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Wednesday 2 December 2015

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Mercredi 2 décembre 2015

Standing Committee on Finance and Economic Affairs

Budget Measures Act, 2015

Comité permanent des finances et des affaires économiques

Loi de 2015 sur
les mesures budgétaires

Chair: Soo Wong
Clerk: Katch Koch

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

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Wednesday 2 December 2015

Mercredi 2 décembre 2015

The committee met at 1600 in room 151.

BUDGET MEASURES ACT, 2015
LOI DE 2015 SUR LES MESURES BUDGÉTAIRES

Consideration of the following bill:

Bill 144, An Act to implement Budget measures and to enact or amend certain other statutes / Projet de loi 144, Loi visant à mettre en oeuvre les mesures budgétaires et à édicter ou à modifier d'autres lois.

The Chair (Ms. Soo Wong): Good afternoon. We gather here today for the Standing Committee on Finance and Economic Affairs to do public hearings on Bill 144, An Act to implement Budget measures and to enact or amend certain other statutes. The reason why we have to start promptly, members, is that we have a teleconference right now. The first witness is coming through to us by phone.

LAKESHORE HORSE RACING ASSOCIATION

The Chair (Ms. Soo Wong): Welcome. I believe it is the Lakeshore Horse Racing Association. We have Tom Bain and Paul Branton. Gentlemen, I just want to let you know who is in the room so that you know who we are. I'm Soo Wong, the Chair of the finance committee. With us at the committee table right now are Mr. Fedeli, MPP for the official opposition; Catherine Fife, along with Cindy Forster, from the official third party; and from the government side, Daiene Vernile, Peter Milczyn and Ann Hoggarth. With us also is the Clerk.

When you begin, can you please identify yourself and your position with the horse racing association for the purposes of Hansard. I also want to let you know that you have five minutes for your presentation, followed by nine minutes of questioning from the committee, which means three minutes per caucus party.

All right. You may begin anytime, and again, I just want to remind you to identify yourself for the purposes of Hansard.

Mr. Tom Bain: Okay. Thank you very much. I appreciate the opportunity to do the teleconference. I'm Tom Bain. I'm the mayor for the town of Lakeshore. I'm also the warden for the county of Essex and a director on the Lakeshore Horse Racing Association.

The Lakeshore Horse Racing Association operates the Leamington Raceway in Leamington, Ontario. I'm a very proud part of this industry. I know the importance of horse racing to our agribusiness in rural Ontario and here in Essex county.

The OMAFRA panel declared that the new racing model should have one elected horseman or horsewoman organization. This organization would consolidate the voice of all standardbred horse people. We here agree with that statement. However, we see no progress after three years.

Also, we have no seat at the table with the OLG. This is something that we would like to see changed.

I would like to begin with a quick quote from Tom Barrett, president of the Michigan harness association. He states, "I could not have overestimated the significant negative impact when" the oversight of "horseracing ... moved from state agricultural to the Gaming Control Board." We feel that due to this fact, "the casino industry views horse racing as direct competition," and that "this is like leaving the fox to guard the henhouse."

I am concerned with what happened to our integration. We should have a business partner model not subject to a grant model. The business model should include racetrack owners and the new Ontario horseman's association. Any income instruments or grant agreements should be with all the racetracks and with the horse organization.

Some of these tracks operate with massive, lucrative and unaccountable rental agreements to host slots and with no mandate to raise horses. Many of these really have no interest in racing horses. Our question: Where is the public interest served by this model? Where are the incentives to preserve and create jobs in this province? We here at Lakeshore horse raceway feel that we have saved and created jobs in the agrifarm industry in southwestern Ontario. However, we need a willing partner to continue and expand our program.

With regard to teletheatre programming, Woodbine was given the right to operate all teletheatres in the province except ones located on other racetracks. This gave them huge negotiating leverage to purchase signal fees, decoder fees, satellite fees and tote fees at a lower rate. We were faced with decreased negotiating leverage and obtained higher signal, decoder, satellite and tote fees.

Two years ago, at a public meeting of OMAFRA, we presented these issues. We were told that they would investigate them. Unfortunately, there has been no progress to date. This is very, very important to our program so that we can develop our business model to be as self-sustaining as we possibly can. We want to know when we can have this discussion.

Also, instant racing machines: We've completed a business plan to establish instant racing machines at our racetrack. Upon approval of these models, we would like to know when we could receive one.

Purses: We believe the minimum purse level is too low. We stated this in the beginning of our program. We suggest an average purse per card of $5,000 per race.

Horse people, we feel, have lost their voice under the current program. Horse people are the advocates—

The Chair (Ms. Soo Wong): Mr. Mayor, I need to stop you there. Your five minutes are up.

Mr. Tom Bain: Okay.

The Chair (Ms. Soo Wong): I'm going to turn it over to Mr. Fedeli for the next three minutes for the questions. Mr. Fedeli.

Mr. Tom Bain: Sure.

Mr. Victor Fedeli: Thank you very much, Your Worship. It's Vic Fedeli of the PC here. We have three minutes on our side, so I'm going to turn most of my time over to you to let you finish your thought.

I just wanted to ask, when you talked about the fox guarding the henhouse, were you referring to the fact that there's not going to be an ORC anymore? Is that what you were referring to?

Mr. Tom Bain: The OLG.

Mr. Victor Fedeli: As opposed to the ORC?

Mr. Tom Bain: Yes.

Mr. Victor Fedeli: Okay. I had some questions about statistics and facts, but you were sort of getting into those anyway, so why don't you finish what you had to say and use the rest of my time for that?

Mr. Tom Bain: Okay. In rural Ontario, the horse people have lost their voice, we feel, under the current program. We have advocated for the agri-food industry. Rural Ontario has long had a history of supporting the business called harness racing. We here make the second-largest contribution to our gross agribusiness GDP, save only to milk production.

In the past, this government had confidence in Lakeshore to license the newest racetrack, this since the opening of Grand River. We feel that we have a proven track record of one of the largest live handles. Also, to no one's surprise, our community here in southwestern Ontario supports us, right from the shores of Lake Huron to the shores of Lake Erie.

We feel that we have saved the industry with regard to the local farming that goes on, production of their products, the horse blacksmiths and the veterinarians. We feel that, in this area alone, we've saved over 2,000 jobs. But we need help to continue. We need a partner.

Thank you.

The Chair (Ms. Soo Wong): You have one minute, Mr. Fedeli.

Mr. Victor Fedeli: When you talked about being second to milk, do you have the statistics? I'm just trying to get some actual numbers and some facts down on paper in terms of the size, the contribution, number of jobs.

Interjection.

Mr. Tom Bain: Yes, we do have those facts. I don't have them right here with me this instant, but we can send them to you, for sure.

Mr. Victor Fedeli: Would you undertake to get those to the Clerk as absolutely quickly as possible?

Mr. Tom Bain: Oh, certainly.

Mr. Victor Fedeli: We're going to be voting on this Tuesday, perhaps, next week.

The Chair (Ms. Soo Wong): Clause-by-clause is on Monday.

Mr. Victor Fedeli: We have what's called a clause-by-clause on Monday, and we will be voting on this Tuesday—perhaps Wednesday, at the absolute latest, but likely Tuesday. But I would like to have that information from you.

Mr. Tom Bain: Yes, we'll get them in right away. I'll contact our lawyer and have them sent right in.

The Chair (Ms. Soo Wong): Mr. Mayor, I need to stop you here, just to let you know that the deadline for written submissions is 6 p.m., Thursday, December 3, okay? That's what I was given by the Clerk.

I've got to turn it over to the third party. Ms. Fife, do you want to begin the questioning?

Ms. Catherine Fife: Hello, Your Worship. My name is Catherine Fife. I'm the MPP for Kitchener–Waterloo and I'm the finance critic. I'm joined by the MPP for Welland, Cindy Forster.

