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Mercredi 26 novembre 2014

Standing Committee on Estimates

Ministry of Finance

Comité permanent des budgets des dépenses

Ministère des Finances

Chair: Cindy Forster
Clerk: Katch Koch

Présidente : Cindy Forster
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON ESTIMATES

COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Wednesday 26 November 2014

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The committee met at 1558 in room 151.

MINISTRY OF FINANCE

The Chair (Ms. Cindy Forster): Welcome, everyone. The committee is about to begin consideration of the estimates of the Ministry of Finance, for a total of 7.5 hours. As we have some new members, a new ministry and a new minister before the committee, I'd like to take this opportunity to remind everyone that the purpose of the estimates committee is for members of the Legislature to determine if the government is spending money appropriately, wisely and effectively in the delivery of services intended.

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

As Chair, I tend to allow members to ask a wide range of questions pertaining to the estimates before the committee to ensure they are confident that the ministry will spend those dollars appropriately. In the past, members have asked questions about the delivery of similar programs in previous fiscal years; about the policy framework that supports the ministry approach to a problem or service delivery; or about the competence of a ministry to spend the money wisely and efficiently. However, it must be noted that the onus is on the member asking the questions to make the questioning relevant to the estimates under consideration.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised, so that the ministry can respond accordingly. If you wish, you may, at the end of your appearance, verify the questions and issues being tracked by the research officer.

Are there any questions before we start?

I'm now required to call vote 1201, which sets the review process in motion. We will begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition, followed by the third party. The minister will then have 30 minutes for a reply. Any remaining time will be apportioned equally amongst the three parties.

Minister, the floor is yours.

Hon. Charles Sousa: Thank you, Madam Chair. Good afternoon, everyone and all members of the committee. I appreciate the opportunity to speak to you today. I'd also like to thank my colleagues and staff at the Ministry of Finance, all of whom work very hard to support the government in its work. I'm joined today by Deputy Minister Scott Thompson.

At the start of May we presented a budget that was unprecedented in scope and ambition to make Ontario a better place to live and work. Fast-forward to November 17, when I delivered to the Legislature the Ontario economic outlook and fiscal review, also known as the fall economic statement, or FES for short. As you know the purpose of the fall economic statement is to update the people of Ontario on the progress made since the passage of the 2014 budget. Normally this is intended to be a mid-year assessment, coming about six months after the budget, but with intervening events, most notably the spring election, our budget only passed on July 24, just less than four months ago.

Now, regardless, FES shows that the government has been moving ahead with speed, determination and diligence. Our purpose has been clear: to create opportunity and security for people and to build Ontario up while eliminating the deficit in a responsible and balanced way.

Our commitment to balancing the budget by 2017-18 will ensure that, over the long term, we can provide the programs and services that Ontarians expect and rely on. Let me add some perspective.

The global economic environment remains challenging and contributed to relatively weak growth for Ontario through 2013. However, there are positive signs that Ontario's economic expansion is gaining momentum this year, supported by a resurgence in the US economy. Major economic indicators, including real gross domestic product, exports and household consumption, have posted gains since the beginning of 2014. I'm pleased that Ontario's unemployment rate has declined to 6.5% in October, down from 7.5% at the beginning of the year, and the lowest rate of unemployment since 2008.

As you can see, the Ontario government is working to meet its fiscal targets despite the challenges of the relatively modest pace of economic growth. The province's total revenue projections for 2014-15, of $118.4

billion, is $509 million lower than the 2014 budget forecast. This is largely a reflection of weak 2013 economic growth and lower-than-expected tax revenues in 2013 that are now carrying forward over the mid-term, which all independent economists overestimated. In fact, we were a bit more cautious, took greater care, and we're continuing to move forward now towards balance.

I'm happy to report that we've overachieved, in fact, on our fiscal targets in spite of a decline in the revenue outlook since the 2010 budget. This is happening thanks to sound management of government expenses. Let me elaborate for a moment.

From 2010 through 2013, growth in program spending has been held to an average of 1.2% per year. This, thanks to disciplined action to find efficiencies in the delivery of public services while still making critical investments in the programs and services that people depend upon, such as health care and education—have consistently been able to modify, control and recalibrate our spending in light of lower revenues.

As a result of the responsible management of program spending, which was 16.6% of Ontario's GDP in 2013—which is in contrast, by the way, to program spending that was 17.9% of Ontario's GDP in 2009—from 2013 through the balance of 2017, program spending is now projected to grow at an average annual rate of 0.8%.

During the recession, it was essential for the government to support the economy. So while we have now become the lowest government in Canada for program spending as a result of the measures that we've taken, we've also been very diligent and concerned about investing in our economy to stimulate growth. We now have pivoted and are taking a responsible and balanced approach, as a result, to eliminate the deficit by ensuring that more Ontarians are weathering the economic storm without adverse effect. We recognize that more needs to be done.

Indeed, Ontario consistently has the lowest per capita spending among all Canadian provinces. Good management of the government's finances allows us to move on the progressive agenda for action that Ontarians have given us a strong mandate to implement.

Balancing the budget by 2017-18 is a challenge. However, we are meeting that challenge head-on, taking a deliberate and thoughtful approach to the tough choices that confront us. There are four elements to our plan to achieve that balance, and they're as follows:

(1) We're pursuing a program review and renewal and transformation, building on the very things that we've already done to find efficiencies.

(2) We're managing compensation costs. We have legislation before us recognizing that we must find net zeros throughout the system.

(3) We're ensuring that everyone pays their fair share of taxes. We recognize the underground economy and revenue leakage that exist are also issues that have to be addressed.

(4) We're looking at unlocking greater value of the province of Ontario's assets, maximizing dividends where we can achieve them.

The government is committed to transforming and modernizing public services by finding new and smarter ways to deliver the best value for every dollar spent. The President of the Treasury Board, my colleague Deb Matthews, is leading a careful review of program spending. Building on some of the subcommittee work that was established in the Treasury Board, the programs will be reviewed through four lenses: for relevance, for effectiveness, for efficiency and for sustainability. A focus on evidence and measurable results is a critical element of that review. The objective: to ensure that sustained funding goes to initiatives that work. As part of the process, opportunities will be identified to transform and modernize public services so that every dollar goes further to achieve value for taxpayers' hard-earned money.

In addition to better outcomes, the government is committed to meeting its annual program review savings targets of $250 million for 2014-15 and $500 million for each of the next two years, as announced in the 2014 budget.

As well, the government is continuing to take action to control compensation costs. For instance, in October, we introduced Bill 8, the Public Sector and MPP Accountability and Transparency Act, 2014. If passed, that legislation would authorize direct control of compensation for senior executives in the broader public sector. The legislation would authorize the government to obtain all compensation-related information and set compensation frameworks, including hard caps. The legislation would authorize the government to obtain all compensation frameworks.

In August, the government reached a four-year collective agreement with the Association of Management, Administrative and Professional Crown Employees of Ontario, known as AMAPCEO. That agreement includes a wage freeze in the first two years and a 1.4% wage increase in each of the third and fourth years. The deal is consistent with the fiscal plan outlined in the 2014 budget, which includes no new funding for compensation increases. Notably, the cost of wage increases in 2016-17 is being offset over the four-year term through changes in benefits and entitlements, making it a net-zero agreement. This new agreement follows a two-year deal that included no wage increases in 2012 or 2013, totalling four consecutive years without an increase.

Outside the public sector, we continue to take action as well. An effective tax administration system also requires businesses to pay their fair share of taxes. When businesses do not pay their fair share, provincial revenues are also compromised, and competitors and all of you are compromised. This has a direct impact on the programs and services Ontarians expect and rely on. Further, when businesses do not pay their fair share of taxes, they disadvantage other businesses that do follow the rules.

Often, businesses that do not pay taxes also ignore the rules that protect employees and ensure that products and services are reliable and safe. This activity fosters an underground economy.

So we're forcing that activity above ground and into the light. The government is taking action against the underground economy by launching pilot initiatives to better coordinate and strengthen compliance activities in high-risk sectors and by expanding tax verification for procurements in the broader public sector, crown corporations and financial assistance provided to businesses—must show certificates. Of course, we encourage that with the Ontario government, the municipal government and the federal government. And we're examining additional measures that would enable better information-sharing across government ministries, agencies and jurisdictions.

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In addition, we're taking further measures to address the supply of contraband tobacco, including increased fines and impounding vehicles for those who break the law.

Another high-profile area where we're taking action is unlocking the value of provincial assets, as I've mentioned. This strategy can help our economy grow while creating jobs and sustaining government services. It is also a way to create new revenue that can be put towards improving public infrastructure, including transit. In order to deliver key services to the public, maintaining provincial ownership of many of these assets remains a priority.

The Premier's Advisory Council on Government Assets has been asked to find ways to increase efficiencies and unlock the full value of Hydro One, OPG and LCBO, including other aspects of Ontario's beverage alcohol retail system. The council's findings include opportunities to provide consumers with improved access and an enhanced customer experience at the LCBO, as well as negotiating with suppliers to achieve higher returns for Ontarians. The council recommends as well that Hydro One should retain its core transmission business and that the fragmented system, which is about 70 local electricity distributors, should be encouraged to consolidate and bring in private capital to improve the efficiency of the electricity distribution sector. The government is supportive of the council's initial findings and looks forward to receiving its final recommendations, which will inform the 2015 budget.

Finding efficiencies and being open-minded—these ideas are the core of the government. These are an extension of our overall commitment to balancing the budget while stimulating economic growth.

We're making progress in that stimulation as well. That is why we are investing in people's talents and skills; building water, infrastructure and transportation networks; creating a dynamic and supportive environment that allows businesses to thrive; and ensuring a strong retirement income system so that everyone can afford to retire.

The evidence shows that our agenda is working. Ontario's unemployment rate, as stated, has declined from the recessionary high of 9.4% in June 2009 to 6.5% in October 2014. Since the recessionary low of June 2009, Ontario has added 551,300 net new jobs, on top of recovering the 265,800 jobs lost during the recession. So we have made substantive improvement, but we want to do better. The majority of those jobs added are full-time and in the private sector. They're high-paying and they're rewarding jobs.

While Ontario's economy continues to create jobs, we recognize more needs to be done. That is why we're continuing to make those investments. We're taking steps to ensure that Ontarians, particularly young Ontarians, have the skills and training they need for high-paying, rewarding jobs.

For example, in 2015, the government will launch Experience Ontario. It's a program that will allow all high school students to gain valuable work experience before they choose their career path. At the same time, the province continues to strengthen post-secondary education through initiatives such as online learning tools that give students the flexibility to control how, when and where they learn.

