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Tuesday 17 November 2015

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Mardi 17 novembre 2015

**Standing Committee on
Estimates**

Ministry of Economic
Development, Employment
and Infrastructure

**Comité permanent des
budgets des dépenses**

Ministère du Développement
économique, de l'Emploi
et de l'Infrastructure

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON ESTIMATES

COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Tuesday 17 November 2015

Mardi 17 novembre 2015

The committee met at 0900 in room 151.

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE

The Chair (Ms. Cheri DiNovo): Good morning. The committee is about to begin consideration of the estimates of the Ministry of Economic Development, Employment and Infrastructure and the Ministry of Research and Innovation for a total of seven and a half hours.

I would like 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 the 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 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 will allow members to ask a wide range of questions pertaining to the estimates before the committee, to ensure they are confident 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 a ministry approach to a problem or to 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 question 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.

Any questions before we begin?

I'm now required to call vote 901, 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 and up to 30 minutes by the third party. Then, the minister will have 30 minutes for a reply. The remaining time will be apportioned equally amongst the three parties. I'll give you a five-minute warning just before your time is up.

Minister, the floor is yours.

Hon. Brad Duguid: Thank you, Chair. I appreciate that. Just to begin with, a point of clarification: I'm before you as Minister of Economic Development, Employment and Infrastructure. You might have thrown in there research and innovation at the beginning, but that's separate, I think; right?

The Chair (Ms. Cheri DiNovo): Yes, it is separate.

Hon. Brad Duguid: Just for the members' clarity. I'm happy to answer questions from that ministry. I used to hold that post, but I think it would be more appropriate to have the Minister of Research and Innovation for those.

I'm delighted to be here today, believe it or not. I've got to tell you, I love being Minister of Economic Development, Employment and Infrastructure. It's the kind of ministry that is always evolving to meet the changing needs of our economy, and our economy is changing so fast that just when we think we've got it right, we've got to do even better. So this kind of process is something that we actually, believe it or not, welcome. I know there's always give-and-take and to-and-fro at estimates committee, and I'm happy to engage in that. I'm sure we'll have some fun along the way. But at the end of the day, we will take seriously any of the suggestions that are made.

We don't pretend for a second that we have it perfect. We think we've done well overall in terms of putting forward an economic strategy that has worked well in today's economy, and we're placing ourselves in a position of strength for tomorrow's economy. You'll hear me talk more and more about this in the coming weeks and months, but in many ways we have an economy here in Ontario that is in two stages. One is today's economy, which we've done reasonably well in overall, leading the country in growth. We've recovered well since the recession. We're attracting good investment—number one in North America for two years in a row in attracting foreign direct investment. Pretty much no matter how you shake down the numbers, we're doing reasonably well. We might argue in government we're doing really

well, and in opposition they might say we can do better. I think we probably fall somewhere in between, but by comparison to most jurisdictions in today's economy, we're in pretty good shape. We can talk more about that as the day goes on.

When it comes to tomorrow's economy—and I often say the economy of two minutes from now because it's not really tomorrow anymore and it's not next generation—that's the disruption that's going on over the next number of months and years. It used to be something we thought was 20 years, 10 years away. It's happening now in so many different sectors. We can talk more about how we're preparing ourselves for that and how our economic development strategy has to continually evolve to meet those challenges.

Fortunately, in part because of some of the stuff we as a province—not just we as a government but we as a province—have done over the last 10 years or so, we've prepared ourselves well to take on some of those challenges, but we are continually in an effort to up our game in every single way. That's where the team that the deputy leads and the team you'll see and meet over the course of time here at committee is so important. We work as a team. We buy into this need of constant thirst for being better. That's why in every single one of the divisions that I'll outline to you today, we're satisfied with how far we've come, but we are constantly trying to up our game.

I give these folks credit because—I don't think I'm the hardest minister to work with, but I'm pretty demanding in that I'm constantly looking for us to take initiatives and move the ball forward. I'm not looking for us to do that with going to the budget chief for more money because we know that we're fiscally challenged. As a ministry, we've tried to make significant progress, and sometimes groundbreaking progress on files, having to be creative. I'll use the accessibility file as an example of that if we get into discussions of being very creative with the resources we have; frankly, moving us to a different level as we get into the second phase of a 20-year phase-in program for the AODA and other initiatives and moving beyond that.

I'm going to just start off by going through—I don't know if this is tradition, but it's certainly the notes in front of me and I probably should respect them a little bit and just go through the divisions. It's not the most exciting thing to go through, and frankly, I pity that you have to listen through it. But even as I read through it, it does give you an idea as to the breadth of some of the stuff that the deputy and I and the folks behind me have to work on.

We'll begin with the policy and strategy division. That's led by assistant deputy minister Victor Severino, whom many of you would have met in the past. They provide advice on the government's strategic policy and its approach to attracting and retaining business investment, facilitating trade both on a domestic and international scale, encouraging job creation and supporting innovation, and providing the research capacity and sup-

porting ministry programs and policies. They lead policy work on cluster development which, as you know, is a priority for this government and a priority, I think, for most jurisdictions.

The policy and strategy division carries out these responsibilities with three separate branches. The first is the trade policy branch, which oversees Ontario's international and domestic trade commitments. This branch performs five basic functions. First is working with the federal government, with other provincial and territorial governments and with industry to negotiate trade and investment agreements which remove barriers to business development and improve market access. They advise on the implications of trade and investment agreements in relation to government programs and measures. As you can imagine, they have been very active in recent years with CETA and the TPP and the agreement on internal trade. All of these have put a lot of—I wouldn't so much say pressure as much as I'd say workload on this particular unit. They track trade and investment-related issues to avoid disruptions and disputes and they manage Ontario's defence in international trade disputes that involve provincial measures. They play a federal, provincial and international relations role on both trade and broader economic development concerns as well.

0910

The second branch within the policy and strategy division is the strategic policy branch. It's responsible for developing economic and innovation-focused frameworks and strategies, as well as providing advice on strategic economic and innovation policy options.

To fulfill its responsibilities, this branch is divided into a further three units.

The policy unit undertakes policy research and provides medium- to long-term policy analysis and development to support the government's economic development, employment and investment-related priorities and objectives. The unit provides policy support to other parts of the ministry as needed. Most recently, this includes working with the Accessibility Directorate of Ontario to develop the government's 10-year accessibility action plan and designing a pilot program to support employers in hiring people with disabilities.

I want to just stop there for a second, because this is an example of a unit that's had to really punch above their weight in terms of their resources. I've kind of challenged them and us to go beyond the act. I think that regulations are great and important if they are implemented properly, but what we need to be driving as a government is a culture shift in accessibility if we're going to reach our goal by 2025 of being accessible, something that's important for us to do for the sake of people with disabilities.

I was just with Rick Hansen yesterday at an incredible event. He was giving one of his inspiring motivational speeches to Colleges Ontario. He was expressing how far we've come as a province, and he's working closely with us on where we go from here.

It's really the “where we go from here” that's more important. We've come far, yes. We're seen as a leader

globally in accessibility, which is a good place to be and I think we're all supportive of that; all parties have been. If we're going to reach our goal by 2025, though, it's going to require a cultural shift; it's going to require an embracing by business of these types of measures. That's not going to happen just through regulation; that's going to happen through coming forward with interesting, creative, sometimes new initiatives, sometimes made-in-Ontario initiatives, to drive that cultural shift.

In June, we announced an action plan for the next 10 years, which isn't everything that we're going to do over the next 10 years; we'll need to do more. It was more of a kick-start to something that I think had been—I wouldn't say it was fading in terms of commitment, but, you know, 10 years ago there was a lot of euphoria around accessibility and the movements we were making. In the last few years, it had lost a little bit of momentum. We kind of kick-started that with some new initiatives that we're planning on taking, including something that Rick Hansen has helped us with and that we're moving forward with very soon. That's a LEED-like program—you know, LEED, the greening of buildings—that sort of rates businesses and organizations on how accessible they are.

I wasn't planning on talking that much about accessibility, but I think Rick Hansen's speech yesterday certainly inspired me. It's just an example of a ministry that is having to find creative ways, partnerships and things like that, to carry out and go beyond, frankly, their mandate.

The unit also supports the business climate and innovation deputy and assistant deputy ministers' committee, which, as you can imagine, is a fair amount of work.

The third branch is the strategic policy coordination branch that leads the development of broad-based economic development and innovation frameworks and strategies, such as Ontario's plan for jobs and growth. Within this branch, the cabinet liaison and policy support unit develops the ministry's responses to policy proposals in support of the minister's cabinet policy committee. It also prepares and supports the preparation of our policy submissions as we move forward.

The second ministry division I would like to discuss today is the investment and industry division, led by assistant deputy minister Tony LaMantia. This division's core responsibility is to attract investment to the province. Tony is with us today, and I think all of you probably would know Tony. He very much is the face of our government in our efforts to recruit investment to the province. He's a very experienced ADM who is, frankly, a star in government circles in this area. We're fortunate to have him.

This division does this by:

- proactively targeting opportunities and ensuring early engagement with companies;
- strategically generating and qualifying potential leads and working within market representation and partners abroad;
- proactively pursuing key investment opportunities; these often involve developing business cases and pro-

viding site selection services. We've upgraded our capability to do that, and we can talk about that a little bit later on;

- managing client relationships and providing account management for a project's entire life cycle; this includes lead generation, project inception, site selection, introductions to communities, stakeholders, deal closing, after care; and, finally,

- promoting Ontario on the international stage; this largely involves participating in sector-focused global conferences and industry shows.

I think what you'll find with this division is that while we've done well and we have a very long series of investments that I probably won't have time to talk to you about, we've been able to achieve in many different areas. We're a leader; we're either first, second or third in almost every sector in North America now in terms of both growth and size, which is a good place to be. The division has a great track record, but Mr. LaMantia and that division never stop looking for better ways to do things. They're trying to make it easier for businesses to make investments here in Ontario and competing, frankly, with jurisdictions who have upped their game. You'll find that Mr. LaMantia and his folks are constantly looking to improve. Certainly in this committee we're open to suggestions on how we can do even more to up our game in terms of that because that's an important part of what we do.

There are three branches in this ministry: the advanced manufacturing branch, the infotech life sciences and services branch and the business advisory services branch.

The third division is the research, commercialization and entrepreneurship division. That's led by assistant deputy minister Bill Mantel, who's probably suffering from the same jet lag I've had this week because he was with us for a good part of the last 19 days when I've been on the road. He was with us for the last 12 days in China.

The primary purpose of this division is to support productivity and innovation in Ontario's research, business and entrepreneurship ecosystems, as well as building sustainable economic and social prosperity. It's an exciting division, especially in today's changing economy, and, frankly, very much becoming Ontario's sweet spot, as we're now number two in North America for information and communication technology with 19,000 companies—some very large, some start-ups that are disruptive in nature that are going to be growing into bigger companies. So this is an area that I find incredibly exciting as a minister and something we'll be happy to talk more about.

There are three branches within that section. The first is the research branch. It's important because no jurisdiction has quite nailed down where the economy is going. We're among the top in terms of recognizing the importance of building that knowledge economy to improve not only Ontario's way of life but to help create a really high-skilled workforce, which is probably our single greatest competitive asset.

There's also the entrepreneurship branch, and this branch is focused on three strategic priorities that are

working to ensure future prosperity, including encouraging youth to become job creators rather than job seekers. It's important not only to encourage them to start businesses but also to get young people thinking entrepreneurially, because that's what companies are looking for too now—innovative thinkers—because companies have to be innovative. The talent we're producing has to be always thinking that way. I actually find that I'm very inspired by our opportunities to try to bring in programs that encourage young people to start their own businesses at young ages, all the way up through post-secondary.

Collating the delivery of the youth jobs strategy is another important aspect of this division. What it's helping to do is create that army of entrepreneurs that is so important to our next-generation economy. Also, it's helping entrepreneurs succeed by providing them with access to tools, services and supports in their communities that they need to grow their businesses through the small business enterprise centres that many of you will be familiar with in your own ridings.

The commercialization branch is the third and final branch of this section. It's responsible for leading the development and implementation of strategies and programs to ensure robust business and research services are available to innovative companies, entrepreneurs and researchers across Ontario.

0920

This is an area where we've seen some significant growth. It dried up during the global recession very much, but we were there for it as a province to nurture it and seed it. We've seen some great success that I'll be happy to talk to the committee about at a later time, as we go through some of our discussions. We have some really good success stories that emerged out of some of our early venture capital initiatives that are now billion-dollar companies. There are two or three that are just absolutely fantastic examples of this.

The fourth division is the Open for Business division. This is something that I get inspired by. I was the Minister of Labour 10 years ago, under the McGuinty regime, when we originally started this, and I was given responsibility for it. I think I spoke up in cabinet one day about the importance of doing this, and all of a sudden I found, as Minister of Labour, I had this new responsibility.

It has worked really well thus far. We've reduced 80,000 regulatory burdens. We've put in a place a series of different initiatives, including round tables, that have been very successful in bringing industry to the table and finding out what really bugs them about what government does and how we can streamline our processes and reduce regulations where we can; reform them to make them easier for businesses to comply with, while ensuring that we continue to respect the public interest. All of that's important. We've come a long way, but it's such an increasingly competitive environment out there globally. We're convinced there is still a lot of work we can do here. This is an area that is led by John Marshall, assistant deputy minister, who feels exactly the same way. We're now in the process of revamping a lot of what we've done.

It's kind of cool, as a minister, to see the fruits of your labour initially, to see it successful overall, but to recognize as well that that's the way we started trying to do it five or 10 years ago and now we've got to take it to a new level. That's what John Marshall and his team are very inspired and happy to be doing.

We feel that we can be leaders globally when it comes to opening up Ontario, making Ontario the easiest place in the world to do business. That's really what I say is the role of that ministry: to work with all of government to ensure we're a place that businesses look to as an easy place to make investments and to carry out their businesses.

There are still too many regulations. The regulatory burden on businesses is still too heavy. Some of it has been fixed in terms of the province, but there are some great opportunities for us to reduce the regulatory burden between governments in particular, whether it's provincial-municipal governments—and we have some initiatives going with the city of Toronto that will extrapolate across the province, which I'm happy to talk to you about later on—and on the national scene, where we're not only part of the agreement on internal trade, but I had the privilege of chairing that nationally. Even under the previous government, despite our different political parties, we were making fantastic progress, working very well with the federal minister on that. I talked to the new federal minister in the last week or so. We're enthusiastic about carrying on the work that has been done, in a very non-partisan way. To me, that's a scenario where we can make some fantastic progress, harmonizing regulations and standards across the country. So this division is really up to their eyeballs right now in trying to find ways to take these initiatives to a new level.

I've talked about the fifth division, and that's the accessibility directorate division. That's led by assistant deputy minister Ann Hoy, who, as I said, probably had no idea that her division would have so many additional initiatives to deal with beyond their current mandate—not that I have to push Ann; she's very enthusiastic about it. They're doing a fantastic job working with us. I think they know how passionate I am and we as a government are about making progress in this area.

There are two branches within that division. There's the outreach and strategic initiatives branch. That consists of two units, and one is the public education and partnerships unit, which is really important. I still think people aren't aware of some of the things that we're trying to do as a government. I think there's a growing awareness of the business case, but we still have a lot of work to do to get that business case out there in front of businesses. That's part of public education. This is so important in terms of being able to change the attitudes, and that's really where we're going to make our progress.

They develop outreach and education and partnership strategies. They develop education tools and resources. They have a number. You'd be surprised at how much is out there now for businesses—easy to access and easy to understand, which is important.

I'm not sure how my time is here, but I'll just keep going until somebody—

Mr. Monte McNaughton: One minute.

Hon. Brad Duguid: I've got one minute?

The Chair (Ms. Cheri DiNovo): No, you've got about seven minutes.

Hon. Brad Duguid: I think Mr. McNaughton would like me to wrap up in a minute.

They're also engaged in compliance. That's an area where I'd like us to have some discussion over the course of time, because we still aren't up to the compliance level that we'd like in terms of business compliance, and we have options for getting there.

We've taken a different approach to compliance than we have in the past. We've tried to be more creative, using some of the techniques they've used in labour, where it's not just across the board, because there are so many businesses out there that we'd never be able to visit every business. But we're trying to be more creative, doing blitzes that sort of make businesses aware of their responsibilities.

Then where a business is non-compliant and deliberately non-compliant, that's where we have to get a little tougher on the compliance side. That's an area there's always debate on, but I'm of the view you need to use that compliance tool effectively, not just as a hammer, but as a tool of education. So we're trying to be more creative in the use of our resources there, using the hotline that's in place now to help better monitor some of the feedback we get from people with disabilities as to where the barriers are. We can have some discussion about that. I think there are perceptions that the province's opportunities and responsibilities here might be larger than they actually are, but we can certainly talk more about that as time in estimates continues.

The second branch is the standards, policy and compliance branch. I talked a little bit about our efforts to sort of reform our compliance efforts. There's no question we've seen a significant increase in compliance, but it's still not even close to where we would be satisfied. That's where the education comes in.

The Chair (Ms. Cheri DiNovo): Minister, you now have five minutes.