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This is going to be a two-part question. In your deputation, you asked about when you are going to have a time to discuss these changes that are proposed in Bill 144. So I want to get to the point of public consultation. Did these changes, did this bill—was it a surprise to you? Had you had some conversations? And just leave a little bit of time so we can talk about the purse levels, okay?

Mr. Tom Bain: Right. It certainly was a surprise to us. I think it took us by surprise. We felt that we had a model that was working quite well. This has really concerned our entire executive. We've been meeting on it.

Ms. Catherine Fife: Okay, thank you. I'm going to turn it over to Cindy Forster.

Ms. Cindy Forster: Good afternoon, Your Worship. It's great to be on the phone with you here. You talked about the minimum purse level being too low. Can you go into that in a little more detail, about what the impact actually is to the racing industry and the revenue that you actually attract or not, based on the purse level?

Mr. Tom Bain: I think so many of our local people here count on that purse money for a living. The $3,000 per race: They just cannot survive. I can give you a quick example of the local horse breeder, Bob Ladouceur, who last year had 44 brood mares and six full-time employees. He is now down to five brood mares and one employee. When the money is not there—in my own stable, and for me it's a hobby, there were six stables in my barn. I'm the only one left still racing horses out of the stable where I'm at in Woodslee.

We need an increase in the purses to keep the business going.

Ms. Cindy Forster: You also talked about a promise of the government and the OLG that they would actually standardize the standardbred racing. Can you expand on that a little bit?

Mr. Tom Bain: Yes. The horsemen's group needs to come together and be able—

Mr. Paul Branton: We need a single horsemen's group to represent us.

Mr. Tom Bain: —to have a voice so that we can be represented. We feel quite strongly, especially down here in southwestern Ontario, that we have no voice. We just take what's handed to us. We feel that the one group will give us—if we've got a rep in there, then at least we've got a voice and can be heard.

The Chair (Ms. Soo Wong): Okay, Mr. Mayor, I'm going to turn it over to Ms. Vernile from the government side.

Ms. Daiene Vernile: Thank you, Mr. Bain. This is Daiene Vernile. I'm from Kitchener Centre. How are you today?

Mr. Tom Bain: Very good.

Ms. Daiene Vernile: I want to thank you very much for calling in and to let you know that the comments that you do share with us are very important. They help to inform us as we move forward on this.

First of all, what I want to share with you is our assurances to you that our government is committed to the long-term sustainability of horse racing. I know that your community depends on it, along with other ones. We want you to know that.

We're also introducing proposed legislation that's going to, if it is passed, support a sustainable horse racing industry in Ontario. The goal is to make certain that horse racing is going to have a good long-term success in Ontario.

Mr. Bain, this proposed bill, if it is passed—you know it's going to integrate operations with the Ontario Racing Commission and the OLG and the AGCO, the Alcohol and Gaming Commission of Ontario. The OLG are experts in promoting gaming, so integrating is going to allow the industry really to benefit from having a centralized marketing plan—so resources and expertise that will allow us to reach out to Ontarians. Do you believe that this type of marketing and promotion is going to be beneficial to horse racing?

Mr. Tom Bain: Yes, as long as you make us a partner in this. I'm sure you can feel our frustrations that we've lost so many in the industry. Those who are still hanging on in here—we need to know that we've got a voice and that we're a partner.

Ms. Daiene Vernile: Okay. We are committed to ensuring that all gaming activities in Ontario are conducted in accordance with the principles of honesty and integrity and transparency, and we do that for the public interest. This proposed legislation is going to make sure that we have high standards of integrity and safety in horse racing.

The AGCO's oversight is being expanded. It's going to include horse racing, improved promotions of horse racing and the introduction of horse-racing-themed gaming products, streamlining the industry and governance. Would you say that having these changes will have a positive effect on the horse racing industry?

Mr. Tom Bain: I think it will, for sure, as long as we're working together on this. I keep repeating that same thing: that we need to be a partner on this. You're talking about your advertising. I think that's the whole reason that we, as a track of Lakeshore raceway here—we have a separate committee of total volunteers who work. Every week we put on some kind of special activities, advertising. We have out-bet the other two local area tracks in southwestern Ontario that have been open for years and years. We've out-bet them per day, and it's, I feel, because of our promotion that we're doing. But we need help on that.

The Chair (Ms. Soo Wong): Okay, Mr. Mayor. I'm going to stop you here. Thank you so much for your presentation. I just want to remind you that you have until tomorrow evening at 6 p.m. to submit your written submission to the Clerk. Thank you again.

Mr. Tom Bain: Thank you very much, everyone.

CUPE ONTARIO

The Chair (Ms. Soo Wong): I believe our next witness is CUPE Ontario. Come on down. Welcome. Good afternoon. As you heard, you have five minutes for your presentation, followed by nine minutes of questioning. This round will begin with Ms. Fife from the third party.

You may begin any time, and please identify yourself for the purposes of Hansard. Thank you.

Mr. Venai Raniga: Good afternoon. My name is Venai Raniga. I am a research officer with the Canadian Union of Public Employees. The president of CUPE Ontario, Fred Hahn, sends his regrets. He would have loved to have been here but unfortunately had a scheduling conflict.

I'd like to start out by just giving a brief outline of what I plan on discussing. Originally, it will just be who CUPE Ontario is, but I'm pretty sure you all know who we are, then a broad-level point about the omnibus legislation, and then we'll dive specifically into the schedules.

Bill 144 is 167 pages. It's an omnibus bill that changes a variety of other legislation. It's needlessly opaque and would require any thoughtful commentator to assemble a team of people to fully understand the bill's implications for Ontarians. This type of omnibus legislation shows contemptuous disregard for both the Legislature and Ontarians.

Historically, omnibus bills were for housekeeping procedures. However, this all changed 20 years ago when Premier Harris introduced his fall economic statement through Bill 26. Back then, the Liberal Party took a hard stand against this when they were in opposition. Now, however, the governing Liberal Party has reversed course and found that omnibus legislation advances their goals of expediency, lack of oversight and partisan interest.

The government should take a page out of their federal counterpart's book. Justin Trudeau has said that he will "change the House of Commons standing orders to bring an end to this undemocratic practice." It would be wise for this provincial government to follow suit. Bill 144 should be separated into its constituent parts and allow for a fulsome debate instead of this blatant attempt to impose far-reaching legislation on Ontario without due democratic process.

Now we'll dive straight into the schedules. I'll start with the Electricity Act and the Trillium Trust Act, schedules 3 and 22. The fire sale of Hydro One, the accounting deception of the Trillium Trust and the secrecy of the hydro stranded debt are an unfortunate by-product of a government desperate to live up to an electorally motivated balanced-budget date. Six months ago, eight independent officers of the Legislature provided Ontarians with a prescient warning of the sale of Hydro One. In these schedules, that warning has come to life. The contortions of both language and common sense are astonishing. Both schedules require a forensic accountant to fully understand how this government is defrauding Ontarians through a shell game.

Schedule 3 allows references to residual stranded debt and stranded debt to be erased from the act. In 2011, the Auditor General criticized this government and its secrecy around the reporting of this debt. Instead of heeding these warnings, the government has doubled down and decided to escalate that secrecy by removing all references to debt from the act, and the minister is no longer required to tell Ontarians when the debt has been retired. The result is that consumers will continue to pay the debt retirement charge even if the residual stranded debt is retired between now and April 1, 2018.

Schedule 22 is far more mystifying. It turns a simple trust where proceeds of privatization would be used to pay for infrastructure into a Rube Goldberg machine, seemingly used to help the government balance its budget. It would now be possible to add non-cash assets to the Trillium Trust. The trust can now show a gain without any liquid assets to spend. This runs contrary to the point of privatizing assets to pay for infrastructure.

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The government needs to listen to the eight independent officers of the Legislature, over 185 municipalities, more than 30 chambers of commerce, and the 83% of Ontarians who believe the sale of Hydro One is a bad choice.