In September 2013, we also launched the $295-million Ontario Youth Jobs Strategy. That was in the first budget that I introduced. A key element of that strategy, the Ontario Youth Employment Fund, has already helped more than 23,000 young people gain work experience and find jobs.

Ontario's skilled trades are also fundamental to ensuring continued economic growth across this province. We recognize, and many have stated, that they need more skilled labour. So we're continuing to strengthen their skills and training and have appointed a reviewer of the College of Trades.

The province's plan for the economy is founded on the extensive infrastructure investments that will enhance the quality of life for Ontarians, support economic growth, increase productivity and meet future demographic needs. Ontario is planning to invest more than $130 billion in public infrastructure over the next 10 years, including $12.8 billion in 2014-15.

Through the 2014 budget, we provided details of the Moving Ontario Forward plan to make nearly $29 billion in dedicated funding available over the next 10 years for public transit, highways and other priority infrastructure projects across the province.

Moving Ontario Forward is about investing $15 billion in transit projects right here in the greater Toronto and Hamilton area and nearly $14 billion in critical infrastructure projects throughout Ontario.

These investments are being made in a fair, accountable and transparent manner. It looks beyond—I have to tell you, it must look beyond—the four-year election cycle that causes governments' visions to be short-sighted. We have put forward a long-term plan. The government is taking a long-term view that the people of Ontario expect us to.

By investing in infrastructure today, we are helping create jobs and grow our economy so we can meet the infrastructure needs of tomorrow. The easy answer for so many is, "Do not spend." What you end up doing is sacrificing the well-being of future generations by not making investments in the capital infrastructure deficit that exists. So we are creating that opportunity and making us more competitive.

The success of Ontario businesses is also paramount for our economic future. The key initiatives under our plan that support businesses are as follows: One, we're maintaining a competitive tax environment that encourages business to invest and grow; secondly, we're building strategic partnerships with businesses, including investments through the $2.5-billion Jobs and Prosperity Fund that I announced in 2013; and we're reducing regulation for business. We recognize red tape is an issue. We must foster the means by which they can be more competitive, more nimble and more reactive.

Of course, growing small business in Ontario is a key element, and it is a foundation of much of the employment of the province. That is why we've taken steps to make them even more competitive by eliminating some of the taxes that were impeding some of their growth. They are still the lowest-cost sector anywhere in North America.

Helping businesses manage electricity costs is critical. It's why we're addressing that as well. Modernizing financial services is another key element of where we've become more competitive. And lastly, we're moving forward with the government's Going Global strategy, which is about trade, to encourage Ontario businesses to expand their exports internationally.

Through these initiatives, the province will encourage productivity-enhancing investments by businesses, improve Ontario's capital markets and support growth in key sectors such as advanced manufacturing. Many would have us go back in time to the glory days of smokestacks and low-cost wages on assembly lines, where we cannot compete. That is not the future of this province. We must go beyond the elements that are making it difficult for us, be it in Asia or in Mexico. We must do better in regard to making advanced manufacturing a priority.

The government is fostering economic growth in all parts of the province. We have created regional economic development funds like RED, the Rural Economic Development Program. Recently, RED provided support to the Hensall District Co-operative, which processes and markets high-value fuel crops for more than 2,000 farmers north of London. This support created and maintained 14 local jobs and the ripple effect of thousands. It's leveraged $4.3 million in private investment.

As well as thinking locally, we must think globally. To that end, the Premier recently led a trade mission to China that attracted nearly $1 billion in new investments by Chinese companies, which will create jobs right across Ontario. The government is also modernizing and strengthening Ontario's financial services sector, an area of commerce tightly woven into that global economy.

We're working with other jurisdictions, domestic and global, on new initiatives such as a trading hub for Chinese currency in Canada. We're collaborating with the Chinese government, the federal government and the British Columbia government on this matter because we recognize that it would put Ontario at the forefront—and, for that matter, Canada at the forefront—for all of North America.

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We're working in collaboration with other provinces and territories and the federal government to establish a co-operative capital markets regulatory system. This will make our securities market safer and more competitive.

That deal was signed in my office in the ministry here in Ontario with the British Columbia government, and it was fostered as a result of the provinces collaborating, recognizing that unanimous support that was sought after by the federal government was not going to happen. What we do not need is a 13th regulator. That makes us uncompetitive. We need to have more collaboration. So we're sponsoring and working closely on that matter, as well as a Chinese hub.

The government is also reviewing the mandates of the Financial Services Commission of Ontario, or FSCO, and the Deposit Insurance Corp. of Ontario, known as DICO, to ensure that there continues to be strong oversight in this sector.

We've already begun a review of the legislative framework of credit unions and caisse populaires, which will be led by Laura Albanese, my parliamentary assistant at the Ministry of Finance.

We're also undertaking a review of the regulation of financial planning by addressing tailored regulations for financial advisers and financial planners.

It's worth noting as well that Ontario's tourism and culture industries also create tremendous jobs and economic growth throughout the province, as well as enhance Ontario's quality of life.

A key element and a key event in that tourism and cultural sector is the commemoration of various events—in this case, the 400th anniversary of the francophone presence in Ontario, scheduled to take place from June to October 2015. On September 25, 2014, the government already announced the funding of $5.9 million for a wide range of commemorative events for that anniversary.

We're also very proud of the tremendous investments that have been made for the benefit of our future generations through the initiatives that we've done by hosting the Pan Am and Parapan American Games occurring next year. It has created tremendous interest in a number of interested parties right across North and South America. Because of the great diaspora that exists in Ontario, many of whom have activities from other parts of the world, they have seen and have created a tremendous amount of ideas that are already starting to garner trade opportunities in Ontario because of the attraction of the Pan Am and Parapan American Games.

In recognizing some of the work done by some of the collaborators of those games from across North and South America, we've garnered much more interest and a tremendous degree of attention, which is an element of interest—not just socially for the well-being of athletes for the years to come but economically as well, because of the tremendous amount of infrastructure, stadiums and investments that are being made to attract more opportunities in the future.

In 2014, in our budget, we announced the government's new mandatory provincial pension plan, known as the Ontario Retirement Pension Plan, or the ORPP. Much has been spoken about what that will mean. The ORPP is an integral part of our government's plan to invest in people and help working Ontarians build a more secure retirement future.

The government intends to implement the ORPP in 2017. It coincides with the expected reductions in employment insurance premiums to businesses. The ORPP is being designed to target those most at risk of undersaving, particularly middle-income earners without workplace pension coverage, who will need to effectively balance their retirement income security because it, too, will impact them as it impacts on businesses.

The Honourable Mitzie Hunter, my Associate Minister of Finance responsible for the ORPP, has already begun work towards the pension plan's launch in 2017.

When the global economic recession struck in 2009, the federal and Ontario governments worked together to ease the work and the worst effects of that downturn. The collaboration that existed then to stimulate some of that growth is still needed to secure long-term productivity and prosperity and build a strong Ontario within a strong Canada today. Ontario continues to take important steps to deliver on its plan and build a strong and sustainable fiscal foundation. It is critical, then, that the federal government avoid unilateral actions that would negatively impact the people of Ontario and take actions that actually put the province's fiscal plan at risk.

Some will say, "Cut as best you can. Take greater measures of austerity." Some will say, "You've taken too many measures of austerity." But to cut back and strangle the effects of stimulus now will hamper economic growth in our province. Still, because of the effects that we've done, billions and billions—in fact, $100 billion—in taxes are paid by Ontario to the federal government, and the gap is widening. We have $11 billion that never comes back. This is the gap that exists, and Ontario has always been a net contributor to the federation all the while. However, it is why we are now calling on the federal government to reform some of the transfer payment systems and treat Ontarians more fairly to enable us to promote growth.

I've heard some say, "Do not go and blame the federal government for us to ask for their money." We're not asking for their money; we're asking for Ontarians' share of contributions, we're asking for Ontario's taxpayers' money and we're asking for something that will enable us to continue to reinvest in the very things that will enable us to continue to grow for the benefit of Ontario, as well as the benefit of Canada.

The province continues to therefore call on the federal government to match Ontario's investments in the Ring of Fire and significantly increase its investments in public infrastructure.

Meanwhile, the province is determined to build a fairer and healthier Ontario. To that end, we have launched a reinvigorated Poverty Reduction Strategy that aims to end chronic homelessness as well as support and encourage people to find meaningful employment at a fair wage.

Allowing people to realize their full potential reduces poverty and makes good economic sense. The government is taking action to help low-wage workers who struggle to make ends meet, including raising the minimum wage to $11 per hour, which is now the highest of any province in Canada, and it is indexed.

We realize that's not all that we can do. We must also help those who own and drive a car to and from work. We know that many require it. That's why Ontario reforms are aimed at fighting insurance fraud and abuse in the system in order to make auto insurance more affordable for all Ontarians. We've taken steps this week to pass legislation to enable us to do just that.

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

Hon. Charles Sousa: Thanks, Madam Chair.

We talked about business and small business, recognizing that it is the backbone of much of what happens in the province of Ontario. I'm going to read from page 47 of our fall economic statement. It reads as follows:

"Reducing Regulation for Business

"Ontario is working to create a regulatory business environment that will help business to grow. Through the Open for Business renewal initiative, the Better Business Climate Act, 2014, if passed, would ensure that regulatory burdens are being further reduced and smarter regulatory practices are being adopted. Doing so would help business save millions of hours in time and $100 million in costs by 2016–17.

"Every year, the government will report on the efforts of ministries to further reduce the regulatory burden on business by at least one initiative per ministry. The government is committed to reducing the regulatory burden while protecting the public interest, including health, safety and the environment."

We recognize the importance of improving and growing small business in our province. By maintaining a very dynamic and successful climate, we now have the largest number of start-up companies here in Ontario than all of Canada combined. That is a strong indicator of the vibrancy and the innovative nature of the province, and it's a good indicator of where we're going to go. We've taken actions already by removing the employer health tax exemption, and we've put forward a five-point small business energy savings plan to make them more competitive. Of course, we have established some venture capital by creating new funds—in collaboration with the federal and private sector, by the way—to provide access for start-up companies.

Looking forward, we will soon be working on our next budget. Rest assured this government is continuing to pursue its mandate for action. We will continue to invest in people's skills and talents. We will build modern infrastructure and transportation networks, creating a supportive and dynamic business climate and strengthening Ontario's retirement income and services. This government's priorities and our determined efforts will make every dollar count, and that will help eliminate our deficit by 2017-18. This will create opportunity and security, build Ontario up and, at the same time, eliminate the deficit, enabling us to be more responsible in the way we balance our books.

Thank you so much, and I'm happy to take questions.

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The Chair (Ms. Cindy Forster): Thank you. We'll now move to Mr. Fedeli of the official opposition for 30 minutes.

