The member is referring to my Christmas card, which had a little Scarborough subway message in there.

**0930**

But it's something that I think we will all be very proud of, when that is built. It will create jobs and economic development in one of the fastest-growing city centres in Canada, so I'm looking forward to that as well.

Investments in GO Transit since 2003 have resulted in an overall increase of 63% in the GO Transit fleet size, including more than 200 new GO Transit commuter rail cars and 47 new double-deck GO buses. It's solid investments like these that very much underpin our opportunities for economic growth.

Experts have said that without the policies in the growth plan, we might have seen thousands of hectares of agricultural and rural lands unnecessarily consumed inefficiently by unaffordable urban sprawl. Long-term planning is something that we remain committed to, and smart planning is something that is going to help ensure that we build sustainable communities.

I'll close with one example that I think will be coming forward very soon, and I'm pleased to see that. That's the planned community for Seaton. When I was appointed Minister of Economic Development for the first time, and Infrastructure, a number of years ago, I was actually kind of surprised to see that one of the first files to come to me was the Seaton lands file.

I was here before, as an assistant during the Peterson years, when that was being talked about, so I was a little bit shocked, many decades later, to see that that file still had not really moved forward. There was a little bit of progress on it, not a lot, so I'm really pleased to be able to say that that is moving forward very rapidly now and is very close to fruition.

That's significant. It's going to be one of the largest planned communities in Canada, anytime, anywhere. It's something I know there's a lot of excitement for in those local communities out in Durham, and something that I think is going to be an example of good planning on the part of the province.

I know my time is running low. I want to thank the committee members for listening through what was probably one of the least exciting speeches I've ever given. You all still have your eyes open, so I've kept you reasonably awake, but I'm looking forward to exchanging questions with you over the next 10 hours or so.

As I said earlier, I think one of the interesting things about combining infrastructure with economic development is that, for the first time, it gives us an opportunity to really bring an economic lens to our infrastructure investments.

We've always intended to do that, but now that it's under one portfolio, it's going to make it a lot easier for us, I think, to do that: to ensure that the investments we make are strategic in terms of building a smart next-generation economy, ensuring that we have competitive infrastructure to improve our quality of life and attract business investment, and also creating jobs directly through some of our infrastructure investments. As I've said, the investments we'll be making over the next 10 years—the \$130 billion in investments, a record amount—will support about 110,000 jobs per year, which is something that our economy can certainly use.

I'm going to close there, Madam Chair, because I think I'm pretty much—I can see you nodding your head.

**The Chair (Ms. Cindy Forster):** Yes.

**Hon. Brad Duguid:** I look forward to hearing from all my colleagues.

**The Chair (Ms. Cindy Forster):** Thank you, Minister. The official opposition: 30 minutes. Mr. Hillier, starting?

**Mr. Randy Hillier:** Thank you very much, Chair, and thank you, Minister, deputy, and all your staff who are here today—from the various ministries, I guess.

Minister, I'm going to start just by—I'm going to take you and the Premier at your word. I think it's been very refreshing to see the mandate letters put forward. In your mandate letter, you've agreed, and the Premier has clearly put the expectation forward, that you "want to be the most open and transparent government in the country." It

further states, "We want to be a government that works for the people.... It is of the utmost importance that we lead responsibly, act with integrity, manage spending wisely and are accountable for every action we take."

Openness, transparency and accountability—like I said, I'm going to take that at face value. That's what you want to achieve, and that's what one of the objectives of this estimates committee is, so that the public can scrutinize the spending activities—the ways and means in which the government spends their money—and to be accountable for it.

In your opening address, Minister, you said that there are 80 AFP projects under way or in some process. Are any of those AFP projects—are there any guarantees by this government or any ministry or any agency of this government with respect to guaranteeing those third party contracts in the AFP process?

**Hon. Brad Duguid:** I'm sorry—guaranteeing the third party contracts?

**Mr. Randy Hillier:** Yes. Are there any guarantees—has your ministry, or any agencies of your ministry, provided any guarantees to the financing on those projects to third parties?

**Hon. Brad Duguid:** I'm not quite sure where you're going with this, but I'll try to respond to the question as best I can.

The key with these AFP projects is, what we do is transfer the risk—often all the risk, sometimes part; for the most part, it's all the risk—of delays in cost overruns to the private sector third parties, so that if a project runs over—and every now and again, that does happen. I mean, every time you put a shovel in the ground, there's a risk involved in a project. What this does is, it transfers the risk of overruns, both in delays and costs to the government of delays, or costs to the parties that might be involved, or direct cost overruns to those contractors or third parties that have bid for these particular projects. Is that what you're referring to?

**Mr. Randy Hillier:** Yes. So are you guaranteeing to indemnify any of those people who—you were saying that you've transferred the risk over to third parties. Are there any guarantees to indemnify any of those parties for taking that risk? Is there any backstop that your ministry or agencies are offering for those unforeseen costs or delays to the third parties?

**Hon. Brad Duguid:** I'm not aware that we would be backstopping it in any way. They are liable for those cost overruns. We are operating in the real world, and it's a private sector world. Worst-case scenario: There is sometimes a prospect that a company could go bankrupt on you or something like that. If that happens, then it's subject to those particular processes. I'm not aware of that ever happening. One would expect the companies that are bidding for these projects—I mean, I would expect that there's a fair amount of rigour that goes into approving those companies, but I suppose that's a worst-case scenario that would be possible.

**Mr. Randy Hillier:** Well, maybe if I could ask: If there are any guarantees by your ministry, or agencies



under your ministry, for those guarantees of indemnification in the AFP process, would you be able to provide those to the committee if you have them, if there are any?

**Hon. Brad Duguid:** I'm going to take a look over my shoulder, just to see if Infrastructure Ontario folks are aware if there are any, and see if I can get you an answer right here and now. Giles?

**Mr. Giles Gherson:** I think I can clarify by saying that when the minister said the essence of AFP arrangements is to transfer the risk, that really means that there is no backstop for the private sector participants. In other words, they bid on these projects and if they have cost overruns, they bear those costs. If they have delays, they're penalized for those delays. They get their financing privately through the private financial markets—

**Mr. Randy Hillier:** And we're not guaranteeing any of that financing in the private market?

**Mr. Giles Gherson:** No.

**Mr. Randy Hillier:** So there are no other contingent liabilities that you—

**Mr. Giles Gherson:** No, and that's really the essence, and that's why those projects are done in that way, because in the past, with those traditional finance projects, that was the risk that government ran.

**Mr. Randy Hillier:** Yes.

**Hon. Brad Duguid:** But I do think it's important to recognize that whenever you're dealing with these situations, you never know, when things get into courts and things like that, what could transpire. We haven't had any of those issues, I don't think, but you never know.

**Mr. Randy Hillier:** Okay. Minister, we're still trying to unravel all of what has gone on with the restructuring with infrastructure and whatnot, and it can be confusing. But I know you mentioned that a number of programs and areas and spheres of responsibility have shifted and have left infrastructure and have gone elsewhere. I'm just wondering, will you be revising the estimates at all, in any fashion? Clearly, people in human resources, financial resources ought to be shifting with those spheres of responsibility. I'm just wondering, will you be submitting any revised estimates at all that take that into consideration?

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**Hon. Brad Duguid:** The ministries will be complying with whatever their obligations are with respect to that. With regard to information as this takes place, if there are any members of the Legislature or any members of the public who are interested in the details of what has moved where, we're certainly happy to share that with anyone. But in terms of—

**Mr. Randy Hillier:** I'd love to get that list of what shifted where, for our job as legislators, so we know where to go looking. If you have that list of what responsibilities, programs and policy areas have shifted to other ministries, would you be able to provide that?

**Hon. Brad Duguid:** Absolutely. I think myself and my colleagues, as we are adjusting to those changes now, will also take an obligation to inform our respective critics of the parties exactly what has moved and where.

Even when it comes to something as simple as question period, you want to know whether you're asking the minister that's—for instance, the growth plan secretariat has moved to the Ministry of Municipal Affairs and Housing. You will want to know that. I believe that's all in the mandate letters and it's public. Any details that you would want on that, I'm sure would be available.

**Mr. Randy Hillier:** You'll provide that to the committee, then, whenever—

**Hon. Brad Duguid:** That's certainly easy to provide.

**Mr. Randy Hillier:** Is that a yes?

**Hon. Brad Duguid:** Yes. I would assume we would have that information, Deputy, at this stage.

**Mr. Giles Gherson:** Absolutely. I think it's fairly straightforward.

The growth planning function has moved to the Ministry of Municipal Affairs and Housing, as the minister stated. The capital planning oversight function has moved to the Treasury Board, so there's a split between the policy side and the oversight side, which would be consistent with the way we overview operations in government. It was just to make it more consistent with the way we—

**Mr. Randy Hillier:** We know that there are these areas of responsibility that have shifted, and I think, as you said, Minister, it was all finalized just within the last 24 hours or thereabouts. I was just wondering, when people and their wages and their administrative costs—there's a cost with that. They're going to be shifting to other ministries, as well. Will you be revising any of the estimates to reflect those changed areas of responsibility of your ministry?

**Hon. Brad Duguid:** The ministries will comply however is appropriate. What they're obligated to do, they will do in terms of any—

**Mr. Randy Hillier:** But you don't envision changing the estimates to reflect that?

**Hon. Brad Duguid:** I'm not aware that that would be the process. It may be. If it is, the ministry will do that. I would expect the next estimates that come out would be the new estimates for the next cycle.

**Mr. Randy Hillier:** What I'm getting at here is, in the results-based planning book that you've provided us, you do talk about these things, like the growth plans and how you're working studiously and have so many members of the OPS involved, developing and implementing, whether it's the growth plans, the northern Ontario growth plan—there are a lot of different plans that you have.

Surely, if those are no longer your responsibility, those people are no longer going to be employed in your ministry, but somewhere else—or not employed at all. Whatever budgets they were dealing with are no longer going to be part of your ministry. So it's intuitive to me that if you're no longer responsible for an area and a policy and a program, then you shouldn't be seeking appropriations to fund that program or policy, and that some other ministry should be seeking the appropriations.

**Hon. Brad Duguid:** The appropriate procedures in terms of budgeting will take place, if it hasn't already. It's

probably in the process of taking place, as these functions shift from one ministry to the other. It's not that unusual for that to happen. Sometimes ministries' functions will move. In particular, when there are sometimes shuffles or sometimes reorganizations, and in particular, when a new government is sworn in, that's the time to sort of rejig and reorganize. So it's not unusual. But I can assure you that we'll follow every process that's required—the ministry will—and any questions you have, we'll be more than happy to try to work with you to sort through it.

It is something, and the deputy and other deputies will understand this—it does take some time to sort through these kinds of restructurings.

**Mr. Randy Hillier:** It takes time to understand it, let alone sort through it.

**Hon. Brad Duguid:** Yes, it does.

**Mr. Randy Hillier:** Listen, one other question from your initial address to the committee, Minister, about the 10-year infrastructure plan—and this is not the first time there has been a 10-year plan. What is not clear—and again, I want to go back to your mandate about being open and transparent, and to ensure that we know what you're seeking in your estimates as well—instead of just a bundle of money, what projects actually are in the 10-year plan? Can you provide this committee with a list of infrastructure projects that are in the 10-year plan?

**Hon. Brad Duguid:** The 10-year plan is a number of the projects that are coming forward in the coming years that would be in the budget, that would be approved projects, that would be included in the 10-year plan. Then, on top of that, going forward, would be maybe envelopes of funding for particular sectors and aspirational objectives in terms of where that \$130 billion of investment will be going over the next 10 years.

**Mr. Randy Hillier:** Did you say “aspirational objectives”?

**Hon. Brad Duguid:** Yes, objectives that are laid out in the 10-year plan in terms of where our priorities will be. The object of that long-term plan is, number one, it's helpful to municipalities, knowing where our objectives are going to be over the next 10 years.

**Mr. Randy Hillier:** Okay, so if I understand correctly, the 10-year plan doesn't list projects but aspirations and concepts—

**Hon. Brad Duguid:** No—

**Mr. Randy Hillier:** —and general directions, but they wouldn't list that we're looking to do 10 new hospitals or redevelopment of 10 hospitals over the next 10 years, and these 15 hospitals are in the running for those 10 redevelopments, or that we are going to be building X miles of new road or interchanges. That's not what the 10-year plan is.

**Hon. Brad Duguid:** For the most part, the specific projects themselves would be in the ministry's budgetary envelopes and be part of the ministry's capital plans. The long-term plan—

**Mr. Randy Hillier:** For the current year.

**Hon. Brad Duguid:** But the long-term plan would include specifics—transit projects, for instance, potential-

ly. I'd have to take a look at the current long-term plan, which I believe is about a year old. I could look at it here. But it would refer to major infrastructure projects that we are committed to and are funding. A good part of what would be referred to would be funded projects that are currently approved, but it would be setting out our 10-year plan for capital investment.

**Mr. Randy Hillier:** Maybe I'll just finish this line of questioning with this question: This 10-year plan, and whatever commitments are included in that plan—is that available publicly? Can we look at that?

**Hon. Brad Duguid:** The 10-year plan is certainly available publicly—

**Mr. Randy Hillier:** With lists of whatever projects? And there would be nothing else of potential projects or priority projects in your 10-year plan?

**Hon. Brad Duguid:** We could do our very best to see what we have available to you in terms of what projects are mentioned in the plan. But our capital budget plans five years out now, so there will be, in ministry budgets—the Ministry of Health, for instance, would have their plan of current approved hospital expansions, potentially, and other expansions.

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**Mr. Randy Hillier:** So you would have to have that knowledge to be able to do your 10-year plan: what their priorities are.

**Hon. Brad Duguid:** Yes. It would be the ministries working together.

I think sometimes there's a view that the Minister of Infrastructure controls all infrastructure planning and approves all projects—

**Mr. Randy Hillier:** I've often heard of you as the Wizard of Oz.

**Hon. Brad Duguid:** Yes. I'm not saying I wouldn't relish those powers, but I don't have them. We manage some of the infrastructure projects. We work with Infrastructure Ontario. We make sure the projects are executed.

The Treasury Board and finance traditionally have done most of the work when it comes to budgeting, in consultation with the Ministry of Infrastructure. That has evolved over time. That functionality has officially moved over to Treasury Board and finance. The front-line ministries really determine what their priorities are within envelopes that would be provided through finance, and infrastructure is involved in those discussions. We put together that 10-year plan to bring it all together.

**Mr. Randy Hillier:** Maybe I'll get to one of the specifics here that I wanted to get to, Minister, and that was: In the 2013-14 estimates, under the infrastructure and growth planning program for capital expenses, you budgeted \$231 million for 2013-14, yet you only spent \$200,000 on infrastructure out of that \$231-million appropriation. I'm just wondering if you or your deputy minister can explain how you sought out \$231 million for capital expenditures, but you only spent less than 0.01% of it, \$200,000? Maybe if you can explain that.