Hon. Brad Duguid: Five minutes? Okay, good.

That's where the opportunities for more effective compliance measures come in. More importantly, that's where getting the business buy-in to the business case is going to be so important. This isn't something we should have to come into, to gain greater compliance, with a policing technique, because I think businesses will just find ways around that. It has got to be about the business case, and the business case is solid. It's there. Similar to the greening of buildings, it just makes sense for businesses to open their doors to people with disabilities, and the cost of doing so is not even close to what the perception of that cost is.

As we move through, that particular branch is divided into three units. There's the standards development unit, and there's the accessibility policy unit, which is driven

by five key priorities. They include analyzing and developing medium- to long-term policy to support an accessible Ontario; researching, analyzing and conducting stakeholder consultations; acting as a liaison to other ministries to ensure accessibility is built into government initiatives; leading the legislative five-year review of accessibility standards; and co-leading the development of cabinet submissions and regulations with the help of the standards development unit. So it's a great deal of work on this. Then there's the compliance assurance unit, which I've talked about in the past.

The sixth division is the realty division. That's led by a very experienced ADM, Bruce Singbush. It's made up of two branches: the realty management branch and the realty policy branch. I'll be happy to talk to you more about that as time goes on—lots going on there and lots of opportunities there. The realty branch very much is responsible for making sure that, when we talk about getting revenues out of our assets—that's one of the branches that's under pressure from Treasury Board to continue to ensure that we're getting best value from our real estate assets. They've taken initiatives to try to get as much of the properties that we don't need—that are surplus—up and out the door and able to contribute to our deficit reduction and contribute to enhancing our investments in infrastructure.

0930

The infrastructure policy branch is the seventh branch. That's led by assistant deputy minister Karen Maxwell. Often, I say to people who come to me with individual infrastructure projects, "That's really not"—it sounds like that's what they do but, for the most part, those are led by the line ministries. But they're involved in a lot of really important things. Federal-provincial programs: You've seen us, in many ways, have a lot of influence over that in the last number of years. Provincial-municipal programs: very important to our respective municipalities. We've made some groundbreaking reforms listening to the voices of our municipalities and how we deliver those programs. I'd love to talk to you more about that.

I think we have a more rational approach than we've ever had, than any government that I've seen in the country has, in terms of how we allocate funding for those municipal projects. It's very unfettered, which is something that should give all of us some comfort, and we've driven municipalities to have asset management plans that are—over 90% of them now have asset management plans, and growing. Now we're going to standardize them to ensure that the dollars we're investing in those projects are going to the core needs of municipalities, that municipalities are doing what they need to do to identify what their projects should be. So that's a division that's in constant change as things evolve, and very under pressure to continue to provide good service.

The final division—thank God it's the final division, because I'm probably down to my last minute here and I wouldn't want to leave them out—is the corporate services division. It's led by assistant deputy minister Rob Burns. Its primary responsibility is to lead and co-

ordinate the ministry's corporate administrative support services. So that's human resources, facility services, information technology, systems business planning, finance and coordinating the ministry's key support funding programs.

I'm going to stop there, in terms of the overall analysis. I wanted to get that on the record so that it gives you an idea as to the breadth of the ministry and some of the things that you might want to talk about and, on the opposition's side, maybe push and prod and—

The Chair (Ms. Cheri DiNovo): Thank you, Minister. Your time is up.

Hon. Brad Duguid: My time is up. Thank you for bearing with me.

The Chair (Ms. Cheri DiNovo): We now move to the official opposition. Mr. McNaughton.

Mr. Monte McNaughton: Thank you very much, Chair, and thank you, Minister Duguid. I will start by saying you're always a pleasure to work with and your ministry team has been very good over the years. This is my second time as critic for this portfolio so I refer to it as, you know, fifth-year students who go back to high school—it's a victory lap for me, I guess.

On a personal note, like you, I love this portfolio. I'm a small business owner in the province. We have 65 employees. The issues that your ministry deals with are something that I've experienced first-hand, running my own small business in the province.

I wondered if we could just start with some economic trends and some issues that are being raised in the province, just to get your feedback and comments, and, in particular, about Ontario becoming uncompetitive. Is there a fear—whether it's the 54% income tax bracket that's coming with the federal hike, which is going to make Ontario the second-highest-taxed jurisdiction—over \$200,000 per year—and of course this affects entrepreneurs in the province.

Secondly, I continue to hear from businesses about the ORPP, the fears that that's going to impact job creation in Ontario. Lastly, cap and trade: I continue to hear from stakeholders that there are major concerns around cap and trade. If I could just get your comments on the income tax hike, cap and trade, and ORPP.

Hon. Brad Duguid: Well, I think those are all good questions and as we're going through that policy development, in particular the ORPP and the cap and trade, as a government we need to ensure that as we implement what are very complex policies, we do it in a way that we're always looking through the lens of protecting our competitiveness. That's not easy to do, but it's something we're determined to do.

We've worked very, very closely with the business community on both of those policies. I frankly want to commend the business community for the outreach that they've engaged in. They could have taken a less supportive approach, a more obstructive approach to these policies; there's no question. Initially there was some concern going into these policies as to how they would impact the economy if they weren't implemented in an

effective way. We've managed to allay a lot of those concerns by ensuring that we're implementing these policies on a relatively fast timetable, but doing it in a way that we're systematically looking at unintended consequences that may occur.

We've been very close to the business community with regard to the implementation of the ORPP, and we continue to be. There's not unanimity in the business community. For the most part, there's a recognition that we do need to do something. Whether that's on the national scale or whether it's on the provincial scale, there is a recognition that retirement benefits are not where they need to be.

On the cap-and-trade initiative, it's much the same. There's a real recognition—and it's global now, and as I travel around I see it—that government and businesses need to work together to address climate change, and cap and trade provides businesses with the flexibility that they ask for to enable them to come up with the solutions they need to under an effective cap-and-trade system. Our work will ultimately be judged by the final results, but I can tell you that there's been an incredible effort made to reach out to the business community and involve them in the policy development along the way, which has been really, really important.

With regard to the income tax bracket issue, it's an interesting one. It's important, I think, whenever you're dealing with taxation, whether it's of wealth, whether it's corporate taxes—it always sounds like something that's easy to do, but you've got to always make sure you do the math and maintain competitiveness and maintain your eye on competitiveness.

I know our finance minister, when he does our budgets and in the coming fall economic statement, will always have his mind on making sure that we're a good environment for investment, and right now we are. Right now we have the lowest effective corporate tax rate, by and large, in North America. It's a good place to be, a good place to invest. We can talk about that more—lots of assets here, lots of reasons for people to invest, which is why we are leading North America in attracting foreign direct investment for the last couple of years. It's a good place to be, but we can't take it for granted because there's no question that there's a lot of competition globally.

Mr. Monte McNaughton: Well, for entrepreneurs, the concern I have with this income tax hike is that it makes Ontario the second-highest in Canada. New Brunswick is going to be 58%; we're going to be at 54%. I think that sends the wrong signal to people running companies in the province: innovators, entrepreneurs, especially in the high-tech sector. I think that has to be a concern for your ministry.

Hon. Brad Duguid: I often, in my role at the cabinet table and often in discussions with finance as we go into budgets—you have to always keep your eye on competitiveness. The issue you've raised is one that there's a limit in terms of how high you would want to go with those taxes. Even though they may be popular to the

public, you need to make sure that as you implement them, you don't cross the line of competitiveness. Finance would have to be always doing the analysis as to where that line is. I would suggest that the federal government has made commitments, and we expect they'll fulfill those commitments. I would be cautious to go much beyond where they've gone.

We're still very competitive. We're still attracting investment. I think we're still going to be in a good place, but I think that if your advice is to be cautious about going any further on that particular type of taxation—popular as it may be—I think we would want to make sure we would do a great deal of analysis before we would ever contemplate that. That would be my advice to finance. It wouldn't be my decision, as Minister of Economic Development, but my role would be to make sure, whatever we do in the future in terms of taxing wealth, income or corporations, that we remain—there's nothing wrong with leading the way in terms of competitiveness. That's what draws the investment that creates jobs.

0940

Mr. Monte McNaughton: Great. Talking about competitiveness, Ed Clark delivered a speech on November 12 to the Toronto Region Board of Trade and the highlight, I think, of the speech was focusing on the red tape and regulations in Ontario. His quote from his speech says, "Ontario has 380,000 regulatory requirements for business, almost double the number in some provinces. While the number is staggering, the structure and complexity of compliance is even more problematic. It makes us less competitive. We are seen by foreigners—and even ourselves—as a slow place to do business."

Why do we have double the number of regulations than other provinces?

Hon. Brad Duguid: Well, we've eliminated 80,000 regulatory burdens in the last, I think, six years or so. So we've come a long way. To think that we still have that level of regulatory burden, tells me, as I said in my opening remarks, that this is an area that we can take to a new level.

We're leaders in terms of coming up with new ways to reduce the regulatory burden and work with businesses. If you look at the CFIB, they rate us among the top provinces now. We weren't always that way. In fact, we were rated very low, initially. We now work very closely with them and our business community in reducing regulatory burden.

We're in the process now of saying, "Okay, we've done well in terms of reducing regulatory burden, but there's still far too much of it out there and that reduces our competitiveness." A lot of it is regulatory burden between governments now, but there's still stuff we can do within, so we're always open to suggestions of ways we could be better.

Mr. Monte McNaughton: I guess my question is: Why does it take 12 years? Even in government, for 12 years—is it just something that has now been brought to your attention that we have too many regulations? Business owners and job creators have been saying this for 20

years. Why has it taken so long? Is this just the way government works? It's that slow?

Hon. Brad Duguid: If you compare our record with reducing regulatory burden across the country, or across North America, even around the world, we're among the leaders. Certainly, across the country, even the CFIB would rate us among the top now. So we're among the leaders when it comes to reducing regulatory burden. But this isn't a one-time, one-initiative thing; it is ongoing. It will always be ongoing. We've always got to look for better ways to do business.

One of the things, for instance, is just having one-window opportunity for businesses. I know your time is running out—well it looks like it is, just by the way you're nodding your head; no, it's not?—but it's something that we're going to continue to do. We've done well, we've been leaders. We are looking now, and I expect in the next four to six months, you're going to see this province take it to an even higher level.

I look at it this way, Mr. McNaughton: If you're in tough fiscal circumstances, there's not a lot of new money available to bring forward new initiatives. We're doing well in attracting business, but when you can reduce unnecessary regulatory burden for your businesses, it puts more money into the economy, it creates jobs without spending a cent of taxpayers' money just by doing things better.

So if your question is, do we think there's still a lot of work to do ahead? The answer would be, yes, there is. But I think there's no way that anyone could suggest that this province hasn't been a leader in reducing regulatory burden. We have. We've been passionate about it.

It really goes to show where we started 10 years ago—and it's not to blame anybody. I think it's just the way government has evolved over the last 100 years, that we just would pass regulation upon regulation, and we really weren't paying a lot of attention to the unacceptable day-to-day burden that was placed on our businesses, in particular on our small businesses that don't have the staffing that's sometimes capable of addressing that burden.

Mr. Monte McNaughton: I was nodding my head because my next question was getting into Don Drummond's recommendation, I believe back in 2012, regarding the one-window approach. His report said that the Ontario government spends about \$1.3 billion in direct support for business and \$2.3 billion more in indirect tax support.

I wondered if you could give the committee an update on the progress that you've made since that recommendation, which seems so long ago now, but I believe it was in 2012. Have you reduced the number of supports? Have you streamlined into this one-window approach? Where are we at?

Hon. Brad Duguid: A lot of what I believe Mr. Drummond was talking about there was the tax credits for small business and his request that we review the effectiveness of that tax credit system. That doesn't apply directly to my ministry. That's a finance ministry respon-

sibility. But I can assure you that where my ministry would come in would be recommending to the finance ministry that they continue to do work in this area.

What we've done is reduce the tax burden for small businesses by reducing corporate taxes. I think it's down to about 4.5% now, the small business deduction. From a taxing perspective, finance has worked hard to reduce the burden, but I can tell you that finance and the finance minister are actively looking at ways to ensure that the small business tax credit is actually getting the value that it ought to be getting. Are we using that opportunity to provide growth for small businesses to the right small businesses, where there are growth potential and opportunities to scale? It's a very interesting, challenging, complex debate that I can tell you we're certainly open to your ideas on.

That's really what Don Drummond was getting at. Right now, it's an across-the-board tax credit that applies to all small businesses, whether they're growth small businesses or whether they're not, whether it helps those small businesses really, whether they need it or whether they don't. So targeting that tax credit in a better way is something we'd be open to your suggestions on. It's probably not an easy discussion, but one that we're open to.

Mr. Monte McNaughton: Okay. In 2014, your government announced it would spend \$2.5 billion over 10 years in the Jobs and Prosperity Fund. That averages out to about \$250 million a year. Minister, how much has your government spent from the Jobs and Prosperity Fund at this point?

Hon. Brad Duguid: I'd be happy to share those numbers with you and give you an updated number on that. The deputy may have that at his fingertips right now; I'm happy to do that. I've said a number of times, both publicly and probably at committee and in the Legislature and other places: The \$2.5 billion over 10 years was a consolidation of funds as per the Don Drummond report. So it wasn't \$2.5 billion of entirely new money. Roughly—and I can get you exact figures—about \$1 billion of that were dollars that were reconsolidated under the Jobs and Prosperity Fund so that we could create that one-window fund, which left about a billion and a half of new dollars or so over that 10-year period of new dollars rolling out.

I can tell you that the pipeline—and this has been great news, because I served in this post when the fund was originally created, or just before the fund was created—for companies that are interested in expanding into Toronto and seeking business supports has grown substantially since I was originally in this post, which is an indication of good economic prospects. There's no shortage of opportunities. We're constantly going to Treasury Board with potential mandates. I can certainly share with you, if you like, what we've invested in specifically. I can even give you a list of the projects we've invested in, if you like. There are some really exciting projects.

Mr. Monte McNaughton: Sure. That'd be great.

Last year, your government estimated it would spend roughly \$162 million on the Jobs and Prosperity Fund. However, just for your knowledge, since you didn't know off the top of your head, in public accounts it shows that you spent \$67 million. I'm just curious about what happened to the difference, which would be about \$95 million.

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Hon. Brad Duguid: You can't, on a year-to-year basis, with any level of expertise, be able to determine exactly what your year-to-year allocation is going to be. It doesn't work out as an exact amount every year because you've got the legacy costs of previous agreements that we've had, some of which are front-end loaded, some of which are back-end loaded, some of which don't flow until the corporation, the business partner creates the jobs they have to create or makes the investments they have to.

The flow of those funds is far from an even flow, and from year to year, some of the flow of those funds—some of it might flow earlier, some of it might flow later. By way of example, the Cisco investment, a \$4-billion to \$5-billion investment that they're going to be making in this province over the next 10 years, is a long-term play. They're creating a centre of excellence for innovation, one of a few that they have globally. It's probably 4,000 to 5,000 potential jobs, ultimately, which is one of the best investments I think we've made. But those dollars really don't flow until they reach milestones. Meeting with them recently, it's still all systems go. They're moving ahead. The investment is in good shape. We may even be moving faster than we initially thought. But if they decide to go quicker, we'd be happy to do that, and then dollars would flow faster.

It's really not something that we would have a great deal of control over, for the most part, in terms of how the dollars flow, other than approving the arrangements over time on the initial partnerships.

Mr. Monte McNaughton: Where are you at this year, then? Last year, you said you were going to spend \$162 million on this fund; you only spent \$67 million. This year, I believe you're saying you're going to spend \$183 million on this fund. Where are you at this year?

Hon. Brad Duguid: What we have is an allocation. Treasury Board will give us the maximum allocation that we would have to be able to allocate that spending. It doesn't mean that we're necessarily going to spend that amount, but we could.

Mr. Monte McNaughton: But where are you at? You budgeted; you said you're going to spend \$183 million. Where are you at with that, with this fund?

Hon. Brad Duguid: Where am I at, as of today, for 2015?

Mr. Monte McNaughton: Approximately, yes.

Hon. Brad Duguid: I might be able to get that figure for you, but it's a moving figure. As I said, all it takes is one company to either slow down their implementation for one reason or another by a month or two—

Mr. Monte McNaughton: I get that. I'm just curious, out of the \$183 million, if your deputy knows—

Hon. Brad Duguid: I'm not sure how helpful that number would be for you, but the deputy may have that number by now.

Mr. Monte McNaughton: Are you going to spend it all? Will you come in under budget?

Mr. Giles Gherson: I think, as the minister said, the pipeline is very full. It's hard, as he said, to coordinate precisely the flow of spending. If you look at last year, the Jobs and Prosperity Fund was only really announced at the tail end of the last fiscal year, and so that was one of the reasons why, obviously, there were no projects that moved out of it beyond the ones that were already spoken for in the pipeline that the minister referenced.

In terms of this fiscal year, where we've had the first full year of the Jobs and Prosperity Fund, we will spend every dollar that's in it, just by virtue of the flow of projects that are in the pipeline.

Mr. Monte McNaughton: Okay. Great. Thank you.