Mr. Victor Fedeli: Thank you very much. Welcome, everybody. Minister, it's always a pleasure to see you. I won't be commenting individually on each one of those lines that you had mentioned. I had already given my hour-long rebuttal to each and every one of those lines. But I will start with the fall economic statement. I'm sorry; actually, I want to go back to public accounts of only a few weeks earlier.

On page 70 of the public accounts, we see that in 2013-14, the actual revenue from transfers from the government of Canada was $22.277 billion versus the 2012-13 actual revenues from the government of Canada of $21.661 billion. There's quite a substantial difference here. Our increase from the federal government is over $600 million, yet I have heard you and the Premier consistently suggest in the Legislature that our revenue from the federal government is actually down by $600 million. Your own ministry's public accounts show that it is up by $600 million. Can you clarify which of these statements is correct? I'll send over a copy, actually.

Hon. Charles Sousa: Yes, I'm happy to. I'm not sure if you have the fall economic statement. The most recent statement, on page 135, has a net contribution to equalization since 2012. It clearly illustrates that Ontario's percentage and dollar amounts of net contribution is in fact greater than the others. In other words, we do not get as much of the potential revenue. The $640 million that you make reference to happened last year when the federal government actually cut—in fact, every other province got an increase. Transportation protection was normally the case. Ontario has always contributed to protecting other provinces that were unduly hurt by equalization payments and the formula.

Mr. Victor Fedeli: But that's not the area—Chair, that's not what I am asking.

Hon. Charles Sousa: No. Madam Chair, to clarify, I'm answering the question. This is what happened: We asked for that same protection that we have always provided others. That didn't come through. We became the only province to have actually have been cut where every other province got an increase. Furthermore—

Mr. Victor Fedeli: But how can you say "cut" when it's $600 million higher?

Hon. Charles Sousa: Madam Mayor—Madam Chair, they changed the equalization formula—

The Chair (Ms. Cindy Forster): I used to be a Madam Mayor.

Hon. Charles Sousa: Yes, no kidding. They changed the equalization formula when we became eligible—

Mr. Victor Fedeli: But I don't understand how you continue to say "cut"—

Hon. Charles Sousa: —so as not to receive the same amount that was eligible. The point being, we still are a net contributor—

Mr. Lou Rinaldi: Point of order.

The Chair (Ms. Cindy Forster): Point of order, Mr. Rinaldi.

Mr. Lou Rinaldi: Madam Chair, this is supposed to be a question and answer. The member, Mr. Fedeli, asked a question, and I don't think the minister interrupted him. He listened intently.

Mr. Randy Hillier: That's not a point of order. That's not a point of order, Lou.

Mr. Lou Rinaldi: And I would ask, Madam Chair, that the—

Mr. Randy Hillier: We ask the questions; he answers them.

Interjections.

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

Mr. Fedeli asked the questions. If you want to move on to something else—

Mr. Victor Fedeli: Well, I would like an answer, but to the actual question that I asked—is what I was looking for.

Hon. Charles Sousa: I'll give you the answer, if you allow me—

Mr. Victor Fedeli: My question was, is the $22.277 billion that we received this year greater or not than the $21.661 billion we received the year before? Is it not $600 million greater receipts from the federal government? It's a simple question.

Hon. Charles Sousa: The answer is, the actual amount received in 2013—the budget amount was $22.475 billion; we received $22.277 billion. The actual in 2012 was only $21.661 billion. The changes have occurred—

Mr. Victor Fedeli: So the answer is yes.

Hon. Charles Sousa: What I'm also saying is, the relative increases in Ontario's contribution to the federation went higher.

Mr. Victor Fedeli: But that's not what I'm asking. I got my answer—

Hon. Charles Sousa: In the relative terms, they are not allowing Ontario to keep pace with the amount that is given to the other provinces.

Mr. Victor Fedeli: I got my answer. The answer was yes.

Hon. Charles Sousa: The other provinces have received greater benefit as a result.

The Chair (Ms. Cindy Forster): Minister, Mr. Fedeli wants to ask his questions.

Mr. Victor Fedeli: So I did get the answer. Even though we've never received equalization payments in modern history and receiving over $3 billion more, we did receive $600 million in additional federal funding than we received the year before.

So I sent over this morning—

Hon. Charles Sousa: I had it on my *[inaudible]* page 120. It's very clearly stated, exactly what is being received and what is not.

Mr. Victor Fedeli: Yes. I've already got my answer, and I appreciate it.

This morning in question period, I sent over the confidential advice to cabinet from February 16, 2013, which we all received:

"Revenue Tools: Considerations....

"Any increase in taxes would have negative long-run macroeconomic impact on GDP and employment." This is from the Ministry of Finance, the Ministry of Infrastructure and the Ministry of Transportation—confidential advice to cabinet.

"Preliminary analysis indicates a considerable range in the long-run macroeconomic impacts of potential revenue tools....

"Payroll taxes would have the largest negative impact on employment....

"Most of the proposed revenue tools would need to be structured as taxes...."

The economic impact of the payroll tax—of all the categories, seven categories, the only one that falls in the largest negative impact, overall economic impact, is the payroll tax. The effect on real GDP is down 18%, the employment impact is down 18,000 jobs, and the long-term behaviour impact states: "Lower business investment, relocation of business to other jurisdictions, reduced work effort"—

Mr. Han Dong: Point of order.

The Chair (Ms. Cindy Forster): Point of order, Mr. Dong.

Mr. Han Dong: Point of order, Madam Chair: I think the member opposite is referring to a document that is not part of the estimates, and we—

The Chair (Ms. Cindy Forster): That's actually not a point of order.

Mr. Han Dong: I don't have a copy of that, actually. He said that we all do have it. I don't have it.

The Chair (Ms. Cindy Forster): Mr. Dong, it's Mr. Fedeli's 30 minutes. If he wants to use all 30 minutes to make a statement, it's his right to do so.

Mr. Victor Fedeli: Thank you. So I'll repeat that: The long-term behavioural impact—this is on the record from the Ministry of Finance to the Premier and the finance minister—is that this payroll tax would "lower business investment, relocation of business to other jurisdictions, reduced work effort, out-migration of people." And the direct people it affects are business owners and employees.

So my question to you, Minister, is: When did you receive this document that told you of the effects of this payroll tax?

The Chair (Ms. Cindy Forster): Minister?

Hon. Charles Sousa: Madam Chair, it's either misinformed or misinforming, because it's not a payroll tax that we're talking about. I think he's making reference to the ORPP, which is actually something that's being considered when EI payments come off.

Let's also remind the Chair and the committee that the finance officials from the federal government recognize the positive impact to the economy by providing an enhancement to CPP or, failing that, a supplementary plan to facilitate retirees with higher levels of money, which is their money. None of it comes to the province. None of it comes to the government. It's about ensuring that they have higher disposable income, less reliance on social services and, frankly, with the pool of assets that's developed, it goes to be reinvested into our economy by way of investments in infrastructure.

The Chair (Ms. Cindy Forster): Mr. Fedeli?

Mr. Victor Fedeli: Again, my question was, when did you receive the document?

Hon. Charles Sousa: He's making reference, I believe, to a proposal around Metrolinx, the various ideas for sourcing revenue. That's just one of those documents that was provided a year and a half or so ago. The date of the document is stated as February 16, 2013.

Mr. Victor Fedeli: Would you have received this document on or about that date?

Hon. Charles Sousa: We discuss these matters in terms—we're always looking at what the impacts and what sources and opportunities exist, and we make decisions by being informed by them.

Mr. Victor Fedeli: I'll take that as a yes, that you did receive it back then.

The payroll tax—and yes, I am referring to the Ontario registered pension plan, because if you take $1,700 off of somebody's paycheque and $1,700 off of a further deduction and reduce somebody's payroll by $3,400, you can call it whatever you want, but your own document says quite succinctly that most of these revenue tools would need to be structured as taxes. So I presume that's also a yes, that that is indeed a tax.

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Hon. Charles Sousa: You presume wrong. Madam Chair—

Mr. Victor Fedeli: I want to shift to northern development and mines. I want to talk specifically about Ontera. For those who aren't aware, Ontera is the telecom arm of the Ontario Northland Transportation Commission. Last December, the Auditor General was extremely helpful in shedding light on Ontario Northland and the divestment of it. We understand the Ontera sale will cost taxpayers about $67 million. This is the sale that went through only a few weeks ago.

I'm looking for direction, Minister. Can you point me to the line in estimates where you've booked the somewhere between $50-million to $70-million loss you will take on the sale of Ontera? If there's an exact figure—the auditor didn't have the exact figure that day because there were still negotiations, which are now over. So what is the exact figure on the loss that you will incur on the sale of Ontera? The estimate was $50 million to $70 million.

Hon. Charles Sousa: So there are two issues. One, I want to clarify that his assumption is completely incorrect. By making reference to a document, none of which was actually acted on—I mean, all of the things that he makes reference to were not adopted. So that has to be clarified.

The other thing that has to be clarified is that he's making accusations that—the potential of an employer and employee providing funding for an employee is not a tax. This is something that they're funding for themselves. A tax is going to the province, of which it is not. The province does not benefit from any of those contributions, which go directly to the employee for their benefit, similar to CPP. If the member doesn't feel that that's appropriate, that's certainly his prerogative. But claiming it to be a tax is totally incorrect, Madam Chair.

Mr. Victor Fedeli: I'm asking an Ontario Northland question here—

Hon. Charles Sousa: In regard to the amount of funds that were put forward in respect to Ontera, it was illustrated in our documents of last year—I think it was in the 2013 fall economic statement. There was a provision that was made and there was also a note. But I'm sure that the guys behind me are looking for it right now.

Mr. Victor Fedeli: So initially, the purpose of the fire sale of Ontario Northland, according to the earlier budget, was to save the government $265 million. I will agree with the minister on one area: Once the Auditor General exposed the truth that it would save $265 million but indeed cost the government $820 million to go through with the full sale, they did put a halt, albeit, perhaps, temporarily, on the sale. However, they did indeed go through with the sale of Ontera.

Now, if the mission was to sell off parts of Ontario Northland to reduce the deficit and save the government money, but the sale actually cost up to $70 million, why did you go through with the sale when there was no revenue?

Hon. Charles Sousa: We work closely with Ontera and Ontario Northland, recognizing the impact it has on the community and recognizing the benefits that we're trying to do to achieve efficiencies and improvements to the system. I mean, the notion of exposing the truth, again, is a misnomer, because we've been working closely with the auditor. We've made the provisions. We've highlighted the issues. It was a very generous contribution and agreement that was initiated. I even understand that the previous government also addressed and was reviewing some of these impacts.

So it's important, I believe, for us to foster an improvement to the system and that's why we've taken the steps that we have. We're looking at maximizing the value to Ontario by looking at those components of the deal that will benefit. In the end, the status quo was inappropriate and not sustainable. So we're making those assessments.