**Hon. Brad Duguid:** Sure. Could you just advise me what you're referring to exactly, Mr. Hillier? I didn't catch you at the beginning, there. I heard the numbers, but I didn't hear what you were referring to.

**Mr. Randy Hillier:** That's in the capital expenses.

**Hon. Brad Duguid:** And that's in which document?

**Mr. Randy Hillier:** Let's see. First off, for public accounts ending in the past fiscal year—and that's on page 2-260 of the public accounts—\$199,000 was your actual, and you actually budgeted—I just want to make sure here that I've got the right numbers. Yes. On public accounts, page 2-260, it shows—

**Hon. Brad Duguid:** Are you reading from public accounts?

**Mr. Randy Hillier:** Yes. These are your actual expenditures for 2013-14.

**Hon. Brad Duguid:** I don't have that in front—I've got estimates. We're here for estimates, right?

**Mr. Randy Hillier:** Now you're estimating. The estimate for 2013-14 was \$231 million. Investing wisely—I'm just looking. There's clearly something you were expecting to do, if you appropriated \$231 million but you only spent \$200,000 in capital expense. I'm just wondering what the discrepancy is there, because we often hear about how much money you're spending on infrastructure. It sounds like that envelope got lost in the shuffle somewhere.

**Hon. Brad Duguid:** I think the deputy—

**Mr. Han Dong:** Madam Chair, point of order: I think the minister is confused about what document it is that—

**The Chair (Ms. Cindy Forster):** Mr. Dong—we'll turn it back. Your point of order?

**Mr. Han Dong:** Yes, point of order: I think the minister has lost what Mr. Hillier is talking about. You're referring to, "Which document is he talking about?" Maybe it would be easier if Mr. Hillier just showed the minister exactly where he put out that estimate, because it's the estimates committee. Right?

**Mr. Randy Hillier:** If I lose my page, you're in trouble.

**The Chair (Ms. Cindy Forster):** Mr. Hillier, do you have a copy for the committee?

**Mr. Randy Hillier:** I think it has just been delivered over.

**Hon. Brad Duguid:** I think the deputy might be able to help provide you with an answer. I'll give Mr. Gherson an opportunity.

*Interjections.*

**The Chair (Ms. Cindy Forster):** Excuse me. Do any of the committee members want a copy of that to follow along?

**Mr. Michael Harris:** Maybe table the whole report of public accounts to the government side so that they can read it, if they have not already.

**Mr. Randy Hillier:** Yes. Anyway, Minister, have you got the documents there, or does your deputy?

**Mr. Giles Gherson:** Well, we don't have the documents with us. I think it's fair to say, though, that what

you're talking about, sir, is the difference between the actuals in a year versus the estimates in a future year.

**Mr. Randy Hillier:** Yes.

**Mr. Giles Gherson:** This really goes, I think, to the heart of capital accounting, which is that the way the ministry has functioned is that it receives appropriations for planned capital expenditures, as the minister said, across a whole variety of ministries, whether that's the Ministry of Health, the Ministry of Transportation, the Ministry of Natural Resources or justice or what have you. So during that year, expenditures flow out of the ministry. It's almost like a holding tank, if I could use that word. The expenditures flow out, and what hasn't flowed out is essentially left with the ministry.

So it's really an accounting structure. It's complicated; I'll say that. But it really is an effort to be the one place where appropriations come and then money is assigned to different ministries as their projects—

**Mr. Randy Hillier:** Listen, I understand that.

**Mr. Giles Gherson:** Sure.

**Mr. Randy Hillier:** I understand that the minister and the ministry seek out authorization to spend money. In this capital expense line, the ministry came before government and said, "We need \$231 million for capital expenditures." However, you only spent \$199,000 of it. Actually, when we look at it, the administration of that program—your wages, accommodations, services and cellphones to do that capital expense project—cost the taxpayers \$14 million to distribute \$199,000 in capital expense. It seems somewhat incredulous that we could spend \$14 million in overhead to undertake \$199,000 in capital projects, and then come back again this year seeking more money for that capital expense when clearly something isn't going according to plan, according to your estimates for last year.

**Hon. Brad Duguid:** I think that what the deputy is saying is that it would be wrong to suggest that dollars that are allocated are not being spent. What we're talking about here—there are two things that fluctuate and do make it challenging, frankly. Even in our estimates, you'll see numbers fluctuate very significantly from one year to the next. There are two things going on at the same time.

One is where projects are at in terms of their investment. You may invest in a project and it may be, one year, a very small expenditure because they are just going through environmental assessment, and the next year construction starts and you've got a huge impact. So you'll see huge fluctuations in our individual project capital budgets, as well as sometimes the envelopes on the big projects.

The second piece which makes it challenging, and I can understand your challenge here, is the accounting treatment of those dollars as they flow in and out of ministry budgets: sometimes into the infrastructure budget and then into the front-line ministry, and other times it's spent right out of the infrastructure budget. So—

**Mr. Randy Hillier:** No, no. Hold on. The infrastructure budget is what—in the estimates, that's what your ministry is seeking in appropriations. It's not what you're

seeking to get from other ministries; it's not transfers from other ministries. That's what you're seeking for appropriations.

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So if you go look at—

**Hon. Brad Duguid:** Well, no, actually, that's not entirely accurate. I know it's challenging to follow it, for all of us, but it's—I'll let the deputy respond so that it's not just me responding. Money does flow through sometimes—our accounts come from the other ministers—

**Mr. Randy Hillier:** Oh, I understand that there are other transfers.

**Hon. Brad Duguid:** —so there are transactions going back and forth. It's all about accountability and complying with accounting principles and those kinds of things. But you will see very significant fluctuations in things like you've pointed out.

What I will do is endeavour to give you as fulsome an explanation for what you've pointed out as I can. I'm going to have to let my ministry officials just dive into that envelope to see what specifically would be the cause of your suggestion. I'll let the deputy add to that as well.

**Mr. Giles Gherson:** Forgive me if I'm repeating myself, but it is true that we receive an appropriation every year for projects that essentially are going to be assigned to different ministries. So we do transfer that funding to other ministries. In fact, all that money that you're referring to will be spent by other ministries. We do very little actual delivery of projects, so—

**Mr. Randy Hillier:** So we should see a transfer for those missing millions somewhere?

**Mr. Giles Gherson:** Yes.

**Hon. Brad Duguid:** We'll endeavour to dig that up for you, and we can—

**Mr. Giles Gherson:** We can show you a page that will explain—

**Mr. Randy Hillier:** And then that would justify the \$14 million in administration for the \$199,000 that was expended under the capital expense.

**Mr. Giles Gherson:** Our ministry administration is \$2 million in the estimates line.

**The Chair (Ms. Cindy Forster):** Mr. Hillier, you have about two minutes.

**Mr. Randy Hillier:** Sure. There was one thing that came through as well: There's an employee for the ministry, Paula Dill, and she gets paid a little over \$200,000 a year by your ministry. She's an employee of the ministry, but she also shows up every year in the public accounts of the ministry as receiving an additional about \$200,000 each year. She's a provincial development facilitator with the ministry. Every year, going back to 2008-09, from what I can see, she gets another chunk of cash. I was wondering if you can explain why Paula Dill gets two paycheques out of public accounts.

**Mr. Han Dong:** Madam Chair, I have a point of order.

**The Chair (Ms. Cindy Forster):** Mr. Dong, what is your point of order?

**Mr. Han Dong:** Are we supposed to stick to the question with the estimates, the document that's in front of us, not specific individuals' salaries and benefits—

**The Chair (Ms. Cindy Forster):** If these numbers—

**Mr. Han Dong:** —because I don't have that information in front of me, so I don't know what the member—

**The Chair (Ms. Cindy Forster):** If those numbers are actually in the estimates document, then the members have the right to question the minister about those estimates.

**Mr. Han Dong:** But the member is questioning an individual salary and benefit.

**Mr. Randy Hillier:** The public accounts are paid out of—estimates is—

**Mr. Han Dong:** I haven't heard a ruling by the Chair yet.

**The Chair (Ms. Cindy Forster):** In the estimates book, it isn't broken down by individual. But if it's in the estimates, he has the right to ask.

**Mr. Han Dong:** Okay.

**The Chair (Ms. Cindy Forster):** Minister, you have about one minute, and then we're going to go to the third party.

**Hon. Brad Duguid:** Sure. I'd be happy to explain some of the really good work that Paula Dill does, but I'm not able to do that in a minute. She's capped at \$200,000. She gets a per diem. So what you're looking at is probably just an accounting treatment piece. But she's capped at \$200,000. She gets a per diem based on the number of days she's assigned to work. She helps unravel challenges like the Simcoe growth plan, for instance.

**Mr. Randy Hillier:** So she's not a member of the OPS.

**Hon. Brad Duguid:** I don't know. That, I would have to verify in terms of what her actual status is, and I'd be happy to find that for you. But she is capped at \$200,000.

**Mr. Randy Hillier:** Only the once—

**The Chair (Ms. Cindy Forster):** Thank you, Mr. Hillier.

Moving on to the third party—

**Hon. Brad Duguid:** She is an appointee.

**The Chair (Ms. Cindy Forster):** Mr. Hatfield.

**Mr. Percy Hatfield:** Good morning, Madam Chair. Good morning, Minister.

**Hon. Brad Duguid:** Good morning.

**Mr. Percy Hatfield:** I want to go back to the AFP financing of infrastructure, if I could. How much of the cost of a typical AFP project is the risk premium?

**Hon. Brad Duguid:** That would depend on the project. I don't have any averages for you with me today. I don't know if we have averages. I would say that there would be some costs to deferring the risk to the private sector. I think when you look at the savings in terms of projects being on time and on budget, the record that we currently have—as I've talked about, 30 projects now are pretty much complete, 29 of them on time and I think 28 of them on budget; it could be the other way around—is a pretty impressive record.

**Mr. Percy Hatfield:** Can you tell me, Minister, how the risk premium is calculated? It's a big part of what you pay the consortia that win the AFP proposals, right? So it's a pretty important number. How is it calculated?

**Hon. Brad Duguid:** Well, these are requests for proposals, as I understand it. I will refer to infrastructure staff who are here to ensure that I'm providing you with an accurate answer here, but my understanding is that they're requests for proposals, so the amount that they actually come out to would be dependent on the winning bid. Then there would be relatively standard contracts, I expect, through Infrastructure Ontario that would put the project into place. The actual amount of each contract would be dependent on the competitive bidding process.

I'll ask the deputy just to verify, to make sure I haven't in any way provided you with anything inaccurate.

**Mr. Giles Gherson:** That's correct, Minister. I think the risk premium is hard to—there's no average because the projects that are done through the AFP process are usually the very large projects and the very complex projects. So each one is evaluated on its own merits. The risk premium, essentially, that's transferred is where the project can be—where the bidders would be able to find ways of doing things differently or better in order to add value to the project, and that is transferred to the winner of the project. The reason for that is that in most of these cases, the winning bidder constructs the project, finances it, and then often operates it. So they have a huge interest as an operator in ensuring that it's done really well, because they're going to bear the cost of any failures over the course of that, say, 30 years. As a result, they will want to add modernizations or different structural pieces into the bid, which would probably raise the price of it to some degree but save money over time. That's what's evaluated by the ministry as these bids come in.

**Mr. Percy Hatfield:** What sort of comparator do you use when you're calculating the risk premium—some number that suggests what a typical cost overrun would be incurred in the traditional approach to building infrastructure? What's your comparator in calculating how the risk premium is come up with? How do you come up with it?

**Mr. Giles Gherson:** In a hospital project, for example—

**Mr. Percy Hatfield:** Sure.

**Mr. Giles Gherson:** Let me ask my colleague.

**The Chair (Ms. Cindy Forster):** Could you identify yourself?

**Mr. Chris Giannikos:** Chris Giannikos, assistant deputy minister, previously of IPPD, infrastructure policy and planning, of the previous Ministry of Infrastructure.

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**The Chair (Ms. Cindy Forster):** Thank you.

**Mr. Chris Giannikos:** It's based on the value-for-money concept, and the value-for-money concept is a model that looks at all the costs of a particular project and determines which ones can be transferred to the private sector proponent, who may be able to do it perhaps better than in a traditional model.

The information that is used to determine that is based on industry experience. It is done by cost accountants from the major accounting firms, who have experience in this. They determine what the probability is of the proponent being able to undertake this risk, compared to a traditional delivery.

**Mr. Percy Hatfield:** So we don't have an average, be it 20%, 30%, 40% or 50%, but if you add a 50% risk assessment on top of the project's base cost, if a value-for-money comparison shows that a hypothetical private partner can beat this inflated public comparator, then you go with the AFP project. Is that correct?

**Mr. Chris Giannikos:** Yes.

**Mr. Percy Hatfield:** What percentage of all infrastructure projects go the AFP route?

**Mr. Chris Giannikos:** It's actually a very small amount. I'd have to get back to you on the number, but I do not believe it will be more than 25% of the total spend—and that will vary by year as well.

We're looking at about 80-odd projects. If you think about the total cost of those 80-odd projects and you compare it to an annual spend of \$12.5 billion, the vast majority of the government's infrastructure spend is traditional. The lion's share is by far traditional.

Of the large, complex projects, the trend is for them to go AFP, and the major reason for them to go AFP is as follows: Infrastructure Ontario has put together a sophisticated group of individuals that can actually compete with the private sector on an even basis, on an even keel. These are professionals who have been hired from the industry, who can actually take on the private sector. Their ability to project-manage is superior because it's their business and they do it over and over again, as opposed to the experience within government, which varies, because you don't build a courthouse every day, you don't build a jail every day, and you don't build a hospital every day. Getting people whose business is to do that to sit opposite the table from general contractors who do this for a living provides a significant advantage in terms of the project management. That's one.

The second thing is the due diligence that is done, which is a significant cost up front. There is sophisticated due diligence, a lot of it done in terms of ironing out what the contract will look like, what the costs will look like, and it's done at numerous phases—and all of this is on Infrastructure Ontario's website. That part of the due diligence up front pays dividends, because it comes up with an ironclad contract that ensures the risk that is transferred over to the private sector, the private sector bears. So if there are any issues with cost overruns, "scope creep" or any of that, the private sector has to bear that.

**Mr. Percy Hatfield:** Chris, you mentioned a list that you could get to us. Can you have that here tomorrow morning at 9? Is that an easy thing to do?

**Mr. Chris Giannikos:** I can get you what's on the infrastructure website on how this works, yes.

**Mr. Percy Hatfield:** Okay, how it works, but also the list of the projects that are AFP and the projects that are the traditional method.