Hon. Brad Duguid: I would add to that and encourage you to ask penetrating questions on our due diligence in these partnerships, because I think they're valid questions, and how we are prioritizing these projects. Because the pipeline is so large, the allocation of \$2.5 billion over 10 years—frankly, we could probably allocate more than that to the projects that are coming in, so we're in a position where we have to prioritize. We've upped our game, I guess you could call it, to really pinpoint those investments that we bring to Treasury Board to a point where we actually have a scorecard on some of these investments.

Mr. Monte McNaughton: It's my understanding that with the Jobs and Prosperity Fund, there are three streams. There's the new economy, strategic partnerships, and—is it food and beverage, the last one?

Hon. Brad Duguid: Yes.

Mr. Monte McNaughton: Is there a formula? How is the funding split between those three? Is there a percentage for one, a percentage for the other?

Hon. Brad Duguid: Yes. The deputy may not be able to off the top of his head—but he'll be able to dig out the page that allocates the amounts that are budgeted for each of those areas.

Mr. Monte McNaughton: If you could provide us with how much money has been spent for each stream since the Jobs and Prosperity Fund started, that would be helpful as well.

Hon. Brad Duguid: I think we can. Some of the streams, in particular the strategic partnerships, are very new. They have just recently been approved and implemented, so it's—

Mr. Monte McNaughton: Do you have a goal for how many jobs this Jobs and Prosperity Fund will create?

Hon. Brad Duguid: I think we did have a goal initially of what we thought the two and a half billion dollars would create, but I'd have to go back and check to see what that number was. It's been a while since I've looked at that. It may have been a political commitment,

too, that we made when we announced the fund or made the commitment to do the fund.

Deputy, are you familiar with a particular job goal?

Mr. Giles Gherson: No. Obviously there was a goal to maximize job creation; there's no question about that. But I think when it was announced, one of the objectives was to use the Jobs and Prosperity Fund as a way to create anchor investments in innovation that would themselves serve as magnets for job creation. We were really in many ways, unlike previous funds, more interested in the indirect potential for job growth as opposed to the direct, recognizing that in the world of technology advancement, capital expenditure is pretty important. So we were trying to influence the attraction of significant capital investment in innovative technology that would bring new technology and new skill sets to the province.

Mr. Monte McNaughton: Are these grants only, the Jobs and Prosperity Fund, or repayable loans?

Hon. Brad Duguid: No. We have the flexibility to go either way.

Mr. Monte McNaughton: Everything that's been awarded so far: Have they been grants or has there been a combination of both?

The Chair (Ms. Cheri DiNovo): Mr. McNaughton, you have about five minutes left.

Hon. Brad Duguid: I'd have to go back and check to see what our legacy loans are, but we can let you know. We've done—

Mr. Monte McNaughton: Oh, I'm sure the deputy would know if you've been doing a combination or if they've been all grants so far.

Hon. Brad Duguid: We contemplate and we do do loans as well—

Mr. Monte McNaughton: So you have done some loans as well as—

Hon. Brad Duguid: —but I'd have to go back to determine whether, under the Jobs and Prosperity Fund, we've done the loans. We have some that are in the pipeline as well that would be mandates to do loans, that are in negotiation, so—

Mr. Monte McNaughton: Would it be fair that everything that's been awarded has been grants?

Hon. Brad Duguid: I wouldn't be able to say for sure, but I can check for you—unless you remember offhand, Deputy?

Mr. Giles Gherson: No, the answer is as you remembered. The answer in terms of what's announced so far is all grants. There are in the pipeline, though, some potential loan contributions.

Hon. Brad Duguid: Especially in this time of fairly low interest rates, some companies are in positions where the loans are helpful. For others, a loan is simply not helpful at all. An example would be Toyota or Honda, for the most part. The federal government offered to work with Honda in particular—the \$857-million Honda investment—but Honda didn't even want a loan because they've got access to capital. The only program they could take advantage of was our grant program. Thankfully, they made the investment with about an \$87-

million-or-so support from the province, but they couldn't access the federal program because at the time, the federal program was loan only.

Sometimes, it can be helpful. For the most part, when it comes to incentives globally, the loans aren't generally as helpful. But where they work, we use them.

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Mr. Monte McNaughton: Can you give a quick, one-minute recap on how grants or loans are approved through the Jobs and Prosperity Fund?

Hon. Brad Duguid: Sure. We've just recently worked with Treasury Board to provide a more stringent approval process—I don't know that "stringent" is the right word, but a more robust approval process, so that we can compare better the investments we are making, that outlines everything from rate of return to the risks involved, but it revolves around three key principles: productivity improvement, innovation and export capability. Those are our priorities and we actually rank projects based on—

Mr. Monte McNaughton: Do they have to create so many jobs, or that's not a requirement?

Hon. Brad Duguid: Not necessarily, because there are some initiatives—if we're investing in the Sarnia-Lambton area, for instance, in the chemistry industry, we could make a partnership investment there that would be a significant investment on our part for what might be 100 or 150 jobs, but then bring in a multi-billion dollar capital investment from that corporation that's an anchor tenant to that entire economy. As the deputy said, as the economy has changed and as we've got to look for anchor tenants in the economy, some investments are about retooling to maintain competitiveness.

So, yes, the job factor is part of the rate-of-return consideration, but we've got to be sure not to overestimate the number of jobs because it's not a game show where every time you run out an investment—even though it plays well to the headlines and you want to say, "Well, we've created 1,000 jobs or 200 jobs through this investment," sometimes you can create only a handful of jobs, but the investment has a huge impact, a ripple effect on the economy.

Mr. Monte McNaughton: I guess my concern is protecting the taxpayers and what happens if a company doesn't hold up their end of the bargain. Is there a way of recouping some of this money, or do they pay this out in stages, the ministry?

Hon. Brad Duguid: We're very stringent. There are milestones that have to be reached in these agreements. Often there are footprint commitments that a business will have to retain a certain amount of jobs onsite in order to be eligible for the funds. There are clawback provisions where a business that doesn't comply with their obligations to us under the agreement can at times pay us back. But because we often roll out the funds in increments as they reach the milestones, we haven't had too many occasions where that's been the case. We've had a couple—

The Chair (Ms. Cheri DiNovo): I'm afraid, Mr. McNaughton and Minister, the time is up—

Hon. Brad Duguid: We've had a few.

The Chair (Ms. Cheri DiNovo): —for the official opposition.

We now move to the third party. Mr. Natyshak.

Mr. Taras Natyshak: Thank you, Minister, for being here, and to your assistant minister for being here this morning. Very nice to see you. Welcome back home.

Hon. Brad Duguid: Thank you.

Mr. Taras Natyshak: So following on the same line of questioning, I've got the Jobs and Prosperity Fund as my first order of business. I guess just on that train of thought, as you have it as your last commentary, would Cisco and OpenText be two of those companies that have accessed funds through the Jobs and Prosperity Fund that did not have job thresholds attached to the contract with them?

Hon. Brad Duguid: I've got to be cautious about getting into individual specifics about agreements because I'm not permitted to do that in too much depth. What I can say is, to the best of my knowledge, both of those agreements would have had job provisions attached to them.

Mr. Taras Natyshak: Have both of those agreements—okay, in a broad sense, without having to divulge too much, have they met the benchmarks or the thresholds you've mentioned within the Jobs and Prosperity Fund or have you had to hold back since they signed on?

Hon. Brad Duguid: Both of those companies, I believe, we've invested in earlier, and then we have had new investments of late under the Jobs and Prosperity Fund. So I'd have to be sure whether you're referring to the original agreements that we had with those companies—because with Cisco, the \$4-billion to \$5-billion investment, that's the second investment that they've made in partnership with the province.

Mr. Taras Natyshak: So do you know what the division is there of the first part of the previous agreement and how much the value is on the Jobs and Prosperity Fund side?

Hon. Brad Duguid: I'd have to check. I think the first agreement was probably, by and large, complete, but I'd have to get the deputy to check into that. The second agreement: I would expect that not a great deal of that has flowed yet. They're still in the process of organizing or coordinating their research centre.

Mr. Taras Natyshak: So, of course, we would point to those two companies as being, I guess, your anchor companies under the prosperity fund. That's what you're looking for: substantial capital investment on both sides, especially on the Cisco side.

Hon. Brad Duguid: I would say they're really good investments that we made in the ICT sector, but there are a lot of investments that we've made that I would say are equally as good. Certainly, in the ICT sector they would be two of the more important ones we've made, for sure.

Mr. Taras Natyshak: The reason for concern, and the reason we highlight these two companies, is because, in 2011, the government announced the \$220-million partnership to create 1,700 jobs. So you'd benchmarked

1,700 jobs, and then eight months later the company announced that it would be laying off 6,000 workers. Then, in April 2012, \$120 million was given to OpenText to create 1,200 jobs—so again there was a benchmark—and then, in May 2015, OpenText said it would be cutting 5% of its workforce. Given that information, does that affect the continuation of the fund, or how do you do that?

Hon. Brad Duguid: They are two different things. Cisco was a global reduction of workers and—it's almost an insensitive way to say this, but we were in some ways the beneficiary of that because we were where their research work was consolidating from other parts of the world where they were very spread out and they decided to consolidate into some centres of excellence for their research. So we benefited from that.

Mr. Taras Natyshak: So there are no job losses here?

Hon. Brad Duguid: These companies, as they're going through transition, will sometimes have to change over their workforce as they change from one project to another. So I can't guarantee you that Cisco has never laid off any workers over the last number of years. I can tell you that they're in a constant state of growth overall, and there's a transition of workers.

OpenText has gone through very much the same. OpenText was in the process of creating a brand new research centre for cloud computing, in the US, I believe, which would have been a very important part of their business. We caught wind of that and said, "Hold the phone there. We want you to locate that here, so let's sit down and figure out a way to create those jobs in Ontario." Now OpenText has been a very successful company. We contributed to OpenText from the beginning to help it become the global giant that it's become, but it's because that sector is in a constant state of disruption that they've had to restructure some of their company to take on this new initiative that they're taking.

So, overall, OpenText in Ontario is growing and will grow into the future, but they have had to, as I understand it, shed some jobs to create jobs in other areas that they've moved into in terms of their business interests. It's a success story in Ontario no matter how you put it, but these companies are sometimes in a state of transition.

Mr. Taras Natyshak: You had mentioned to Mr. McNaughton that you would want us to ask penetrating questions on the accountability measures around the jobs. I don't know if I'm asking penetrating questions, but I'm definitely trying to dig a little further into how you safeguard the investments that you've made, on behalf of the public, and the jobs that you have said and promised would be delivered under these.

Now, you're saying that some jobs have to be eliminated to create jobs. We've heard that type of model before. I don't know whether it works in the private sector as much as it's been touted to work in the public sector, but what I guess I want to know is: Do you weigh the type of jobs? Are they full-time jobs? Do they come with benefits? Are they specifically high-skilled? Are

they precarious? Are they temporary? Does that come into the equation? And if they aren't those types of jobs that you're looking to create, then what are the metrics that you have to claw back some of that funding, or to penalize, or to incentivize it?

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Hon. Brad Duguid: The two projects that you talked about, they are all high-end jobs—I shouldn't say all—the vast majority of them are high-end jobs. You're talking about ICT experts and researchers. They are the best of the best in terms of jobs and pay—

Mr. Taras Natyshak: So do you get a report when each one of those jobs is created?

Hon. Brad Duguid: Not when each job is created. When it comes time—

Mr. Taras Natyshak: The deputy is saying yes, and you're saying—

Hon. Brad Duguid: Not each individual job—

Mr. Taras Natyshak: So when would we see a report like that? At Cisco we've got 200 new high-tech, high-paying jobs that have been created. How do we get to see that, and how does the general public get to see that?

Hon. Brad Duguid: There are milestones in the agreements. Each time a milestone is reached—that would be when there would be time for an allocation of dollars to take place—we would have to see the evidence that they've fulfilled their obligation in terms of the number of jobs they've created.

Mr. Taras Natyshak: Then, do you publicize that, or does Cisco publicize that?

Hon. Brad Duguid: That would depend. Some companies might, some companies might not.

Mr. Taras Natyshak: It's up to the company's discretion?

Hon. Brad Duguid: Again, it would depend. There may be times when that could be commercially sensitive to a company in terms of, they may not want their competition to know whether they're gearing up for a particular project or not.

What we do do is, on a monthly basis, we have our job numbers come in, and we talk about that. From time to time when there's a milestone reached, we'll make announcements with the companies. We like to announce those things; they're good news. We'll make announcements with the companies when those milestones are reached, and certainly we encourage the companies to work with us to do that.

We don't have a system in place where every time they create a job they have to put out a press release. These things are moving pretty fast. But I can assure you that when we make an announcement and we say a certain number of jobs will be created or retained from this announcement, I can assure you that that has to happen or they don't get the funding.

Mr. Taras Natyshak: When deciding on how much the overall package—or the support through the Jobs and Prosperity Fund is delivered—when deciding on that partnership, is there a weight given to how many jobs are

retained versus how many jobs are created? Does that come into the equation?

A retained job is great, of course—it's one less job that leaves our jurisdiction and it's one more family that can contribute to the overall economy—but a new job created is what we're all looking for. It indicates growth; it indicates economic health and prosperity. Does that make a difference in the eyes of the government?

Hon. Brad Duguid: You have to judge every investment based on rate of return and on how it contributes to innovation, productivity and our expert capability.

I'll give you an example: The investment with Ford is a significant investment in Oakville. I can get you the numbers on that. I don't recall off the top of my head exactly—

Interjection.

Hon. Brad Duguid: —\$70 million; so it's about a \$700-million investment by Ford, or somewhere thereabouts. That was to retool their plant and put in place a global line—a flexible line—that can run vehicles. Without that investment, that plant could have been at risk down the road of not continuing, or reducing the number of vehicles it produces. With that investment those jobs are now secure for probably another 15 years or so.

Mr. Taras Natyshak: Yes, I get it. Believe me; coming from the automotive sector, I understand that.

Hon. Brad Duguid: As it turns out, when we announced that investment, I think we announced it with retained jobs and no new jobs—or maybe a handful of new jobs; as it turns out, there were new jobs created from that. We didn't go back and put out a new press release to say, “Hey, there are actually 200 or 300 new jobs there,” or whatever it turned out to be.

We are fairly cautious when we make the announcements. As I said, it's not a game show for us. This is about building a strong basis for a strong economy, so some investments may come with no new jobs and retention of jobs. The Ford example is a good one: That's every bit as important and good as a brand new investment that creates 300 or 400 new jobs.

The Chair (Ms. Cheri DiNovo): Thank you, everyone. This committee stands recessed until this afternoon at 3:45.

The committee recessed from 1015 to 1546.

The Chair (Ms. Cheri DiNovo): Good afternoon. We will now resume consideration of vote 901 of the 2015-16 estimates of the Ministry of Economic Development, Employment and Infrastructure/Ministry of Research and Innovation.

When we recessed this morning, the third party had 17 minutes and 53 seconds left in their rotation.

Mr. Natyshak, please proceed.

Mr. Taras Natyshak: Thanks to the minister for coming back here. I really appreciate it.

Hon. Brad Duguid: You know I don't have a choice.

Mr. Taras Natyshak: Yes, I know you don't. Thanks for being here anyway.

Minister, when we left off, I was focusing on the Jobs and Prosperity Fund. I'm no further ahead in terms of understanding how you do a value-for-money on each individual project; how you translate that to taxpayers in terms of where that expenditure is and what they're getting for it. Could you run me through that process again?

Hon. Brad Duguid: I will do that at a higher level and maybe pass it to the deputy to give you a little bit more of an idea.

It's something we've put a lot of thought to. Our programs have evolved over time, certainly over the last 10 years. The initial programs were done, as each program progressed, probably in different ways. Through the Treasury Board process in particular, we've had considerable discussion about: how do you evaluate projects, how do you evaluate rate of return, how do you score a good project, how can you tell a good project and investment from a bad one? So we've refined it, and we continue to refine it. There are still ways that we sometimes find that we can improve the process we use. We score projects now based on a number of different areas: how it applies to productivity improvements; if the investment is encouraging innovation; the extent to which the company opens up export markets. When we look at future investments, those are the more sustainable businesses that are going to be around a long time. They contribute a lot to the supply chain and the economy. You would then evaluate rate of return, which would look at things like the number of jobs retained, the number of jobs created, the amount of investments in terms of the overall capital investments that the private sector is bringing on.

We have the whole criteria that we can go through with you, and the deputy probably has it in front of him now; if not, he knows it off the top of his head. A lot of work has gone into this.

Mr. Giles Gherson: Thank you, Minister.

He described it pretty accurately. It's a constantly evolving scorecard. We've tried to be—the minister used the word “stringent” this morning, and I think that's probably the word for it. There are a couple of different elements to it, and one is to make sure that when you're allocating scarce resources—and the minister said this this morning—we're looking for the best projects. It's not a question of, any project is funded. There have to be pretty rigid criteria to ensure that the project, as the minister said earlier, conforms to the requirements of the program: that it's an anchor investment; that it's an investment that improves innovation, brings innovation to the province; that brings and improves productivity, performance; and that can grow exports.