We have, on page 90 of the 2014 budget, the Ontario Northland Transportation Commission. It speaks about where the assets are and improvements to Ontera and why the agreements have been made. As recently announced, the agreement with Bell for the sale of Ontera is vital, efficient and more reliable. Again, we're going to have to invest in those initiatives—an investment which the private sector can foresee to do better while at the same time protecting the public interest. The status quo was inadequate; we had to take steps.

The Chair (Ms. Cindy Forster): Mr. Fedeli.

Mr. Victor Fedeli: I appreciate that. Your document may suggest the sale to Bell—although I won't agree with it—was vital and efficient, but you also didn't mention it was costly.

My question was, if the whole purpose of divesting Ontario Northland was to save money but the sale of Ontera cost between $50 million and $70 million, why would you still go through with the sale if it defeated the whole purpose of your initial mission?

Hon. Charles Sousa: Well, the costs are borne throughout the years, and the operating costs and the continuation of a system that was going to provide losses made no sense. The net present value of that would have been greater. Had we not taken the steps that we did, we would have actually put Ontario taxpayers at risk and more at harm. This was the most appropriate way to safeguard the position.

Mr. Victor Fedeli: I don't agree with that whatsoever—that their operating losses were so great. You need to check what their operating statement would have suggested, from Ontera, before you repeat that sentence, trust me.

The operating expense estimated for Ontario Northland in the 2014-15 budget is $72.5 million. That's much less than the $100 million a year ago that your government said when they were trying to justify the sale of Ontario Northland, saying it was costing over $100 million a year. Will you confirm that that $100 million was never an accurate number, that it was portrayed only to assist in the sale, and that the actual operating expense for 2014-15 is $72.5 million?

Hon. Charles Sousa: We're checking to see—if it's not in our books, in the finances at the Ministry of Economic Development—

Interjection.

Hon. Charles Sousa: Yes. They're going to find out where it's at.

Mr. Victor Fedeli: Again, you had announced that the expenses for Ontario Northland were $100 million a year. You announced that the sale of Ontario Northland in its entirety was to save the government $265 million. That is in your budget. The Auditor General exposed that that number was not correct because you did not take all of the costs into account and that the net cost to the taxpayer would be $820 million—not a saving of $265 million—if all of the assets were sold. Why would you tell us one thing when the Auditor General was a billion dollars away from you?

Hon. Charles Sousa: You just answered your question. You just answered it. If—and we haven't done it, so it's not an "if," so—

Mr. Victor Fedeli: But it is an "if." It's in your budget, a savings of $265 million, when the Auditor General said that number that was in the budget should have actually been a positive $820 million. You're a billion dollars away from where the Auditor General's number is, and that's if it was to be sold. But you based the sale on that number: "If we sell it, we're saving $265 million." You put people throughout the north in uncertainty for over two years with multi-millions of dollars of investment that did not go ahead in mining and forestry because they didn't know whether there would be a rail line there or not.

You told us it was a savings of $265 million. The auditor said, "No, it's going to cost you $820 million." You've got a delta of about a billion dollars there. How can you be so wrong in one budget line?

Hon. Charles Sousa: The Ministry of Economic Development and Trade and Infrastructure Ontario have taken the provisions necessary. We have acknowledged them. We've taken a route that will provide a greater benefit for the province long term, and I disagree with the question.

Mr. Victor Fedeli: I appreciate that you may disagree with the Auditor General's statement. You put in a budget that you will save $265 million. We called the Auditor General in. She clarified that there is not a savings of $265 million; there is a cost of $820 million. The question is: How can there be an error of $1 billion in one line of your budget?

Hon. Charles Sousa: Again, I disagree with the positioning because we have highlighted in our reports the impacts of that sale and what has happened with regard to them.

Listen, we have been assessed by the Auditor General, given a clean report consistently. We have been addressed by the other authorities throughout Canada, recognizing the integrity of Ontario's numbers far surpasses other governments. We're continuing to be open and transparent, and we've continued to face the challenges that affect us, including this one, a transaction which was very precarious. We had to take additional steps to ensure to protect the best interests of all Ontarians, including those in the north, who rely on these services.

We've tried to maximize the value of those components of Ontario Northland that have greater value and ensure that we improve the net result to Ontarians, and we're proceeding to do so. We've been very open and we've illustrated those numbers in our reports.

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Mr. Victor Fedeli: I would agree that it was a very precarious transaction. Not only was one line of the budget off by $1 billion, but it put the entire north in turmoil. Men and women at Ontario Northland didn't know whether to send their kids to university or college that year. They didn't know whether to buy a car, whether to move. Businesses all the way up the Highway 11 corridor suffered. They struggled through less sales with Ontario Northland. Families would not spend income because they were not certain whether they would have a job the next year or not. So I would agree with the minister's statement: It was a very precarious situation that they put us in.

I'll turn the rest of my time over.

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

Mr. Randy Hillier: Minister, I understand you have a banking background. It suits you well in the Ministry of Finance.

I'd like to take you to page 91 of your results-based planning book. I might just state for the record that my questions will be brief. I expect the responses to be brief, and I will not allow the responses to be dragged out.

Minister, on page 91, you have an actual figure under "Transportation and Communication" for 2012-13 of $77,000; "Interim actuals" for 2013-14 of $131,000; and an estimate this year of $523,000, which is the same figure that you had for 2013-14. You talk about leakage. I would like you to explain to me how you can estimate $523,000 two years in a row when your actual expenditures were a quarter of it. Why would you have such inflated estimate numbers for transportation and communications?

Mr. Scott Thompson: I'd like to introduce Murray Lindo, who is from the Office of the Provincial Controller. He is, in fact, the provincial controller.

Mr. Murray Lindo: Thank you. In response to your question, the provincial controller's office actually holds funds on behalf of numerous corporate programs that a number of ministries operate. So in those cases, we support the integrated financial information system, which is operated by the Ministry of Government Services. We provide funding and support to other programs, as well, in other ministries. They do chargebacks to our allocations for delivery of those services.

In this particular case, there have been a number of upgrades that have been going on with the financial system. We were expecting certain charges to come through, and not all the charges happened in a timely way, just by the project delivery—

Mr. Randy Hillier: So for two years in a row—actually for three years now, we've seen substantially smaller actual expenditures than what you're estimating, by a significant amount.

Mr. Murray Lindo: Yes.

Mr. Randy Hillier: And this is under the Office of the Provincial Controller?

Mr. Murray Lindo: Yes.

Mr. Randy Hillier: So where does that money go, that extra $400,000 a year that you're budgeting that isn't spent?

Mr. Murray Lindo: These monies are turned back.

Mr. Randy Hillier: They're turned back?

Mr. Murray Lindo: Yes. They're not spent anywhere else. What we do is ask those in program areas to provide us reports in terms of progress, and then any underspending is returned back to the CRF, essentially.

Mr. Randy Hillier: Do you not believe that the estimates should be fairly close to the actual expenditures each and every year?

Mr. Murray Lindo: That is an appropriate budgeting process, yes.

Mr. Randy Hillier: Yes.

Mr. Murray Lindo: And we do ask our partners to provide us reasonable plans and projections. We go through those each year, working with them. There are circumstances that come along, whether they're project delays or moving on some of these key initiatives.

Mr. Randy Hillier: It seems to be going on for a little while.

Mr. Murray Lindo: Well, I've got a number of partners that are involved, and they're coming at it from different perspectives.

Mr. Randy Hillier: Have you asked these partners to be a little bit more prudent in their budgeting as well?

Mr. Murray Lindo: Yes. We have established what we call formal memorandums of understanding and agreements on when these projects are put in place and exactly what amount should be provided. So yes, we are tightening up on that.

Mr. Randy Hillier: Okay. I'll go to the next one then, Minister. On page 87, you'll see that under "Office of the Budget and Treasury Board" actual expenditures in 2012-13 were $15 million; actuals in 2013-14 were $16 million. The estimate for 2013-14 was twice that amount: $33 million. Once again, you're estimating $33 million for this year for the Office of the Provincial Controller. What is going on with the Office of the Provincial Controller once again? Or is this other third-party partners once again? But twice the estimates—you're estimating twice what the actual expenditures are.

Mr. Murray Lindo: I'm back in the hot seat.

Mr. Randy Hillier: Yes.

Mr. Murray Lindo: Dealing with all of the components, there are transportation and communication charges. That's mainly IT charges that would occur through data lines etc. The services side deals a lot more with the building of systems and the maintenance of those systems.

I will come back to what are core systems that we ensure are being operated for all of the ministries across the government, the integrated financial system. We have what I would say is strategic ownership responsibility, to make sure that system is provided and available to all ministries and that we can produce things like public accounts and the external reports.

Those systems went through some significant upgrades. Basically, over the past three years, we have been undertaking a major upgrade to that system to get it brought up to the proper version of Oracle and the IT supports. It took a couple of rounds to get to the right implementation plan for that, so some underspending has occurred in order to get the project in place.

The system has actually now been upgraded, so we're going to be seeing some adjustments to that.

Mr. Randy Hillier: But you're one of our watchdogs. You're one of our financial watchdogs. For the last three years now, you have been overestimating by 50% on your budget, and you're one of the people who are there to safeguard the public's interests on our financial expenditures. It certainly doesn't appear to me—I can maybe see one year, but for multiple years, that raises alarms to me, and I would hope that it would raise alarms to the minister as well, these significant variations between actuals and estimates.

Minister, maybe I'll go on to the next one, on page 83. This is one that's slightly in reverse. I know you've talked a good line about how supportive you are of our municipal partners. If you look at page 83 of your results-based planning book, 2012 actual expenditures under the OMPF: $592 million; in 2013-14, $568 million. Your estimate for this year is $541 million—a continual decrease in funding for our municipal partners as we hear the good song about how you're supporting our municipal partners.

The Chair (Ms. Cindy Forster): You have two minutes, Mr. Hillier.

Mr. Randy Hillier: You might also take a look at the GTA pooling compensation, which has dropped from $143 million—that's on the same page, Minister—to $87 million.

In your mandate and every other minister's mandate, we have seen that we have an open, accountable and forthright mandate. When we hear you say that you're supporting our municipal partners but at the same time reducing their funding—how do you reconcile the words and the actuals?

The Chair (Ms. Cindy Forster): You have about one minute and 30 seconds to answer that.

Hon. Charles Sousa: I have Allan Doheny here. He can elaborate on some of the specifics. But let me just say this: OMPF funding is something that we've negotiated with the municipalities. They're all well aware that the reduction is taking place. They're being offset by uploads and other activities to have a net benefit to the municipalities.