As the Financial Accountability Officer noted, "In years following the sale of 60% of Hydro One, the province's budget balance would be worse than it would have been without the sale." The government needs to broaden the ownership back to when 100% of Ontarians owned it.

These schedules are beyond salvage and we recommend that both should be removed.

Next, the Fiscal Transparency and Accountability Act, schedule 6: This government has long suffered a credibility problem. As a response, more than a decade ago, they introduced the Ontario Economic Forecast Council to provide external credibility in reviewing budgetary and fiscal economic assumptions. As Liberal MPP Mike Colle from Eglinton–Lawrence said in 2004, "The Ontario Economic Forecast Council will forecast future economic trends"—

The Chair (Ms. Soo Wong): I'm going to need you to wrap up, sir.

Mr. Venai Raniga: Sure. Well, you should—

The Chair (Ms. Soo Wong): No. I'm going to stop you, because the timing is a sensitive one.

Ms. Fife, can you begin this round of questioning?

Ms. Catherine Fife: I'm going to give you time to finish your statement. I do have a question, though. We share your concern around the deception of the Hydro One funding, as it is clearly not going towards infrastructure and clearly going to deficit reduction. If you'd like to comment on that and extrapolate from your comments or if you'd like to finish your comments, that's fine.

Mr. Venai Raniga: Sure, thank you. I appreciate that.

In 2004, the government was all for an Ontario Economic Forecast Council. Dissolving this council, even though the government continues to suffer in areas of bad forecasting and dubious assumptions, is an alarming move. This schedule should be removed.

Next, I want to move on to the Labour Relations Act, schedule 12. This is clearly an effort for EllisDon, a construction company with financial ties to the Liberal Party. In reality, this is a continued assault on the legal rights of free collective bargaining. We think that this schedule should also be removed.

And lastly, a positive note, on schedule 23, the Workplace Safety and Insurance Act: We thank this government for providing full indexing of benefits to injured workers. However, we believe that an implementation date of January 1, 2018, is unnecessarily delayed and should be January 1, 2016.

I'm sorry, could you repeat your question again?

Ms. Catherine Fife: My question had to do with the deception around where the Hydro One proceeds are going as it relates to the Trillium Trust, based on the last fall economic statement. Did you want to extrapolate a little bit on that? But I also want to leave you time to talk about the labour relations piece.

Mr. Venai Raniga: Sure. Let me start with the labour relations piece. The government tried to introduce a similar bill in a minority situation, and then it had to fall. Meaningful collective bargaining should not be trampled on by the whims of the government. EllisDon has a contractual obligation, which was upheld by the OLRB. If this schedule were to be enacted, it would set a precedent that would allow a single company to be relieved of its collective bargaining obligations via government legislation. It would set a damaging precedent, paving the way for other well-heeled financial contributors.

Ms. Cindy Forster: And so to the EllisDon bill, I understand that at the Ontario Federation of Labour conference last Friday, an emergency resolution was passed by more than 1,000 delegates actually opposing this being included as part of this omnibus bill and asking that it be removed. Do you want to comment further on that?

Mr. Venai Raniga: Yes, certainly. CUPE Ontario does not believe that this should be a part of this legislation. It is offensive in the worst possible way that someone could—

The Chair (Ms. Soo Wong): I'm going to stop you. I'm going to turn it over to the government side. Unfortunately, it's three minutes. As you can imagine, three minutes is very short.

Mr. Venai Raniga: Of course.

The Chair (Ms. Soo Wong): Mr. Baker?

Mr. Yvan Baker: I want to start with just a little bit of local perspective. What I heard from people in my community and what I heard when I was still an aspiring politician and knocking on doors and talking to people was about the issues that are top of mind. What I heard a lot from people in my community was how important it was that we make investments in the infrastructure that helps support our economy and jobs, but also helps support our quality of life. I heard that over and over. I heard from people in my community how important it was that we improve traffic, that we build schools, that we build hospitals etc.

This is one of the things that I'd like to start with because, through Hydro One, we're generating at least $4 billion more for our investments in new transit, new infrastructure and projects like regional express rail, LRT in communities across Ontario, natural gas access expansion etc. These are examples of the kinds of investments that enhance people's quality of life and strengthen our economy. This is something that you didn't talk about, but I think is important to mention in the context of Hydro One.

I think we're managing our finances responsibly. We're increasing our investment without raising taxes, without increasing debt or recklessly cutting public services. This is the kind of balanced approach that people in my community at least asked me to undertake when they elected me and when I was campaigning.

The other thing I wanted to say is that, with Hydro One, Ontario will still remain the largest shareholder within Hydro One and, by law, no one else can take control of Hydro One, so taxpayers will continue to benefit from the dividend from Hydro One. We're making Hydro One a better-run company with a stronger management team that has committed to improve customer service and performance. I think these are important points to mention.

You talked about funds coming from Hydro One, and I just wanted to address that. In Bill 144, the proposed amendments to the Trillium Trust Act will specifically identify a number of major provincial assets that are eligible to be credited to the Trillium Trust, and the legislation that's proposed allows for the designated proceeds of identified assets to be paid into the trust through regulation. In addition, the amendments, if passed, would require that a regulation be made to calculate the designated proceeds from the disposition of the asset, and this would be a more transparent way of making that determination—

The Chair (Ms. Soo Wong): Mr. Baker, I'm going to need to stop you. I'm very sorry. It's three minutes. I'm going to turn to Mr. Fedeli.

Mr. Victor Fedeli: Thank you very much for your presentation, Mr. Raniga. Many of the things you spoke about in terms of the omnibus nature of this, we agree entirely and we are bringing amendments forward on Monday's clause-by-clause that talk about trying to separate this into bite-sized bills. I'm not necessarily certain or confident that we're going to win that battle, but it's one that I think is very important for the very reasons—I don't think I could articulate it better than you did, so I'm going to leave it at that, that there is some hope. There's hope out there that we may have an opportunity on Monday to do the right thing.

A couple of areas that you spoke about—the DRC. I'm here four years and one month, but I remember the first month getting here—

Interjection: Has it been that long?

Mr. Victor Fedeli: Yes, it's been that long.

The Auditor General of the day brought out his report and we learned that the debt retirement charge—they'd collected $8.7 billion against $7.8 billion. This is back in 2011 now that it was paid off. It was a couple of years later we learned—and I'm going to ask you, are you familiar with this? If you look at the annual reports of the OEFC each year, it showed in 2004 that the debt was around $7 billion or $8 billion, and all of a sudden in that 2012 annual report they spiked the 2004—are you familiar with that?

Mr. Venai Raniga: I'm vaguely familiar, yes.

Mr. Victor Fedeli: They spiked it up to $11.9 billion.

Mr. Venai Raniga: Yes.

Mr. Victor Fedeli: This was an astonishing revelation that day. I was going to ask you if you obviously feel that that's part and parcel—

Mr. Venai Raniga: Right. Clearly, proper accounting procedure would have put this debt down long ago, instead of 2018. It's capricious in nature.

Mr. Victor Fedeli: The auditor revealed that day—and it's all going to come together in a second—back in 2011, that the government was using the debt retirement money for general revenue. Although it's not supposed to, there was a loophole that allowed them to do that, and that's what happened then. They put it into general revenue to fluff up the books, and we've seen that now—and I think you said the same thing—using non-cash equivalent to fluff up the books in the Trillium Trust. Did you want to take another second and just talk a little bit more about that? Do you think you know the source of that non-cash?

Mr. Venai Raniga: I attempted to review the schedule itself, and it's difficult, just the language in and of itself. Our team has done the same thing. The idea that you could provide non-cash assets to then go and spend on infrastructure—

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Mr. Victor Fedeli: Yes. We think we know where that is as well. The $2.2 billion in the tax is a paper in-and-out tax transaction—

The Chair (Ms. Soo Wong): Mr. Fedeli, I need to stop you there. I'm very sorry.