**Mr. Chris Giannekos:** The projects that are AFP I can get you, because they are on IO's website that speaks to their market update, so that's already available publicly.

The projects that are traditional are spread across all ministries. For example, the Ministry of Transportation would have a significant amount of projects, ranging from rehab all the way to expansion projects, that are actually published both for MTO and MNDM in their highways updates. They do provide publicly what those lists of projects are. I would assume, if memory serves me correctly, most of those, if not all of them, would be traditional.

**Mr. Percy Hatfield:** What's the main reason that you don't go the AFP route? You say that some hospitals, for example, are AFPs and some aren't. Why do some hospitals lend themselves to an AFP and others don't?

**Mr. Chris Giannekos:** The general answer to that is one of scale. The smaller the project, the more it doesn't fit the AFP model because of the significant due diligence and transaction costs upfront. Those transaction costs are set irrespective of size. So if you're a very small project, under \$50 million—which is the cut-off that we have; everything above \$50 million should be looked at to see whether it fits for AFP—and if it has a positive VFM, then they proceed. The VFM is checked at three stages, actually, to ensure that it continues to be positive all the way to financial close. Above \$50 million, you have to look at AFPs; below \$50 million, it doesn't make much sense because the transaction costs alone would ensure that AFP would be significantly more expensive than the traditional way of procuring that infrastructure.

**Mr. Percy Hatfield:** Earlier on, the minister spoke of 30 projects, and 28 on time and on budget and so on. Is the government re-evaluating how it calculates an acceptable risk premium? As you would know, there have been numerous reports that suggest that you've been actually overpaying on the risk premium.

A couple of years ago, and I'm sure you're very well aware of this, a University of Toronto professor—I'll probably not get his name right; Matti Siemiatycki—found that the government paid a premium of 15%, or about \$1 billion, above the cost of traditional public procurement on its first 26 AFP projects. That number might be quite a bit higher now; there have been quite a few more AFPs. Are you recalculating what the acceptable risk premium is?

**Mr. Chris Giannekos:** That's a very good question; I'm glad you asked. Let me just preface my remarks by saying that AFP is an evolving model. It was started by the government about six years ago, and it is evolving as the players and the market evolve. One of the major tasks of the ministry is to continuously monitor and ensure that IO is upgrading the way that it is calculating its VFM and the way that it is calculating the way that it does business.

I would also like to add that under the previous minister and the current minister, there are consultations with

industry to ensure that we are aware of issues that they may have, that they feel need to be addressed with respect to the model. We're continuously looping back to see how we can improve the program and improve the way that we calculate. IO has already undertaken—and has actually completed—a third party evaluation of their value for money, the way that they do the risk premium and everything else that you've pointed out, too. So there is third party evaluation that looks at whether or not we need to update the model. The model has to be updated, and it is updated across the world.

We also look at best practices in other jurisdictions to be able to learn from them. As the minister said in his speech, IO is doing pretty well in terms of being in the top of the pack.

This is not a perfect model; it is based on the judgment of experienced professionals. I do not want to leave the impression that we have the ability to perfectly calculate, down to the infinitesimal decimal point, what the cost is going to be. What it does do, though, is it helps us and guarantees project discipline and keeps costs within what they have been estimated at during financial close and at the RFP stage. It really does help to manage the cost overruns and "scope creep." It's not perfect, but it is an improvement over the way that we've done business in the past.

Also, it doesn't really work for small projects unless you bundle them up to a significant size.

**Mr. Percy Hatfield:** Chris, you said that IO has looked at this. I imagine there's a document out there already. Can that be tabled for this committee tomorrow morning?

**Mr. Chris Giannekos:** I'd have to go back to IO and determine that.

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**Mr. Percy Hatfield:** So we'll get an answer tomorrow morning on whether you'd bring it—

**Mr. Chris Giannekos:** Yes.

**Mr. Percy Hatfield:** Thank you.

I don't want to sound too cynical, but there are some in the industry who say that the premium number is cooked, that it's calculated to simply compensate for lower government borrowing costs, lower transaction costs. In other words, whatever number is needed to justify the AFP approach on a particular project is fabricated to make sure the AFP approach seems to be cheaper. Could you comment on that, please?

**Mr. Chris Giannekos:** I've just been given some information to a previous question you just asked, if I may address that.

**Mr. Percy Hatfield:** Sure.

**Mr. Chris Giannekos:** VFM methodology—and this is online—shows the average risk premium to be 5% of capital costs for build finance and 7.5% for design build finance. So there is a percentage out there and it is public. I didn't have that before. I have it now and I wanted to get back to you.

In terms of criticism of the AFP model that you've suggested, we've heard the same and we've heard the

opposite, as well. You do get both sides of the equation stating their case. As is, I think, general wisdom, the truth probably lies somewhere in between.

Again, I don't want to give the impression that these numbers are totally accurate to 100%. They do represent an improvement. They do represent an improvement in the way that we procure. It is an evolutionary thing, and the ministry constantly tries to refine the model through consultations. Do we always get it right and is it perfect at the end of the day? I don't think so, but we're constantly striving to improve it, and we have seen cost advantages. Can we get better at it? That's the challenge that the ministry will be facing going forward.

**Mr. Percy Hatfield:** You're doing this constant evaluation. Do you have any studies that assess whether you have been overpaying too much or not on the risk premium? If you do, how much do they say you have been overpaying?

**Mr. Chris Giannekos:** We don't have any studies on the risk premium per se. What we are looking at is the whole model and the VFM methodology, as a whole, and that's the study that I mentioned previously that IO has completed and which we will try to secure for you.

**Mr. Percy Hatfield:** Will you table all internal studies evaluating this AFP approach with this committee?

**Mr. Chris Giannekos:** The studies are currently in draft form, but once they are finalized, I see no reason for it not to be tabled.

As a matter of fact, one particular study was referenced by the previous Minister of Transportation last year that we undertook to take. That particular study is what we are currently finalizing.

**Mr. Percy Hatfield:** What's your best guess on draft form versus final product and its release?

**Mr. Chris Giannekos:** How long it would take? Is that your question?

**Mr. Percy Hatfield:** Yes.

**Mr. Chris Giannekos:** We've done most of the work at the staff level. We need to consult with some of the ministries that have been the IO partners. It's difficult to estimate, but I can't see it taking more than a couple of months.

**Mr. Percy Hatfield:** And that would be released publicly at that time?

**Mr. Chris Giannekos:** Yes.

**Mr. Percy Hatfield:** Are you considering changes—I think we've touched on this a bit—to the formula and are you considering reducing the amount of the risk premium?

**Mr. Chris Giannekos:** I can't speak to the specifics right now on that particular question.

**Mr. Percy Hatfield:** All right. That's fair.

In a real-world example, then, the \$5-billion Eglinton LRT: My understanding is that you originally intended that the whole project would be an AFP, but at some point, you ended up excluding the tunnelling part of that. Why is that?

**Mr. Chris Giannekos:** On that, if I may be so bold, the specifics around Eglinton are the responsibility of the

Ministry of Transportation and Infrastructure Ontario. We oversee the modelling and the policy around it, but for individual, specific projects it's the responsibility of the proponent ministry. So I don't have the details to speak to that.

**Mr. Percy Hatfield:** Is there anyone in the audience today that might have those details?

**Mr. Chris Giannekos:** Not from our shop.

**Hon. Brad Duguid:** Although I can add that I think you have Minister Del Duca coming next to estimates, if I'm not mistaken, so you may be able to get a response from the Ministry of Transportation at that stage.

*Interjections.*

**Mr. Percy Hatfield:** Sorry. I'm just getting some whispers in my ear.

The question, going back to the tunnelling that was excluded: Was that a yes or a no, that you have excluded the tunnelling from the AFP process?

**Mr. Chris Giannekos:** I cannot speak to that.

**Mr. Percy Hatfield:** You can't speak to that? All right.

**Mr. Giles Gherson:** That really isn't within our purview as a ministry.

**Mr. Percy Hatfield:** Okay. Thank you. So you can't speak to the tunnelling being excepted, but can you speak to the Eglinton project itself being a \$4-billion project? Or is that out of your purview as well?

**Mr. Chris Giannekos:** That would be out of our purview and subject to the Ministry of Transportation.

**Mr. Percy Hatfield:** All right.

I know there has been criticism, if I go back to the Herb Gray Parkway experiment, if you will, and how that was handled. Part of the process that I'm familiar with on the girders that had to come out once they were proven to be defective was that Infrastructure Ontario, during the course of coming up with the contract in this project, had taken upon itself the ability and the right to, if you will, overrule the people who were familiar with building highways, the Ministry of Transportation. Ministry experts first came up with questions about the structural integrity of the girder construction methods that they were using and had advised Infrastructure Ontario not to allow them to be built—not to allow them to be put into the ground, if you will—but Infrastructure Ontario was afraid that any delay might cause a problem with the funders of the project, so they were initially reluctant to look at the safety of the girders. So they had the ability to keep the Ministry of Transportation experts away from doing their due diligence, which is what has been their traditional role. The evidence is there. It has now led to delays, but it also led to a very expensive cost overrun.

On a go-forward basis, as you look at good examples and bad examples of other infrastructure projects, are you going to be looking at what happened there and, as a learning curve and a learning point, not allow the agency of Infrastructure Ontario to keep the experts from the transportation ministry from actually doing what they're supposed to be doing, looking at the long-term integrity and safety of highway construction projects in Ontario?

**Mr. Chris Giannekos:** That's an excellent question, and the short answer is, "Of course." Part of the responsibility that we've had in the past, and that the ministry continues to have in the future, is to continuously learn from all of the projects that we've undertaken, irrespective of who the ministry is, and not just in our jurisdiction but across the country, North America and the world. We do that on a constant basis.

In this particular case, I'm not totally familiar with the level of detail that you have presented, and obviously you have researched this, but what I can say to you is that, at the end of the day, it didn't cost the taxpayer a dime. That is something important to remember: that the AFP model does, when it works, even in situations that are challenging, put forward the proposition, and act on it, that the private sector proponent who is responsible for delivering the project, if something goes wrong with it, has to pick up the cost. That, one can look at on the positive side of the ledger. What you've described is perhaps, if I may describe it as such, on the negative side. Our job is to try to improve the methodology.

1030

**Hon. Brad Duguid:** I want to add to that a little bit, if I may.

**The Chair (Ms. Cindy Forster):** Minister, can I just let you know—Mr. Hatfield, you have three minutes in total left in your time.

**Mr. Percy Hatfield:** Thank you.

**Hon. Brad Duguid:** Well, I'll just add very quickly that the fact that this was an AFP project meant that the cost overruns were borne by the contractor, not the taxpayer. That's one of the important aspects of this and one of the reasons why, in this case, the AFP model itself worked well in taking that risk away from the taxpayer.

There were challenges with this project. We all know that. I think the key here is that we will learn from those challenges to ensure that, going forward, we take a system that works well and make it even better.

**Mr. Percy Hatfield:** I guess I'll use the last bit of my time to talk about another infrastructure project, the South West Detention Centre built in Windsor. Here's when ministries are interrelated: Corrections says we need a new jail; infrastructure, I guess, builds it. You plump it down in the middle of a farmer's field, three kilometres away from the nearest bus stop. There are no sidewalks and very little shoulder on the county road—it's out in the middle of the farm field—so people who have to get to the jail, be it a mum with two or three toddlers coming to visit dad, are walking very dangerously on side roads, three kilometres from the nearest bus stop.

Where do we get the money, as a municipality? As well you know, being on municipal council for many years, Minister, municipalities get gas tax money and different things to fund their projects, but it's all allocated. They can't just go out and start building sidewalks and start delivering bus routes because the government plops down a jail in the middle of nowhere.

I know the municipality of Windsor—Transit Windsor—is looking for, I think, \$150,000 to come up

with a method of diverting buses and building a bus route from an industrial area so people who work at the jail, be it in the kitchen, or groundskeepers, or people who have to visit the inmates, get to go there in a safe fashion.

Where does the responsibility for Infrastructure Ontario lie—or the Ministry of Transportation or the ministry of corrections—for getting people there safely on buses, when you plop something down in the middle of nowhere?

**Hon. Brad Duguid:** I can see where the member's experience as a local councillor comes into play in his current responsibilities. We have a number of programs, some of which I spoke to in my opening comments, to help municipalities with infrastructure. Most of those right now are geared to roads, bridges and, in urban areas, transit, and water/waste water, but that does take resources away—it provides opportunities for municipalities to use their resources on other priorities as well when we're partnering with them on those particular projects.

I would be happy, though, through my own ministry staff and political staff, to touch base with your office just to see if there is a program that the municipality could qualify for to assist them—there may be—which I'm not aware of. I don't think so, but there may be. So I'd be happy to work with your office to see if there is. If not, then I would suggest the funding that we're providing for the other projects helps offset funding that municipalities would otherwise have had to invest. It does open up some opportunities for them to fund projects that may not qualify under some of our programs.

**Mr. Percy Hatfield:** Thank you, Minister. I know the municipality has come up with a lot more than \$150,000 for this experimental bus route, but it would be nice if there was some money available that they could partner in coming up with some solutions to this, because it's very dangerous.

**The Chair (Ms. Cindy Forster):** Thank you, Mr. Hatfield. I'm going to turn it back over to the minister. You have 30 minutes to respond to the questions.

**Hon. Brad Duguid:** Thirty minutes? Well, I'm happy to do that.

Thank you for some of the exchanges that we've had. I want to start off by maybe going back to some of the infrastructure projects we're talking about. I think it's important that I, as a minister, and we, as a government, be realistic when we're building infrastructure.

Our record has been relatively good—in fact, very good by comparison to previous times and by comparison, I think, to other jurisdictions. That's what has made us in Ontario somewhat of an international leader when it comes to infrastructure projects.

There are not a lot of jurisdictions that do it better than us, but I think it's really important for us to always be striving to be even better. Some projects do not go the way you want them to. Sometimes it's weather that delays them. Sometimes it's soil conditions that you don't expect to see. Sometimes it is structural challenges that we face. We want to always be working with all parties, recognizing that the opposition have a role, when some-



thing does go off the rails from time to time, to do their job as critics and criticize us. But, at the end of the day, we all want these projects to succeed, and we want the taxpayer to also be treated respectfully in these projects, which is part of why, in the AFP case, we try to offset that risk to the contractors.

Over time, if you look at some of the projects that we have had challenges with in the AFP process, taxpayers have been saved a great deal. I think of, for instance—it's some time ago now, and it may have been one of the first that we did this way: the Bruce nuclear refurb that was done. I thank goodness now that we did that in a way that offset the risks of overrun primarily to Bruce. Otherwise, that would have been challenging for Ontario taxpayers.