But the OMPF funding has been very clear for the last two or three years as to the trajectory and what it is that they'll ultimately get. What they need is predictability and understanding, and we've said that all along. It's highlighted in our letters; it's highlighted in our regards.

Allan, if you want to add a few more things.

Mr. Allan Doheny: Sure. As the minister indicated, this is just one component of the support that's provided to municipalities. The reduction to OMPF was something that was agreed to with municipalities back in 2008 as a phase-down to $500 million by 2016.

If you look at the other supports that the government has provided—that's primarily through the uploads; so the reduction in OMPF was part of the agreement to upload billions of dollars in social program costs off the property tax base—the total support is actually $2.2 billion.

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That includes over $500 million through the OMPF and $1.7 billion through provincial uploads, so—

The Chair (Ms. Cindy Forster): Thank you, Mr. Doheny. Maybe you can—

Hon. Charles Sousa: I can wrap it up. That's actually—

The Chair (Ms. Cindy Forster): No, no.

Hon. Charles Sousa: —again, a 13% increase, to the question—

The Chair (Ms. Cindy Forster): We have to move on, but maybe in your right of reply you could address it.

Ms. French.

Ms. Jennifer K. French: I'm very pleased to have the opportunity to ask a whole whack of questions. I keep asking the same one over and over in question period, so this is kind of a treat.

I'd like to let the minister know that as critic for pensions, I'm going to focus my questions on pensions, so I wonder if Leah Myers is able to join us, or if she's here, if that's a possibility.

If we can start with the fall economic statement, on page 60, you say that you will introduce legislation enabling pooled registered pension plans or PRPPs "shortly." Will PRPP legislation be introduced before the House recesses on December 11?

Interjections.

Hon. Charles Sousa: We'll try it before the session if we can, but yes, it's being introduced within this session.

Ms. Jennifer K. French: Okay. If not, though, in the spring? Is that early—

Hon. Charles Sousa: I think we made a commitment that we would try to get it out by January or February, yes.

Ms. Jennifer K. French: So it's not written and sitting on a desk somewhere, ready to go? I was just curious.

Ms. Leah Myers: We're working on the legislation—

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

Ms. Leah Myers: I'm sorry. I'm Leah Myers. I'm the assistant deputy minister for income security and pension policy at the ministry.

We're actively working on the legislation now.

Ms. Jennifer K. French: Thank you. When the legislation takes effect, so, specifically the PRPP legislation takes effect—will that be as soon as it's passed?

Interjection: That's the ORPP.

Ms. Jennifer K. French: Sorry. Will the PRPP legislation take effect as soon as that legislation is passed, or is there going to be a waiting period? Is it going to be in effect immediately?

Hon. Charles Sousa: BC is releasing theirs now. Alberta—I mean, none of it has come into effect. They haven't taken steps necessary in order for it—we're trying to follow suit with the other provinces on this.

Ms. Jennifer K. French: With the PRPP legislation?

Hon. Charles Sousa: With the PRPP, yes.

Ms. Leah Myers: That's right, and in all other provinces there's been a significant amount of regulations that are required under the PRPP act in order to enable it to be administered. So we'll be doing the same.

Ms. Jennifer K. French: Okay. Thank you. Also on page 60 of your fall statement, it says that the Ontario Retirement Pension Plan or the ORPP legislation, will be introduced "shortly." So again, same time frame? Are you looking to—

Ms. Leah Myers: We're actively working on that as well and are hoping to introduce it soon.

Ms. Jennifer K. French: In sort of a similar time frame, or is "soon" relative? Will they both be coming out at about the same time?

Hon. Charles Sousa: The ORPP is going through consultations right now, so it will develop, but they'll take a little bit more time. As you can appreciate, there are a number of factors that have yet to go in. We'll probably have to introduce legislation in 2015, and there are some three pieces to go. So PRPP will come out before ORPP.

Ms. Jennifer K. French: Okay. And that PRPP legislation that will be tabled shortly—is that going to be followed by more detailed legislation or is that the only PRPP act that's going to be introduced?

Ms. Leah Myers: We're committed, as was mentioned in budget 2014, to introducing legislation that's consistent with the federal framework, and that was one bill, as I mentioned, with a fair amount of regulations. That's our intention and that's what the other provinces have mostly done as well: introduced a bill similar to the federal legislation, developed the regulations, and then the act comes into force.

Ms. Jennifer K. French: Thank you. Similarly then, so talking about the—that was the PRPP legislation. The ORPP legislation that is going to be tabled shortly following the PRPP, but in short order at some point—it says on page 60—it's described as beginning "the process of fulfilling" the government's "commitment to introduce the ORPP." I'd like some clarification as to what that means, because it sounds quite tentative relative to your other stated intention with the PRPP legislation.

Just to clarify, the ORPP legislation that you've said will be tabled shortly: Is that going to be followed by more detailed legislation down the road?

Ms. Leah Myers: We are expecting that it would require, potentially, up to three different pieces of legislation to implement the ORPP, given its complexity and given the need to establish an arm's-length entity to administer it. So, unlike the PRPPs, it will be followed by additional bills in subsequent years, as the minister mentioned.

Ms. Jennifer K. French: Is there a model that that's following in terms of—when you say the three parts, is there a breakdown of those three parts?

Ms. Leah Myers: We're working on just what the legislative elements need to be with legal counsel. This is the first of its kind in Canada in terms of this type of plan, so we're moving carefully on ensuring that we have the right legislative framework developed and we'll be beginning that process with the bills shortly.

Ms. Jennifer K. French: One would hope so, so that's good.

Mr. Scott Thompson: I think it's also important to point out, as the minister touched on, that in order to get the details of the legislation and of the program right, Minister Hunter will want to be doing a consultation exercise. A lot of the consultation and the learning that she'll have from that process would have to be drafted into the legislation.

Ms. Jennifer K. French: I think that's what was sort of making us wonder about what was going to be introduced shortly.

Hon. Charles Sousa: There are a number of things that have to be taken into consideration: the amounts, the contributions, the comparable plans, the thresholds for low income, the phase-in period, the framework. I mean, 2017 is the date that we want to release the ORPP; to get there, we've got a bit of work ahead of us. PRPPs, though, will be out before that.

Ms. Jennifer K. French: Okay. Actually, I do have a couple of, I guess, design-issue points.

Would all employers who do not have a workplace pension plan, are federally regulated or are below a certain size be required to set up a PRPP? I know that this is how the Quebec version of the PRPP works.

Hon. Charles Sousa: We're not introducing or talking about a mandatory PRPP. It's a voluntary system. What we're talking about is, to establish the framework for the ORPP, to determine the exemptions that will be eligible, we have yet to have that discussion, because we're going through those consultations. You're going to ultimately get into—

Ms. Jennifer K. French: It was specific to the PRPP that I was wondering if it was mandatory. So you've said voluntary?

Hon. Charles Sousa: Well, right now we're not making anything mandatory. Right now, the ORPP would be an employer-matched base with the employee.

Ms. Jennifer K. French: Okay.

Ms. Leah Myers: If I could just add to that, because you mentioned Quebec: What Quebec has done, unlike the federal government and unlike the other provinces, is made it mandatory for employers that employ more than five people to offer it to employees. It's not mandatory that employees participate. There are no other aspects of it that are mandatory, except that there's an obligation on employers to make it available to their employees. Quebec is the only jurisdiction that has done that.

Ms. Jennifer K. French: Okay. So we're not planning to follow suit at this time?

Hon. Charles Sousa: Well, we're going through the process of determination of the Ontario Retirement Pension Plan. The PRPP and the discussions thereof—we have yet to have that debate, so we will proceed when it comes forward.

Ms. Jennifer K. French: Thank you. Again with the PRPP specifics, and this is actually what I made reference to—I've asked this three times in question period and it's on the order paper, but I'm going to throw it in here today. Would the PRPP be considered comparable in the context of the ORPP? In other words, would employers with a PRPP be exempted from the mandatory aspects of the ORPP?

Hon. Charles Sousa: I'll let Leah explain this as well, but the exceptions that we are discussing in terms of which workplace pensions are eligible or not have yet to be determined and there's a gamut that is out there now that exists.

The introduction of the PRPP is a voluntary measure. It's not intended to replace the ORPP. Again, that is a discussion that has yet to be determined.

Leah, if you want to—

Ms. Leah Myers: Yes, that's right. The government committed in budget 2014 to a consultation process on what the definition of "comparable plan" will be for the purposes of exempting people from ORPP. As the minister said, we're going to be embarking on that consultation, and decisions will come out of that.

Ms. Jennifer K. French: Yes, and I would expect that they would. It's just a matter of, will there be any PRPP that then is comparable? As you said, there would be a gamut of pensions and different things that may or may not be comparable. I'm asking the question about PRPPs: if those could, at any point, be considered comparable or pensions.

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Ms. Leah Myers: That's exactly the subject of consultation.

Ms. Jennifer K. French: Whether PRPPs would be?

Ms. Leah Myers: PRPPs and other vehicles, yes.

Ms. Jennifer K. French: Are you considering any employer exemptions or opt-out provisions in your ORPP legislation?

Hon. Charles Sousa: There are a number of things, and this is why I said we have yet to develop that framework in terms of what's being exempt and what's comparable, recognizing that there are a tremendous amount of workplace pensions that exist now. We also have made it clear that they're not all going to be comparable.

In terms of the degree of exemptions, the more you provide the less the pool of assets available to us to maximize the benefit for the employee or the retiree. Those are the things I'll be taking into consideration. At this point, we haven't determined what that will look like or what that will be because we still want the process to entail—you're asking us to make a decision today on things that we won't complete until after that consultation is—

Ms. Jennifer K. French: Yes. I was curious if you'll be categorically ruling anyone out at this point.

Hon. Charles Sousa: Right now, self-employed is one of the categories that we put in the 2014 budget, degree of size, those who are making low income. There's a phase-in period that we're talking about in regards to the size and scope of companies that are involved.

But, Leah, is there—

Ms. Leah Myers: Specifically around the self-employed, as the minister mentioned, they will be exempt. That's specifically because the ORPP will be a registered pension plan, which means it's eligible for specific tax treatment like other registered pension plans. The Income Tax Act doesn't allow a self-employed person, who doesn't have an employer-employee relationship, obviously, to contribute to a registered pension plan. So unless the Income Tax Act were to be changed to allow for that, self-employed can't be mandated to participate in the ORPP.

Other than that, the other kinds of considerations the minister mentioned are going to be part of the consultation.

Ms. Jennifer K. French: Thank you. Madam Chair, how am I for time?

The Chair (Ms. Cindy Forster): You have about 18 minutes left.

Ms. Jennifer K. French: Fabulous. Let's switch gears, then. We're going to leave the ORPP and PRPP for a minute.