Mr. Taras Natyshak: Can you give me an example of one that you've evaluated through that criterion, and how you would then communicate that to the taxpayer or the public at large? Is there a specific one that you can talk—

Hon. Brad Duguid: No—I mean, that's the work that goes to Treasury Board for approval of the project. Depending on the amount of the project, within our min-

istry, I'm entitled to approve, as minister, projects up to a certain amount. Is it \$50 million?

Interjection: Twenty-five.

Hon. Brad Duguid: It's \$25 million. I need more. They only give me \$25 million in discretion. But anything above \$25 million then goes to Treasury Board for consideration, where it's looked at. The scorecard provides them with the information they need—

Mr. Taras Natyshak: The scorecard provides Treasury Board with—

Hon. Brad Duguid: With the information they need to ensure that they are making a good, informed decision.

Mr. Taras Natyshak: Is everything under \$25 million evaluated through the same process?

Hon. Brad Duguid: More or less.

Mr. Taras Natyshak: Below and above? Same thing?

Hon. Brad Duguid: More or less the same process, yes. But in terms of releasing the scorecard and things like that, I can't imagine that would be something that would be in the public realm. Deputy, do—

Mr. Giles Gherson: Not yet, because as I was saying, the scorecard concept, which began with the Jobs and Prosperity Fund when it was first introduced about a year ago, has evolved—actually, for the third time. We're trying to make it more stringent. We're trying to make it stringent and flexible at the same time.

To give you an example, the scorecard scores the projects on the basis of innovation, on the basis of productivity, on the basis of exports. It does look at jobs, although that's not the primary criterion, as we were saying this morning. But it does look at potential jobs to be created, and the negotiations with the company will establish the number of jobs to be retained and/or created.

Mr. Taras Natyshak: So is there an intention at some point—you alluded to it a little bit. You said “not yet.” We haven't yet released that type of—the report card.

Mr. Giles Gherson: The last iteration we have been working with the Treasury Board on is not in its final stage yet. We're not quite there yet. We've been using the scorecard in two different iterations, and now we're working towards the third iteration. The minister will have to decide, when it's ready, whether it's something that we want to release or not.

But I think what we have done, to your question, in terms of the kinds of examples that the minister has announced already—the Linamar project, for example. I mean, it was pretty clearly stated with the announcement there that this was a project of \$500 million, a grant of \$50 million, which was going to enable Linamar to produce a whole new generation of drivetrain for basically eight- and nine-speed transmissions for vehicles produced in Ontario.

Why were we doing this? One, it's an innovative technology that they were bringing forward that we were supporting. Second, it was going to dramatically increase the productivity of the operation. Thirdly, it was going to increase their exports.

Mr. Taras Natyshak: So would the general public be able to look at that Linamar deal and see all the param-

eters, see why you did it, what the rationale was behind the ministry supporting Linamar with the grant? Are they able to do that, on specifically the Linamar deal?

Hon. Brad Duguid: Not on specific commercially sensitive information, no. What we release when we make the announcement is what the public will see.

Mr. Taras Natyshak: You see what I'm getting at here. What you're asking the taxpayers is to have somewhat of a blind faith in the Jobs and Prosperity Fund, that the overall effect of that fund when partnering with industry is just, “Believe us, trust us, this is going to be positive in the end.” Without any oversight or ability to review at least some of the parameters—I don't need to know whether it's an eight-speed or a nine-speed transmission, none of the commercially sensitive stuff. But those basic numbers—jobs, productivity, that stuff—is quite generalized. Why can't we see that, and do you have any intention of developing a formula that is able to be reviewed by the public?

Hon. Brad Duguid: That information is made public when we make the announcement, so jobs retention—

Mr. Taras Natyshak: It's anticipated information. You hope that it gets there. But through the measuring process through the term of the deal, where can we review it, and at the end, do we get to see whether it actually had the desired effect?

Hon. Brad Duguid: Yes, you will be able to see whether it has the desired effect, because when we make the announcement, we will determine how many jobs are retained, how many jobs are committed. We'll determine what our investment would be and what the private sector investment is planned to be. Beyond that, there would normally be details of what we're investing in, whether it's next-generation robotics or something like that.

Mr. Taras Natyshak: Again, you're talking about pre-investment; I'm talking post-investment, when it's all wrapped up, after the ribbons are cut and the fund has been exhausted and the company's spent and they've either made their investment or the capital has run out. The evaluation of the final deal: That's what I would like to see, and I think that's what taxpayers would like to see as well.

Hon. Brad Duguid: Well, all of that is subject to either a combination of the estimates, you know, audits and all of that, so—

Mr. Taras Natyshak: Well, wouldn't it be subject to, again, your scorecard? Could we just not see a snapshot of the scorecard on the evaluation? I'm going around in circles here, which is a little bit frustrating.

I'm going to switch over to—

Hon. Brad Duguid: It's kind of frustrating for us, too, because if you're thinking that we could release all of the information that the ministry puts together regarding a company and the discussions and negotiations that go on, there's no company in the world that would do business in Ontario if they had to reveal all of that information that their competitors could look at in terms of where that company is going and what the fiscal position of that company happens to be at the time. All of that kind of information is highly commercially sensitive.

But if you're asking in general, would we be able to let you know or make public what the report card looks like in general—if you're asking that, that's something that's certainly very doable.

Mr. Taras Natyshak: I'm asking it on behalf of our communities and the public, who ultimately is the funder of these initiatives. I think it would be quite reasonable for you, as the government and the minister, to provide them with some accountability when those funds are initiated. I'm not talking, again, commercially sensitive stuff.

I've got to switch to another question.

Hon. Brad Duguid: Well, let me be clear: There's absolute accountability. We can tell you to a dollar every deal that we've done over the last 10 years, how many may have failed and how many haven't. It's something like maybe 2% total over 10 years, if not less, that have failed.

Mr. Taras Natyshak: You're talking about individual companies that have failed, or you've failed to meet the threshold—

Hon. Brad Duguid: Deals where the company has not met their objectives.

Mr. Taras Natyshak: So let's talk about that. That's my next question.

Hon. Brad Duguid: We can share that information in terms of where that's happened, and there are maybe one or two examples where it's happened.

Mr. Taras Natyshak: Of those two—you said that agreements contain clawback provisions I would assume that those types of companies were at some point clawed back within the funding if they failed to meet certain criteria. What are those conditions that warrant clawback, and when, exactly, has this happened? Can you tell us?

Hon. Brad Duguid: That would entirely depend on the particular deal. We're talking about a series of investments that have been made over a 10-year period now. So we're not talking about investments that have been made under the Jobs and Prosperity Fund; we're talking about investments that would have been made over a 10-year period. The biggest-profile one was Northstar—was it Northstar?

Mr. Taras Natyshak: Navistar?

Hon. Brad Duguid: Navistar.

Mr. Taras Natyshak: From Chatham; I'm familiar with it for sure.

Hon. Brad Duguid: It's going back in the past, so I—

Mr. Taras Natyshak: I remember it quite well. It's right in my backyard. Did we ever recover any of the money from Navistar?

Hon. Brad Duguid: Well, Navistar fulfilled much of their original obligation. They maintained a workforce there for a number of years beyond which they would have. I can get details on that. That's the kind of thing I can get details on. I've shared that in the House, but it's going back four years when I shared those details in the House.

Mr. Taras Natyshak: Minister, I'll tell you, I wouldn't—Navistar should be an example of where the

program failed in terms of supporting, I guess, a footprint.

Hon. Brad Duguid: So we should have given up on Navistar and let those folks just go out of work without trying?

Mr. Taras Natyshak: No, you should have made sure that Navistar's intentions, prior to initiating any funding, were to remain in that community. Because quite soon after you delivered public money to Navistar, they left. They laid off 1,100 workers—

Hon. Brad Duguid: No, that's not accurate.

Mr. Taras Natyshak:—been there for 30 years.

Hon. Brad Duguid: That's not accurate.

Mr. Taras Natyshak: Absolutely.

Hon. Brad Duguid: They stayed for many years.

Mr. Taras Natyshak: For a skeleton crew, and then they left Ontario for another jurisdiction.

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Hon. Brad Duguid: It's a perfect example of an investment that was made in order to make every attempt to keep an important business in this province. What it did do is it ensured that Navistar stayed longer than they otherwise would have—

Mr. Taras Natyshak: Did you recover any of the funds that were delivered? I think it was \$20 million. Was there \$20 million that was recovered from Navistar, ultimately? Close?

Hon. Brad Duguid: Again, I would have to go back and check to determine how much of the clawbacks actually were able to occur. Navistar did fulfill a good part of their commitment at the time.

Mr. Taras Natyshak: It's a contentious issue, and it's one that highlights where there are failures and the need for accountability.

Hon. Brad Duguid: I think the difference between you and I on this—and it kind of surprises me, as somebody from the community—is that you would have just given up on it and let those jobs go. We fought to try to do everything we could to keep the jobs here, with clawback provisions in place for the investment.

I had a number of altercations with your leader in the Legislature on this particular issue because I thought she would have been supportive of us fighting to keep jobs in that particular community. Instead, the response was more that we should have just thrown up our hands and—

Mr. Taras Natyshak: Minister, ultimately, over 12 years of your government, Navistar remains a skeleton of a facility. Under your watch, 1,100 jobs left the community of Chatham, Kent and Essex. To say that we were in any position to change any of your movements or any of your options when it came to supporting Navistar I don't think is quite accurate.

Hon. Brad Duguid: It was the lack of support from your leader in the third party that we found surprising on that particular issue.

Mr. Taras Natyshak: This is fun.

Minister, you mentioned jobs. Specifically, with Cisco and OpenText, there are some job figures that are

attached: 1,700 and 1,200. But you ultimately said that you don't focus on jobs through the Jobs and Prosperity Fund.

Hon. Brad Duguid: No, I never said that.

Mr. Taras Natyshak: You said that you don't want to turn it into a show; the government isn't focused specifically on jobs or—actually, I don't want to paraphrase you.

It seems as though the emphasis, through the Jobs and Prosperity Fund, isn't actually job creation; it's other thresholds in terms of productivity and investment and footprint. It doesn't necessarily equate to jobs. I'm wondering why specific jobs are not a serious part of the program.

Hon. Brad Duguid: That's not an accurate reflection in any way of any comments I've ever made on the Jobs and Prosperity Fund, especially this morning.

What we did talk about is the fact that there are a number of factors that would determine whether an investment is in the public interest or not in the public interest, or whether one investment is better than another investment, which is often where we're at today too, because there's a fairly significant pipeline of investment building in the province, which is good news.

What we talked about this morning is that some investments are investments that would certainly have some new jobs. Some would have some retained jobs. Some investments, often in southwestern Ontario, for instance—I think I used this example: Some of the big businesses in the chemistry industry in southwestern Ontario don't come with thousands of jobs, but they're incredibly important to the business ecosystem—particularly in the Sarnia and Lambton area and throughout southwestern Ontario. An investment of, for instance, \$10 million on the part of the province could get a multi-billion dollar investment in a chemistry plant. It might not come with hundreds or thousands of jobs, but it's really good for that community and the economy to do that. There's a really good return on that investment—

The Chair (Ms. Cheri DiNovo): I'm afraid, Mr. Natyshak and Minister, your time is up.

Minister, we now move back to you for a 30-minute response.

Interjections.

Hon. Brad Duguid: Is it moved to our side to ask questions, or do you want me to just talk for 30 minutes?

The Chair (Ms. Cheri DiNovo): Tradition is that it moves back to you for a 30-minute response.

Interjections.

The Chair (Ms. Cheri DiNovo): I'm just checking with the Clerk here. If the minister does not want to take his 30-minute time, then it goes to the official opposition for 30 minutes' time.

Hon. Brad Duguid: I'm happy to take my 30-minute time. I just thought that it was reverting to the government side for questions.

The Chair (Ms. Cheri DiNovo): No, it comes back to you for a response. That's the tradition of the opening of estimates, right?

Hon. Brad Duguid: Okay. That's fair enough. I appreciate that.

Mr. Han Dong: Chair?

The Chair (Ms. Cheri DiNovo): Yes, Mr. Dong?

Mr. Han Dong: Just a quick question: Would the government members have a chance to ask questions, or is that the next round?

The Chair (Ms. Cheri DiNovo): In the next round.

Mr. Han Dong: In the next round? Okay.

Hon. Brad Duguid: My apologies. I'm good.

Mr. Taras Natyshak: Chair?

The Chair (Ms. Cheri DiNovo): Sorry, Mr. Natyshak.

Hon. Brad Duguid: Let me just—

The Chair (Ms. Cheri DiNovo): Hold on.

Yes?

Mr. Taras Natyshak: So the minister speaks for 30 minutes, and then it goes back to the opposition?

The Chair (Ms. Cheri DiNovo): Yes.

Mr. Taras Natyshak: And then it comes to the third party.

The Chair (Ms. Cheri DiNovo): That's right, 20 minutes each. Then we're into the 20-minute rotation at that point.

Mr. Taras Natyshak: Thank you.

The Chair (Ms. Cheri DiNovo): We're chewing up your time, Minister.

Hon. Brad Duguid: No, that's great. I never have a shortage of things to say, Madam Chair, so it's not like I was shy. I just wanted to make sure that I understood what was going on.

I want to talk a little bit about the importance of government support programs, because there has been debate on that. Some of it is philosophical debate through the years, and different people have had different views. Different economists take different views on this.

There are a lot of ways you can support businesses and growth. We try to support businesses and growth in as many ways as possible. One is, of course, trying to make sure that we have a very solid and, in fact, globally competitive, if not the most competitive, talented labour force available to them. Certainly I can talk more about that in a bit.

The other way is making sure that we're a competitive place to invest. That means paying close attention to corporate taxes. It sometimes is good politics to say that we could increase spending on this or that if we were to whack businesses with corporate taxes, but I've got to tell you, as somebody whose job it is in many ways to go out and seek investment from companies around the world, the fact that we have one of the lowest effective corporate tax rates in North America is an incredibly important selling point for that investment. Companies do look at that. They look at the costs of doing business in a jurisdiction, so that's an important piece as well.

They also look at things like infrastructure. Is it an area that is investing in their infrastructure, or is it an area where, when we locate a plant there in the next five or 10 years, we're not going to be able to move our trucks around on highways, or our freight around on

trains, or however else they move their goods and services around? Or are their workers going to be able to get to work? They look at infrastructure as well, and competitive infrastructure, probably more than ever before, is a consideration in some of those investment decisions.

They look at a number of other different things. “How is depreciation treated?” We’ve got pretty good initiatives that we’ve taken in recent years here to allow accelerated capital depreciation, which provides businesses with more incentive to invest and modernize their plants.

But the fact of the matter is that in the global economy, in the competition that takes place globally for these investments, it often comes down as well to jurisdictions that offer incentives for businesses to locate. Ontario is either in the game or not in the game when it comes to this. We refer to this, more or less, as “business supports”; I think that’s what most people refer to as business supports. Through the years, in order to gain these investments and in order to ensure those investments don’t go to other places, we’ve engaged in these business supports in many different ways.

But now, with the advice of Don Drummond, we’ve consolidated our efforts under the Jobs and Prosperity Fund. That was also a recommendation of the Jobs and Prosperity Council, a business-oriented council with some representation from labour that was put in place to give us recommendations. That was their recommendation, and we’ve fulfilled that. We’ve set aside \$2.5 billion in this fund—that includes projects from the past—that is now utilized over the next 10 years for these business supports, so that we don’t have a number of different programs to go to; we have the one program to go to. It makes it easier for business. It makes it easier for accountability, for even the opposition to know that we don’t have a bunch of different programs these are under. We can actually monitor them much better and easier.

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Through the years, when we look at the supports that we’ve provided—we talk about manufacturing and if manufacturing is important to us. When we’re trying to get a manufacturing plant—whether it’s an auto assembly plant or whether it’s keeping an auto assembly plant here or whether it’s an auto supply company or whether it’s an ICT company that does manufacturing—since 2004, we’ve invested about \$1.4 billion in business supports. That’s a significant amount. That has leveraged \$15 billion overall in private sector investment. The total jobs that those investments will have created is 60,000 total jobs, and that’s in manufacturing alone.

I would say to those who don’t support those types of job supports—some in the Legislature have and some haven’t—that it’s an important element of our tools. It’s not the only element. We have got to be competitive in a number of different ways. But it’s that deal-closer that you need to do in order to ensure that another jurisdiction that’s close to us in competitiveness doesn’t either steal some of those potential investments here or take away some of those investments that we would have otherwise received.

When we look at total business supports outside of manufacturing, the picture is even more interesting. We’ve invested \$2.6 billion overall. That has leveraged \$26 billion in private sector investment. It has created 27,320 jobs and retained 114,744 jobs. That’s important. That’s an important part of our economy.

When we look at our job performance since the recession, we’re looking at 560,000 net new jobs created. These aren’t just the jobs we’ve created and we’ve lost others; this is the net of jobs created and jobs lost. Every day, in jurisdictions around the world, businesses make decisions, businesses change and sectors change, so you’ll see jobs go up and down, but the key is, for a jurisdiction, that net figure. Are your jobs going up? Over 560,000 net new jobs have been created.