Mr. Victor Fedeli: That's the answer.

Mr. Venai Raniga: Thank you.

The Chair (Ms. Soo Wong): Thank you, sir, for being here. If you have any written submission, please send it to us by 6 p.m. tomorrow. Thank you.

ONTARIO HARNESS HORSE ASSOCIATION

The Chair (Ms. Soo Wong): The next group before us is the Ontario Harness Horse Association. Good afternoon, sir. Welcome.

Mr. Brian Tropea: Thank you.

The Chair (Ms. Soo Wong): As you heard, you have five minutes for your presentation, followed by three minutes of questions from each of the caucuses. You may begin any time. When you begin, can you please identify yourself, as well as your position with the Ontario Harness Horse Association, for the purpose of Hansard?

Mr. Brian Tropea: Sure. Thank you for the opportunity to offer public comment on Bill 144. My name is Brian Tropea, and I'm the general manager of the Ontario Harness Horse Association, representing close to 3,000 individuals who participate in racing in Ontario.

As you're aware, horse racing in this province is highly regulated and has had linkages through the Ontario Lottery and Gaming Corporation Act in the past. That linkage to the OLG was through the Slots at Racetracks Program, a program designed with the intent to enhance live racing and subsequently benefit rural and agricultural Ontario.

All of the significant positive growth that was occurring in the racing industry came to a halt with the 2012 announcement that the government intended to end the Slots at Racetracks Program.

The current model for horse racing does not adequately consider the plight of the horse people and the limited racing opportunities. More importantly, the limited amounts of purse money discourage investment in the industry. While racetrack operators that still have slots at their facilities continue to receive funding from the OLG, horse people do not share in that funding. Some racetracks that no longer offer live racing continue to receive revenue from the OLG. Additionally, this arrangement has put racetracks that no longer have slot facilities at a competitive disadvantage.

Ontario is currently the only province or state in North America that I'm aware of that does not share proceeds of gaming at a racetrack with the racing participants.

Under schedule 16.1, the Ontario Lottery and Gaming Corporation Act, 1999, paragraph 5.1 allows the OLG "To undertake activities with respect to the support of live racing in Ontario."

Section 12.1 indicates that "the minister may establish a grant program for the purpose of supporting live horse racing in Ontario and may establish guidelines for the program." This language is much like the language in the old site holders' agreements that contemplated benchmarks and annual reviews, but those benchmarks were never established and annual reviews never happened. OHHA believes that the word "may" should be replaced with the word "shall" in both instances.

Section 12.1(2) allows the minister to "enter into grant agreements, on such terms as he or she considers advisable, with the owners or operators of race courses in Ontario where live horse races are held."

OHHA suggests that the horse people should also be considered as signatories to any new agreement to fund the racing industry and that agreements would be made with all racetracks where live horse races are held. OHHA encourages government to ensure that horse people have sufficient funding to encourage reinvestment in the industry and to develop and monitor benchmarks in co-operation with the industry. Hopefully, this legislative change will allow the OLG to implement changes which are beneficial to both the racing industry and to the provincial treasury.

The Racing Commission Act, 2015, will see the regulation of horse racing transferred to the Alcohol and Gaming Commission of Ontario. OHHA has concerns about the adjudication process under the AGCO. There must be a clear procedural flow from allegation of wrongdoing through a judges' or stewards' hearing to an appeal of any charges that may be laid.

Under section 8(3), "The panel shall not inquire into or make a decision concerning the constitutional validity of a provision of an act or regulation." As well, number (4) indicates that "A decision of the panel under subsection (2) is final and not subject to appeal."

Both subsections (3) and (4), which are dramatically restrictive, can be satisfied by providing, as exists today, a right to appeal by judicial review to the Superior Court. It is critical that either licensees or the regulator have the opportunity to have all issues, constitutional or otherwise, considered thoroughly, even including the right to appeal, and thereby ensuring the participant reasonable decision-making.

Section 5(1): "Subject to the regulations, the commission, through the registrar, shall make rules for the conduct of horse racing in any of its forms." Horse racing rules require industry knowledge, and OHHA supports a consultative process which involves horse people, to make new rules or to amend existing rules.

Section 7 creates a Horse Racing Appeal Panel. OHHA supports member appointments of individuals with a knowledge of horse racing in general. The bill also proposes to create a Licence Appeal Tribunal. It is unclear why there would need to be essentially two parallel appeal panels.

Section 12(3): "The applicant shall pay the reasonable costs of the inquiries or investigations or provide security to the registrar in a form acceptable to the registrar for the payment." OHHA believes that applicants should not be responsible for paying for investigations or inquiries that are undertaken by the regulatory body. The word "shall" indicates that any time any due diligence or investigation is done on any applicant, there will be a payment required.

The Chair (Ms. Soo Wong): Mr. Tropea, I'm going to need to stop you here. I'm going to turn it over to the government. Mr. Milczyn, you may begin your questioning.

Mr. Peter Z. Milczyn: Thank you, Mr. Tropea, for your deputation this afternoon and for telling us about some of your association's concerns.

I just want to make it clear that our government is committed to ensuring that the horse racing industry is sustainable and on a solid footing moving forward in this province. The legislation that's being proposed today, if passed, we believe helps set that new foundation for moving forward.

We want to make sure there's some possibility for the long-term success of the industry in this province. Certainly the linkage with OLG, Ontario Lottery and Gaming, is about creating a partnership where those with expertise in the promotion and marketing of gaming would be working hand in hand with your industry in promoting the industry better and creating more interest in the industry, which should bring more money into it. That is really the intent behind these amendments.

The linkage of the AGCO into it is about having a strong mechanism that would ensure the integrity of the industry with a proven leader in ensuring the integrity and safety around gaming and alcohol in the province.

My question to you is, do you think these types of new linkages are going to be beneficial to the industry, especially the one with OLG that's designed to promote and market your industry more to the public?

Mr. Brian Tropea: Absolutely. I believe it will be beneficial, but it won't fix the problem. Unless there's a formal agreement that recognizes horse people in partnership in this deal, there's not enough money coming to the industry. For two years, horse people have waited on integration with the OLG with the promise that there's going to be increased funding to the industry at some point, and we've seen no evidence that that's coming.

Mr. Peter Z. Milczyn: But this legislation is actually the implementation of that. It's putting forward that we do want to bring the two pieces together, the horse racing industry together with the marketing and promotional excellence of OLG, formalizing that and ensuring that you're working together. Is there any reason that you would think that this wouldn't be positive? Also, do you have any comments on the role of the AGCO working together with your industry?

Mr. Brian Tropea: Again, my biggest concern is that all the language in the bill talks about having a partnership with the racetracks. It doesn't mention having a partnership with the participants. The participants need to be recognized as a partner in this deal going forward to ensure that they've got secure funding to make business decisions five years, 10 years, 15 years down the road.

The Chair (Ms. Soo Wong): I'm going to need to stop here. Sorry, Mr. Tropea.

I'm going to turn to Mr. Barrett.

Mr. Toby Barrett: Thank you, Brian. I was certainly aware of the devastation in the horse racing industry, and there obviously still seems to be a lot of uncertainty, which can't be good for business. You're moving under finance and less under agriculture. We've seen this at the tobacco industry. It has not worked out well; finance does not understand tobacco.

With the grant program, as I understand it, the funding would come from OLG. It could be through Slots at Racetracks, but it could be through other gambling revenue, like scratch tickets or online gambling. Does this provide any confidence to people in the industry?

Mr. Brian Tropea: No, not really. Considering how the slots program ended, and we had an agreement where horse people were recognized in that agreement and made investments in infrastructure, horses and everything else that was required to have a racing stable—to have that pulled out from under their feet, without any formal recognition that horse people are going to have secure funding going forward in either of these bills, gives us no confidence.