Harry Arthurs made a number of recommendations in his 2010 report on pensions regarding a stronger pension regulator, but the regulations putting those recommendations in place haven't been promulgated.

On page 61 of the Ontario Economic Outlook and Fiscal Review, you say that the regulations that will allow you to implement the changes to the pension regulator will be ready shortly. What is the substance of these regulations? What's taking so long to develop them? Is there a struggle there?

Hon. Charles Sousa: No; and we go on to talk about some of the reforms on pages 62 and 63.

Leah, if you wish to follow through.

Ms. Leah Myers: No, there isn't a particular struggle on them. It's a matter of quite a broad set of recommendations in the Arthurs report and lots of significant pension reforms included in the two bills in 2010.

We're making our way through the regulatory reforms that are necessary. We've done a lot of work—

Ms. Jennifer K. French: So it's just a matter that the process takes a while?

Ms. Leah Myers: That's right.

Ms. Jennifer K. French: But it's in the channels?

Ms. Leah Myers: Exactly. It's on our work plan. We're actively working on that and plan to make progress in 2015 on those pieces.

Ms. Jennifer K. French: Okay. I know that you'd be familiar, then, with the 2012 Morneau report, so what is the status of Bill Morneau's recommendations regarding, in this case, the pooling of the asset management function of various pension and related funds?

Hon. Charles Sousa: We included Arthurs's and Bill Morneau's comments in our previous budget, in 2013. In fact, we've been working with Morneau on some of the reforms that we're putting in right now. Leah can expand more closely, in terms of the issues, in respect to the insolvency concerns or matters in respect to information systems, or disclosure of environmental or social governance issues, or even the transfer of pension benefits from registered pension plans to other plans in other jurisdictions.

Leah, if you wish to talk about Bill Morneau, I'd appreciate it.

Ms. Leah Myers: Sure. Since Bill Morneau's report on the asset pooling framework was submitted, we've been doing some internal work. The minister established a technical working group, co-chaired by two individuals from the ministry and involving a number of the participants of BPS pension plans that could be affected, to look at some of the design and governance and transition issues that would be associated with setting up the pooling entity. In the 2014 budget the government announced that participation in the asset-pooling framework would be voluntary and that we were targeting legislation to set up the entity in 2015. That's another area that we're actively working on, trying to work through the technical issues and some of the transition issues.

Ms. Jennifer K. French: So they haven't been lost somewhere there. Good.

Hon. Charles Sousa: We're expecting the final report by the end of the year.

Ms. Leah Myers: That's right.

Ms. Jennifer K. French: That would be great. What is the status of the regulation regarding the exemption of the 30% maximum investment rule in Ontario infrastructure by pension funds? Can you take me through the purpose of that change?

Hon. Charles Sousa: Yes. I'll reference page 63 of the fall economic statement, and it makes specific reference to the exemption of the 30% rule for investments in Ontario infrastructure. It was announced, actually, in the 2013 Ontario economic outlook and fiscal review. We made a commitment to removing the obstacles for investing in Ontario's infrastructure by Ontario's pension plans, recognizing that many of them were investing in the UK, Australia, Chile and elsewhere.

"The 30% rule limits the ability of pension plans to take large voting interests in a corporation, potentially restricting pension investments in infrastructure projects. With the removal of this restriction, pension plans may represent a significant new source of capital to support economic growth and job creation in Ontario. A description of proposed regulatory amendments providing for an exemption from the 30% rule for pension investments in Ontario infrastructure was posted for consultation earlier this fall. The government will consider stakeholder responses as it develops regulations to implement the proposed exemption."

Ms. Jennifer K. French: While I appreciate that, because I had read that, is there a behind-the-scenes purpose for the change that isn't so neatly packaged there? Is that it?

Hon. Charles Sousa: I think the main purpose is to encourage Ontario pension companies to invest in Ontario, whereas they haven't been able to do so because of the restrictions and the limitations that this rule has placed upon them—and they want to. There is a great desire to invest in the infrastructure projects in a number of initiatives that we have under way. They have confidence in the province, and they have been investing heavily in others. This enables them to do that.

Ms. Jennifer K. French: If I can take us to Hamilton now, US Steel agreed to assume pension obligations for four Stelco pension plans when it purchased the former Stelco in 2007. Under an agreement struck with the province, the company funds the four pension plans: two each for salaried and unionized staff at Hamilton and Nanticoke. Yes? My understanding is correct? Okay.

The province has provided a $150-million loan with a 1% interest rate to the company, $112.5 million of which would be forgiven if the solvency deficiencies in the plans were eliminated by the end of 2015. Is my understanding correct?

Hon. Charles Sousa: Yes.

Ms. Jennifer K. French: Okay. If we consider the current situation, it seems very unlikely that US Steel's pension plan solvency deficiencies will be eliminated by that date, so there is a good chance that they will technically be required to pay the full loan. How will they do that, given their present financial situation?

Hon. Charles Sousa: That's why we're trying to protect the interests of the province and of our pensioners and of our employees, by trying to get ahead of the parent on some of these matters. That's why we took the steps that we did initially, by issuing and filing a notice of limiting the objection with regard to US Steel, and that's why we took that notice immediately upon learning about the thing. But we also recognize that we want US Steel to continue with their operations, and this was enabling them to do that.

Going forward, I can't speculate as to what's going to take place. If it goes before the courts and so forth, we're going to fight to protect the interests of Ontario and protect the interests of our employees and the retirees who are exposed to the pension plan. Ontario is the only jurisdiction in Canada to do a Pension Benefit Guarantees Fund, to which US Steel has been contributing as well.

Ms. Jennifer K. French: US Steel currently contributes $70 million a year to its pension plans, prorating the money among the four pension plans. Under an Ontario agreement, US Steel is obligated to contribute that amount through to the end of 2015. After that, minimum funding requirements resume under provincial pension legislation. So that basically is, solvency deficiency payments will go way up. Is that a fair way to put it? Is that correct?

1720

Mr. Scott Thompson: They would have to comply with the regular legislation around pension solvency at that point in time.

Ms. Jennifer K. French: Okay. What is the present unfunded liability in each of the four Stelco pension plans?

Hon. Charles Sousa: As they look it up, let me just say this: Based on US Steel Canada's submission in its CCAA application, the court has ordered the company to remit all outstanding and future contributions with respect to defined benefit pension plans in the ordinary course of business such as it will continue to comply with Stelco's regulation. Additionally, US Steel, the parent company, has guaranteed the payment of US Steel Canada's pension contributions until the end of 2015, including payments towards the pension plan's deficiencies.

The degree of the unfunded liability we'll try to determine in a moment, but the obligation rests with the parent. We want to make certain that that is maintained. As I said all along, we're trying to ensure that we perfect the security on behalf of our pensioners.

Have you got that number?

Mr. Scott Thompson: No, we don't have those detailed numbers with us; I'm sorry. We'll look into that.

Ms. Jennifer K. French: Is that something that we can expect to have at some point?

Mr. Scott Thompson: We'll have to look to see what's available and—

Hon. Charles Sousa: It's before the courts, too, so they've been filed. We'll try to uncover that.

Ms. Jennifer K. French: The Ontario Pension Benefits Guarantee Fund would mitigate a small part of the benefit reduction, as it would guarantee the first $1,000 per month in benefits. Can you explain to me how that would work in the case of US Steel? Would it help at all?

Hon. Charles Sousa: Well, I can say this: The audited Ontario Pension Benefits Guarantee Fund, in its financial statements as of March 31, 2014, indicated that the fund had assets of about $574 million. After taking into account outstanding claims from pension plans of about $50 million or so and accounts payable of about $11 million, a fair value of the loan payable to the government of Ontario is valued at $136 million. The PBGF held a net surplus of about $375 million. So the face value payable as of March 31 is $220 million. Right now there are about 16 outstanding claims. As of March 2013, there were 17. The superintendent is the one who overviews and is prepared to consider all options when going forward, but our position and our amount is limited to the amount of the fund. Did you want to—

Ms. Leah Myers: Specifically, how it would it apply to US Steel would depend, of course, on the nature of the claim against the PBGF, but the PBGF would operate in response in the same way as it would for any other claim that's being made for it.

Anyway, I'm not sure if you have any other questions about the operation of the fund.

Ms. Jennifer K. French: I'm not sure if I do, either. How am I for time?

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

Ms. Jennifer K. French: Well, we've been very efficient here in getting through these questions. Maybe it's just me. I don't think they had such good luck.

Mr. Michael Harris: Do you want to defer your time to me?

Ms. Jennifer K. French: Not a chance.

I take it back. I do have one more question. The brains behind the operation here: If US Steel defaults on that $150-million loan and there is a claim on PBGF—your writing is terrible; I have no idea what that says.

Anyway, what we were just talking about—I think we'd like to know what the total claim against the Ontario government is.

Mr. Scott Thompson: I think at this point it's premature to try to speculate what that is. We have to wait for the court process to run its course so we can find out what the shortfall is for pensioners in each of those four areas when the dust settles on the court process. At that point in time, then, an analysis can be done and application can be made to the PBGF.

Hon. Charles Sousa: And the parent has a guarantee to many of these payments, so we're going to try to hold them to it.

Ms. Jennifer K. French: Thank you. Actually, I'm going to go rogue here and go off-list and back to the ORPP. This is the first time that I've wrapped my head around there being three parts. What are you looking to include in that first piece of legislation that would be able to come out sooner rather than later? So it wouldn't be significantly detailed. Is it—

Hon. Charles Sousa: The framework of the ORPP was pretty specific in our 2014 budget, highlighting the dynamics and so forth. The piece of legislation that will come forward after some of the consultations that are being done will enable us to more specifically talk about the comparable plans, the options that are in or out, the degree of threshold. We're trying to mirror CPP as much as possible, recognizing that it's a target benefit plan, whereas we want to maintain a degree of portability features that would come from this. There are also other provinces that are interested in participating with what we're doing. A technical panel has been established. I don't want to speculate as to how that will look in terms of the outcome of the legislation, but the framework is pretty much in keeping with what we put forward in the 2014 budget.

Ms. Jennifer K. French: The idea of there being three separate—you don't have an idea of what would go in the three? The first part is going to be the shiny introduction, the second part—you haven't thought about what would differentiate those three?

Mr. Scott Thompson: One of the aspects we haven't really talked about, which would probably be the subject of one of the bills, is the operation of the arm's-length entity that is going to have to run this pension plan. As you can imagine, it's a huge, complex structure that we have to put in place to collect the funds, invest the funds and then pay out the funds. That is probably going to be the bulk of one of those three bills.

The last of the three bills would be putting the final touches on and what the final rules are. That would probably be where most of the policy decisions that relate to the items that Minister Hunter is consulting on would be placed. The first one may be mostly what you've seen already in the budget, but enshrining it in legislation and showing the commitment to having it in place.