Going forward—you learn as you go, and we're out in front of most other jurisdictions on this, which is a good place to be, but it's also a place where we can't be resting on our laurels. We are open to suggestions. When the opposition or my government colleagues find challenges within some of the projects that we have, I want to hear about them. I don't want to be one of those ministers who's always on the defence every time something goes wrong. Every time you put a shovel in the ground there's potential for that to happen, public sector or private sector.

Having more private sector involvement in the projects that we provide—I think that's had a factor as well. I think that has driven efficiencies into some of our projects, and I think it has been a positive benefit overall. But we always want to be scrutinizing what we're doing.

One of the areas I want to do some work in is, I want to make sure that work that's being done among stakeholders when we build projects is being done in a more cohesive way. I'm working with Infrastructure Ontario as well now to work on that. We are going into areas we've never gone into before in infrastructure and using some of these models.

My previous post was training, colleges and universities. We've built a couple of college projects that have gone well, but there's resistance sometimes with stakeholders because they're used to their way of doing projects, and I understand that. For the most part, many of them have been doing a good job at it. But if we can do better through newer and better models, then we sometimes have to work with our stakeholders to get them there.

You'll hear sometimes, when we do move in that direction, some noise from some of our stakeholders, whom I listen to. I think you always have to listen. But, at the end of the day, you have to make judgments on what's best for the overall public interest. It's something I will endeavour to continue to work with all my colleagues on, because often it's the local MPP who will hear most of the noise when we bring in some of these new systems of infrastructure building. I'll endeavour to continue to work as closely as I can with all of my colleagues when it comes to ironing out some of those challenges that do, from time to time, take place.

I want to reiterate our commitment to continuing to push the envelope when it comes to AFPs. I think the notion of private involvement in capital spending for governments—I would hope that we're beyond that now. I would hope that we put older philosophical debates behind us a little bit and start focusing on what is in the public interest, what's best for the public. I think of those 23 hospitals we've built, or I think it's 650 schools that have been renovated or rebuilt, that may not have been able to happen had we not had that kind of a model in place to be able to do more with less as best we can.

#### 1040

Overall, my sense is that your average person in Ontario wants to see us continue to address our infrastructure needs. We spent over \$100 billion over the last 10 years. That's a record spend. It would be hard to find other jurisdictions anywhere that have been on par with us on that, certainly in North America; outside of North America it might be a little different. But we're not resting on our laurels. That's why we have put in place a long-term capital plan, that's why we're endeavouring to spend \$130 billion over the next 10 years: because we know there's a need there. We know there has been an infrastructure deficit that's built up over governments of all stripes over generations, for a variety of different reasons. We're trying to think longer-term.

We're also recognizing the tie-in between infrastructure investment and the economy, and it's an important tie-in. Over the last 10 years, we've always been conscious of that, but I think that, as we continue to work hard to grow our economy, we want to be ever more conscious of the importance of strategically investing in infrastructure in areas that are going to grow our economy.

I look at public transit—a crucial, crucial investment when it comes to building that next-generation economy. All of us want to build for our kids and grandkids. Certainly it's impactful in terms of quality of life, whether it's getting to and from work, whether it's getting to and from appointments, whether it's just moving around our cities. The cost of gridlock we all know is huge; it's billions of dollars. We've seen the numbers. We've seen the studies. We really can't afford to not be investing big time in improving that, and the best way we can do that, certainly in urban areas, is through investments in public transit. In more rural areas and perhaps some urban areas, it's investment in roads and bridges as well. That's so crucial.

Like I said, it's crucial to getting us around our communities, but when you think of the business aspect and the importance of being able to effectively move goods around the province, it's significant. It's important. It's got to be a priority, and certainly it is for our government.

Traditionally—and I say this with respect to all predecessors and, again, governments of all stripes—it's easy for politicians to draw lines on a map to say, "This is our transit plan." God knows we've seen that through all levels of government. One can almost take out a Magic Marker sometimes and just draw a line on a map. What's important is that you also back that up with plans to fund

these projects and make them happen. That's the stage that this government is at now.

It's not easy; it's challenging. During tough fiscal times, it is a case of, at times, making choices between what infrastructure is our priority and what infrastructure may not be, but we're taking some of the measures that we need to take to do that.

In our last budget, we identified a number of revenue sources. A number of the transit projects that are currently identified that are up and running are funded through our budget. There are some future projects that will be funded through some future initiatives that we're taking, and we're taking these very seriously.

Many of you will recall an announcement we made, I think it was in August, down at the downtown Toronto—it's rated as some of the most valuable land the province owns, known as the LCBO lands. We've put those lands up for sale. The proceeds from that sale will now go into what we call the Trillium fund, which will help us fund public transit and roads and bridges going forward, to ensure that we're not taking funds from an asset like a real estate sale and, as much as we have a deficit, just shoving them into dealing with our short-term deficit challenges—which I'm not sure anybody around this table would think is the responsible way to go. We want to make sure that we take those revenues and invest them in something that's going to benefit Ontarians for generations ahead. I believe, and I think probably all of us understand, that infrastructure investments do that, in particular when they're strategic investments in things that create jobs and build a strong economy. That's why I'm so excited about the investments we are making across the province in public transit, whether it's Kitchener-Waterloo, whether it's Ottawa or whether it's Toronto. That's why I'm also excited about the investments we're making in roads and bridges across the province. Municipalities and our local communities know how important those investments are. Sometimes it's a matter of safety; sometimes it's a matter of efficiently moving people from one community to another. These are investments that I think all of us around the table are supportive of, frankly, as we move forward.

I want to talk a little bit about the real estate division as well. We are the second-biggest property owner in the province. I could be wrong; it's probably the federal government—

**Mr. Randy Hillier:** Largest.

**Hon. Brad Duguid:** Largest.

**Mr. Randy Hillier:** They own all the crown land.

**Hon. Brad Duguid:** Well, the federal government is larger, right? I could find out about that for sure, but we're a big property owner. We own a lot of real estate. I think it's really important that we're looking to ensure we're getting the highest and best value out of those assets for our taxpayers. It's something we've been working on for some time. We've talked about it in previous budgets. We've taken some actions with regard to that. But it's something that we need to continue to work towards. Certainly our real estate development—my advice to

Infrastructure Ontario and our realty division is to be very aggressive in looking for opportunities to take advantage of our real estate holdings.

We have some challenges. A number of our real estate holdings have run down over the years. We see that in places like Ontario Place. We see that in some of our government buildings. We see that in some of the buildings our offices are in. We see that across the province, in other facilities that serve the public. That's a challenge during fiscally tough times as well, but one that we can't ignore either, because these are assets. It's important, when we ask municipalities to have asset management plans—we also have to have our own asset management plans. So, over the coming months and years, we'll continue to work hard to do a better job at managing our assets; do a better job getting value out of our assets; do a better job of looking for ways, where appropriate, to sell off assets that we no longer require, but ensuring that we use the revenues from those sales for longer-term gains for the people of Ontario. That's something that I endeavour to continue to move forward on as a minister.

We're also trying to reduce our footprint for office space. Modern office spaces are changing. The private sector is seeing the need for office space not to be what it once was. I want to continue to look for the best possible techniques that I would say businesses are slowly evolving to when it comes to giving people the opportunities to take better advantage of technology, working from home, and building office space that's not only for the office today but for an office that's going to be required 10 or 20 years from now. I see in my own household often that a lot of work people do they can do from home today, which they couldn't do in the past.

I think we've got to start taking a more modernized view of our office space. We have a goal of reducing our office footprint by 1.3 million square feet. It's an ambitious goal, but we're 35% of the way there now. There's still a ways to go, but we're 35% of the way there now, which indicates that we are taking this seriously. We've consolidated offices and we've gotten out of a lot of the more expensive leases, often in downtown Toronto, which has helped get us along the way. But we've got some challenges when it comes to our current office space. Over the course of time, I'll be talking more to my colleagues on all sides of the House about how we address some of those challenges. How we take a businesslike approach is really what I'd like to take to our real estate assets. Sometimes that can be challenging politically, and that's why I think it's really important that, when we do that, we're very, very transparent about what we're trying to do and how we're trying to get better value out of the assets that we have.

**1050**

One of the things that I think is important: You have our mandate letters, and you'll see that it's really laid out as to what our goals and responsibilities are as ministers. I hope that helps the opposition in being able to hold us to account, and I hope that it helps the public in being able to hold us to account somewhat. These mandate

letters have never been shared publicly before. There may come a time when it makes life a little more difficult for us on our side of the House, as well, but I think that's a good thing, because it does hold us accountable for the work that we're doing.

I look forward to working with my colleagues on all sides of the House, as well, as we look for ways to improve our infrastructure projects and the way we do them. As we look at alternative financing and procurement, I think it's important that we listen to all sides, whether they agree with the approach or not. It's also important that we continue to get good value for taxpayers' money, and I think that's really what we're ultimately striving to do.

Madam Chair, I could go on, and I may if you want me to, but I'm wondering how much time I have.

**The Chair (Ms. Cindy Forster):** You have 10 minutes.

**Hon. Brad Duguid:** I've got 10 minutes left, and I have plenty that I could talk to you about.

I think it's also important within government—I talked a little bit about the stakeholder management when it comes to infrastructure projects—that we manage relationships, because there is a lot of interaction between Infrastructure Ontario and front-line ministries, whether it's the Ministry of Health, the Ministry of Transportation, the Ministry of Training, Colleges and Universities, the ministry of corrections. I think that, in the past, sometimes there can be signals missed.

Mr. Hatfield brought up some issues. I can't confirm whether what he said was actually the case, but sometimes there can be a need to have a better, more co-operative approach taken, even within government, to some of these projects. That's something that I want you to know I'm working on with Infrastructure Ontario, and I'll be working with my colleagues in their front-line ministries to try to continue to improve, as we look at the model that we're using now and try to find ways to tweak it to make it even better.

I like to look at infrastructure as perhaps being my most effective goal when it comes to building a strong economy. There are other things we need to do when it comes to the economy, like building a good environment for investment, attracting foreign direct investment and our trade policies. The fact that we're number one for foreign direct investment in North America today is a great thing for all of us. It's good for our economy. It's something that we can be proud of, and I hope that we remain at or near the top of the ranks in terms of attracting foreign direct investment. I think that our infrastructure policy is important for that as well. It does ensure that we have competitive infrastructure. I talked about the transportation file, and the roads and bridges that are so important in terms of getting goods around, but there's other infrastructure, as well, that is important. Our energy infrastructure, for instance, is so, so important. We look at some of our infrastructure in energy, and we see aging infrastructure in some of our nuclear fleet. That's going to require some important decisions moving forward in terms of the refurb of that.

What's really important from our perspective, too, is making sure that we procure those very significant investments in the best possible way. I think the learning experiences we have had in the past will enable us, as a government, to do that in the best possible way. Alternative financing and procurement has certainly proven, I think, to be one of the best ways for us to take on those very significant energy projects.

I look at, as well, the investments that we need to make with our municipalities. I haven't talked too much about that—a little bit. It's really important that we continue to work with our municipal partners. They recognize, as we all do, that we're in tight fiscal times, and that growing the amount that we invest in terms of infrastructure in municipalities is challenging, but we're trying as very best we can to help them meet their infrastructure needs. That's why we announced in August a couple of new programs that we're rolling out that really respect the views of municipalities when it comes to how best to deliver those projects.

I take some pride in that as somebody who was a former municipal councillor. As I said earlier, there are a few former municipal councillors here. It used to drive me crazy when I was a municipal councillor and we'd have our list of our top 10 priorities—it may well be that a federal or provincial government of the day decides, "Today waste water is going to be our top priority." In any given municipality, that may be a top priority or it may not be, but you still have projects that need to be done. What that does is, it almost distorts a municipality being able to get at what are their top priorities.

As long as we have municipal asset planning that's effective and that we can have confidence in—and we're working hard with our municipal partners to provide that—I think we can have more and more confidence in providing more leeway for municipalities for a formula-based approach. As I said, that may not be best politically for us. It may not be as interesting every year when we announce that the formula will roll out again in subsequent years. I think as a government we'll all do our very best to accommodate that. But I think it makes for better planning for municipalities, and it's something that will serve us well going forward.

At that, Madam Chair, I think I'll draw my comments to an end, and I look forward to further proceedings.

**The Chair (Ms. Cindy Forster):** Thank you, Minister. We'll move to the official opposition—20-minute segments. Mr. Walker.

**Mr. Bill Walker:** I'll be sharing my time with some of my colleagues as well.

Minister, as I often try to do, I'm here to try to make you look good and do well for our province—

**Hon. Brad Duguid:** You're not under oath. Point of order: I think he's misleading the committee.

**Mr. Bill Walker:** I'm going to take a little bit different tack. I'm going to talk a little bit more to some specific needs as regards my riding, but also for most of south-western Ontario. I've talked to you offline on these, and I thank you for listening to me. But more, this is getting a

chance—and still being a relatively new member of the House—to understand how all of it works, and the machinations—lists that do exist, lists that don't exist, lists that we don't see.

I'm just trying to get that because, a month or so ago, Minister Hoskins came to my riding and has again approved the Markdale hospital, which is great. Everyone in that community who has had \$12 million in the bank for 10 years waiting to build a hospital was euphoric with that announcement. There is supposed to be more money coming with that. The downside—and I remain cautiously optimistic and hold hope that this will happen—after the euphoria melted away, was that he didn't say when and he didn't give any solid deadlines. He didn't give any times on when construction would start.

When I hear you talk about a realistic plan, a 10-year plan, how the impact of the economy and jobs is going to happen, this is one that very much has all of those merits. So I'm coming today to ask you more point-blank, from your side of it, from the infrastructure side: Is this definitely on that 10-year priority list? Is it one of those top priorities? Do you have any strong, significant dates that I can take back to my community to let them know that this project will be going forward with shovels in the ground, and, regardless of what fund it's coming out of, the assurance that it's definitely a priority?

**Hon. Brad Duguid:** I appreciate the question, and I do recognize that you've been a very strong advocate for that particular project and will continue to be. We talked a little bit earlier on about the mandates and responsibilities with regard to infrastructure projects. The Minister of Health is the front-line deliverer of that project, and timing of that project would be under the auspices of the Ministry of Health for the most part. I can ask my officials if they have any additional information for you on that, but I'm sure that's something we can endeavour to get from the Ministry of Health because they would have that information rather than the Ministry of Infrastructure.

Let me just check to see if I can get you an answer now. I don't know that we can.