Mr. Toby Barrett: The other worry we have is that it allows the minister to create a grant program. Our worry is that certain tracks may be guaranteed funds and certain other tracks may not receive any money. Our concern is this: Is there a setup here to pick winners and losers when this loss of control—

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Mr. Brian Tropea: I believe there has been a setup to pick winners and losers since the end of the Slots at Racetracks Program, and this doesn't give me any confidence that that has changed.

Mr. Toby Barrett: Okay. Anything else you want to say?

The Chair (Ms. Soo Wong): You've got one minute.

Mr. Brian Tropea: Okay.

Mr. Toby Barrett: Just to wrap up, yes.

Mr. Brian Tropea: A couple of other things: "An investigator may exercise any of the powers described in subsection 28(2) without a warrant if the conditions for obtaining the warrant exist but by reason of exigent circumstances it would be impracticable to obtain the warrant." It would appear that this section allows investigators extraordinary privileges outside of the normal court process.

"No person engaged in the administration of this act shall be required to give testimony in any civil proceeding." So if an investigator did something, whether lawful or not, he would not provide evidence in a court.

And the last one that's most important, section 41(3): "Every individual convicted of an offence under this act is liable to a fine of not more than $50,000 or to imprisonment for a term of not more than one year…." So violation of the AGCO act could lead to imprisonment of a participant for up to a year. OHHA obviously has serious concerns about that.

And integrity, transparency and accountability—

The Chair (Ms. Soo Wong): I'm going to stop you here, sir. I'm going to turn to Ms. Fife.

Ms. Catherine Fife: Brian, this is just one more hit, really. Your industry has been almost undermined at every corner by this government. The consultation process that would bring OMAFRA under the Ministry of Finance—were you consulted at all on this process?

Mr. Brian Tropea: No, none.

Ms. Catherine Fife: And do you think that your members are going to be well supported at all throughout this entire process?

Mr. Brian Tropea: Our supporters are pretty simple people. Our members are pretty simple people. They're out working in the barns or looking after their horses. They depend on people like me to be here presenting their case to people like you. I've been doing it for two and a half years now and, unfortunately, we haven't seen anything that would lead us to believe that there's a brighter future for horse people.

Ms. Catherine Fife: It really is incredible. For me, I'm the finance critic, so I follow the money. In 1998—you included this graph—the purses were $82 million. They went up to as high as $183 million in 2006, and now they're at $92 million. So from 1998 to 2014, clearly your industry has come under great pressure from this government to comply with some sort of gambling agenda, if you will, for OLG. I want you to talk about the emotion that this is leaving for horse people in the province of Ontario.

Mr. Brian Tropea: As I said, most people are desperate and they're holding on because there's a promise of something better, but we haven't seen it. From the comments I'm hearing today about OLG helping to market and promote horse racing, I don't see that as another source of revenue to replace the one that was taken away from us.

Ms. Catherine Fife: Nobody believes what they're selling on that.

Do you want to talk about jobs?

Ms. Cindy Forster: How many jobs have been lost in this three-year period, since—

Mr. Brian Tropea: It's hard to quantify the actual number of jobs, but licensees in the industry—people who are actually licensed to participate in racing—on the standardbred side alone dropped from over 15,000 in 2011 to 7,000 in 2012. We know that trend has continued downwards. Definitely over 10,000 people have lost their jobs because of this.

Ms. Cindy Forster: And the purses in terms of 1998 dollars to today are less than you were actually getting in 1998, in terms of—

Mr. Brian Tropea: They've gone backwards, and there are actually less horses racing in the province currently than there were prior to the slots being implemented back in 1998, when the government, at that time, recognized the need to do something to sustain an important agricultural industry in the province.

Ms. Cindy Forster: How much time do we have?

The Chair (Ms. Soo Wong): We have no time, so sorry. Mr. Tropea, if you could submit anything in writing or you can leave it with the Clerk, we'd be happy to circulate that.

Mr. Brian Tropea: Okay. I brought 25 copies.

The Chair (Ms. Soo Wong): That would be great, if you could do that. Thank you very much, sir.

IMPERIAL TOBACCO CANADA LTD.

The Chair (Ms. Soo Wong): The next witness before us is Imperial Tobacco Canada Ltd. I believe we have two individuals, Mr. Charbonneau and Mr. Passmore. Welcome. As you heard, you have five minutes for your presentation followed by three minutes from each of the caucuses. This round will begin with questions from the official opposition.

When you begin, can you please identify yourselves for the purpose of Hansard, and you may begin at any time.

Mr. Sébastien Charbonneau: Good afternoon and thank you for the opportunity to address Bill 144 in front of you today and, more specifically, our comments will be around schedule 21. My name is Sébastien Charbonneau. I'm director of corporate and regulatory affairs and government and regulatory affairs with Imperial Tobacco Canada. I'm with Mr. Leon Passmore.

Mr. Leon Passmore: Good afternoon. My name is Leon Passmore. I'm the manager of leaf accounts for Imperial Tobacco Canada.

At the beginning of 2015, the Ministry of Finance actively began the oversight of all styles of raw leaf tobacco in Ontario. Previously, this responsibility was held by the Ontario Flue-Cured Tobacco Growers' Bargaining Board for flue-cured tobacco only. The Ministry of Finance oversight now applies to all aspects of the raw leaf tobacco supply chain in Ontario.

Raw leaf tobacco is the principal building block for all tobacco products, legal and illegal. The question for you is, how do we ensure that raw leaf tobacco in Ontario does not fall into the wrong hands? The changes in Bill 144 will go a long way in this regard.

By way of background and context, yield is the main indicator to measure farm output. Yield is tobacco sold divided by the acres it takes to grow it.

With existing controls and information, we have been able to determine that there's a consistent gap between the reported yields and the actual yields for some growers. As a result, there is tobacco that is making its way into the supply chain that is unaccounted for, reaching the black market as contraband tobacco. The legislation before this committee will help track raw leaf tobacco grown in Ontario and disrupt the supply side for the illegal operators.

First and foremost, the application of an identification record for raw leaf tobacco which extends to every aspect of the tobacco value chain will make it harder for raw leafs to operate outside the system. Recordkeeping features proposed in the bill will improve traceability as raw leaf flows through the different levels of the supply chain and will help to prevent raw leaf from being diverted to facilities that process and manufacture contraband products.

Clarification to rules for seizure and destruction of raw leaf tobacco will help ensure tobacco originally destined for illegal operators will not get there. Finally, increased penalties will provide a strong deterrent to all levels of the raw leaf supply chain to step outside of the law.

Overall, the changes identified are welcome. However, there are opportunities where additional improvements could be of value.

First: The annual measurement of the Ontario tobacco crop is critical. This can be strengthened by adding key checkpoints at key times during the growing season that will provide estimates on the projected volumes to be harvested by each grower. Expand the information provided on the field maps submitted by each grower to identify all crops grown on the farm, thus helping to prevent rogue tobacco fields from going undetected.

Second: Expand the definition of yield to include all cured or dried tobacco harvested by the farming operation. Currently, only marketable tobacco sold to a registered buyer is used to determine yield. The remaining tobacco that is of no interest to the registered buyer can still be of value to other interested parties and make its way into the contraband market.

Third: There could be transportation permits required that would help track raw leaf tobacco movement within the province of Ontario, making it harder for illegal operators to access it and help prevent loads from reaching illegal operations.

Thank you, and we'd welcome any questions that you may have.

The Chair (Ms. Soo Wong): Wow, that's great. Thank you very much. I'm going to turn to Mr. Fedeli or Mr. Barrett.

Mr. Toby Barrett: Thank you, Imperial. You know the tobacco business very well. I represent most of the tobacco farmers in Canada. We see attempts here—in my view, things have not worked out very well once finance took over the surveillance and checking of farmers' acreages and yields and what have you. You mention a number of things that could be done: additional key checkpoints, transportation permits and things like that.