Ms. Jennifer K. French: It does kind of counter the appearance of leading with the PRPP so far in advance of the ORPP. I sort of have a question mark around that, because it won't have any meat or potatoes or—

Hon. Charles Sousa: There's a big distinction, though, because the PRPP is not requiring a central group to collect the funding. That will all be private sector involvement. One of the big challenges will be the management and the assets and the degree of the pool that we're dealing with. As you can appreciate, the CPP has a tremendous amount of net benefit to its pension holders because of the tremendous asset strength. The access to collections through the Canada Revenue Agency is also of benefit in recognizing what impact that would have on the province of Ontario, if we're able to co-operate with the federal government in order to enable that to still happen in this endeavour.

All those other things will have to be achieved in subsequent pieces of legislation, and they may require different entities and parties to produce them, be it the collection aspect, the distribution-in and -out provisions, as well as the management of the assets.

Ms. Jennifer K. French: Back to the management piece: You're right; it's going to be a substantial pool—as you've said, arm's-length. It's going to be significantly arm's length? It's going to be enshrined in legislation that it can't be redirected at any point for transportation or anything? It's going to be nicely protected?

Hon. Charles Sousa: The intent is to make this a public plan—recognizing that we have expertise out there already—but we'd be premature to speculate as to what that will be. Even the degree of size of the assets will also be dependent on what structure we bring forward. It will be independent, though, of government. There are no funds that will be directed to the coffers of government, and it is not intended to be a cost to government.

The Chair (Ms. Cindy Forster): One minute to wrap up, Ms. French.

Ms. Jennifer K. French: In the interests of growing that pool, obviously, as substantially as we can, that question about the PRPP being comparable and, therefore, to qualify for an exemption, that's something that I'm looking forward to hearing more specifics on.

1730

Hon. Charles Sousa: We are not saying that PRPP is comparable. That's not what's being said here.

Ms. Jennifer K. French: So have you ruled out there being a comparable PRPP for exemption?

Hon. Charles Sousa: We are going forward to determine which plans are comparable that are out there in the system—

Ms. Jennifer K. French: Which pension plans?

Hon. Charles Sousa: —and once we've determined that through the consultations, we'll know then what to do next.

Ms. Jennifer K. French: So in terms of private investments, you have not ruled those out of being considered comparable?

Hon. Charles Sousa: We have private defined benefit plans in the system. Half of Ontarians probably benefit from a workplace pension, many of whom may or may not be exempt, depending upon what the determination is from those consultations.

The Chair (Ms. Cindy Forster): Your time is up, Ms. French. We'll now turn it back to you, Minister. You'll have up to when the bells start to ring—so probably 20 minutes or so for your response.

Hon. Charles Sousa: To me now?

The Chair (Ms. Cindy Forster): Back to you.

Hon. Charles Sousa: Thank you. There was an internal discussion, an internal document that was referenced. I find that it's being misquoted and I'll share some facts in respect to it.

The Ontera sale: An issue occurred in 2014 where the province of Ontario announced that it had approved the sale of Ontera, the telecommunications subsidiary of the ONTC, to Bell. The sale closed on October 1, 2014.

The province and the ONTC have completed the sale. The reality is that over the past decade, Ontera was not able to generate sufficient revenues to cover its operating and capital expenses, contrary to the line of questioning that was made.

When the sale's processes began, there were very clearly defined criteria that reflected our government's priorities for Ontera. Bell Aliant's offer was selected because it best met our objectives for sustainable employment, service continuity and investment in northern Ontario.

There have been tremendous changes in the telecommunications industry and it no longer made sense for ONTC to run a telecommunications company whose services are being provided more efficiently by the private sector companies. Bell Aliant is better positioned to attract industry partners, invest in capital and respond to the dynamics of advancing technology, providing competitive alternatives to both residents and businesses across the region.

Our government has committed to a $15.1-million investment that will be matched dollar by dollar by Bell Aliant and result in a $30.2-million update to fibre network systems and towers and station upgrades. We're working towards a sustainable ONTC that is able to provide the vital transportation services and infrastructure that supports economic growth in northeastern Ontario.

I must say that the PC Party failed to mention any of this in their platform. I can say that some of the concerns in regard to the sale are noted, but—and this is a quote—"Households and businesses in northern Ontario will continue to benefit from vigorous competition in the provision of wireline telecommunications services." That was stated by the Commissioner of Competition on October 1, 2014.

So saying that, I'm proud of our government's sustainable path forward for ONTC that provides certainty for northeastern Ontario. The matter has been challenging. Let me be clear: Selling Ontera was less expensive than continuing to run it. Even with the short-term costs of the sale and the payback period, that is, within two or three years, proceeds from the sale include $6 million in cash and an estimated $9 million in long-term revenue to the ONTC through a fibre licence agreement with Bell Aliant. Our government is moving forward to ensure sustainable operations, continued economic growth and a strong transportation network in northeastern Ontario by transforming ONTC.

Another line of questioning that I heard today was around the Ontario pension plan. I'm finding it interesting that, on the one hand, there's a concern that is recognized, I think, by the NDP about how important it is for us to help find security for those who are most vulnerable, who do not have a workplace pension. What we're trying to do, of course, is encourage people to save and protect for their retirement, be it voluntary, be it through CPP, and preferably through an enhancement to CPP, and failing that, through a supplementary plan that Ontario is introducing, which has support and interest by other provinces.

For some, then, to suggest that the monies being invested by employees—supported by their employer—to sustain and provide for that long-term security for the benefit of future generations and for their retirement, are a tax—not on the employer, because what happens is, if we don't take these initiatives and these steps, there will be a tax on social services and social demands.

You have to appreciate that almost 50% of Ontarians, who do not have a workplace pension and are reliant only on CPP and OAS at $12,000 or even $10,000 a year—it's not sufficient. They work, and they find themselves suffering, even week to week, to try to make ends meet. This is a means by which to protect them. It's also important to provide voluntary measures in other avenues where they can benefit from a greater pool of assets at greater returns to them, to enable them to have less expensive alternatives to foster some of those investments.

I've heard some suggest, "You know, let people figure it out themselves. Why should they rely on government?" It's not about government. This is about the people themselves making those investments, and saving more, as a supplementary plan. Then, taking steps for financial literacy and offering some of these alternatives enables them to then provide greater security.

Keep in mind that there are a number of them that will invest in their homes and in real estate, but there are many that can't and are unable to. This is a step forward to provide greater support, especially for the middle class who are most vulnerable here. Those on the low-income scale are also being supported right now. Those at the higher end have a lot of avenues and a lot of opportunities by which to foster and protect their retirement. Those in the middle, who are finding themselves with lower revenues—and we've got to recognize that the average income for the middle class is—I don't know what the number should be; it's $80,000 or $60,000, and it's inadequate.

The supplementary plan that we're providing in this Ontario pension plan will almost equate to that of CPP, so it's credible and it's important for us to foster that opportunity without impacting negatively on economic growth. We're doing this at a time when our economy will continue to boom. We're doing it when EI payments and other matters are being taken off the system, so employers have more space by which to foster it. It will also enable an attraction for employees to participate. The outcome and how it will look will be dependent, then, on the consultations that we're having.

I find it somewhat disheartening to hear some members of the House criticize the benefits of long-term economic growth by these investments being made—by employees and employers for themselves, no less—to reinvest in our economy. I also recognize that, had steps not been taken to initiate and introduce CPP in the first place—imagine the outcomes that we would have to deal with today.

Had the federal government of the time not taken the steps necessary to enhance CPP then—the current government of the day prides themselves, in fact, brags about how great CPP is, how well-funded it is, how important it is to our society and how important it is to benefit those who are going to be retiring with a very secure asset-management pool that is investing and providing for greater opportunities for all of Canada.

So, on the one hand, they see the benefit, and even the experts from the Ministry of Finance federally have stated the long-term benefits that enhancing CPP would have on our economy, on our employees and on our employers. For that not to continue, or to not foster additional support, I think, is disheartening, and I would prefer to see some greater understanding of that impact.

We are the lowest-cost government in Canada now because of the measures we've taken. We are also the lowest-cost jurisdiction in North America and in the OECD countries. When you look at our CIT—our corporate income tax—and our small-business tax combined, it's lower than the rest of North America—

Mr. Randy Hillier: With the biggest debt.

1740

Hon. Charles Sousa: You're incorrect. You're making assertions that are totally false. And because of that dynamic business environment and our competitive environment, we have become the top destination in all of North America, beating out California, beating out New York, beating out Texas and every other province on foreign direct investment.

Now, Ontario has started to take job growth above the national average. That's essential, because we want to continue to provide for that growth and those investments. That is why our unemployment rate is down to 6.5%.

I've got to tell you, though, when we talk about our path to balance and the steps that we've taken, which we've highlighted very clearly, it's a foundation that has been put in our fall economic statement and in our budget: to manage our expenses, to be disciplined in our measures, to find ways to transform government, to enable us to look at our assets and maximize our opportunities and our dividends to the province. We've taken those pillars to build on our stimulus, and we're also looking at our federal government to partner with us.

When I hear that transfer payments are going up in actual dollars—Mr. Fedeli has confused our statistics. Let me take an opportunity to correct the record here. I'll read this email aloud. It says the following—this is an email that was sent to me: "Quite simply, the statement that says Ontario federal taxes are going up year over year is confusing the current year with past years. The 2013-14 public accounts indeed shows that revenue from the federal government increased by close to $616 million from 2012 to 2013. However, in December 2013, the federal government provided Ontario with its outlook for major federal transfers for 2014, the current fiscal year. At that time, the federal government indicated that moving into 2014-15, major federal transfers like the Canada Health Transfer, the Canada Social Transfer and equalization would be going down by approximately $641 million, compared to what we received in the previous year 2013."

That is a fact, and it is provided publicly on the federal finance website and in Ontario's fall economic statement on page 120.

The key to understanding this is by comparing the two current fiscal years in question. Since 2010-11, the federal government has provided $2.2 billion in total transfer protection payments to seven other provinces that would have otherwise experienced lower payments in their major transfers from one year to the next. But just as Ontario would have qualified for the total transfer protection program in 2014, the federal government unilaterally decided to cancel it. As a result, Ontario was denied $640 million in that federal protection payment.

Madam Chair, I appreciate the opportunity to be before us today. I recognize the work that the committee is doing and serving by asking the appropriate questions. It's important that we do so. The estimates process is vitally important, and our budgeting process as well. It also means that our government takes the necessary actions to foster and maintain that transparency and accountability. That's why we report back. This thorough examination is just one of the many ways in which our government is held accountable, and we welcome that opportunity. It's a valuable part of our process.