**Mr. Giles Gherson:** Again, as the minister said, that really is a Ministry of Health project. That would be within its purview. We could certainly go back and ask the Ministry of Health as to where that—they've got a whole number of hospital projects they want to bring forward over the next number of years. We don't actually have any information at this point as to where it sits in the queue, but we are more than happy to go back and try to understand from the Ministry of Health where it might be.

1100

**Mr. Bill Walker:** It would be helpful, Minister. I kind of use your words, that when you're a municipal councillor, it drives you crazy when you hear things but it doesn't—this is really what a lot of the areas of my communities are hearing. So they start to look at their asset management plan, but there isn't the X and the Y that matches at the end of the day so that they can really

do the proper planning and put those things. Then they're juggling priorities. A couple of my other ones that I'm going to ask you are of a similar nature. It's that type of frustration that I am hearing, so I'm kind of bringing it forward. It's my first time to be at estimates, so I brought a little bit of maybe a different approach than some of the others will be bringing.

The other—and I've talked to you extensively about this. I truly believe it fits every piece of your mandate and your government's mandate. It is educational. It's the marine emergency training and research facility at Georgian College in Owen Sound. This one, even more critically, has some absolute time sensitivity. As you're well aware, the feds have divested of that facility and that programming. It's having a major impact now to the graduates. To be able to get that last semester, they had to send graduates to either eastern Canada or western Canada to get that final component of their training. It then has a negative impact on who is going to come and keep going to Georgian College. As you know, the government has put a lot of money into the simulator. There's a world-class simulator there. We believe this is a prime opportunity for your government to step forward and make that commitment so it is that centre of excellence for the marine industry. Our fear is, if we don't keep this in Ontario, all of those programs start to go east and west, and what do we have left? And yet we have the Great Lakes.

As I've shared with you privately, I think going up an escalator at AMO—as recently as that—there is timing here that has to really happen. So I'm asking again for more clarity around, have you had this within your purview? If it's not yours, I know we talked about Minister Moridi. But at some point, one of the two of you—or the two of you, even better—needs to make a yes or a no. Obviously, I'm more hopeful for the yes, because I really do have concerns that it will leave the province. All of that ripple effect economic impact to the marine industry goes with it if they move out of our great province of Ontario.

Has that got to your desk? Is it somewhere where you're actually prepared? If you're not, are you able to go to Minister Moridi and get a message to Georgian College as soon as possible? Because there are some programs that I believe you have suggested they apply to, but there's also that timing. They can't wait for another eight months to get the yes or the no. They need to understand today so they can put their plan in place.

**Hon. Brad Duguid:** I appreciate that, and you're right: We've been in discussions on this for some time now, and not just privately; I think you even asked me a question in question period on this. I don't know whether it was under my current role or whether it was before the election as Minister of Training, Colleges and Universities. So we've been looking into this for some time.

Georgian College has done a fantastic job when you think of their outreach in the community, and this is sort of an example of that and how it impacts the local economy and it impacts their efforts to improve skills for

the particular community that they work in. Their partnerships are really, really impressive, as you know, as a local member up there.

It is something that training, colleges and universities would be the lead on, as would any individual project generally that you bring up. But I'm happy to re-engage with my colleague Minister Moridi on this and try to get an answer for you, because I recognize that they need to know one way or another whether this is something where we're willing to fill in the gap.

My understanding is that the federal government had dropped the funding for it for some reason or another. We're always reluctant to fill in the gap when it comes to federal funding, because they are not paying their fair share now on a lot of our infrastructure. But at the same time, we've got to look always for the public interest. It's certainly something I'll talk to my colleague minister about, and I'll try to get to you an answer as soon as we can.

**Mr. Bill Walker:** We'd really appreciate that, Minister.

**Hon. Brad Duguid:** Otherwise, I expect we'll be hearing from you when the Legislature comes back.

**Mr. Bill Walker:** You'll be hearing me in question period again, yes.

But I want to just—and I think you've shared, but I know you carry a lot on your plate. The key here is, it's an ideal. So you're talking about federal. I believe the feds are prepared to come back to the table and listen, because they, again, don't want to see it leave Ontario. Grey county stepped up with a million-dollar pledge. Private industry has stepped up, prepared to put money into it. Really, right now, it's the province that is not coming straight up and saying yes or no. I mean, at the end of the day, we need an answer to be able to move those forward, because again, there is a time sensitivity. It's starting to impact enrolment, because students are really concerned: "If I can't get in here, I'm going to go to a different college. I may not even come to the province of Ontario." We get international students to come to this program because of all the excellence that we have. This is kind of an added component that would actually enhance the sustainability and viability of Georgian College, in a marine sense, for the foreseeable future.

It's a \$2-million investment. That's not a significant amount, when I look at the numbers you're doing. Part of my clarification coming here, again, is, how does infrastructure work with those front-line ministries to make sure we're coordinated and that we're not going down two separate paths? I think this is an ideal one. We definitely would welcome your support.

My third one is of a similar nature but much more specific to all of southwestern Ontario: SwiftBroadband. I've certainly sent some correspondence to your office and to other ministers. This is to bring broadband across southwestern Ontario. Really, right now, a lot of our rural communities are at a disadvantage because we don't have high-speed Internet the same as a lot of the urban areas do. A lot of our small businesses either can't be in rural

Ontario or they certainly can't expand to where they could be world-class and, to what you said earlier, working from home. I mean, the Bruce Peninsula, if you've ever travelled up there, is one of those ideal places. If you can sit on the dock and do your work from there, what better office could you have? But we don't have that without that high-speed Internet.

Again, Grey county has stepped up. They're partnering with the Western Ontario Wardens' Caucus. There's an opportunity there. They did a feasibility study in 2013 that I believe was submitted to your office, that actually shows it's about a \$93 cost per person, slightly less than the eastern Ontario regional network, which was about \$114.

This again fits all of the right things, I believe, from your infrastructure mandate, what you want to do: creates the jobs, gives viability and sustainability to rural Ontario to be on par, to be more of that economic engine to sustain and enhance your government.

It's one of those ones, again, that we need to move forward. We need to know, are you supportive, and is that you? And if not, what colleague can you work with to make sure there's a "yes" or a "no" answer given?

**Hon. Brad Duguid:** I appreciate that, and you're absolutely right: There's an economic imperative to continue to expand broadband. We have made investments in the past, and I think the federal government has made investments in the past as well.

It's about connecting the province in many ways, bringing communities into a state where they can compete and communicate in this world. I mean, communication is so important. The old adage that "the world is now flat" is true in many ways. Once you have access to broadband, you can do business almost anywhere, and many different types of business. In particular, I can see where it would be very, very important in remote communities, be they aboriginal communities or be they parts of rural Ontario that still don't have access.

I know what you're saying about the dock issue. At my cottage, I still can't get my cellphone there yet. I'm kind of happy, at this point in time, that I can't, but there are moments when it would be good to have that too.

I think the issue of expanding those services province-wide, whether it be broadband; whether it be cellphone—and that's obviously private sector; whether it be access to natural gas, which is important in some communities as well and important from an economic perspective in some communities, where it would be a real competitive advantage to be able to provide industry with access to that—actually, part of my ministry, as you would see in my mandate letter, is working on developing programs to invest in expanding natural gas to those communities. To me, I look at them in a similar way: It's about expanding opportunities for prosperity across the province and improving quality of life at the same time.

I don't have any specific response for you today in terms of our plans for broadband. I'd be happy to give you some information on what has been invested to date

and what the future plans are. I'd be happy to share that with you, but I don't have that with me today.

*Interjection.*

**Hon. Brad Duguid:** Deputy Gherson just advised—

**Mr. Bill Walker:** The cheque's in the mail? Thank you.

**Hon. Brad Duguid:** No. It may be one of the things under our small communities investment—

**Mr. Giles Gherson:** Federal.

**Hon. Brad Duguid:** The federal-provincial fund that we've set up with the municipalities. It is possible that broadband could qualify under that for municipal partnership projects as well. It's something that, certainly, with my political staff in my office, if you have a municipality that has a project—and I know there's at least one that I met with at AMO that did—we are looking to see if that's eligible under that particular plan. So there is a possibility, probably for smaller projects, for some opportunities under that at the present time.

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**Mr. Bill Walker:** The great thing with this one is that there are 310 actual communities that are going to be impacted by this and they're all working collaboratively. Again, it's a mishmash. It's people coming together saying, "This whole area is going to benefit if we work together, collectively." I think the wardens have come together and done that, and Grey county just happens to have taken a lead. Certainly, that one would be great and appreciated.

The last on my list—again, I've chatted to you about this one—is the Keppel/Wiarton airport. It's a federal, regulated, certified airport, one of the very few that are left. The runway is starting to deteriorate significantly. It needs to be resurfaced—lighting and some upgrades there. If we ever lose it, we'll never get it back. It has a huge bearing on getting things to northern Ontario. It's a hub that, again, is one of the very few certified, federal airports. It's one that is time-sensitive. Every day we're not working on it, going to tender or being able to do it, is a day that someone could come in, particularly at the federal level, and shut it down—which negates, back to that economic spin, to the positive economic benefit. So it's one that, within your plan, we want to make sure we understand if it is a go or if it is not a go.

Again, two municipalities have now combined on it. They're working collectively and collaborating on it to joint-manage the airport. It's not like a lot of the other ones across southern Ontario that are small regional airports. This is a certified federal port. There are a lot of things there. If we lose it, it's a big part of the hub that goes down. It's just that waiting and waiting and waiting, driving-you-crazy mentality. There are a lot of municipal councillors coming to me who are being driven crazy because they can't get, "Yes, we're in," or, "No, we're not." So they're spending a lot of money doing feasibility studies, doing all the things right, but for what? They're now getting a lot of pressure from taxpayers who are saying, "Why are you spending a bunch of money if this thing is never going to go anywhere?" Really, sadly, it's yourselves and the federal government that need to come

together on what I think is one of those great opportunities for a three-party sharing, to be able to do this and keep that and sustain it as part of the infrastructure of Ontario. So it's one that certainly comes back, as well. I think it fits all of the right mandates: jobs, economic growth. The tourism industry, certainly in an area like ours, is fabulous. There's a lot of international tourism that we believe has not taken off but certainly is—Tobermory is becoming more and more of a destination for people from Europe, and that airport is an absolutely critical link in being able to bring them there. Then we can do shuttles back to Toronto and to the other urban areas to bring more people from the urban areas to there and enjoy what I believe is one of the most beautiful spots in our province, obviously.

It's what you said earlier—the management, having the plan and being able to look out and forecast. But that forecast has to meet reality at some point. I think that's what I'm trying to push today. It's great to hear the estimates, but I want to see a bit more of where the plan is and if it's on that 10-year—I keep hearing these fictitious 10-year plans in various ministries, and yet, every time I ask for a 10-year plan, we don't have it.

I'm cautiously optimistic. I do thank you for the time you've given me so far. Today I wanted to come and press—because those are very significant ones, I think, for the province. Certainly, my riding is going to benefit in most cases from those, but it's more about the greater good of the province and the economic development and the jobs and growth creation.

**Hon. Brad Duguid:** You've done a masterful job at committee in making sure that probably every local project you have going on in there is mentioned and that you're on the record on that, so I commend you for that. We'll endeavour to continue to work with you, as we always do, to give you updates on these projects as they work through the process.

**Mr. Bill Walker:** Great. Thank you.

I'll turn it over to Ted.

**The Chair (Ms. Cindy Forster):** Mr. Arnott.

**Mr. Ted Arnott:** I'm pleased that Mr. Walker was able to come and talk about his local projects in this estimates committee, because they're all worthwhile.

In your answer to his question about the hospital, it seemed that you were a bit surprised to be asked about a hospital project. Infrastructure Ontario has a very important and crucial role in hospital planning and development of new hospitals. In the capital planning and review approvals process that is front-ended by the Ministry of Health, admittedly, it's my understanding that stage 3 and stage 4 of the process—the ministry works hand in glove with the local hospital as well as Infrastructure Ontario on preliminary design or output specifications and stage 4 working drawings or output specifications, to ensure that Infrastructure Ontario was satisfied that the project should go ahead. Is that not correct?

**Hon. Brad Duguid:** Well, I always hesitate, whenever somebody talks about something like that, to say for sure, unequivocally it's correct—unless I have staff that listen

very carefully to every word you said. But it sounds correct to me.

**Mr. Ted Arnott:** I'm not making this up.

**Hon. Brad Duguid:** No, I wouldn't expect so.

The role of Infrastructure Ontario is more to manage the projects and make sure that they get delivered on time and on budget, and many of the hospital projects have been AFP projects. But I'll ask the ministry staff if they want to give you just a little more clarification.

**The Chair (Ms. Cindy Forster):** You have one minute left.

**Mr. Giles Gherson:** It really is as the minister said: The Ministry of Health is the proponent of hospital projects, and IO, Infrastructure Ontario, in a sense, helps deliver them. Where those projects fit on a list in terms of whether they qualify and where they stand in terms of the infrastructure rollout is really going to be a product of the priorities of the Ministry of Health, not of Infrastructure Ontario. Infrastructure Ontario is a facilitator, essentially. That's why it's hard for us to speak to that kind of question of where a hospital project would be or whether it would qualify, because we—

**The Chair (Ms. Cindy Forster):** Thank you. Third party: Mr. Hatfield.

**Mr. Percy Hatfield:** Let's switch gears a little bit. Minister, we talked aside about the Duff-Baby house in west Windsor, a house that was built in 1798, originally for a fur trader by the name of Alexander Duff. Then the second owner was James Baby. There's a group called Les Amis Duff-Baby, who are volunteers trying to preserve the house and keep it as an interpretive centre more than it is so now. The reason I raise it is, currently, you have several ministry staff occupying the building, using it as office space. This home was built, as I say, in 1798, not designed to be the repository, if you will, of a modern office structure, of photocopiers and printers and chairs and desks.

I hope—if you can find time when you're down in Windsor soon to drop by, I would gladly take you over there for a few minutes just to show you what it is and to meet with the friends, les amis, to discuss the possibility of reallocating current ministry staff, or staff from various ministries, to other offices based in the Windsor area and return the home to what it should be used for. It's a heritage building, and less government day-to-day activity would preserve the building for a long time to come. I hope we can work on that, Minister.

**Hon. Brad Duguid:** I appreciate the invite, and I think you intrigued me when you told me that Tecumseh had visited that home.

**Mr. Percy Hatfield:** Chief—I shouldn't say “chief”—the warrior leader Tecumseh has been there, has been part of that building. Brock was there. I think it was President Madison—well, he was a general or something at the time—has been around there as well; he occupied it for a while during the War of 1812, I believe. But it has a great history.

Unfortunately, the people who are volunteers struggling to make sure it carries its history forward feel that

it's under something of a threat because of the ministry occupation, if you will, of the building. They're hoping to have a serious conversation about where we go from here on that.