We’ve contributed to some of that through our business support programs. I would never make the claim that all of our investments have come through that. We’ve managed to attract investments where we don’t have to put incentives forward. Often, that’s the case when the competition in that particular sector isn’t as fierce and other jurisdictions aren’t involved. The jurisdictions where you tend to see a lot of competition with incentives would be aerospace—you’d see a lot of that; jurisdictions will offer very good incentives for aerospace investments. Auto, in particular—huge incentives are being offered in places like Mexico and the Deep South in North America and other places around the world.

I guess my suggestion and argument is that we need to continue to be in that game. We need to continue to provide those business supports. My friend from the NDP Mr. Natyshak and I had some good exchanges just recently on some of the business support programs. But he’s not suggesting that we not have those programs, and I think that he’s doing his job. We need to be accountable for the dollars that we invest.

That’s why the deputy has talked about and we’ve talked about the importance of our internal decision-making processes: that they’re thorough; that when we go to the Treasury Board for these approvals, we have a prioritization-ranking process so we can tell one investment from the other. The importance to us in doing that is that our pipeline has been growing substantially and quickly. That’s a challenge for our ministry because we have more projects that we have to analyze and bring to Treasury Board for approval, but it’s a good challenge to have because it means it’s a sign of greater investment happening in this province.

I can tell you, it’s a heck of a lot busier now than it was when I took this post on the first time around, which was shortly after the global recession, if I recall. So the pipeline is much, much larger now, and what that’s done is, it’s given us the incentive to say, “Look, even if something’s a good project, we may have better projects available within that pipeline that we need to fund.” So we need to spend a particular amount of time assessing which projects give us the better rate of return for the taxpayers and investment.

We always have clawback provisions in these types of agreements with businesses. Generally speaking, it’s

milestones they have to meet. You can rest assured that if they don't meet those milestones—we don't always immediately impose a clawback provision. We'll determine why. Is it a temporary problem? Is it a contract they temporarily lost and will be able to regain? We're in the business of creating jobs and economic growth, but at the same time, we're very stringent on ensuring that the commitments that businesses make they ultimately fulfill. Our track record has been very, very good. We have very few examples where businesses haven't fulfilled their commitments.

The same is true of the regional economic development funds, which have been very important. I know that when they came into place, there was controversy in the Legislature about them. I think one party fought very hard against them, didn't like them. Two parties in the Legislature were supportive of it. In all now, we've invested about \$120 million through those funds. These are projects in much-needed areas in the province. Southwestern Ontario and eastern Ontario have leveraged about \$1.3 billion of private sector investment, which is a pretty good ratio of bringing in private sector investment.

These aren't moving jobs around Ontario. Let's be clear on that. These are opportunities to bring in investment, often from offshore or often from other places. In some cases, they're consolidations of businesses that are consolidating in a place here in Ontario when they could have gone somewhere else. In some cases, they're businesses that are growing and expanding, and we're investing in growth, which is really important.

The key here is where we invest these dollars. Places like Windsor have seen a great deal of help through the regional economic development funds—southwestern Ontario. The funds have really grown out there. The demand has grown out there.

I see Ms. Kiwala there wondering what's going on in the east. The east started much the same way—a huge appetite for the Eastern Ontario Development Fund when it was initially put forward. It's more or less stabilized now. It still continues to do well and help businesses in the east. But in the southwest, we've seen this past year a lot of appetite for growth in that, which is something we certainly welcome.

The vast majority of these investments have been in manufacturing, which makes sense, in eastern Ontario and southwestern Ontario. The vast majority of those investments have been in manufacturing. In all, we're looking at about 31,000 jobs created or sustained—or, sorry—yes, 31,000 jobs created or sustained through those programs.

The nice thing about the regional economic development fund programs is they're fast—very quick approval processes for them, which is good, especially for small and medium-sized companies and for communities. When they identify potential opportunities, they come to us quickly.

We want to get the same level of agility with all of our programs in our government. The Jobs and Prosperity Fund was a step forward in doing that. It's important that

we're agile. I said earlier on that we want to make Ontario one of the easiest places in the world in which to do business, because we've got lots of competition.

We used to be able to, as a jurisdiction—Ontario, in the auto sector, was just the place to be. It's either Ontario or Michigan; there wasn't a lot of alternative in North America, really. In generations past, the investments were going to generally come here. It was a good climate. We had great talent. We had a great workforce. We produced great cars. There wasn't that global competition drawing jobs all over the place.

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Times have changed. We need to fight for those investments and reinvestments now. We're in stiff competition with other jurisdictions.

I can tell you, though, when it comes to the auto sector—and I had the pleasure of touring Japan just recently. In fact, as I said earlier, I just got back from 19 days on the road. The first eight days were in Japan; the rest were in Hong Kong and China. But when I was travelling through Japan, I was touring with Ray Tanguay. Ray was recently appointed as our special adviser for auto. I can tell you that he's doing it for free, which is great, for him to do that. It's incredibly valuable to have somebody from the private sector with his stature going out globally with us and talking to folks about something that I call a perception-and-reality discussion.

The fact of the matter is, jurisdictions like Ontario and Michigan have been seen as part of the higher-wage, higher-standards environment. It is true that in Ontario and Michigan, our wages tend to be very competitive. That's not a bad thing; that's a good thing. That's a sign of a healthy economy and a healthy society, when wages are healthy. Today in Mexico, the wages for Mexican workers are less than the wages in China. That's not where we want to go. We want good-quality workers who are well paid, fairly paid for what they do, but we still need to be competitive, and what I want to share with you today is the fact that we are competitive.

That was the message that Ray Tanguay and I were taking to over 25 companies that are invested here in Ontario from Japan: not just Toyota and Honda and Subaru and others in terms of just the manufacturing companies, but a lot of the auto parts companies as well in the supply chain that's so important to our ecosystem here. What Ray put together, in conjunction with my ministry, was a one-pager on why we are competitive that we could pass out as we went through those meetings.

We're competitive on corporate tax rates—very competitive. In fact, we have the most competitive tax rates of any jurisdiction in North America when it comes to effective corporate tax rates. As I said before, that's a big consideration for these companies and they always like to hear that.

We also give more bang for our buck for our R&D budget, and that's really important too. We can take some credit for that because we have one of the most generous tax credits for research and development anywhere in North America, but we do have federal partners who are

important in that as well. So we're a jurisdiction that has tax credits both from the federal and provincial governments—among the best. In fact, tax credits generate about 40% to 60% savings in R&D for businesses. They are very generous, but you need that because a lot of these sectors are now going into advanced technology.

So where is the auto sector? In the auto sector of today, Ontario and Michigan continue to produce more cars than anywhere else in North America. There are some that seem to think, for some reason, that all the cars are now being produced in Mexico and the Deep South. The fact is that most of the growth in the sector has gone there; a lot of the growth in the sector has gone there. We're fighting now to win some of that back, but the fact is that we're still, by far, producing more cars than anywhere else in North America, which is a good thing. But that's in today's economy and that's today's cars.

The whole auto sector, like other sectors, is in full disruption, so you need to have strengths in artificial intelligence. You need to have strengths in sensor development. You need to have strengths in the connected car. You need to have strengths in clean tech, in things like hydrogen fuel cell technology and the electric vehicle. You need to ensure that you have companies in your jurisdiction that are looking at and operating and doing research and development in areas like the driverless car or the automated car. Those are six areas of absolute disruption going on in our auto sector today. We're very fortunate here in Ontario that we have strengths in almost all, if not all, of those areas.

Part of that is through our post-secondary system, where we have nine universities and 24 colleges working on these issues, working intimately now, much more than ever before, with the sector. Part of it is in some of the innovation hubs we've built through our innovation accelerators, some on campuses—many very successful on campuses—some off campuses, like Communitech. They work very closely with universities, but they're still independent. They're a real driving force now for our start-ups to be able to get the scaling that they need to be a player in this next-generation auto sector.

It's an exciting time now in auto. I've said this in the past. Our choice as a jurisdiction in auto and other sectors as well is either to find ways to drive that disruption through our economic development policies, our infrastructure investments and our investments in innovation or to be driven right over by them, because that's exactly what's going to happen to economies throughout the world in the next—we're not talking 20 years from now or 10 years from now; we're talking now. Driverless cars: The technology is there. I drove one when I was in Japan at Subaru, where they actually had me go up to a barrier at full speed, not touching a thing, and just pray that the technology worked, and thank God it did—maybe not thank God it did; I wouldn't be here otherwise. You might have another minister appearing before you.

It's amazing. The technology is there, but it needs to be tested. We want to be a jurisdiction that welcomes that testing. That's why the Minister of Transportation and I,

just before we left for our trip to Japan and China, announced that Ontario roads would be open for the testing of autonomous vehicles, with restrictions to protect public safety and that kind of thing. But we want to be seen as one of those jurisdictions that is open to that kind of innovation. It has had rave reviews around the world. To be frank, it's amazing what a relatively minor regulatory change like that can do to helping your reputation. Tesla was blown away by the fact that we were the first jurisdiction in the country to do that. There are a few states that have done that already. But even over in Japan and China, companies were praising us for being proactive about this. So we're very happy about where that's going.

The price of our dollar is another huge competitive advantage for us, and it's stabilized now. I always say that I never want to count on that as a competitive advantage; I want to use it as a bonus. I want us to be competitive no matter what the currency happens to be at or what commodity prices are at. But the fact of the matter is, right now the price of the dollar is at I think, traditionally, the level we expect it's going to be at for some time. So that's a huge competitive advantage for us.

Our health care system is another huge advantage. Ray Tanguay has indicated that it's about a \$500 value per car—I'd have to check that particular figure. It's a huge competitive advantage for us, especially vis-à-vis the US and somewhat with Mexico as well. We often don't talk about that when we're talking about all-in costs. We can't just talk about the price of labour. We've got to talk about your all-in costs, because after all, that's what a shareholder for those companies that are looking to invest is interested in. How much investment are you going to bring back? How much revenue are you going to earn? If you're not talking about all-in costs, then it's only a partial indication.

Cost of energy is something that traditionally we don't talk about as a competitive advantage. I don't see it as such. I see it as something we're holding our own on. The indications are and the information that we have would suggest that we're about in the middle of the road now when it comes to comparing US states and definitely Mexico—

The Chair (Ms. Cheri DiNovo): Minister, you have about five minutes left.

Hon. Brad Duguid: Oh, okay; that's good—but the fact of the matter is we've made a lot of the investments that the US economies now have to make. By getting off of coal, as challenging as it was and in some ways costly, as it has to be—because coal is really cheap. There's no question: Coal is the cheapest way to provide power. But by getting off of coal, we are now ahead of the curve. We've incurred those costs in our energy system. Other jurisdictions that are moving off of coal—and they are, in the US; that's something that's going to be a competitive disadvantage that they're going to face. The cost curve now for those jurisdictions is higher than the cost curve now for this jurisdiction, which is something that businesses understand and appreciate.

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The other area where we're extremely competitive, and we can be very proud of this: We make the best-quality cars anywhere in the world today. It's easy for the minister to say that; obviously, we're biased. But the J.D. Power awards are really what tell the story. The J.D. Power awards are the awards that are given out to the best-quality plants in the world, particularly in North America. Ontario has won 29; Kentucky has won 13; Michigan has won 11; Ohio has won seven. Mexico has won three—three. We've won 29—almost 10 times more.

When you look at the jurisdictions that I've talked about that have won these things, they're generally all in that upper state-Ontario cluster. We are really one big auto cluster, when you think about it. That's something that we want to continue to remind investors: "If you really are concerned about quality, you'd better think twice before you make investments in jurisdictions that don't have a great reputation for that."

You can look at that in a number of different ways, but we're seeing record sales across North America when it comes to auto again this year and in the previous year, and that's great news. It's good for production. Most of our auto plants are humming along at pretty close to full production, if not full capacity, which is good right across North America. The fact of the matter is, it has also been years of record recalls for vehicles. I'm not here to trash Mexico, but a good part of those recalls have come from mistakes or lack of quality out of some of those plants. I know it's almost un-Canadian to be aggressive like that, but I think this is a strength for us, and we shouldn't hesitate to say that if you want to set up an innovative, new, connected car, there's nowhere else in the world that you can do that, where you've got the peace of mind of knowing that you're going to have innovation right down to the plant floor.

Companies recognize that. That's where our auto sector, by and large, is going now. Look at the next-generation Honda. That's not being produced anywhere else in the world but Ontario. They're going to Alliston to do that. They go to their best plants to do that first-generation vehicle, because those plants are capable of innovating and making sure those cars come out as a success.

The same with Toyota, their next-generation Lexus, their premier car: They're not trusting that anywhere else in the world but here in Ontario. That speaks to the quality.

I've talked about our education workforce, which is also our competitive advantage, but Great Lakes cluster production is something that is often misspoken about. We do produce the most cars in North America. We continue to. We're sustaining what we have. We've seen two and a half billion dollars of investment in our auto sector in Ontario over the last 12 months—good news.

I'm not satisfied with that. I want to see us starting to win some new mandates. I want to see us more aggressively going out and seeking those mandates. Certainly

sustaining what we have now is our first priority, because what we have now is good, but I think we can do more. I think we are competitive. When I go out with Ray Tanguay and I talk to the presidents and chairmen of these companies—and in most of these meetings, if not all of them, we're with the decision-makers—I can tell you, once we've gone through the presentation that I've just gone through with you in detail, they look at us and say that they do need to rethink some of the decisions they've made with regard to future North American production, which is good news, because that's exactly why Mr. Tanguay and I set out with this initiative. It's to sell Ontario, but it's to inform these really important decision-makers about the fact that—

The Chair (Ms. Cheri DiNovo): I'm afraid, Minister, your time is up.

Hon. Brad Duguid: —we remain competitive; very competitive. Thank you.

The Chair (Ms. Cheri DiNovo): We now move to the official opposition. Mr. Harris.

Mr. Michael Harris: Good afternoon, Minister, Deputy and staff. Minister, I think there has been some significant interest over the Jobs and Prosperity Fund. That fund, \$2.5 billion over 10 years: Are we in the first or second year of that commitment? It was announced in 2014, right? So are we in the first fiscal year of that?

Hon. Brad Duguid: It was announced in 2014. I'm going to check with the deputy to get the date on when it would have been implemented. When you announce something, you still have to go through the process of setting it up, and then we have to consolidate the other funds, like the SJIF and others—

Mr. Michael Harris: So, Deputy, it was contained in the 2014 budget?

Mr. Giles Gheron: That's correct, sir. It was, actually, officially launched on January 7, 2015. It was announced in the budget and what was then the architecture of the Jobs and Prosperity Fund—all the rules and so forth—were put in place.

Mr. Michael Harris: I'm assuming that there were commitments made prior to January for investments out of that fund—right?—like, for instance, the Cisco and OpenText deals.

Mr. Giles Gheron: Correct.

Mr. Michael Harris: I was wondering if you could tell us the commitments that have been made out of the Jobs and Prosperity Fund and their dollar values. Who was a recipient and what is the dollar value, up until today? I don't know if you have that handy, by chance. I'll make it easier: Just provide to the committee a list of Jobs and Prosperity Fund recipients up until today, and a list of the commitments that were made.

Hon. Brad Duguid: Let me roll through the recent ones, anyway. The only reason I would hesitate is, just in case, there might be something that I don't have on my list. We'll be happy to provide you with the full list. I know we do have one; I've seen it.

I have a number listed here—we'll give you the information, but I'll just rattle off what I have. We made

an investment with Honda in Alliston: \$85.7 million, which accrued \$857 million over four years in private sector investment; OpenText, which was done in April 2014: \$120 million to support an investment of \$2 billion—I can give you more detail on each one if you need it, but I think that’s what you’re looking for; Cisco, December 2013: \$220 million, done in two phases, for a total investment of up to \$4 billion over 10 years; Ford, September 2013: a \$70-million investment that accrued \$709 million over four years; Ubisoft, which turned out to be a real anchor in our digital media sector: a grant of \$263 million, back in July 2009, over 10 years—a portion of that would be coming out of the JPF as well; Toyota, going back to July 2015, Cambridge and Woodstock: \$42 million to support an investment that I don’t happen to have—

Mr. Michael Harris: The \$42 million is fine.

Hon. Brad Duguid: Linamar would have been a recent one, as well, in 2015: \$50 million, for a \$506-million investment. There may be others—

Interjection.

Hon. Brad Duguid: Go ahead, Deputy, if there’s anything else.

Mr. Giles Gherson: The minister has listed the projects that were incorporated under the JPF, although they had been originally committed under pre-existing programs. The two that the minister cited that have been under the JPF were Toyota and Linamar. There’s a significant pipeline, though, that has not yet been announced. They’re pending.

Mr. Michael Harris: These deals or these commitments, obviously, range over the course of—they could be multi-year deals, up to 10 years. The payments, for instance, with Cisco—\$220 million—could be over 10 years?

Hon. Brad Duguid: Correct.

Mr. Michael Harris: You did talk about milestones, and I think that’s what my colleague and I on this side are most interested in—not about, perhaps, who the recipient is and what it was used for. We obviously care about what it was used for. Specifically to Cisco, \$220 million—I’m wondering how much of that has been paid out to Cisco as of today. Can you tell the committee that?