The Ontario Flue-Cured Tobacco Growers' Marketing Board was initiated in 1957 and seemed to do a fairly good job over 50 years. It was a farmer board, run by farmers—elected. I felt it was a very good organization. They seemed to have control of the growing of the crop. Do you really have confidence that Ministry of Finance enforcement people can go out in the fields, even with some of these new powers, and accomplish what the board accomplished over the last 50 years as far as having a handle on what's going on out there in the field?

Mr. Leon Passmore: I think the Ontario Flue-Cured Tobacco Growers' Marketing Board was vital in the last 50 years of tobacco management. Unfortunately, the board could only go so far up the supply chain. They were mainly responsible for the production and marketing of flue-cured tobacco in Ontario.

As I mentioned, the Ministry of Finance now oversees not only flue-cured but also burley tobaccos and dark tobaccos that are also grown in Ontario.

To your point on the Ministry of Finance: Unfortunately, we feel that the 2015 crop, for oversight, has been a missed year, if you will.

Mr. Toby Barrett: I'm sorry?

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Mr. Leon Passmore: It has been a missed year for oversight.

Part of the challenge for the Ministry of Finance is that the advantage the board had was that they were agricultural based. They worked under the Ontario Farm Products Marketing Commission; they understood agriculture, of course. But for the Ministry of Finance there's a steep learning curve for them in this sector. I think that's the biggest challenge ahead of the Ministry of Finance at this point: to gain the understanding of the industry and agriculture.

Mr. Toby Barrett: Do you think this will go far enough? In my view, there's no way the legal trade can compete with the illegal trade. Whether you are a farmer, a processor, a manufacturer, a retailer in a corner store or an advocate of health promotion, there's no way you can compete with this illegal trade, which has that competitive advantage. It's a very highly taxed item. We're dealing with people who pay zero taxes. Do you think we're just beating around the bushes here?

Mr. Leon Passmore: We're doing the best we can with the opportunities but, unfortunately, as you mentioned, the unlevel playing field does give them a distinct advantage but it also encourages people to get involved in that side of the sector.

Mr. Toby Barrett: Yes. It's not good.

Mr. Sébastien Charbonneau: And if I may add, attacking contraband requires action on both the supply side and the demand side, so when this committee sits again and reviews the next provincial budget, we will be happy to come back and discuss our views for the demand side.

The Chair (Ms. Soo Wong): Okay. You can come back in January to talk about that. I'm going to turn to Ms. Fife.

Ms. Catherine Fife: I'm going to give you an opportunity to talk about it right now, because that has been the consistent theme. I've been here for only three years, and at every budget time, the industry has said to this government that in order to fight contraband tobacco, you need to have resources to do so. Bill 144 does not address that.

This is a growing issue. It's not just about profit margins and about profit lines, it's about the overall health of the entire province. I want to give you the opportunity to talk and put on the record right now, as it relates to Bill 144, the need for enforcement and the resources that are needed to do so properly.

Mr. Sébastien Charbonneau: Well, again, the purpose of our remarks today was to acknowledge and improve some of the measures to control raw leaf, but you are correct. There are also additional measures to tackle the supply, and enforcement is a key element and resources for proper enforcement is key.

We understand that there is some willingness and there is a bill—Bill 139, if I'm correct—that has been introduced recently by Mr. Smith that brings up some very interesting avenues to further enforce the traffic of illegal tobacco in the province of Ontario, which is known to be linked with organized crime and therefore is one of the biggest threats for proper tobacco control policies that the Ontario government will—

Ms. Catherine Fife: Okay. So let me get you on the record, then. You haven't had a chance to read the AG's report today that just came out at 11:45 a.m., but the Ministry of Finance now is going to have oversight to track these bales of tobacco, the so-called bean-counters, if you will. This is your opportunity to get any concerns that you would have for the Ministry of Finance to track bales of tobacco going through the province of Ontario. This is your chance.

Mr. Leon Passmore: I think that's a challenge that is faced by the Ministry of Finance. With the resources that they currently have they cannot do a good job of that. I think, moving forward, they need to have, if you will, boots on the ground. They need to have a better presence and they need to and I would recommend that they engage with the industry on an ongoing basis to try to come up with a framework in which we can address some of these lingering issues around the enforcement of illegal tobacco.

The Chair (Ms. Soo Wong): Okay, Mr. Passmore, I'm going to stop you here. I'm going to turn to Ms. Albanese for the government side.

Mrs. Laura Albanese: Thank you for being here this afternoon and for your comments on Bill 144. Now, as you mentioned, the government has started to take some steps in order to become more effective in combatting contraband tobacco and I guess that 2015 could be seen as a transition year, as you mentioned. We've been working co-operatively with the growers. We're starting to make sure that they're all registered and we're trying to do that in a co-operative way.

Now, this bill, as you mentioned, proposes specific amendments to the act. In particular, it will require the labels to be affixed to the bales and to the packages of the raw tobacco and it will require monitoring so that we can track the movement.

In your opinion, what effect will these measures, if properly enforced, have on the flow of contraband tobacco across Ontario? Can it make a good dent, in other words?

Mr. Leon Passmore: Can it make a good dent? I think it will make a dent. Again, the labelling process was in place two years ago. Actually, last year was the first year that the labelling did not take place.

The enforcement side, the boots on the ground—but also the transportation checks to make sure that the tobacco that is flowing through the supply chain is flowing in the right direction, to the proper destinations. I think this is a challenge, because on the farms, even though you have a labelling process in place, you're assuming that all the bales will get labelled. This is where enforcement and resources are required, to ensure that that actually takes place. We have found—and we've seen it first-hand—that growers will actually skim the crop, as we call it. They will take a 700-pound bale of tobacco that's worth $1,500 and they will sell that into the black market, out the back door, for the equivalent of close to $5,000 to $6,000.

Mrs. Laura Albanese: And that's why you're suggesting also that we measure the crops and the volume—

Mr. Leon Passmore: Absolutely.

Mrs. Laura Albanese: —and identify all crops, I think is what you're suggesting.

Mr. Leon Passmore: Yes. If I could just make a suggestion, if I may, I think going forward that this will be a constant evolution. There will not be one thing that will solve all the problems. It's going to be constant evolution. I would strongly encourage the Ministry of Finance officials to engage with the industry, with the growers, to have a forum established so that we can continue to address and discuss these issues as we move forward, year over year.

Mrs. Laura Albanese: Thank you.

The Chair (Ms. Soo Wong): All right. Thank you very much, Mr. Passmore and Mr. Charbonneau. Just so you know, we are going to be beginning pre-budget consultations next month. You can follow up with the Clerk.

Mr. Sébastien Charbonneau: Thank you.

ONTARIO CAMPAIGN FOR ACTION ON TOBACCO

The Chair (Ms. Soo Wong): Our next witness is the Ontario Campaign for Action on Tobacco: Mr. Perley. Welcome, Mr. Perley. It's good to see you again. As you heard, you have five minutes for your presentation, followed by three minutes of questioning. This round of questioning will begin with the third party. You may begin at any time. Please identify yourself for the purposes of Hansard.

Mr. Michael Perley: I'm Michael Perley. I'm director of the Ontario Campaign for Action on Tobacco. On behalf of our partners, the Canadian Cancer Society's Ontario division, Heart and Stroke Ontario, the Non-Smokers' Rights Association, and the Ontario Medical Association, I appreciate the opportunity to be able to provide a few comments on the proposals in schedule 21 of Bill 144.

Management of Ontario's raw leaf tobacco crop was first proposed in 2012 and implemented beginning in January of this year. Management of this crop is extremely important to the control of contraband tobacco, especially since—and you may not be aware of this—the size of the crop has more than doubled in the past few years, from 23 million pounds in 2008-09 to 61 million pounds in 2014.

This doubling—or, really, nearly tripling—occurred as a result of the federal government's buyout of the tobacco-growing quota system in 2008, and replacement of this system with a process under which growers could contract directly with manufacturers for certain quantities of tobacco leaf. On production of a contract with such a manufacturer, farmers could then proceed to grow as much as the manufacturer ordered.