**Hon. Brad Duguid:** Now that we have it on the record, I'll be happy to ask our realty staff to take a look at that particular building. I wasn't aware of it. But you've definitely piqued my interest, from the historical perspective. Not that Tecumseh is mentioned at all in my estimates, but he is probably the greatest general to ever walk the North American continent, somebody who should be remembered in any way possible. I'd be happy to look into that further with you. I'm not aware of what the options are for that particular piece of property at this point, but I certainly would be happy to work with you on that.

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**Mr. Percy Hatfield:** Thank you, Minister.

Infrastructure Ontario handles the financing for a whole range of hospitals, courthouses and transit projects, but is it that you don't feel you can answer a question on the financing of any specific project because technically it's not under the ministry's purview? Is that the position?

**Hon. Brad Duguid:** Pretty much—I mean, those projects are under the purview of the lead ministries that are responsible for determining what the projects are. There are differences depending on the projects, in terms of involvement from Infrastructure Ontario in how those projects are managed and go forward. In some cases it would probably depend on the project, I would think. Transportation, for instance, has been procuring road repairs for generations—forever. And Infrastructure Ontario, my understanding is, has very little to do with that, for instance.

If you have specific issues, I don't have any objection to you raising them; I just don't know whether we'll be able to give you answers for them today. And some of those answers may have to come from the lead ministries.

Is there any other—

**Mr. Giles Gherson:** No, I think that's really the right answer. I think if there are general policy questions around the way Infrastructure Ontario operates or the financing of infrastructure projects, we would be pleased to answer those because we have responsibility there. But in terms of specific projects, those are really the responsibility of specific line ministries, as the minister said, and so those ministers are accountable for those projects in the way that our minister isn't. As he says, it's very difficult for him to really respond to those specific questions.

**Mr. Percy Hatfield:** Deputy, I take it everyone around here knows that Infrastructure Ontario is handling the major portion of the Eglinton LRT and that the RFP went out in mid-December 2013, but what I heard today is that you can't confirm or deny that, nor can you confirm or deny whether the tunneling has been separated out, because it's not under your purview. Is that your position here at estimates?

**Mr. Giles Gherson:** Let me just seek some guidance.

If I could provide some clarification, the RFP is out, so we can confirm that, and the tunnelling portion is under a separate contract, which I gather we learned just now.

**Mr. Percy Hatfield:** That separate contract, is that AFP or not AFP?

**Mr. Giles Gherson:** No, it's not.

**Mr. Percy Hatfield:** Large stretches of Eglinton Avenue have been ripped up because of the LRT tunnelling—the contract has been awarded; we know that—but the winner of the AFP or RFP that went out in mid-December 2013 hasn't been chosen, to the best of my knowledge? Am I right on that, that the AFP went out but nobody has been awarded that yet?

**Mr. Giles Gherson:** It has not been awarded yet.

**Mr. Percy Hatfield:** It has not been awarded.

**Mr. Giles Gherson:** No.

**Mr. Percy Hatfield:** So the tunnelling has been separated out and you've confirmed that?

**Mr. Giles Gherson:** Yes, I think that was the first part of the project.

**Mr. Percy Hatfield:** So there are people in the room, then, who have direct knowledge of the status of the Eglinton LRT RFP?

**Mr. Giles Gherson:** Yes, I believe that's true.

**Mr. Percy Hatfield:** And the expertise—

**Mr. Giles Gherson:** I think in this case we are getting information from the Ministry of Transportation as we speak, thanks to the BlackBerry.

**Mr. Percy Hatfield:** Can they come to the table and answer any questions on that?

**Hon. Brad Duguid:** They'll be here soon. You'll have the minister himself after I'm done. If you want to be done with me now, though, I've got lots of other things—

**Mr. Percy Hatfield:** Only if you're coming to Windsor to see Duff-Baby.

**Hon. Brad Duguid:** That's a deal.

**Mr. Percy Hatfield:** Okay. So, IO reports to the Ministry of Infrastructure and is doing the financing for the more than \$4-billion cost of the Eglinton LRT. You're not refusing to allow officials to come to the table, because you're saying they are not in the room. Am I right on that?

**Hon. Brad Duguid:** I mean, just in terms of order, it's the Ministry of Infrastructure, the infrastructure part of my ministry, that's before us now. That's not within our purview; that's within the Ministry of Transportation. So I would expect that that's where those questions would need to be resolved and asked.

We'll do our best to try to get you information here, but ultimately we're getting our information from the lead ministry who is responsible. Technically, I could probably just say that we can't answer that question. We're trying to get you the information as best we can, but it is not my ministry's responsibility for that; it is the lead ministry's.

**Mr. Percy Hatfield:** All right. As you know, Minister, I'm new to this. It's my first day at estimates, so I don't know if it's within my ability, but I wonder if I could ask

the Chair for a ruling on your position that your officials can't answer my specific questions on the Eglinton LRT. Can I get a ruling from the Chair that the people in the room today don't have the ability to answer those questions and that we have to wait for another minister to be here to answer? I think that's a fair—

**Mr. Giles Gherson:** Perhaps I could invite one of my colleagues responsible for overseeing Infrastructure Ontario to come here and advise you and advise the room, the committee, about the governance of IO and how that works, because essentially I think what we're prepared to say is that we are absolutely ready to answer questions about the policy and planning of infrastructure in Ontario; that's our role. Specific projects, however, as we were saying, fall under the responsibility of the proponent ministries.

So it's not our effort to be difficult in any way, but it would be improper for us to tread on the toes of other ministries and other ministers who have the specific responsibility for those projects. That's really what we're saying.

To the degree that we've been able to get information via BlackBerry from proponent ministries during the course of this proceeding, I think that what the minister said was that, particularly for transportation projects, to the degree that the minister will be here in the not-too-distant future, that would probably be the best place to get specific, detailed answers.

It's not a question of us being unwilling to answer questions within our purview; it's a question of our being unwilling to answer questions that are outside of that.

**Mr. Percy Hatfield:** And I appreciate that. I guess that my roundabout way of getting at it is that my information is that the tunnelling was separated out because the bidders were asking for a huge risk premium. I'm just trying to confirm whether that is indeed the case. It takes us back to my earlier questions on risk premium: what the average has been, how it's calculated, what the comparators are and so on.

**The Chair (Ms. Cindy Forster):** Mr. Hatfield, and the minister as well: The rule of thumb is that if it's a line item in their estimates, it's a fair question to ask and for which to expect an answer.

**Hon. Brad Duguid:** Just give us a second. We're just trying to see if we can—

**Mr. Percy Hatfield:** Sure. Thank you.

**The Chair (Ms. Cindy Forster):** Mr. Hatfield, would you like a five-minute recess while they're huddling so we're not eating into your time?

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**Hon. Brad Duguid:** Madam Chair, I'm okay to—

**The Chair (Ms. Cindy Forster):** Okay.

**Hon. Brad Duguid:** Unfortunately, the truth is, we don't have the technical information with us to be able to respond to that question. You really do have to get the front-line staff here to do that.

It's not an unwillingness. It's not part of our line items in estimates. I think, technically, in terms of process, we probably ought not to be answering that, but that's not



why we're not answering it. We just don't have the technical response for you on that. You'd have to go to transportation for that, unfortunately. I respect the question, but if—

**Mr. Percy Hatfield:** Thank you for that, Minister. Would you happen to know when the winner of the Eglinton LRT will be announced?

**Hon. Brad Duguid:** No, we don't know.

**Mr. Percy Hatfield:** Okay. That's fair. Thank you.

**Hon. Brad Duguid:** Okay.

**Mr. Percy Hatfield:** How much time do I have, Chair?

**The Chair (Ms. Cindy Forster):** You have about five minutes.

**Mr. Percy Hatfield:** Oh, good. I can use Mr. Walker's example and get to some local issues, I believe.

I want to go back to the new jail in Windsor and the old jail in Windsor, if I could. I know you're looking at the way we do infrastructure projects, and your desire to improve the "best value for the money" option. Take this back to the other ministers, please: When you built the new jail, the ministry in charge of the new jail didn't do enough hiring, so they're sending the people who have to serve their time on the weekends to the most dangerous facility in our part of the province, which is up in London, where people are being killed and murdered and are dying, and it's overcrowded. Yet our weekend people from Windsor have to find their own way to London to serve their time on the weekends.

As you know, Minister, people who serve their time on the weekends are sometimes under great pressure and threat to smuggle in drugs and whatever with them on the weekends. So I don't know why, in the planning, when you wanted to get best value for money, staff wasn't hired to accommodate—it's a brand-new facility, and yet we're shipping people up to London because we don't have enough staff to accommodate them on the weekends. I don't think that will be in the estimates, but I wanted you to take that back. When you're doing planning—best-value money—for the infrastructure that's being built, there has got to be better planning that goes into this, because, frankly, it's quite embarrassing when that happens, let alone the inconvenience to those who have to get their own way up the road.

I want to talk, if I could, about the old jail. It will become surplus, redundant; you won't need it anymore. I know there are people in Windsor who want to use it as a museum. I know you want to get rid of assets and get the best value, the best money you can for the public assets. But on the other hand, you know as well as I do—especially you, Minister, for all of your time on municipal council—that there isn't a lot of money for municipalities to go out and acquire market-value assets, provincial assets, and use them for museums or for other community purposes.

Previous ministers in the past, ministers from our area, have suggested that perhaps there could be—I don't want to say a \$1 transfer fee or something, but an affordable transfer fee of provincial assets to the municipality for future use, to keep that community alive and interested in

the former jail site, which goes way back to 1700, 1800 in that area.

So I just want to put that on record, that people in my part of the province don't have a lot of money—our unemployment rate is high—and they would like at some point to have a serious discussion about the acquisition of the former jail. I don't know if that comes from your realty division or where it comes from, or whether any talks have been initiated at this stage or not.

**The Chair (Ms. Cindy Forster):** Minister, you have two minutes.

**Hon. Brad Duguid:** I'm not aware of any talks being initiated at this point, but that doesn't mean there haven't been. I haven't been made aware of this particular issue.

The dispensation of land and assets is governed fairly restrictively in terms of—the province has to get market value for the land that we sell. There may be different provisions for providing land to municipalities, and I could check with my officials to see if there are.

Normally, how you would deal with those issues would be through programs and partnerships with municipalities that, from time to time, may exist with different levels of government—infrastructure projects and things like that. I'm not aware of any right now that this particular kind of project might qualify for, because our recently announced programs are really gearing to roads, bridges and water/waste water type of infrastructure. The federal program might be one that we could take a look at. But I don't think it would—it may not have the value in it, or the expenditure limits in it, that would enable this kind of a transaction to happen.

It's one of those things that I'd be more than happy to take a closer look at with you and your staff and maybe the municipality to determine what opportunities might exist at the provincial level. At this point in time, I would have to look into it further.

**Mr. Percy Hatfield:** Thank you. If I could, just one final question.

**The Chair (Ms. Cindy Forster):** One minute.

**Mr. Percy Hatfield:** One minute. It will be open-ended. Climate change and all your roads, all your bridges: How much of an impact is future planning to keep up with what's coming in climate change going to have on the way you construct and the way you plan for oversized, higher bridges or oversized pipe or whatever that is?

**Hon. Brad Duguid:** Well, the Ministry of the Environment is now the Ministry of the Environment and Climate Change. I know Minister Murray is actively looking at those kinds of issues. We have to be cognizant of that. I think we want to be leaders in that area. I think it's a very valid point to raise and something we all need to work together on.

**The Chair (Ms. Cindy Forster):** Thank you.

**Mr. Giles Gherson:** I would just add very quickly that the Infrastructure for Jobs and Prosperity Act, which is Bill 6, which was introduced in the House, actually makes provision for that, in infrastructure planning, to take into

consideration climate change and adaptability of infrastructure.

**The Chair (Ms. Cindy Forster):** Thank you. We're going to move to the government for 20 minutes. Mr. Dong is leading.

**Mr. Han Dong:** My question to the minister is actually a rather personal one. It's about Rouge Park; it is the biggest urban park in North America. I've had the pleasure of working with Friends of the Rouge and volunteers and student groups in the past. They came to my office recently and gave me a briefing on some of the challenges they are facing. Then I learned from the media that the province is quite concerned about the federal government's approach on Rouge Park. So I'm just wondering if you can tell me a bit more, from your perspective, about the concerns that the province has.

**Mr. Randy Hillier:** Chair, point of order.

**The Chair (Ms. Cindy Forster):** Mr. Hillier on a point of order.

**Mr. Randy Hillier:** If there is any relevance to estimates or public expenditures, I'd like—it appears—

**Mr. Han Dong:** Well, it is the infrastructure of Ontario.

**Hon. Brad Duguid:** It's part of our real estate holdings.

**Mr. Randy Hillier:** What was your question about?

**Mr. Han Dong:** It's part of Infrastructure Ontario, is it not—and the crown's jurisdiction?

**Mr. Michael Harris:** Didn't he just ask this very question of us and its relevance to this committee?

**Mr. Han Dong:** It was about the specifics.

**The Chair (Ms. Cindy Forster):** Can we see what the minister has to say? We think it perhaps may be under part of his ministry.

**Hon. Brad Duguid:** Well, it is, in fact, directly: Infrastructure, through our real estate division, is responsible for the lands, ultimately, and we own the lands. It's a question of, do we transfer the lands to the federal government or not transfer the lands? So I am the minister of the government responsible for that particular issue, and I'm happy to respond to it.

The Rouge Valley has been something that not just people in the east end of the city but I think people across the province really value. It's unique. It's one of the largest urban parks anywhere in the world, and it's still naturalized.

We've put in place a number of policies through the growth plan, through the greenbelt, through the work that's been done by, frankly, governments of all stripes at Queen's Park to put in protections to protect this land and preserve it for future generations.

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The federal government came forward with a proposal some time ago to create a national park here. It's something that the province is open to doing and is supportive of. It's something that local environmental stakeholders were supportive of, as well as local farmers in the area. The challenge that we've had is that the legislation that they brought forward to action the park was very weak when it came to the protections that needed to be in place

for this land. Our role would be to transfer these lands to the federal government. As minister, I can't, in good conscience, do that until I know for sure that these lands will be protected, at least as much as, if not more than, they currently are under our current protections. Right now, the legislation doesn't provide that protection. We and environmental groups that are involved want reference in the legislation to environmental integrity, because that's key.

Our officials are working with the federal officials to try to find language that works for both of us. We're not trying to be obstinate here. We're not trying to stick a spoke in the wheels of what was a good idea. But we're not willing to transfer these lands until we're absolutely sure that they'll be protected for future generations. I think that's our responsibility as a government, to make sure that that's the case.