Hon. Brad Duguid: I don’t think very much at all, but I can check on that. Yes, that’s still in the development stage.

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I can tell you that I was recently down at their offices. They’ve had a change in their president in Canada, and they’ve had a change in their CEO as well. Their CEO, John Chambers, is now their chair, so we wanted to reconnect with them to make sure the company is still going in the same direction and they are going to continue to make Ontario their research and innovation hub.

Mr. Michael Harris: So has any money flowed from that \$220 million to Cisco yet?

Hon. Brad Duguid: I’m checking to see if any has, but I’d be surprised. If there is any, it wouldn’t be very much, because they’re still in the process of developing that plan.

Mr. Michael Harris: But that funding announcement was back—you made that commitment last year, prior to the election, right?

Hon. Brad Duguid: Yes. I can probably give you a date as to when it was committed to, but it was—

Mr. Michael Harris: Is that typical, for a recipient like Cisco to have a commitment of \$220 million, and yet well over a year and a half later no money has—

Hon. Brad Duguid: Yes, it would be for that type of an investment, because for them it’s a very long-term strategy in terms of setting up their research and development hub for smart cities here. They’re in the process of restructuring a lot of the work that’s being done globally. This wasn’t like some of the potential auto investments, for instance, where they are going to upgrade their facility. Often those investments will occur a lot quicker; once the money flows, they make their investment and off they go.

This one is more of a—that’s why it is over 10 years. We wouldn’t allocate that funding until they start coming forward with their rollout in jobs and things like that.

Mr. Michael Harris: Obviously, a big part of this is to ensure that not only do we retain the jobs, but new jobs are being brought into the province.

Hon. Brad Duguid: Right.

Mr. Michael Harris: I’m not sure if one of your staff members brought you the actual figure yet in terms of how much money has been spent.

Mr. Giles Gherson: The answer, as the minister said, is that no money has flowed.

Mr. Michael Harris: No money has been spent.

I hope you can tell the committee the commitments that the government negotiated with Cisco in terms of the actual jobs. They said it would create 1,700 jobs, I believe. That’s what the actual hard deal was, right? It was \$220 million that would create an additional 1,700 jobs. Is that correct?

Hon. Brad Duguid: That was the minimum, yes, but my expectation and the expectation of Cisco is that it would be significantly more than that as they move forward.

Mr. Michael Harris: Obviously, we all know about the significant layoffs that Cisco have made. I believe there were 6,000 people. I’m not sure if that’s spread over Cisco globally or—

Hon. Brad Duguid: It was. That was global. In fact, I’d have to check to see if there was any impact on Ontario of that.

Mr. Michael Harris: Yes, that would be my next question, if you know of any impact in Ontario for Cisco.

Hon. Brad Duguid: I’d have to check to see. I don’t believe there was, but I’d have to check to see. But that was part of this restructuring the company was doing, and in some ways some of those jobs were flowing globally into Ontario over this expansion plan for their research.

Mr. Michael Harris: So I guess if there has been no money flowed to Cisco, it’s hard to ask—you talked

about those milestones. It's hard to ask if they've actually met those.

I guess the next big one would be OpenText: \$120 million, a commitment there for 1,200 jobs. Has any money, as of this date, been issued to OpenText as part of the Jobs and Prosperity Fund, or the commitment that was made to OpenText to the tune of \$120 million? Has any money flowed to OpenText?

Hon. Brad Duguid: I can't imagine—that was very recent and they're still in the process of developing it.

Mr. Michael Harris: That was right before the election too. So that's about a year and a half now as well.

Hon. Brad Duguid: Yes, but it was right up near—in fact, it was April 2014. Again, it's a longer-term play. So I would have to check and see if any money has flowed at all, because there might be some additional dollars.

Mr. Michael Harris: Yes. So if we can make a note to committee that we'd like the minister or ministry to report back to the committee as to how much money of the \$120 million has flowed up until now to—and I won't just pick on OpenText and Cisco, but all of the companies that he has mentioned today, like Honda, Ford, Ubisoft, Linamar etc., because he'll provide the list of all the recipients in that.

Now, the Jobs and Prosperity Fund had basically three categories to it, right?

Hon. Brad Duguid: Yes.

Mr. Michael Harris: It was going to help private sector companies improve their research and development capacity—a strategic partnerships stream that is aimed at funding and building partnerships between government and innovative entrepreneurs. There's also a food and beverage stream that is meant to help the province's food manufacturers improve their productivity and help them gain access to new markets.

We see here on the list a lot of manufacturing and software companies. When you look at that third category of the food and beverage stream, how much has been committed, as part of the \$2.5 billion, to that industry or that sector?

Hon. Brad Duguid: I can certainly see if we can get that information for you.

Mr. Michael Harris: You don't know any off the top of your head?

Hon. Brad Duguid: No, that stream is still fairly recent that has been approved—same with the strategic partnerships stream. It's fairly recent that we've gone through Treasury Board and got the approvals to move forward on those aspects. It's really early days for those funds. I couldn't confirm at this point in time if any projects have been passed through. They may well be in the pipeline at this stage but I'd have to check with the deputy. We can get that information.

Mr. Michael Harris: Is this typical? We're going to go into almost the next budget cycle; it's two years since this was first embedded into a budget, and yet not a lot of the money has actually flowed. Is that typical?

Hon. Brad Duguid: It's very typical because it takes time for a company to determine what their plans are

going to be. It takes time for us to negotiate an agreement with them. Often a company doesn't come here and say, "I'm just about to make an investment and I'm going to put a shovel in the ground in a month." Generally speaking, what they'll say is, "I'm going to make an investment in the next five years or the next three years or 24 months"—and that's usually tight—"somewhere in the world, and we have Ontario on our short list. You're competing with Mexico, you're competing with Brazil and you're competing with Poland. This is what they're offering us"—or we try to find that out, and then we get into negotiations with them. Once you get a fund approved, it would not be unusual to go 12 to 24 months—maybe even longer—before you start landing some of these deals for sure.

Mr. Michael Harris: Does it concern you when you read about companies that your government has made significant commitments—when you hear of or read of significant layoffs within those companies? OpenText, unfortunately, announced layoffs, and Cisco. What do you—

Hon. Brad Duguid: Whenever we hear of a layoff of any worker in Ontario we're always concerned and we're always concerned for that worker and their family. But I know, as somebody who does have an understanding of business, the fact of the matter is that our economy is changing very fast, and these companies are changing with that economy.

When you're dealing with a company like OpenText, for instance, they're going into some brand-spanking-new sectors and fields in cloud technology. Some of the people that company set up with 10 years ago, when we initially were helping them become a billion-dollar company, are not the right people they need, necessarily, with the skills that they need to be able to go into this new area.

Our choice with the OpenText investment was: Do they do their cloud research and the thousands of jobs that that's going to create here in Ontario, or do they do it where they were headed to, which was somewhere in the northern US, if I'm not mistaken? They're a global company, with a global board. As much as they were founded in Ontario and their head office is here, the fact of the matter is, they think globally. They were headed to that US jurisdiction. Through our funding, we were able to convince them that Ontario was the best place for them to do these jobs.

As that company changes course and upgrades what they do in terms of cloud computing and becomes a leader in cloud computing, you're going to see some transition in work staff. It's unavoidable. In fact, if we were to stand in their way to do that, what we would do is sentence them to be in a position where they have a workforce that can't fulfill the skills they need as they move into these new, disruptive areas of technology.

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The Chair (Ms. Cheri DiNovo): Mr. Harris, you have just under five minutes.

Mr. Michael Harris: Okay. You did make reference today that sometimes on occasion companies receiving

grants or loans don't always meet their contractual obligations. I understand from your comments earlier that there's some discussion with those companies and they're not hard penalties that are perhaps imposed on those companies, and I appreciate that perhaps. I'm wondering if you can give a list to the committee of any of those milestones on the ones you actually spoke to: What companies in fact did not meet their obligations and has the ministry used any of their clawback measures at their disposal? I wonder if you can provide that to the committee.

Hon. Brad Duguid: I can tell you that there have been very, very few that haven't met their milestones in our program.

Mr. Michael Harris: But you did mention that there were some. Can you actually provide to the committee who they were and if in fact there have been any clawbacks issued for those companies?

Hon. Brad Duguid: I may be able to do that, and I'll check with the ministry to ensure that that's something we're able to do. I'm not aware of a reason why I couldn't—

Mr. Michael Harris: I'm not either.

Hon. Brad Duguid: Always, on these matters, I turn to the deputy in terms of ensuring that we're not releasing things that are commercially sensitive.

Mr. Michael Harris: No. I think that if companies are going to take public dollars, as legislators we are asking you, the ministry, where those dollars are being invested. If the commitments that you made to those companies are not met and there are clawback provisions within those deals—I'm just asking for you to give to the committee the information as to who those companies are and what the clawback in fact was. I think that should be easy.

Hon. Brad Duguid: Yes, and I can tell you that you'll be relieved to know that—

Mr. Michael Harris: And I hope I am.

Hon. Brad Duguid: —somewhere in the high 90% range—around 97%—of the deals we've done have seen all of those measures met—and, more often than not, exceeded, which is good news for Ontario taxpayers. In those very few exceptions where a company has gone in the wrong direction—we've had a couple that I'm aware of in many, many deals through the years, and that was some time ago. We haven't had one for a long time—

Mr. Michael Harris: Yes, and I just want to make a reminder that those commitments that you talked about—hopefully you can get to us the amounts, the names, and, as of right now, how much has actually been given to those companies.

I think I'm just about done.

The Chair (Ms. Cheri DiNovo): Two minutes.

Mr. Michael Harris: Oh, I've got two minutes.

Just quickly, last year during estimates you stated that the government was looking to reduce the downtown footprint of government-owned facilities, stating that they were about 35% of the way through achieving this. I'm wondering if you can tell us and update the committee: As of last year, how many total positions have

you in fact moved out of the downtown? I believe it was positions.

Hon. Brad Duguid: I'm sorry.

Mr. Michael Harris: Pardon me?

Hon. Brad Duguid: I missed the gist of your question.

Mr. Michael Harris: You had said last year in committee—stated that the government was looking to reduce their downtown footprint.

Hon. Brad Duguid: Right.

Mr. Michael Harris: Like the LCBO, for instance etc. You said that you were about 35% of the way in achieving that last time this year. I'm wondering if you can update the committee on your progress of reducing the overall downtown footprint.

Hon. Brad Duguid: That may be something that our ministry can produce for you. It continues to be a work in progress, but I'll certainly—

Mr. Michael Harris: Yes, if you can update—

Hon. Brad Duguid: I'll endeavour to see if we can dig up that information—

Mr. Michael Harris: Yes. From the last committee to this committee, what has been done in terms of reducing the overall downtown footprint within the downtown core, which is kind of a follow-up question in the minute or two minutes that I had. I remember asking that question last year, and I just figured I'd come back at you and see how much progress you've made since we had the pleasure of last seeing you.

Hon. Brad Duguid: See if we've made progress on that. Sure. We'll see if we can come up with that information.

Mr. Michael Harris: All right.

Hon. Brad Duguid: It all depends on the timing of that. Those are reports they do, I expect, on an annual basis, but I'll ask the deputy to see if his administration folks can come up with—

Mr. Michael Harris: I'm sure they'll have the numbers there.

The Chair (Ms. Cheri DiNovo): I'm afraid you are out of time, Mr. Harris.

Mr. Michael Harris: All right. Thanks.

The Chair (Ms. Cheri DiNovo): We now move to the third party. Mr. Natyshak.

Mr. Taras Natyshak: Thank you very much, Chair. Ray Tanguay is not being paid for the work that he's doing. How is that possible?

Hon. Brad Duguid: He's an incredibly generous guy who has had a great career in the auto sector and has done Ontario and Canada proud, and he feels that it's a time for him to give back. I think, as this is a new position that we've brought on, it's something that, ultimately, as Ray is doing his work and as we look at the value he's bringing, we may well at some point decide to make this a paid position. We could have. I think Ray just wanted to contribute and give back. He's just retired, and he was willing to donate his time, which was phenomenal because it's more than a full-time job. It's incredible.

Mr. Taras Natyshak: It's a little bit frightening, because I know the work that he's done. I know his reputation. He's wonderful.

Hon. Brad Duguid: Right. We lucked out.

Mr. Taras Natyshak: You'd think that you'd want to have—retaining somebody like that and make sure that they have all the resources.

I guess what I'm alluding to, Minister, is that you and I have spoken many times about the creation of a specific auto czar that would have the mandate of the single window that you referred to, that we referenced earlier, for the auto sector. Somebody of Ray's stature would be the perfect person to do that, but I would think that the government would want to hire that person so that there was a level of comfort that he's being remunerated, and also that the resources built into an auto czar-type of a person would be there to attract that investment.

Hon. Brad Duguid: Ray does have the resources around him.

The development of this role came out of a recommendation from CAPC, which we worked very, very closely in developing. The idea came out some time ago, and we were supportive of the concept. We worked closely with CAPC as it evolved and as they gained consensus in the sector as to what that position should look like. They wanted it not just to be an adviser to the provincial government—the provincial and federal governments. We were able, over time, to get the federal government to agree. I would suggest that it wasn't that the province wouldn't have been willing to make it a paid position; it's just that that's the way it evolved, and Ray was willing to do it as part of his contribution. But it's a significant position.

The term you referred to for the position is exactly what we put in place, but I won't use that term because I think it's kind of offensive to call it that.

Mr. Taras Natyshak: Sure, sure. It's a term that's used in Michigan for their equivalent.

Hon. Brad Duguid: Yes, and we deliberately said that's not what we're going to call it. The best we came up with was a special adviser, which I think actually belittles a little bit, in terms of the description, the kind of work that he's really doing. He's doing very significant work at a very high level globally for us.

Now, Ray is putting together as well his strategic plan moving forward. That's part of the work he's doing. Once he does that work, the role could evolve even more. It's still something that Ray wants some time to consider. We're going to try it and see how it goes. So far it has been very effective.

Mr. Taras Natyshak: I think, given that CAPC has requested and asked for that position to be created and the government to champion that, both at the provincial and federal level—I understand that there was some hesitation and trepidation at the federal level. Now that, hopefully, that has subsided, do you not think that it would be a signal to the industry overall that the government is going to legitimize and codify that type of position? Again, the single window, as we know exists in

other jurisdictions, that streamlines the process of manufacturing and accelerates bringing new products online and capital investments: Are you going to do that, and when?

Hon. Brad Duguid: I couldn't stress enough that with the appointment of Ray Tanguay as the special adviser for auto we're doing exactly what we and CAPC had set out to do. Whether Mr. Tanguay would have taken a salary or not doesn't in any way indicate that what he's doing is not extremely relevant and important, and that we won't provide him with whatever supports he needs to do that. So at some point in time, it may well be that we'll consider whether it should be a salaried position. That wasn't Ray's intention.

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If somebody of that magnitude offers to do this kind of work without a salary—to be honest, frankly, the reason Ray probably preferred to do it the way he did is he didn't want to have the opposition or others yakking at the fact that he's bringing down a salary. He didn't want that to be the case.

To hire somebody of Ray's stature and magnitude would require, in my view, a significant salary. I'll guarantee you that it would be an issue in question period to hire an executive of that magnitude and get somebody like that to do this work. I lucked out, as minister, that we have somebody of Ray's global eminence in this business who really doesn't want that hassle, who just wants to do some good work and give back to an industry and a province that he has done well by.

We kind of lucked out, and taxpayers, I guess, did too. But at the end of the day, is he worth a salary? I would suggest he absolutely is. I would certainly be willing to go to the Treasury Board for money to pay him if that were needed, but we're fortunate Ray is satisfied. In fact, my understanding is it was his idea to do it this way.

Mr. Taras Natyshak: Well, I'm certainly supportive of—although I don't know specifically what he's working on, I see you mentioned and referenced a one-pager that seems to highlight some of the things that we know quite clearly.

I find it interesting that large multinational corporations don't understand or don't know those really basic benefits that Ontario has. Are we failing at selling those five or six points? Because they're quite clear: good education, good infrastructure, universal health care and a good, highly trained, skilled workforce. Those are some of the basics that I think we've been promoting for a long time. I'm wondering, are there any better ways for you to get that message out there, if it is that simple—that people needed to be reminded that those are the tangibles that make us more productive and a more beneficial location to set up shop?

Hon. Brad Duguid: I don't think it's ever a bad idea to be marketing our strengths. I don't think we should ever assume that every decision-maker globally is dwelling on whether the dollar is up or down in Canada or whether our R&D credits are the most generous in North America.

I think a lot of the perception on some of the decisions that have been made have been based purely on one thing, and that's that you can get a really cheap worker in Mexico. But when it's all-in, when you consider the entire business case, that's not the best decision for a lot of these investments.

There's a perception that developed—and it's not just Ontario; it's really in the upper US belt—the so-called erroneous Rust Belt mentality, which was a very poor choice of words because if you go into our auto plants here in Ontario today, most of them are almost brand new because of many of the investments we've made there. I would suggest Michigan has upgraded substantially too.