The direction that we're taking is also very clear. We're building that opportunity, we're trying to secure our future and we are eliminating, and taking the steps necessary to eliminate, our deficit by 2017-18, in a very fiscally fair and responsible way.

I talked a little bit about our path to balance. I talked about maintaining the integrity of our revenue and fostering better tax fairness. I talked somewhat about the underground economy and how we can address it. I talked about contraband tobacco and finding ways to look at raw leaf as a supply mix to enable us to foster proper registration and licensing.

But we also need a national strategy around the underground economy. I have worked with the Canada Revenue Agency and the federal government, and we have actually been able to source an additional $700 million, looking at ways to do that.

Another issue in our path to balance is unlocking the value of our assets. We've spoken a lot about OPG and Hydro One and the LCBO, as well as the whole alcoholic beverage industry. An interim report has been given. We've taken a look. We endorse some of the moves forward, and we're using that to position ourselves in our 2015 budget. But it is just one of many steps necessary to maximize the values and the opportunities for the province of Ontario.

There's also our real estate portfolio. There are also shares that we own. Being a passive investor isn't appropriate for the province of Ontario. We want to reinvest those funds through the Trillium Trust and enable it to foster greater growth.

The other one in our path to balance is our savings targets. As you know, we've beaten our targets—and I've stated this—five years in a row. We're looking at program renewals and transformations to enable us to source an additional $250 million in savings in 2015 and $500 million more in 2016-17. We have collective agreements and contract negotiations under way. We're looking at ways to manage more responsibly in our program spending, and that's why we're looking at managing compensation.

As a result of steps we've already taken, we've become the leanest government anywhere in Canada and the lowest-cost per capita. We've held our expenditure growth beyond any other government to date, and now we're proposing it to be less than 1% for the next two years.

Another aspect is our federal relations. We talked a little bit about our federal vertical imbalance and the unilateral cuts that have been made. We have to find a way to encourage all levels of government to work co-operatively for the benefit of the taxpayer—and ultimately, there's only one. If we see that we're not being treated as fairly as other jurisdictions, then it's imperative for us to stand up for the province of Ontario, to reinvest back, to ensure that we don't drag our economy, but facilitate and enable those to go forward. That's why I'm asking that the feds reverse their cuts, continue to invest appropriately in our infrastructure, provide for a national strategy around transit and support investments—just as they've done with oil exploration in the east and in the west. Look at our mining sector. We have a $60-billion opportunity in the Far North, and we're putting forward a billion dollars in investments towards doing that.

That path to balance is sort of a foundation of what we're doing to achieve our balance by 2017-18. It's built thereafter on four pillars, and those are: our stimulus programs—about investing in people, in their talents and skills. That has created a tremendous amount of jobs already, by investing in those skills that'll be relevant for the new manufacturing age of the future.

We're also investing heavily in modern infrastructure. I've talked about the $130 billion in infrastructure over the next 10 years, beyond election cycles, to ensure that we continue to stimulate economic growth and maintain a very dynamic and competitive business climate to encourage that investment. That is why we've eliminated and we've increased the employer health tax exemption for 90% of small businesses in Ontario.

We're diversifying our economy. We've got the greatest number of diversified businesses in the province of Ontario than anywhere in Canada combined. Taking a global view by going after markets in China and Asia and South America enabled us to provide for opportunities that we wouldn't otherwise.

Of course, we talked a lot about retirement security and helping middle-income families, which will provide even greater long-term results in the future.

Taking fiscal prudence in that path to balance, building economic stimulus with those four pillars on top will help us build greater benefits for the future.

We talk a lot about our debt and we talk a lot about our revenue, both of which I monitor very closely. We monitor it by way of our GDP-to-debt, and that is a measure of economic growth. You can't look at debt as a stand-alone; you've got to look at our economic potential as well.

Ontario has grown over the last six years, and as a result, we've been able to maintain an adequate debt-to-GDP ratio. We want to improve upon that by also improving our GDP, and we want to improve our debt-to-revenue by improving our revenue with some of the measures that we're taking.

It's not about passing the burden of debt onto future generations. It's about passing the benefit of these investments for their future, and I'm confident that by maintaining this balanced approach, by not taking extreme positions that will hamper our growth, we'll be able to achieve that.

It looks like I've got 13 minutes to continue talking, so allow me to reaffirm—

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

1750

Hon. Charles Sousa: Okay; 10 minutes it is.

Our new planning process—and I'm very excited about some of the transformations that we've made in the Ministry of Finance alongside our Treasury Board. We have to look at continuous improvement and making every dollar count.

There are key principles that are as follows. We're looking at how every dollar across the government is spent. We're using evidence to inform better choices to improve outcomes. We're working across government to best deliver services around the client. We're taking a multi-year approach to identifying program transformation, opportunities and achieving savings.

There will be a careful review of every government program through four lenses: the relevance of the program in realizing government policies and priorities; the program's effectiveness in achieving desired outcomes; the efficiencies in converting resources into results; and the sustainability of the program over the long term. Through this process, we will identify ways to improve services and outcomes based on measurable results to ensure that sustained funding goes to initiatives that work. At the same time, we'll make tough choices about services that are not performing and do not link to government priorities or no longer serve a clear public interest.

In addition to improving outcomes for Ontarians, the government will meet its annual program review savings, as mentioned, $250 million for 2014-15 and $500 million for each of the next two years.

A lot has been said about managing compensation costs, a big part of our budget. We know that compensation costs account for the majority of Ontario-funded program spending, either paid directly through the Ontario public service or as part of Ontario's transfer payments to schools, hospitals and other public sector partners. That's why the government is taking a consistent, fair and principle-based approach to managing compensation costs in the OPS and across the broader public sector while ensuring that service levels meet public needs.

The 2013 budget stated that all public sector partners will need to continue to work together to effectively manage compensation costs within Ontario's existing fiscal framework, which includes no funding for incremental compensation increases for the new collective agreements. The 2014 budget confirmed that any modest wage increases that are negotiated must be absorbed by employers within the available funding within Ontario's existing fiscal plan through efficiency and productivity gains or other trade-offs so that the service levels continue to meet public needs.

So we're bringing broader public sector partners together to manage those compensation costs and control our spending while protecting public services that Ontarians rely on and working towards a balance in Ontario's budget by 2017-18. We have surpassed and taken the steps necessary to beat our targets. We recognize that the challenges before us, with the economic downturn in 2013—the echo effect is affecting us. But we've recalibrated and are continuing to take the steps that we need to to maintain ourselves within that fiscal target. We've done so by making agreements with AMAPCEO, which stands for the Association of Management, Administrative and Professional Crown Employees of Ontario. We ratified that August 28, 2014. I've spoken already a little bit about what that meant. In the end, it allowed for us to provide security, enabling our employees to negotiate in good faith and provide for net zeros with the savings and the offsets that are built into the plan over the coming years.

Let me stress that the government respects the collective bargaining process and values the work of the Ontario public service employees. We look forward to continuing to work with its bargaining agent partners to reach agreements that are fair and equitable to employees and to the people of Ontario in the current fiscal and economic climate.

Other ways in which we're addressing compensation include changes to benefit entitlements. Changes to benefit entitlements in the public service will bring them in line with practices in the private sector, as well, and other jurisdictions. That will save an additional $1.4 billion in 2017.

We're reforming some executive compensation in the broader public sector as well and continuing to take action and control of executive compensation costs in the broader public sector. For example, in 2014, we introduced Bill 8, the Public Sector and MPP Accountability and Transparency Act, 2014, which included the Broader Public Sector Executive Compensation Act, 2014, as schedule 1. If passed, that legislation would allow the government to take a principle-based long-term approach to reform executive compensation. It would apply to designated executives at hospitals, community care access corporations, school boards, colleges, universities and hydro entities.

The proposed legislation would authorize the government to issue a directive to collect compensation information such as salaries and salary ranges, pay-at-risk and benefits. It would also authorize the implementation of compensation frameworks that could set limits on all elements of compensation, including hard caps.

As you know, my colleague Deb Matthews, President of the Treasury Board, has announced that the government plans to bring forward amendments to the proposed legislation that would further enhance the government's authority over executive compensation by extending it to an additional 64 broader public sector organizations.

Another way in which we are working towards eliminating the deficit by 2017-18 is to find a way that's fiscally fair and responsible by ensuring that everyone pays their fair share of taxes.

Ontario, as I've stated already, is competitive. We have a fair tax system, and it supports those critically important programs that Ontarians depend upon. But when a business or individuals don't pay their fair share of taxes, and they're being legitimate, they're affecting and disadvantaging those who do. We have to find a proper way to level the playing field and ensure that everyone is playing by the rules.

We have also looked at some of those recommendations for those who are evading their fair share of taxes, based on recommendations from the Drummond commission. It's something that should be recognized. Oftentimes people are saying we are not acting on the reports that we commission. We have now over 80% of Don Drummond's recommendations that are being acted upon or enhanced. We have already, as I've said, improved the integrity of our tax system by generating over $380 million in additional revenue.

Even Don Drummond has stated that we've surpassed even his expectations on some of the programs that we've initiated based on some of the recommendations that he made, above and beyond his expectations. So we'll continue—

The Chair (Ms. Cindy Forster): You have about one minute to wrap up.

Hon. Charles Sousa: Thank you, Madam Chair.

I just want to reinforce that we're going to continue working on those programs. We're going to continue looking at ways to address those who aren't paying their fair share, address the revenue leakage that occurs in our current tax system, work in association with the Canada Revenue Agency, even if it requires the government of Ontario to provide additional supports, which, in the end, again, helps the federal government in achieving greater revenue for themselves. We're looking at the underground economy by launching pilot initiatives to focus on curtailing some of the losses that are occurring, again, to ensure that everyone is paying their way.

I look forward to the measures that we've taken around corporate tax avoidance, around contraband tobacco and, of course, as I've stated, unlocking the very things that enable us to succeed and maximizing the dividends to Ontarians.

We're going to continue to invest in our people. We're going to continue to invest and maintain a very dynamic business climate. We're going to continue to do everything necessary to balance our books by 2017-18 by taking a very balanced, disciplined and pragmatic approach, not by taking extreme measures that put people at risk, but by ensuring that people are better off. That's one of the reasons we are so keen on providing for our retirement security system that will benefit everyone in the end.

Madam Chair, thank you for your time. Members of the committee, I appreciate your patience throughout this process. Thank you.

The Chair (Ms. Cindy Forster): Thank you, Minister, for being here today, and thank you to the ministry staff and thank you to the legislative staff as well for sitting through hours and hours and hours of estimates over the past, I think, six weeks. I also want to thank the committee members for their contributions to the estimates process here.

We're adjourned.

The committee adjourned at 1800.

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