There is no real opportunity here to recover if we fail. There have been designs on these lands going back many, many years, to the Peterson days, for potential different uses for these lands. So there are other potential agendas at play here that we have to be cognizant of. We're not willing to just trust this or any other federal government carte blanche to say, "Here you go. Here's the lands. Do what you want with them." We need to see those provisions in the legislation.

The legislation has, I believe, gone through second reading. It's going to committee very soon. There have been public hearings held on this, which we've paid close attention to. The bulk of the input we've received from the public on this would indicate it's very much in sync with our position. I'm pleased to have been able, after all those years of being a kid from Scarborough who has been involved in that park for many, many years, to actually be in a position where I'm able to ensure its protection. I'd say that it's in good hands at the provincial level; it has been. All parties and all governments have been protective of this land through their time in office, and they've all contributed in some way to it.

A national park concept would provide potential for some additional resources to enhance the environmental integrity of the lands, but it's only tenable if the legislation is strong enough to provide us and our environmental stakeholders, who have worked tirelessly, many of them their entire lives, to preserve this land—if we're comfortable that the provisions put in place in the legislation would protect the land for future generations.

It's a good question. We've dealt with that publicly, very publicly, over the course of the last number of weeks. We're hoping the federal government will respond favourably. But if not, we will not transfer those lands unless we have the assurances we need.

**Mr. Han Dong:** I just want to thank you very much for that answer. I just want to comment quickly that I support what the government is doing. There are some individuals who have been working for the last 30 years to return the Rouge park to its natural state. We'll really be doing a disservice to them if we miss the opportunity

to hold the federal government accountable. Yes, I totally support what the government is doing.

**Hon. Brad Duguid:** I think of people like Jim Robb, I think of people like Glenn De Baeremaeker, I think of people like Gloria Reszler and others—many, many thousands of others—that have worked so hard to ensure these lands were saved.

I was here during the Peterson years as an assistant, so I remember—it sounds like it's easy now, and it sounds like a done deal, but it wasn't back then. There were a lot of plans to develop that land: some plans for development and housing, some plans for different types of highways and things like that through the Rouge. It wasn't a fait accompli at the time. It had to go through quite a decision-making process at the Rouge—

**Mr. Randy Hillier:** Chair, point of order: At this stage, we're supposed to be scrutinizing the expenditures in the estimates, and I haven't heard any question or answer about any expenditures whatsoever.

*Interjection.*

**Mr. Randy Hillier:** Yes, we do have statements and—

**Mr. Han Dong:** My question is done, so—

**The Chair (Ms. Cindy Forster):** Excuse me. Actually, it's their 20 minutes, so they have the right to make statements or ask questions during their 20-minute period.

*Interjection.*

**The Chair (Ms. Cindy Forster):** Thank you. Mr. Milczyn had a question.

**Mr. Peter Z. Milczyn:** Good morning, Mr. Minister. It's my first opportunity to ask you any questions.

You are a former city councillor. I am a former city councillor. Some other former city councillors—it's now clear to me that city councillors are simply future MPPs in a hurry.

I've heard some questions from my colleagues this morning about the 10-year list and some questions about the cash flow within the list—why are there peaks and valleys?—and that they're having trouble following that.

I'd actually like to put it in the perspective of Bill 6, the jobs and prosperity act, and the tools that will be in place in that, which will actually assist you and the government and members of the Legislature and the public to understand how the priorities are set, how the money will flow, how it will help us determine those instances when the resiliency around environmental impact will become one of the drivers to perhaps advance projects as opposed to some other projects being driven. Could you just fill us in on the impact of Bill 6, on how that will affect your spending plans?

**Hon. Brad Duguid:** I think the key is that it commits this and future governments to long-term planning when it comes to infrastructure. We're doing it on our own anyway right now, so it's not revolutionary in terms of changing too much about the way we're doing planning, but it commits us and holds our feet to the fire to continue to do that during our time in office, and any subsequent governments as well.

I think it's important because in the past—and we've all seen it—there hasn't always been consistency in terms

of priorities in infrastructure. That impacts a number of different stakeholders. It impacts our municipalities and them trying to manage what their priorities are and them trying to ensure that everything from their good state of repair is being done to their recreation facilities to the more core infrastructure that we tend to be investing more in today, and that's roads, bridges, transit and water/waste water.

This legislation commits us and future governments to having that process in place and having it reviewed on a continual basis as priorities change. It also commits us to ensuring that we have high-quality infrastructure and that it's designed to support job creation, provide training opportunities for young people.

I think one of the parts of the legislation—we still have some work to do on the regulatory piece—is encouraging apprenticeships. That's so important. We're investing billions of dollars in infrastructure. We want to make sure that we're maximizing the public good that comes from that. It's a great opportunity for us to be giving apprentices work, so we are looking at provisions that would ensure that our projects are providing opportunities for more participation by apprentices, thereby building a stronger skill set in our province, again improving our economic prospects and our competitiveness, because our number-one competitive advantage, as we all know, is the quality of our workforce.

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The quality of our education system contributes to that, yes, but the quality of our skilled workers is really important as well. There is talk about and discussion about skills shortages in some of the skilled trades, so we want to make sure, with our infrastructure investments, that we're providing opportunities for some of our young people.

I look at the bill this way. Sometimes it's odd to hear a minister say that, because usually we like to talk about all the stuff we're doing as being new, revolutionary and all that kind of stuff. This bill has been before the Legislature before. It's not something that I think changes the world, but I consider it a good step forward in terms of more responsible, thoughtful infrastructure planning that ensures that we're doing it in the best possible, most impactful way, getting the best quality out of our infrastructure as we move forward.

**Mr. Peter Z. Milczyn:** So if I understand your answer, then, and how it relates to some of the questions around what the 10-year list is—Bill 6, if it's adopted by the Legislature, will assist us in leveraging that spending, to maximize its value, to work with other programs, and then that will help define what that 10-year list looks like—not in the first couple of years, because those are approved projects already, but in years 5, 6, 7, 8, 9 and 10, it will assist us in understanding what that list will look like and what that spend will be, by setting those priorities in legislation.

**Hon. Brad Duguid:** You hit the nail on the head toward the end there: It is about setting priorities. Yes, in the early years of the 10 years, specific projects are in place and were committed to. You're aware of the pro-

jects that are in our budgets, that we've announced in our budgets. Some of them are short-term; many of them are long-term projects.

We have plans. We have our transportation plan, our transit plan, our \$29-billion transportation plan, with \$15 billion in the greater Toronto and Hamilton area, and the rest being outside of that area, mostly in roads and bridges.

It's important that we plan ahead for those types of projects, and that we're aware, both from a budgeting perspective of how we're going to fund them, which I think is always the key question—I've said before that it's really easy to draw a line on a map and say, "This is where we're going to put a transit line, here." We see politicians doing that all the time: "We'll build 500 kilometres of subway." It's easy to draw a line on a map to say that. What is challenging is being able to put a plan in place to be able to deliver it. That's important, and that's what we're committed to doing.

Our 10-year capital plan gives us the ability, in a very transparent way, to show Ontarians: "This is where we're going with our capital projects. These are our priorities as a government."

There are opportunities to review that plan from time to time, which is really important, and update it, because priorities sometimes do have to be updated, but it gives us that ability, I think, to just engage in better planning. It's good for us. It's good for municipalities, in particular, because we don't build transit on our own. When it comes to GO, we're a little more independent, but—

**The Chair (Ms. Cindy Forster):** Two minutes, Minister.

**Hon. Brad Duguid:** We build transit in partnership, often, with municipalities and the federal government. It helps them to see where we're going, so that they can organize their budgets around our projects as well.

It also helps the private sector in gearing for when the actual project builds are going to be. There's not an unlimited amount of capacity in the private sector to actually deliver these projects, build them and construct them for us. I think, all around, it's just good, sound planning that's going to build a stronger province, a stronger economy and ensure that our feet are held to the fire, and future governments' feet are held to the fire, when it comes to sensible planning when it comes to doing infrastructure.

**The Chair (Ms. Cindy Forster):** Mr. Ballard, you've got about one minute for your question.

**Mr. Chris Ballard:** I'll make a quick statement. I've heard from members opposite about projects that are so important to their neck of the woods. I know there has been an awful lot of discussion, and I've heard some good discussion today, about the need for transit. In my neck of the woods, Newmarket and Aurora, it was the number one issue in the election: to improve north- and southbound transit. It has been an issue for over 30 years, trying to get to work in Toronto. It still continues to be an issue today, although we've seen incredible increases. It was so nice to hear that GO has purchased its 500th bus. We've had new infrastructure in terms of Highway 404

opened just to the north of us, which takes 22,000 cars a day off local roads. There are some really important things happening.

I just wanted to make the pitch—because we don't have time to get a lengthy answer from you—for investment in that infrastructure that will allow all-day, two-way, electrified GO train service on the Barrie line.

**The Chair (Ms. Cindy Forster):** Thank you.

Official opposition: 20 minutes. Mr. Arnott.

**Mr. Ted Arnott:** Thank you very much, Chair.

Minister, I'm pleased to have this opportunity today to ask you a few questions about matters that fall under your responsibility as Minister of Infrastructure. I'd first like to request a copy of the notes that you used while you made your opening presentation and your subsequent presentation. It sometimes takes Hansard a couple of days—committee Hansard, anyway—to be finished up. So we'd appreciate that.

I'd also appreciate receiving a copy of the 10-year capital plan that you said was publicly available—you've used the word "transparency"—last year's plan, with a list of projects that the government has on its 10-year capital plan. I would certainly appreciate that, by the end of the day if possible, so that we can look at it overnight and continue this discussion tomorrow.

As we know, an important part of the accountability of the government to the Legislature is through this very committee: the estimates committee and the public accounts committee. The whole point of it is to scrutinize the expenses of the government and to determine whether or not the government is acting in the public interest. Your presence here allows us to ask those questions. I thank you for coming in.

One of the most important issues that I think the government has to answer for these days is the MaRS bailout. I guess it was on September 23 that you announced that the government would be paying \$309 million to bail out this failed real estate enterprise. We're talking about the second-phase office tower of MaRS. From our perspective in opposition, we see parallels between this and what happened at eHealth, the cancelled gas plants in Mississauga and Oakville, and the Ornge air ambulance fiasco. We wonder: Has the government learned a single thing? Hundreds of millions of dollars of taxpayers' money are being thrown around, with very little accountability, very little scrutiny.

We have a number of questions about that. First of all, when did the discussions with MaRS commence in terms of the bailout? When exactly did your ministry begin those discussions?

**Hon. Brad Duguid:** First off, use of the term "bailout" is a pretty loose term that probably doesn't accurately reflect what has transpired here. We're talking about a transaction that took place recently, where we've made an offer to buy out ARE for, I believe, \$65 million. That is being done in order to, frankly, allow the government to consider a series of alternatives with regard to the future of phase 2 of MaRS.

I will probably say this a number of times as we discuss MaRS over the coming weeks, but Ernst & Young has done an evaluation of the transactions, and the fact of the matter is, the value of the asset is equal to or more than any investment the government has made, so the good news there for the taxpayer is that the taxpayer is protected as we go through these transactions.

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So there have been challenges in phase 2 of MaRS. They've been well known. A good part of that challenge has been the restriction to MaRS to be able to lease out a good part of that office space at market value because of the presence of ARE in the equation. By removing ARE from the equation—something we did with full thought, consulting a private sector panel that I had set up that included two very esteemed individuals who have experience in real estate and these kind of matters, as well as knowledge of the innovation sector—that enables us now to make the next decision, which is, what do we do with this particular real estate asset?

We have leverage from the loan—and it is a loan; it's not a grant—that we've provided to MaRS. We have a guarantee on the property, and the \$65 million that we've invested through ARE, and there's another additional expenditure that was an initial capital expenditure, the amount of which I can share with you—I likely have it in my notes—as well as a guarantee that MRI, the Ministry of Innovation, has to keep up in terms of interest payments on that loan.

So we've been very clear and transparent, and will continue to be, about any costs that we incur with regard to this transaction. To date, though, I can assure you that the investments that have been made are equal to, if not greater than, the value of the property, and that's before the property is leased up. So that's at the property's lowest potential resale value.

I'm happy to respond to further questions on that with you.

**Mr. Ted Arnott:** Well, you didn't respond to the first question, which was, when did the discussions commence between MaRS and the government on the bailout? Was it before the provincial election of June 12?

**Hon. Brad Duguid:** Yes; that's a matter of public record. The government was considering, before the election, how to address the challenges, and a decision had not been made prior to the election. A decision has not been made yet in terms of what we're going to do with phase 2. The only decision that has been made was recently to buy out ARE to open the door for us to be able to have access to a series of other potential options with regard to the property and the project. In the coming days, when we get to that decision, we'll certainly be talking publicly about what the alternatives are and why, ultimately, we choose the right alternative.

I, though, as a minister, felt it really important to get some good expertise to the table that doesn't have a stake in the game, that is not necessarily a ministry or a government or a private sector interest in this particular project. That's why I've asked Michael Nobrega and

Carol Stephenson to sit on a panel and look in-depth at this from a real estate/taxpayer perspective, to look in-depth at this from an innovation/bioscience opportunity that MaRS was set up in the first place to advance, and to determine what, in their view, is in the public interest. I can tell you, I've told them I want unfettered advice on this. I want them to take a look and give me their best possible advice. Then we'll proceed from there.

**Mr. Ted Arnott:** I guess, Chair, we've established that the discussions with MaRS commenced before the election. There was no public acknowledgement of that before the election. After the election was over, we learned the details of the agreement.

I have the provincial budget that was presented to the Legislature on May 1. Then it was regurgitated, of course, in the House on July 14. I don't see any reference to a MaRS bailout in the budget. Can you help me find it?

**Hon. Brad Duguid:** We'd need finance officials to determine if there would have been any reference to it. But I would expect, and I stand to be corrected, that at the time of the budget, any mention of MaRS would be highly speculative at that time. Any transaction to buy out ARE certainly would have been highly speculative at the time the budget came out.

I would have to get finance officials to determine if there is any reference in the budget to it. I'm not aware of one.

**Mr. Ted Arnott:** So if it wasn't in the budget, then do we safely assume that the additional bailout money is added to the deficit and that the deficit will be higher?

**Hon. Brad Duguid:** You've got remember, this is a conditional agreement. The agreement is not even closed yet. This transaction hasn't taken place. It's still subject to expert panel advice.

I expect this deal will close, in all likelihood. It's a transaction that unlocks possibilities for this asset to be maximized in terms of public interest, in terms of fiscal responsibility. Without doing this transaction with ARE, the project going forward was pretty handcuffed and would have been a drain, on a continual basis, on the ministry of innovation's budget, because there's an amount every month that they will need to pay to deal with the interest on the loan to MaRS, as was part of the original agreement.