We're a very competitive place to do business, but there is—let's not fool ourselves—a global perception out there that suggests that we're a developed economy and are less competitive from a cost perspective. It is my job, our job collectively as Ontarians and the business community's job to go out there and make sure that we sell Ontario for the reality that we're extremely competitive.

But I wouldn't assume that everyone knows that. It would be nice if that were the case.

Mr. Taras Natyshak: All the more reason to get that single point of contact, that single window.

Hon. Brad Duguid: Absolutely.

Mr. Taras Natyshak: As I envision it, you walk up to the window and here it is. Here are the benefits, here are the challenges, here are the support mechanisms.

Hon. Brad Duguid: The single point of contact was one part of what CAPC was looking for, but frankly, the other part was making sure that as governments advance pitches to try to bring in investment, we have intimate knowledge of what's going on in that sector which generally government officials, try as they might, might not have. So having somebody that has the knowledge through and through of that entire global sector and knows the people in it is invaluable to us in our efforts to try to create jobs in auto.

Mr. Taras Natyshak: I can see that, no doubt. Now, let's juxtapose that idea or concept on the agriculture sector. I'll have you take a tour down the 401 to southwestern Ontario, to Kingsville and Leamington, where we have, I believe, the second-largest amount of vegetables grown under glass on the planet and the potential for growth—no pun intended there—of upwards of \$2 billion or \$3 billion of capital expenditures, ready to go. Yet, they are stymied by a couple of factors: lack of access to hydro capacity; lack of access to natural gas; a formidable regulatory barrier; and no single point of contact, as is readily available, again, in Michigan and Ohio.

That's pretty basic stuff in terms of economic development, I would say. Since I've been here, I can recall Dwight Duncan standing up and saying that southwestern Ontario was going to get all these things—access to hydro. They're going to get the natural gas and they're going to get a government that is willing to work with them. That opportunity is quickly fading as massive

producers head south—and not too far. They're actually just crossing Lake Erie into Ohio.

We're missing an enormous opportunity, and I'm wondering if your ministry is cognizant of it, what you're doing about it, how you're working with those folks and how you're going to ensure that you're putting all the resources into making sure that we can continue to grow?

Hon. Brad Duguid: Well, our agri-food sector is now second in North America in terms of size and growth. We're second to California. I would suggest there are opportunities. Not to prey on California's challenges, but they have serious drought issues there which are going to make it even more difficult to process foods down the road. We're the perfect jurisdiction for a lot of those businesses, in my view, to transfer it to.

I think you're onto something if you suggest that we ought to be aggressive at pursuing opportunities for the agri-food sector. You've talked about the greenhouse farm agri-food opportunities that I think, for real, are an area of growth for us. I've been down and I've visited a number of those businesses, and it is really exciting what's happening. They do have a challenge with access to natural gas, and that's a challenge that we're serious about taking on and helping them with.

We're doing that in a number of ways. We've made some very serious commitments about providing loan opportunities to help some of those businesses move forward with natural gas expansion. We've got a grant program that we're looking at that can help in that respect as well that we'll be rolling out. It's still going to take some time because the first step had to be taken, and that was a step that the OEB had to take.

Ideally, and if you talk to the sector they understand this, with more flexibility, Union Gas and Enbridge can do more and expand more, and they're willing to do it. The Minister of Energy has provided OEB with those directions, and that is now opening up some opportunities for expansion, so we can now work off of that to determine how much further we can go and where to make those investments. So we're putting together a program. We just finished the consultation on that about a month ago, and that's something we've done across the province in conjunction with the infrastructure expenditure we're doing outside of the GTHA, which is a record amount: \$15 billion.

But I have to say this: In order to do that natural gas expansion, we have to make some of the tough decisions this government is making. Decisions like the broadening of Hydro One are crucial for us to be able to help these businesses expand. That's really where the rubber hits the road on some of these. If we're not willing to make those tough decisions—and they are challenging from time to time—to get the revenues that we need to make those infrastructure investments, then we can talk about natural gas—

The Chair (Ms. Cheri DiNovo): Just five minutes, Mr. Natyshak.

Hon. Brad Duguid: —but our commitments really aren't worth a hill of beans if we're not willing to make

the commitments we need to make to fund that infrastructure.

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Mr. Taras Natyshak: Well, we will obviously differ on your methodology of having to fund infrastructure. The sell-off of one of our most valued and valuable public assets is historic in its nature. Never before has a government had to sell off or wanted to sell off—no, the PCs wanted to sell it off, but they came to their senses and realized that there were other ways to fund infrastructure rather than selling off a massive—

Hon. Brad Duguid: Not—like not funding it, so that's their alternative.

Mr. Taras Natyshak: I'm sure they did make some infrastructure investments during their tenure, I would say.

Hon. Brad Duguid: Not much.

Mr. Taras Natyshak: But being as though we're talking—

Interjections.

Mr. Taras Natyshak: I think I still have the floor, right, Chair?

The Chair (Ms. Cheri DiNovo): Four minutes.

Mr. Taras Natyshak: Talking about infrastructure investments, have you given any consideration to the Auditor General's report on the AFP versus public sector delivery and the fact that over the last 10 years AFP delivery models have cost the government in excess of \$8 billion? I know you'll argue the fact, but this is coming from the Auditor General: \$8 billion more in costing that the government could have saved ultimately had they used the public sector delivery model.

If indeed that figure that the Auditor General states is correct, that there's \$8 billion that you left on the table through AFP models, do you not think that there's another way that you could have funded infrastructure rather than selling off Hydro One? Would you have loved \$8 billion, through your ministry, to play with?

Hon. Brad Duguid: The fact is, the opposite is true. Even if you look at the Auditor General's report itself, when you look at it completely and you look at the net of what has been saved by the AFP as opposed to what has been spent, there is actually \$6 billion of net gain that now is available in terms of dollars that would be in the public realm that wouldn't otherwise be. Overall, yes, there was \$8 billion identified in the report that had been allocated to adjust for risk and those kinds of things in the AFPs, but the savings were \$14 billion, which means a net savings of \$6 billion. So it's pretty simple math. You can't just use the expenditure and not take into consideration the revenues you earned. The key is: Do the revenues add up to more than the expenditure? If they do, then the public is certainly better off. In this case, they did.

But in answer to your question about the recommendations—because the auditor made a lot of recommendations—Infrastructure Ontario has been working diligently. When the report came out—aside from what we've just disagreed on in terms of the misinterpretation

of what the auditor had said—the fact of the matter is she made a number of recommendations that we embraced and have been working on and continue to. I haven't seen a report from Infrastructure Ontario as to whether they have resolved all of those issues, but my understanding is they've taken them all seriously and they may well have addressed most, if not all, of them.

Deputy, do you have anything further to say on that?

Mr. Giles Gherson: Yes, they have. Among the changes that they've already announced, one is in terms of how value for money is calculated. That's what the minister was referring to in terms of the \$14 billion in value for money that was in exchange for, if you will, the \$8 billion in costs attached to the transfer of risk for those projects. So you had that, as the minister said, \$6-billion benefit. But the Auditor General did want a refinement of the value-for-money calculation, and that has been done.

Another couple of things that were done following the Auditor General's report: One was to change the benchmark for looking at value for money. It originally was, projects that were \$50 million and over in value and weren't considered complex were to be at least looked at with an AFP screen to see whether they should be AFP projects. That's been shifted to \$100 million. So there was that change as well as the value-for-money definition change.

A third one was the—

The Chair (Ms. Cheri DiNovo): I'm sorry, Mr. Natyshak; I'm sorry, Deputy. Your time is up.

We're going to move now to the government side. Mr. Dong.

Mr. Han Dong: Thank you, Madam Chair. First of all, I would like to congratulate the minister for yet another very successful trade mission to China. I had a chance to witness first-hand how hard Team Ontario worked to attract further investments in this province, including the good work by the ministry staff and the staff of the consulate locally and also the business delegates who came along with the team.

Also, I noticed how important it is to build and maintain a good relationship with local governments and business leaders and how that improves the chances of investment here in this great province.

I want to bring the question to a local level. I remember, last year, in this same committee, that there were questions about the MaRS building—this was actually on the west tower. There were questions, specifically, on the tenancy of that building. You were quite confident, in front of the committee, that it will be leased up fairly soon.

I noticed that recently there have been good stories coming out of MaRS. Organizations like Facebook, Airbnb, JLABS—there has been very exciting news. I get questions on the street from constituents, asking about updates on MaRS. So could you please update the committee on the lease-up rate of the west building of MaRS?

Hon. Brad Duguid: I'll have an even better update for you tomorrow because there's more good news being

announced tomorrow at MaRS, which I can't get into details about today. This is a story, I think, in many ways, of redemption for the government members when it comes to sticking by an initiative that was tough politics but good public policy.

It's an issue where every kind of misinformation you could possibly think of was thrown about in many different places about this project. It became a political football. I think a lot of governments would have just said, "It's not worth the hassle. Let's just walk away from it." That was the advice of both parties opposite: "Just walk away. Let phase 2 of MaRS rot in the ground."

We didn't look at it that way. If we thought that that was in the public interest, you know what? That's what we would have done, but we didn't. We said, "We know this is not easy, but let's get the best advice that we can possibly get." So we went out and we got Carol Stephenson and Michael Nobrega to take a look at this, to see: What's the best thing we could do in the public interest? Forget the politics; what's the best thing we can do in the public interest to ensure (1) that the loan that was provided to MaRS would be repaid—that's our first concern; and (2) almost as important, that our innovation agenda would be well served, that our efforts to continue to be a leader in bioscience in particular and innovation in general would be well-served as well?

Really, the advice we got from Michael Nobrega was, "This is not a bad project. It is not a project that's off the rails. It's a project that, right now, is cash-starved. It needs a little bit more of a loan to stabilize its financing, at which time it will provide a significant return. There is an ample market to fill up that tower if you have the political courage to go through the slings and arrows of opposition accusations and the torquing that goes on, sometimes, with these issues."

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Thankfully, we had a Premier who felt very strongly that sometimes you have to take political heat to make something really good happen. Today, as we speak, MaRS's strength has been doubled, with phase 2 now up and constructed. It is now very close to being fully tenanted—the key is, with tenants that are exactly the tenants that we set out to attract.

We didn't take a short-term solution and say, "Let's just fill the damn building as quickly as we can so we can get our money back and get out of this thing." We took a very deliberate approach. We got really good people around it to attract the kind of bioscience ecosystem that we wanted to attract.

You mentioned JLABS as an example of that. That's like the motor that you're putting in to bring in small start-ups and researchers and to churn out businesses using the big Johnson and Johnson global network, but inviting all other businesses in that sector to also be able to enjoy the fruits of the JLABS opportunity. That's the kind of thing that really helped. Getting U of T as a partner, which is the sixth-rated publicly funded university in the world: absolutely crucial, and helpful to increasing the credibility around the entire project.

I would say that that stands as a stunning example of what you can achieve as a government if you have the courage to be able to do what's right, take the political heat and—you were at this committee. You remember some of the challenges that we had here, some of the ridiculous accusations that we had to endure about the status of that project. At that time we weren't in a position to be able to guarantee anything, but we were going to try like hell to make it work. We did, we succeeded, and Ontario taxpayers are the better for it. Their loan will be paid back, we expect, much earlier than originally anticipated, in full, with interest. Thousands of jobs are being created as a result of our courage to stand up to those opposition attacks.

More importantly, our bioscience sector: I can tell you, in the travels that I've made, innovation is the key right now to building that strong economy in the future, and we've just doubled our capacity for innovation in bioscience as a result of those investments.

That's a good-news story for Ontario, and I think we have a right as a government to not be afraid to take some credit—not because we thought of MaRS; it wasn't our original idea. MaRS was there when we came in to government and we grew it, but we could have taken the easy way out and we chose not to. The result is that Ontario, for many years to come, is going to be a global player in bioscience. It happens to be right in your riding, which is maybe one of the reasons why you asked me that question.

Mr. Han Dong: Congratulations on the work done on this particular file. You mentioned the political heat that the government took on this file. I remember that there were weeks of questioning during question period—and some of the tough questions and comments that took place at this committee.

Sometimes a file will stretch past one minister and into a second and third minister, but being the same minister on this file to see us through, and to see the positive results coming out, is quite rewarding.

Hon. Brad Duguid: Actually, ironically I was the same minister with different ministries, so the file—I just couldn't shake it.

Mr. Han Dong: I look forward to your announcement tomorrow, and to celebrate with you.

Hon. Brad Duguid: On top of that, I'm going to share with you because I think it's important—the tenants that are there now: I don't know if we've ever publicly put them all out together. There's one very significant one to be added tomorrow that I'm really excited about.

You've got the Ontario Institute for Cancer Research; you've got Public Health Ontario; you've got the University of Toronto; you've got Janssen through JLABS, which is the exciting project we talked about; and you've got the University Health Network.

Many of those, with the exception of Janssen, were original—U of T not being one—but they're very much anchor tenants. You've got Ryerson there now; you've got Facebook; you've got RBC that has some retail space there; Synaptive, just a burgeoning Ontario success story

that started, I guess, as a start-up and is building up and scaling up now out of U of T. It's got potential to do great things. You've got League, what was another start-up that's now scaling—Emerald Technology Ventures. Love Energy Consultants: That one I don't know about, but I'll leave that one to the deputy to explain.

I've got Rethink Sustainability, CTR Inc., Intelligent Office, MaRS Innovation, Ontario Genomics Institute—a huge area of disruption in our economy. It's probably one of the six areas in global disruption and in health care. It's awesome that Ontario is a centre of excellence on genomics research, and the Ontario Genomics Institute being there is crucial. There's also Ontario Strategy for Patient-Oriented Research SUPPORT Unit, the Institute for Diagnostic Imaging Research, Clinical Trials Ontario, Teknion and Kindred, just to name a few.

It's the exact mix of tenants that we set out to do. There are some institutional tenants there, which you need to have in those hubs, because those institutions are often where the research is done, but you've got a lot of business start-ups there as well. So it's a really, really successful combination.

Mr. Han Dong: While doing the trip, we noticed that there were a lot of foreign investors who were interested in investing in high-tech, good ideas and coming in with capital. I think MaRS helps to meet that demand, providing basically a Rolodex of high-tech companies that are doing very well with their research capacity. So I'm very happy with the long list. I hope this is going to grow in the near future.

Chair, how much time do we have?

The Chair (Ms. Cheri DiNovo): About eight minutes.

Mr. Han Dong: Eight minutes? Okay. I'll pass it on to my colleague for further questioning.

The Chair (Ms. Cheri DiNovo): Mr. Crack.

Mr. Grant Crack: Hello, Minister. How are you?

Hon. Brad Duguid: I see you, Mr. Crack.

Mr. Grant Crack: Good. I guess I'll start off by congratulating you on the great work that you've done since I've had the privilege of knowing you first-hand after being elected in 2011, but particularly in your file as Minister of Economic Development. That's the one that is very valuable to me. Of course, infrastructure is as well; I'll be talking about that in a minute.

I can tell you that in my riding of Glengarry–Prescott–Russell, with regard to the eastern Ontario economic development fund, there have been a number of companies that have benefited from that particular fund and are continuing to grow. Just recently, I had the opportunity to be able to call one in the village of Vars, who is a recipient of the Eastern Ontario Development Fund. Perhaps in the future, if you had time, maybe we could come back to my riding and do a little tour of one of our favorite places as well, because they're expanding quite rapidly. I'm sure you know the particular enterprise.

Hon. Brad Duguid: Go ahead and say it.

Mr. Grant Crack: Beau's beer—Beau's brewery.

Hon. Brad Duguid: Beau's brewery.

Interjection: Never heard of it.

Hon. Brad Duguid: A great brewery.

Mr. Grant Crack: It is a great one.

I want to thank you for all the work that you do on that and your commitment to that particular file, because it does grow the economies of our smaller communities in eastern Ontario. I look forward to hearing some more good news regarding that program.

I'm going to ask you about the Infrastructure Ontario loan program. That has been quite successful as well since its inception in 2003. I know that my colleague from Kingston here—she's not with us at this point; I wish she would have been—received almost \$10 million through the Infrastructure Ontario loan program for the construction of a new police station. That's great news.

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I can get into some detail here with the question, but perhaps you could just explain to the members of the committee some of the details of the loan program and some of the successes that we've had with that particular program?

Hon. Brad Duguid: This is a program that is probably not that broadly known by Ontarians. Municipalities know it very well, but it's not one that has tended to get a great deal of press or publicity. But actually, since 2003, it's seen about \$7.4 billion in loans allocated to over 1,000 projects—

The Chair (Ms. Cheri DiNovo): Just to let you know, Mr. Crack, you have about five minutes left.

Mr. Grant Crack: Thank you, Madam Chair.

Hon. Brad Duguid:—which is a total value altogether of \$12 billion that has been accrued from these investments. The loans are paid back, but they help municipalities in terms of getting access to funds. Municipalities, by and large, have taken great advantage of them.

The program over time has evolved. It has been opened up to other organizations, non-profit groups and things like that, to be used to help non-profit groups make investments, I think generally—in fact, almost entirely—in capital.