This growth in the crop size, accompanied by little oversight or management until the raw leaf management system came into effect this year, has naturally led to more raw leaf being potentially and actually available for the manufacture of untaxed product by unlicensed manufacturers.

The Ontario Campaign has strongly supported implementation of the raw leaf management system, and we welcome the strengthening amendments to that system contained in schedule 21.

We do have a few comments and questions about the system as it will function following implementation of schedule 21, as follows.

There are a significant number of new fines proposed for breaches of the schedule. We have been concerned for some time about two issues regarding fines in the broad area of contraband tobacco control: collection of these fines, and the inclination of some courts to reduce them, depending on the circumstances of the accused.

In one example, and admittedly, this is from a few years ago, of the nearly $30 million—$29.3 million, to be exact—owed in provincial offences fines for all categories of offences to the united counties of Stormont, Dundas and Glengarry at the end of 2011, fines regarding smuggling of contraband totalled $13.7 million of the $29.3 million total. And of all the fines that were then outstanding, nearly $24 million in total of the $29 million was in default.

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I note this as an example of the challenge that can be faced in collecting fines. The Ontario Campaign strongly encourages the government to put whatever enforcement resources in place that are necessary to ensure that any fines under the contraband control regime, including the raw leaf management system, can be collected.

Concerning the markings that are required on bales and packages of tobacco, we're not clear if there are any security features incorporated into these markings that would avoid counterfeiting. It is not unreasonable to suppose that some efforts may be made to counterfeit the markings on bales and packages of raw leaf tobacco. Security features in the markings, similar to features now contained in tax labelling on cigarette packages, would help address this issue.

We also recommend that the marking system for raw leaf tobacco be extended to manufactured products, and that each cigarette sold in the province of Ontario have a tax-paid marking applied to it. This would help enforcement personnel distinguish untaxed from taxed product and assist in the control of the spread of contraband.

Finally—although this comment does not bear directly on schedule 21, my partner has asked me to include it—we urge the committee to consider a refund/rebate system for tobacco sold on reserve, similar to the system that is now in place for gasoline sold on reserve.

Thank you for your attention. I'd be happy to answer questions.

The Chair (Ms. Soo Wong): Thank you, Mr. Perley. Ms. Fife?

Ms. Catherine Fife: Thanks very much, Mr. Perley. You've actually come to the finance committee for the last three years, and you've raised the issue, primarily around enforcement on this issue. But this is the first time, if I'm not mistaken, that you've actually raised the issue of the refund/rebate system for tobacco sold on reserve. Do you want to talk a little bit more about that? It's an interesting idea.

Mr. Michael Perley: Well, in a nutshell, the refund/rebate system would operate very much as for gasoline sold on reserve, where a price is paid at the time and the retailer gets a rebate on tax, but the tax is paid at the time. So the retailer is in a position that's quite different from anyone who would want to sell tobacco on reserve at the moment.

We raise this in the context of the review of the allocation system that's now under way. The allocation system is the system which was established more than 20 years ago, with numbers from that period as its basis, to determine what amount of tax-free main-brand product should be given to folks on reserve without any tax being paid on it. That system has been in place with a formula based on an assumed smoking age of 16—prevalence figures from the day, which were not the same at all as they are today—and some other details that, again, don't bear on today's population or circumstances.

This system is now under review. One way of reforming it or, really, replacing it with a system that would be more effective, we think, would be a refund/rebate system. It's in operation in Quebec. It's in operation in Saskatchewan. There's a real-time version of it operating in Saskatchewan. Someone goes on reserve; they want to buy tobacco. I believe they have a card or a licence, and they provide it. They—

Ms. Catherine Fife: So essentially it flushes out the underground economy, if you will, the contraband.

Mr. Michael Perley: It would certainly very much help to do that.

Ms. Catherine Fife: And that would be good for the government, because it actually would generate a little bit more revenue as well, because it's sort of flushing out those tax dollars, potentially, that just never make it back to Queen's Park.

Mr. Michael Perley: Right. The question is, though, what would be the status? That would be true for main-brand product—Player's, du Maurier, what have you. I'm not sure what the status of Grand River Enterprises' manufactured product would be—

The Chair (Ms. Soo Wong): Mr. Perley, I'm going to stop you here.

Ms. Catherine Fife: I suspect we'll see you back here at finance asking for funding for enforcement.

The Chair (Ms. Soo Wong): All right, I'm going to turn to the government side. Ms. Hoggarth.

Ms. Ann Hoggarth: Thank you for your presentation, Mr. Perley. I thank you on behalf of all people in Ontario for the work that your association has done in trying to keep areas smoke-free and working for public place bylaws and also advocating for the passage of provincial second-hand-smoke protection legislation. Those things are very important and we thank you for your work on that.

The Ministry of Finance has been working co-operatively with the growers and others that deal with raw leaf tobacco in Ontario to ensure that they are registered. The amendments in this bill will further enhance oversight of a raw leaf tobacco regime, and better enable the government to directly address the issue of contraband tobacco. The government does remain committed to working with the stakeholders on enhancement of raw leaf tobacco oversight to ensure its effectiveness.

I just wanted to ask you: How do you believe these legislative amendments fit in with last year's changes to the raw leaf oversight regime?

Mr. Michael Perley: I think they're logical extensions of it; I think they're welcome in that sense. We need to make sure that we have a system where not only is there a tracking mechanism set in place, but that tracking mechanism has features like security of labelling and so on which make it clear that enforcement personnel have the means to determine not only whether a bale is marked or labelled, but is that label one that someone has made in their backroom or is it a label that is an approved one, with security features that can be identified?

I think the process of tracking not just the bales themselves, but who transports them and how they transport them, is extremely important. It's my understanding that no one can transport any tobacco under this regime in Ontario, whether coming into Ontario, going out of Ontario or moving around within Ontario, that is not registered with the ministry. So while it will take some time to get that system fully up and running, I think that will be very helpful.

On the larger issue of contraband, if I could just say this: One thing that we are missing and have never had is a really effective public education campaign. I think the main brand tobacco industry would have you believe that somehow—and their ads have stated this in so many words—their products, because they're regulated—they don't dare use the word "safer"—are better than contraband on the one hand. On the other hand, we have some young people who think that contraband is better because it doesn't have any additives in it, as if it's the additives in main brand products that kill you, as opposed to the tobacco. Demystifying the issue of contraband in those two directions, and perhaps others, would be very useful. We have had no public education on contraband to speak of province-wide since the problem began.

Ms. Ann Hoggarth: Thank you for your insight.

The Chair (Ms. Soo Wong): Okay, Mr. Perley, I'm going to turn to Mr. Barrett.

Mr. Toby Barrett: Thank you, Michael. We've certainly had a lot of discussions on these committees.

Mr. Michael Perley: We certainly have.

Mr. Toby Barrett: How many years have you been testifying?

The Chair (Ms. Soo Wong): Many.

Mr. Michael Perley: My son wasn't born, and he's 15.

Mr. Toby Barrett: Yes, I was going to say 15. I think I can recall some of the discussions—

Mr. Michael Perley: It's probably 15-plus, I think.

Mr. Toby Barrett: —15 years ago, and the Smoke-Free Ontario Act.

The Chair (Ms. Soo Wong): Probably 20 years.

Mr. Michael Perley: Yes, 20-plus.

Mr. Toby Barrett: You know the subject very well.

The issue at hand, in my view: illegal tobacco, contraband tobacco—kind of the good guys and the bad guys. The good guys aren't organized, the bad guys are organized, and you know a bit about that.

My little constituency office in Simcoe—just a few weeks ago, a reporter from Reforma in Mexico City shows up at my little office to interview me, and a film crew came up from Mexico. They're interviewing me. They dropped taxes in Mexico; they're being flooded with tobacco from Ontario, as you may know.