We do want to move on and get to a decision on this. We'll be thoughtful about it; we'll be transparent. But we want to make sure that we unlock those opportunities. It's important that we're getting highest and best value out of the investments we've made as well.

**Mr. Ted Arnott:** The people of Wellington-Halton Hills would expect that if it wasn't in the budget and the government has approved some sort of a deal, spending additional hundreds of millions of dollars, somehow that would be accounted for properly and in a transparent manner. I think most people would agree with that sentiment as well, and we expect that of you.

**Hon. Brad Duguid:** Yes. I said, when I made the announcement on ARE, that my commitment is to be as absolutely transparent as we can. But this is one of those

situations that came up in the heat of an election campaign and probably got a lot more attention because of that than it otherwise would have, I expect.

I haven't seen anything yet to suggest that the value of this investment is less than the amount the government has put forward into it. In fact, we have Ernst & Young's report that says that the asset we are now potentially acquiring is worth more than we've invested in it. At the end of the day, that's key, to me, from a business investment perspective.

What's also key is making sure that we don't look at it strictly from a business investment perspective, as much as that's important. It's also important that we look at it as growing a strong life sciences cluster through MaRS.

The original vision for MaRS actually was a vision I would like our government to be able to take full credit for, but we can't, because it was the previous government and Minister Flaherty and others who launched the initial vision for MaRS. We can take credit in terms of building out that vision. It has been very, very successful. It has attracted billions of private sector dollars. It has helped make Ontario one of the top three bioscience clusters in North America. It is seen internationally as a centrepiece of our international sector. MaRS has a very significant importance to our bioscience cluster and our innovation economy, and it's important that that's not lost as we deal with what is—phase 1 has been successful. Phase 2 has had challenges, and it's important we deal responsibly and transparently with those challenges.

I would endeavour to say I don't intend to be on the defence on this; I intend to be very transparent, upfront. There have been challenges. We're going to address those challenges as best we can and ensure we move forward in a very responsible way.

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**Mr. Ted Arnott:** You're absolutely correct that the original concept of MaRS was an initiative of the former government, the Progressive Conservative government, but certainly phase 2 is your responsibility as a government, and I think that you've acknowledged that.

We're focusing, really, on the phase 2 issue here. You say that it has been a success, but we understand that only 31% of the offices are occupied, so that means 69% are vacant. We know that the rents have been prohibitively high, and that's one of the reasons why those offices haven't been filled. But at the same time, you call this a success. If it's a success, why is there a need for a government bailout?

**Hon. Brad Duguid:** Well, first off, I was very clear. What I said was that MaRS has been a success to date, and phase 1 has been a success. It has attracted a lot of private sector dollars. It has helped a lot of young entrepreneurs get started with start-up companies. Its Entrepreneurship 101 program has been very successful and it continues to be the hub of our innovation economy, along with a lot of other initiatives going on across the province. So, to be clear, that's what I said.

Phase 2 has had challenges. That doesn't mean the concept behind phase 2, which originated under the previous PC government—we will certainly take the credit

of embracing that and in fact actioning it—that same concept was embraced in phase 2.

The challenge with phase 2 was that we got hit by a global recession that wasn't anticipated prior to phase 2 moving forward. That was the problem that ARE, the private sector partner, was engaged in. That's what changed their business dynamic for the project and created the bottleneck that we had, that was making it impossible for MaRS to be able to lease up the rest of that unit.

I think it's really important to talk about this as well, because I know that you're a believer in building strong business clusters. The bioscience cluster is a very important business cluster to our economy. We are in the top three in North America. But it's a long-term play; it's not a short-term play. Investment in bioscience takes a very long time to play out, and that's why MaRS was set up in the first place. We have one of the most tightly geographically placed bioscience clusters anywhere in North America, which is one of the reasons why MaRS was set up in the first place. It was not set up to deliver bioscience success in the next two or three years. It was set up for a 10- or 20- or 30-year play overall in our economy.

It's really important, as we look at this decision, that we, as a government, don't get caught up sometimes in the short-term politics of this and that we continue to take a look at the longer-term economic impacts as well. That's the balance, as a minister, that I'm going to have to take into consideration as I make recommendations to our cabinet and my colleagues in government. It's ensuring that we're being responsible from a taxpayer investment perspective, but not throwing out the importance of growing a strong bioscience cluster in Ontario, which was the original and, I would suggest, rightful mandate for MaRS.

That's the balance, going forward, that we'll need to make and address and, frankly, that I think we will ultimately have to be judged on.

**Mr. Ted Arnott:** Did you recommend the bailout deal to cabinet, or is it something that originated in the Premier's office?

**Hon. Brad Duguid:** Let me just give that some thought in terms of how best to respond. The advice that I received as minister came through Infrastructure Ontario, whose advice was strongly that in order to release or open up the opportunities for the province to have other options here and protect the taxpayer investments—the only alternative to do that, in their opinion, was to buy out ARE. I said, "Thanks for the advice. I also want to hear from some private sector expertise on this." That's when we set up the private sector panel, with Michael Nobrega and Carol Stephenson, to receive their advice. They took a look at the options. To be frank, they didn't have to look too long to determine that the right recommendation was to buy out ARE, to move forward with this.

I'm just going to check with staff to verify whether this even went to cabinet or not. I want to verify that for you, just to be able to give you that advice. I want to be accurate in my response.

**The Chair (Ms. Cindy Forster):** Mr. Arnott, you have one minute left in your time.

**Hon. Brad Duguid:** The key with this is it's still a conditional agreement. Often, you will go to Treasury Board—I'm speaking in generalities here—and you'll receive a mandate to negotiate. There are times that those mandates are within your responsibilities as a minister as well.

Rather than give you an answer that may not be fully accurate, I want to make sure that I'm very clear to you on that. If I can't get an answer for you now, I will make sure I get an answer.

**Mr. Giles Gherson:** We had authority in the spring from Treasury Board to acquire that interest. It wasn't exercised and hasn't—it's still now a conditional decision to exercise that authority, but that decision was made more recently, in late September. So there was no need to go back to cabinet.

**Mr. Ted Arnott:** Is it true that the government was advised that it could have foreclosed on the original loan and acquired the property without any further bailout?

**Hon. Brad Duguid:** I don't know if that full explanation is 100% accurate.

**Mr. Ted Arnott:** It's a published report.

**Hon. Brad Duguid:** We may have had that ability. I would have to get verification from staff to determine if that, in fact, was given as advice. I wouldn't be able to definitively give you an answer on that right now.

**The Chair (Ms. Cindy Forster):** Mr. Hatfield, you have about 13 minutes, and then we'll be adjourning for today.

**Mr. Percy Hatfield:** Just a quick follow-up on the MaRS file: The intent of the Realty Transformation Strategy was to reduce the office footprint by one million square feet in Toronto. By acquiring MaRS, what does that do to your initial strategy? Does that impact in any way your getting rid of a million square feet?

**Hon. Brad Duguid:** If it's space that was to be used for public servants—that's what we're talking about—then it would be. There was speculation about that, as you may have heard, about using it potentially as swing space. No decisions have been made on that at this point in time. We're going to let the expert panel look at what the options are, but I wouldn't suggest there's a lot of momentum behind that at this point. We'll let the private sector panel take a look at what their recommendations are before we make any decisions as a government.

**Mr. Percy Hatfield:** I just want to get back to the AFP for a while. We in the NDP are asserting the following: that the government is consistently overpaying for shifting the risk to private consortia. Do you have any internal studies that suggest this?

**Hon. Brad Duguid:** I can refer to staff to see what kind of internal studies they may have. But I can use one example where the public would have been subjected to very significant amounts of money on the Bruce refurb had we done that in the traditional procurement manner. Those alone are amounts that would probably offset any additional costs or risks for most of the other infrastruc-

ture projects, because that would have been a significant hit to the public.

I can ask staff if they do have any studies on this particular issue. I'm not aware that they do.

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**Mr. Giles Gherson:** I don't believe we do. Again, I think one of the important facets of AFP projects is that because the build and the operation of the subsequent project is done by the proponent over sort of a 30-year life cycle, it's hard to actually know until that 30 years has elapsed whether, in fact, the project was as cost-effective as the analysis at the beginning suggested it would be. There's an effort made, and it's a very diligent effort and uses pretty sophisticated analytics, to understand what the cost will be over the term of the ownership of the building, but you don't really know that until that time has elapsed.

You've got monthly payments that are made by the government to the operator through the course of the project. If there are deficiencies, if there are failures, then those payments won't be made by the government to the proponent. We've had some instances where that has been the case, where an elevator didn't work or what have you, and it was considered to be enough of a failure that the payment wasn't made. So that's in the interests of taxpayers to the degree that unless the project performs as it's required to perform, the payments aren't made over the course of a long period of time.

**Mr. Percy Hatfield:** Okay. You suggested you don't believe there are any studies. I'm suggesting there are some studies. Can you get together with your staff tonight and either put on the record tomorrow definitively that there are no studies that suggest this or else release the studies that you do have?

**Mr. Giles Gherson:** We'll certainly take a look.

**Mr. Percy Hatfield:** Thank you. If there are studies, will you release them all tomorrow at 9 o'clock, on the issue of overpaying the risk premium?

**Mr. Giles Gherson:** I'll certainly take a look and see what there is.

**Mr. Percy Hatfield:** I'd like to also ask a question about shifting down the risk. Do you have any evidence from any of the studies at the ministry's disposal that the senior partners in the private consortia are pushing down the risk to the subcontractors? Do any of your studies show this, and will you table them tomorrow at 9 o'clock? I mean, you've obviously heard from the industry that the subcontractors are being grinded; they're having to share all the risk and all the burden from the major guys. You've heard this. I've heard it repeatedly from stakeholders.

**Mr. Giles Gherson:** That may be what stakeholders are saying to you, but I'm not aware of any studies, and neither are my staff, that would confirm what you've just said. We will look this evening and go and see what we've got, but that's not something that we know, that's in a study. There may be concerns to that effect that you've heard from the subtrades.

**Mr. Percy Hatfield:** Have you heard this?

**Mr. Giles Gherson:** I personally have not heard this.

**Mr. Percy Hatfield:** Minister?

**Hon. Brad Duguid:** No, I have not heard.

**Mr. Percy Hatfield:** All right. Well, I've certainly heard, and I'm sure others have as well, that the subs are the ones that are being squeezed on it if there's a cost overrun. So perhaps the industry stakeholders will have to make a concerted effort to get that information to you.

**Hon. Brad Duguid:** Well, we haven't had a lot of cost overruns, thankfully, to really gauge that by. One out of the 30 projects that have been completed—is it one or two?

*Interjection.*

**Hon. Brad Duguid:** One is a cost overrun, and two delays, so it's probably premature for us to draw conclusions after one cost overrun.

**Mr. Percy Hatfield:** Are you sure that the public sector financing comparator that presumably reflects the history of cost overruns is accurate? Because if it's not accurate, you'll be overpaying on the risk premium.

**Hon. Brad Duguid:** I'm sorry. Could you repeat that? I didn't catch the beginning part of your question there.

**Mr. Percy Hatfield:** Are you sure that the public sector financing comparator that presumably reflects the history of cost overruns is accurate? If it's not accurate, we will be overpaying on the risk premium.

**Hon. Brad Duguid:** What I can tell you is it is challenging—and I'll let staff who have more technical expertise than I do in these matters respond in a more fulsome way—to do direct comparisons between the two. They're very different. They're over different periods of time. There are challenges in terms of assessing what the—in particular, the upfront costs are less expensive if you're going over a shorter period of time doing the traditional. But when you take into consideration the cost overruns, the costs of delays and the quality of the projects, it's sometimes difficult to compare directly.

We'll endeavour to get a more technical answer for you.

**Mr. Giles Gherson:** There's another factor that I think we need to remember, which is that these are highly competitive projects. It's the competition between different bidders that drives the cost down, that drives the risk premium down, too. So it's hard to know in advance, when you're comparing a highly competitive process with the history of government-procured projects, how to compare those.

**Mr. Percy Hatfield:** I think there are 1.8 million people in Ontario with disabilities. There's criticism today that the government has been ignoring many, if not most, of the government promises on disability accessibility. In the estimates, what's in there to ensure that the government promises on disability accessibility are met by the deadline of 2025?

**The Chair (Ms. Cindy Forster):** Minister, you have two minutes, and then we're going to run out of time for this session.

**Hon. Brad Duguid:** I really appreciate that final question. In the two minutes that I have—I think the member will probably share with me the view that that ought to be an economic priority for us as well as a social priority. We are an international leader in this area. Our legislation makes us the first jurisdiction to actually put in place milestones to become fully accessible by 2025.

I'm in the process now of working with local stakeholders—including our former Lieutenant Governor, David Onley, whom I see as a huge asset for the province in this area—to look at ways that we can get more people with disabilities into employment, into our workforce, because they're an incredibly skilled group of individuals who have had challenges getting into employment, and taking a real look at how much progress we are making. We've made some significant progress. Let's take a real look at how much progress we are making to being fully accessible by 2025 and determine if there are things we need to do. Do we need to get back on track? Are we on track? Are we ahead of schedule? Those are the things that I look forward, as minister now responsible for something new to me, in terms of responsibility—but something that I see as having a very significant economic opportunity.

If we're a leader in this area—up to \$7 billion, I believe, is the figure of potential GDP impact of being fully accessible. It's a competitive advantage for us. We're out ahead of everyone else.

I think my goal now is to look for ways within the realm of our fiscal challenges—

**The Chair (Ms. Cindy Forster):** Minister, I'm sorry, but I have to—

**Hon. Brad Duguid:** I get excited when I talk about this issue, so maybe we'll have more time tomorrow to talk about it.

**The Chair (Ms. Cindy Forster):** Thank you.

**Mr. Randy Hillier:** Chair, on a point of order—

**The Chair (Ms. Cindy Forster):** Mr. Hillier?

**Mr. Randy Hillier:** Chair, there have been a number of undertakings and agreements today that I just wanted to clarify. I know my colleague from Wellington-Halton Hills asked for the minister's notes from him today, and he agreed that he would provide them. Earlier in the day, the minister agreed to provide the 10-year plan and list of projects within that 10-year plan, a list of the changed programs and responsibilities of infrastructure that have gone to—there were a number of these. Let me just—oh, and that list of 80 AFP projects and their status. I just wanted to clarify that and ensure that we will get those, hopefully today. I don't know. There was no time frame indicated, I don't believe. But if they could be available today, that would be most appreciated.

**Hon. Brad Duguid:** I think my officials will do their very best to accommodate.

**The Chair (Ms. Cindy Forster):** We are adjourned until tomorrow morning.

*The committee adjourned at 1230.*









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