I would say this about the program: Infrastructure Ontario recently, I think, was—the Provincial Auditor looked at the program and gave them a pretty good bill of health. They're doing what they ought to be doing; they are diligent in their reviews of the applications that come forward. I think there's always going to be one or two—in fact, there is only one or two, out of the 1,700 or so loans that have gone out, that have been at risk. I'm not aware of any that have defaulted, but there are always a few that sometimes will be at risk.

Interjection.

Hon. Brad Duguid: We've had one default. Okay. We've had one default in all.

Generally, what happens when it's at risk is that an organization will be given a loan based on what they identify as a revenue source that they expect will be realistic, and they find out that that revenue source doesn't come through as much as they had anticipated,

and over time the organization has some challenges. That's when we get into situations—and we've only got a couple of examples of that. We then work with the group, because they are good investments in community infrastructure, which is important.

It's a program that has served us well. It continues to serve us well. Infrastructure Ontario has administered the program exceptionally well and will continue to ensure that that kind of resource is available, again, mainly to municipalities, but also open to community organizations that deem this kind of service helpful to them.

Mr. Grant Crack: Excellent. I know also, Minister, that one of my municipalities in my riding is looking at the Infrastructure Ontario loan program as something that would enable them to continue to grow and expand their municipality through new development, so I'm watching the file closely.

I know we have a couple of minutes left. Is there anything that you would like to add with regard to that wonderful trip that you just took overseas? I know my colleague Mr. Dong—

Mr. Chris Ballard: Tell us about that car.

Mr. Grant Crack: Yes, tell us some more good things that happened over there.

Hon. Brad Duguid: I'd be happy to do that, but you know what I think would be a better use of the time right now? Referring to something that's of interest to your municipalities.

One of the things we've learned is to listen very carefully to those that we're funding. Municipalities want stable funding for their infrastructure projects. They want a little more flexibility, and we're not entirely there yet, but we're moving to more formula-based funding on our programs. About half of our current program with municipalities is formula-based; the other part is application-based. We're willing to look at ways to enhance that and increase that. We've indicated we're committed to doing that over time. Our municipalities have responded with 90% of them having those asset management plans, which is really good.

The other thing it gives municipalities like yours—and I think of particular projects in your area. Sometimes they're very significant in terms of the ask. The amount that's required to do a major infrastructure program just outpaces the ability of these municipal-provincial infrastructure programs to pay. I think you have one that would have taken something like 30% of the overall provincial program had we been able to fund it. It wasn't that it was a bad project; it's just that the amount was beyond our ability.

So we want to look at ways in the future of giving municipalities some greater opportunity to stack some of their funding they get, if need be, if that's their top priority, so that we're funding what is the community's first need rather than what traditionally federal and provincial governments have done, and that's to fund the programs that happen to be our priorities at the time. We've listened carefully to AMO on that and other municipalities. I've spoken to mayors from some—

The Chair (Ms. Cheri DiNovo): I'm sorry, Mr. Crack; your time is up.

We will now move to the official opposition. Mr. Harris.

Mr. Michael Harris: Thank you, Chair. Minister, you're also responsible for infrastructure. This past September, we read some disturbing allegations that were brought forth about a former senior executive at Infrastructure Ontario who was implicated in a false-invoice kickback scheme with York University. When asked about this in the Legislature, you confirmed that you were in fact aware of the situation and that you had appointed an independent law firm to review the former employee's tenure, and also an audit firm to review transactions during the period of interest. You yourself said you were retaining a third-party adviser. I'm wondering if you can tell the committee today whether these external reviews have in fact been completed.

Hon. Brad Duguid: I can tell you that they haven't been completed as of yet. They're still ongoing. I would hesitate, I think, to intervene in any way to direct Infrastructure Ontario and their legal review and their accounting review that they're doing or the third-party adviser that I put in place to oversee the process in terms of asking them to speed it up. We want a thorough review. I expect there's a fair amount for them to look at in terms of accounting and that kind of thing; transactions that have taken place while this individual was in the employ of Infrastructure Ontario. I can tell you that our third-party adviser is in place.

Mr. Michael Harris: What parameters do you have or what are you hoping to get out of this with a third-party adviser?

Hon. Brad Duguid: The deputy will be able to give you the specific mandate, but I can tell you—and I'll pass it over to him to do that. We look at this as a serious issue. We had an employee at a high rank in Infrastructure Ontario who has allegedly been involved in inappropriate activity regarding contracts at York University—not in his job with Infrastructure Ontario; this is stuff that was outside of his job there, to be clear—but afterwards has been alleged to have been involved in some other activities after his time at Infrastructure Ontario. We don't know, during his time here, if there was anything untoward that happened in the course of his doing business here, but I think we ought to know. So we want to do a very thorough investigation.

The reason why I thought it was important to have a third party on behalf of myself as the minister is that internal investigations are important to get the facts, but I wanted to make sure that we couldn't be accused of just doing an internal investigation without having a third party there to give reassurance to both opposition and the public that the process that had been gone through was appropriate and to get their feedback as to whether all stones were turned to ensure it was an unfettered process—

Mr. Michael Harris: It's obvious—you use the word “alleged,” but it was an actual fact that York University

did conclude that they had been the victim of a \$1.2-million fraud. It revealed that this gentleman was in fact associated with two of the companies that received funds.

Hon. Brad Duguid: Yes.

Mr. Michael Harris: I'll let you carry on then, perhaps, with what you were saying. Sorry.

Hon. Brad Duguid: Yes, but we have to use the word "alleged" if we're talking about wrongdoing because the individual has not been charged with anything.

Mr. Michael Harris: Yes, you're right.

Hon. Brad Duguid: That's why I think we both need to use the word "alleged."

The deputy is there. Do you want to go into any more detail in terms of the mandate?

He can tell you who it is, too.

Mr. Giles Gherson: I won't go into a great deal of additional information except to say that the individual is Bill Braithwaite, William Braithwaite, who's a very seasoned and very experienced lawyer with considerable acclaim in the area of governance. That's one of his specialties.

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I think the purpose of his role—and he has colleagues working with him—is really to act as the minister's eyes and ears on the Infrastructure Ontario investigation. Given that the minister has accountability for Infrastructure Ontario and given the fact that Infrastructure Ontario launched its own internal investigation into the activities of the person in question simply to see whether there is anything beyond what was established fact that we all read about in the media—and there is no evidence that there is anything else, but as a matter of being absolutely sure, IO launched an investigation. The minister needed to have his own eyes and ears on that investigation. It's really, if you will, an overview of an overview. It's there really to ensure that, if there are issues that are more pertinent to the role of the minister—the minister's responsibilities as opposed to the specific interests of Infrastructure Ontario as a corporation—then we've got that covered through our own third party.

Mr. Michael Harris: Was Mr. Georgiou dismissed from Infrastructure Ontario or did he leave of his own accord?

Hon. Brad Duguid: The circumstances surrounding Mr. Georgiou's departure from Infrastructure Ontario: There appeared to be different views at the time of exactly how that happened, which is part of what the work that is being done—to make sure that we bring clarity to that.

Mr. Michael Harris: I'm sure you would know by now whether Mr. Georgiou was in fact dismissed or he left of his own accord. That was 2012, was it not?

Hon. Brad Duguid: I'm not conducting my own review. I'm leaving it up to those to just clarify the circumstances of his departure because there has been some discrepancy in either view, memory or information.

Mr. Michael Harris: Was there severance pay to Mr. Georgiou?

Hon. Brad Duguid: Again, I would—

Mr. Michael Harris: You either did or didn't. Was there severance pay to him or not?

Hon. Brad Duguid: I expect there was.

Mr. Michael Harris: How much?

Hon. Brad Duguid: I don't know.

Mr. Michael Harris: Can you get that to the committee?

Mr. Giles Gherson: Yes, we can provide that to the committee.

Mr. Michael Harris: Would it be typical—obviously, Infrastructure Ontario works with hospitals, like St. Mike's. St. Mike's wasn't aware of this. I'm just wondering what mechanisms you would have or didn't have to inform St. Mike's of the fact that Mr. Georgiou left Infrastructure Ontario on questionable terms.

Hon. Brad Duguid: Again, that's a valid question that we would hope we—from a policy perspective, there may be some recommendations that come out of the information we receive that might ensure that these circumstances in the future can be avoided.

When a worker in any business or government departs in one way or another, often the circumstances around that departure are kept confidential; sometimes it's part of the agreement. In this particular case, I'm not privy to the arrangements that were made. There has been some discrepancy reported among those who were there at the time, which is why we're doing the inquiry to determine—

Mr. Michael Harris: Yes, it's an unfortunate situation. With that report that you've commissioned—is it your intent to have that be made public?

Hon. Brad Duguid: I indicated at the time that that would be my intent. Anything that can and should be made public—perhaps all of it should be. We'll certainly fulfill that commitment.

Mr. Michael Harris: Good. Thank you. I'm not sure if the third party has questions on that, but I'm going to turn it over to my colleague Todd Smith, who is from eastern Ontario and may have some questions about that.

The Chair (Ms. Cheri DiNovo): Mr. Smith.

Mr. Todd Smith: Thank you, Minister, for coming to Belleville back in August. You dropped off a handsome cheque to Hanon Systems in the industrial park for, I believe, \$868,000 or so, which is great.

I know that the Eastern Ontario Development Fund used to be a \$40-million fund. Now it's a \$20-million fund. I'm just curious as to whether or not you know how much of that \$20 million has been distributed throughout eastern Ontario this year to companies who have been successful in getting those types of grants.

Hon. Brad Duguid: I think we could put our finger on that number for you. Certainly that's something we could dig up.

Mr. Todd Smith: So, I believe, in the public accounts that came out in 2014-15, of the \$20 million that was available, it was just over \$6 million that actually went to successful applicants. So there's a lot of money that's being left on the table.

I know that when the EODF was first introduced a number of years ago, it was extremely popular and extremely successful, and I heard from economic development officials in my area, those who work in that field, that they were very happy with the way that the money flowed from the EODF. It was nimble, it was there quickly when they needed it, but I think now they're hearing—or their feeling, anyway, is that the flow of money has slowed down.

I know you've been in this portfolio for a while now. Is that actually a fact? Has it slowed down, the way that the money gets from government to the successful applicants?

Hon. Brad Duguid: No. It's really the same process. There was a possibility of changing it when we brought the legislation forward, really, in agreement with the third party. In retrospect, we didn't bring that change forward, which may have made it a little bit harder. To the best of my knowledge, it's a very similar process from the beginning.

Mr. Todd Smith: So, as I said, the fund used to be \$40 million. When the Southwestern Ontario Development Fund was created, \$20 million left eastern Ontario to go to southwestern Ontario. Is that the way it worked?

Hon. Brad Duguid: No; no funding for eastern Ontario was ever lost to any applicants. On an annual basis, there's usually a budget put forward as to what may accrue; you're estimating how many applications will come out. The Eastern Ontario Development Fund—and I don't know all the reasons for this other than when the fund first came into place, I think a lot of the really good opportunities were jumped at that had been pent up, and now it's more of a steady flow. It's reduced, there's no question, in terms of the take-up of the fund.

In southwestern Ontario, it's the opposite because it's a newer fund. It's still picking up steam—I think somewhere probably to the history of the eastern Ontario fund, but I can assure you that any applicant that applies for funding and qualifies will get funding. It's just that the budgets may change from year to year, based on what we estimate the funding will be.

Mr. Todd Smith: Is it possible that we could get a list of the successful applicants, year to year? Is that something that could be submitted to the committee?

Hon. Brad Duguid: Yes, we announce them. Every time we make a funding commitment, we announce it, so we could put together that list for you.

Mr. Todd Smith: So while things have slowed down in eastern Ontario, and I know you have some questions as to why—and maybe it is because companies that have accessed the EODF in the past or those who have considered applying for the EODF have already been successful. But I know from when I talk to people in eastern Ontario who are working at various companies throughout the Quinte region and elsewhere, the reason that they're not applying is because they don't know if they're going to be able to grow because of all of the extra costs involved in doing business in Ontario these days—obviously the rising cost of electricity is a big

issue. Is that preventing people from expanding their facilities and hiring more people? Is that something that you're hearing in your ministry?

Hon. Brad Duguid: No. Across the province, in eastern Ontario, southwestern Ontario, right across the province, we're seeing growth in the economy, so companies are expanding. Productivity and production are up. There are parts of the province that were hit harder during the recession than others, and that's really the purpose of the regional economic development funds. In some parts of the province, their economies are a little slower building back up, and I think eastern Ontario was part of that, and southwestern Ontario has had some challenges. But we've seen some significant growth in all of those areas, and the fact that we have the lowest effective corporate tax rates, the fact that we are producing some of the most talented and skilled workers for these businesses, we've brought in the capital depreciation that's helping these businesses get access to capital to invest in modernization. It's a very competitive place to do business right now and continues to be.

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We're always hopeful that we'll see more applications in southwestern Ontario, but I don't think it's indicative of the economics in the region, as to what would be driving the lack of applications. A lot of the applications in eastern Ontario have come through very aggressive, I would call it, in a healthy way, economic development departments in the Belleville area and Kingston and Peterborough in particular, who have really pursued these businesses and applications.

The Chair (Ms. Cheri DiNovo): Mr. Smith, you have just under five minutes left.

Mr. Todd Smith: Thank you, Chair.

When I meet with my Quinte Manufacturers Association—and I have a very good relationship and meet with them quite often—and the Belleville and District Chamber of Commerce and the Prince Edward county chamber of commerce, which doesn't have a large manufacturing sector, more of a retail-sales-type sector, everyone is telling me that the reason they are not growing is because of the cost of doing business in Ontario. The rising cost of electricity is making it extremely difficult for them to convince their head office, especially in the manufacturing sector, that Ontario is a jurisdiction worth continuing to invest in. They obviously want to continue to work in the Belleville and Quinte area and eastern Ontario because they like the way of life here; however, they are getting pressure from their head office, whether it's in Mexico or the Carolinas or wherever it might be, about continuing to invest in Ontario.

Then there's the other part of the equation, which is the incoming payroll tax or the cap and trade. As the Minister of Economic Development and Trade, I'm sure that you're hearing from businesses that have these types of concerns, from electricity to the cap and trade to the payroll tax. These issues must be coming up when you're meeting with potential businesses growing in Ontario.

Hon. Brad Duguid: Well, obviously I work very closely with the business community, businesses themselves and a lot of the associations, whether it's the CFIB or the Ontario Chamber of Commerce or the Toronto Region Board of Trade, and we work very hard together at finding ways to reduce the cost of doing business in Ontario. Reducing regulatory burden is a very important way that we're doing it. It's not by accident that the CFIB ranks us as one of the best provinces in the country when it comes to reducing regulatory burden. We get pretty much the top marks in the country—

Mr. Todd Smith: But it's all these other costs, Minister, that are coming in: the payroll tax, the cap and trade. The rising cost of electricity is the number one issue that I hear about. We just had a public meeting on Tuesday of last week in Belleville. The chamber of commerce hosted it, with the Ontario Chamber of Commerce. Liam McGuinty was one of the guest speakers—he maybe refers to you as Uncle Brad; I'm not sure. You would know Liam fairly well.

Hon. Brad Duguid: You're making me feel really old. He's a smart kid.

Mr. Todd Smith: I know how old your kids are.

But at this meeting the frustration and anger was actually quite palpable in the room from those who are in the manufacturing sector and the business sector because the costs of doing business are driving people out of Ontario. And those aren't my words; those feelings are being conveyed to me. When I speak in the Legislature or when I'm here at committee, I try and bring those comments to you so that if you're not hearing them, they are real comments that are out there.

Hon. Brad Duguid: Well, let's be very clear: The costs of doing business in Ontario are competitive or we wouldn't be number one in North America in attracting foreign direct investment for two years in a row. We wouldn't be up over 560,000 net new jobs.

That being said, it's very important, as we do our government business and we make our decisions and we bring in challenging new policies, that we do so in a way that's sensitive to the competitiveness of our businesses. That's why, on the cap-and-trade file, there has been an incredible amount of consultation with our business community to ensure that—and what the business community will say, by and large, is, “We know you need to do this, we know you need to address climate change, and we actually want you to bring in a process where there's some flexibility” for them in terms of how they can contribute to that, but just make sure we do it right, in a way that's not going to place any sector or businesses at a competitive disadvantage. So we're being very careful as we move forward in consultation with business on that.

Mr. Todd Smith: They feel like they're at a competitive disadvantage; I can tell you that. Of the dozens of businesses that were in the room on Tuesday, that was the feeling that came through loud and clear at that meeting.

Let me just ask you, back with the Eastern Ontario—

Hon. Brad Duguid: These are the same businesses that have the lowest effective corporate tax rate in North America, and I'm sure you would share that with them as well.

Mr. Todd Smith: Yes, but all those other costs are so high—you know, the highest cost of electricity. Anyway—

Hon. Brad Duguid: Well, we're not the highest cost of electricity either.

Mr. Todd Smith: Let me go back to the EODF.

The Chair (Ms. Cheri DiNovo): I'm afraid, Mr. Smith, you are—

Mr. Todd Smith: Out of time.

The Chair (Ms. Cheri DiNovo): —now out of time, yes. In fact, we are adjourned until tomorrow at 3:45.

The committee adjourned at 1755.

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