This summer, a film crew came into my little constit office—I don't know how they found me—from Guatemala. They're flooded by illegal tobacco from the province of Ontario. A film crew came to my office last summer from Costa Rica to do a documentary on Ontario tobacco that's going through Latin America. It's right out of control, and Ontario is now a key player in this international black market trade of trafficking in tobacco.

We've been having these discussions for 15 years. I have a feeling it's getting worse. I was astounded. What is our product from down here—some of it is coming from my farmers; it's coming from North Carolina, here, and then back down.

Where are we going to be 15 years from now or five years from now? We're dealing with certain groups on the criminal side. What goes on down there would make what's going on up here a teddy bears' picnic. Whatever's going down, something's coming back. Any comments on that?

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Mr. Michael Perley: Well, I'm certainly aware of the organized crime issue and there's involvement there. To put it bluntly, I'd be very interested in knowing what the names of the products are that are showing up in Mexico.

Mr. Toby Barrett: DK's, Sago and Putters are three of the brands.

Mr. Michael Perley: Right, and we know who they're manufactured by, which is Grand River Enterprises.

Mr. Toby Barrett: We do know and sometimes we don't mention these names because this is serious business.

Mr. Michael Perley: Let's call a spade a spade. That's who manufactures the products. For some of them, the same names are used by manufacturers on the US side of Akwesasne; we know that. There's litigation against GRE, so we can't really get into this at all. It's not peach-banded Players, du Maurier and Rothmans that are showing up; it's these products.

How we deal with that very large source of untaxed product, I think, is the name of the game, going forward. I don't think anyone has an answer to that yet. When the litigation is completed and it's clear how the province can relate to and deal with that situation, we'll know better. But, unfortunately, we're stuck with that situation right now.

We also have, though, a lot of smaller illegal manufacturers, or unlicensed manufacturers is perhaps a more correct term. I think that's where a lot of the benefit of the raw leaf system comes in. I think it's possible to choke off the supply to them a little more easily perhaps than it is to the largest manufacturer. That's just a supposition on my part. I'm not sure, but that's what it sounds like.

We always need more enforcement. One thing that's coming up is cross-designation of public health officials for the purposes of enforcing the Tobacco Tax Act. That will put a whole bunch more boots on the ground. All the public health inspectors who are tobacco enforcement officers, following a pilot project that's starting in January, we hope will be able to help enforce the act. So that helps address the boots on the ground issue—

The Chair (Ms. Soo Wong): Mr. Perley, we thank you for your presentation and your written submission. Thank you.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Chair (Ms. Soo Wong): Our next witness before us is OPSEU: Mr. Thomas and Ms. Davis.

Welcome, sir and madam. As you heard, you have five minutes for your presentation—I believe the Clerk is coming around with your written submissions—followed by three minutes of questioning from each of the parties. This round of questioning will begin from the government side.

You may begin anytime. Please identify yourselves for the purpose of Hansard. Thank you.

Mr. Smokey Thomas: I'll talk fast. Good afternoon. My name is Smokey Thomas and I am the president of the Ontario Public Service Employees Union. With me today, I have Sister Denise Davis. Denise is the chair of the liquor board employees division of OPSEU.

On behalf of the 7,000 members who work at the LCBO, we thank you for the opportunity to comment on the changes to the Liquor Control Act proposed in Bill 144.

Back in May, Denise told this committee of our union's concerns about the government's plan to allow up to 450 grocery stores to sell alcohol. We pointed out that alcohol is not just another consumer product; it is a controlled substance that our members have a long and proud history of handling and selling responsibly. We said the government's plan will have far-reaching effects on the health, safety and well-being of Ontarians for decades to come.

Since we made that statement, alcohol researchers have been able to estimate a potential consequence of the government's plan, and it is a tragic consequence. Alcohol researchers in BC examined the relationship between alcohol-related deaths and the density of private liquor stores in that province between the years of 2003 and 2008.

Based on the BC findings, the Centre for Addiction and Mental Health—CAMH—estimates that adding 450 private alcohol outlets could cause 100-plus deaths per year in Ontario. I urge all members of the committee to review the studies and documentation, all publicly available on the Web, and they're added in our kits today.

The fact is, there is strong evidence that government monopolies do a better job of minimizing public health and safety consequences than privately owned stores. There will be a human cost to the government's plan to privatize alcohol sales. Our union urges this committee to consider the human costs ahead of the profits that will flow to big grocery chains such as Loblaws, Sobeys and Walmart.

Now, I will turn my attention to the government's changes to the Liquor Control Act. Bill 144, currently before this committee, builds on previous changes.

First there was Bill 91, passed in June, which added a new clause making it possible for grocery stores to be authorized to sell liquor to the public. Then there was Ontario regulation 290/15, filed by the government in September. It outlines the criteria that grocery stores must meet to sell beer. Most of the details are familiar from the government's September 23 announcement.

There is one element the government neglected to be open about: No authorization will be issued to a retail store that is within 10 kilometres of an agency store. This clause has the effect of protecting the sales of privately owned and operated agency stores from the big grocery chains.

One might reasonably ask: Where is the rule prohibiting grocery stores, or agency stores for that matter, from being within 10 kilometres of an LCBO store? After all, the LCBO is owned by the people of Ontario and is operated in their best interests. The answer is that there is no such rule protecting an asset of the people. Once more, we see the government putting private profit ahead of the public interest.

Finally, we have the amendments contained in Bill 144. A new subsection will be added to the Liquor Control Act banning the release of grocery stores' liquor sales information to anyone outside of government. The sales information will be deemed "financial and commercial information," supplied in confidence to the government institution, and shall not be disclosed.

The new subsection will prevail over the province's freedom of information legislation. This means nobody outside of government, such as media organizations, opposition MPPs, alcohol policy researchers and our union, will be able to independently verify that grocers are paying what they owe to the people of Ontario should they exceed their share of the global sales cap of $450 million.

In conclusion, sort of, our union urges this committee to vote down the amendments to the Liquor Control Act included in Bill 144.

Just two more things: On May 11, 2016, Denise is lead-handing and chairing an alcohol policy symposium here in Ontario. Health care providers, social policy groups and other LCBO unions from across the country are going to convene, and we will be issuing invitations to all MPPs in this House, from all three parties, if you wish to attend. We think it would be a must to attend, or to at least have some people from your party there.

Further, just as an aside, our union urges you to vote down the amendments to the Labour Relations Act that would allow EllisDon to opt out of a legally binding labour agreement.

We'd be pleased to take your questions now.

The Chair (Ms. Soo Wong): All right. I'm going to turn to the government side. Mr. Baker?

Mr. Yvan Baker: I'm just going to start with the EllisDon labour agreement that you spoke to. I'm sure you can appreciate that this situation is really an anomaly in the province, and I think it was important that we rectify the situation and level the playing field in terms of the construction industry, which is our intention with this legislation.

As you are probably aware, renowned mediator Kevin Burkett was asked to bring each party together to reach an agreement, which they did. Unfortunately, not all parties ratified that agreement. Mr. Burkett did, however, provide us with a roadmap for solving the problem, and we believe that the recommendations that he put forth to us offer a practical and fair solution to this anomaly.

Again, it's about levelling the playing field. It's about doing what's fair. I just wanted to make sure that you understood where we were coming from on that one.

With regard to the issue that you spent most of your time on, which is the sale of alcohol, I can tell you that selling alcohol responsibly is something that I think we all take seriously. I take it very seriously. I've been touched by this issue in my own family and I understand how important that is.

I think I'm aware because of my personal experience, but I think others are aware of the tragic toll that alcohol abuse can take. This includes drinking and driving. This includes the impact on families, communities and society as a whole.

The province is continually building on its efforts to raise awareness of the risks that I've just talked about with the misuse of alcohol. As committed in the 2015 budget, we've mandated in law requirements related to the socially responsible sale of alcohol for any new retailers, including things such as restricted hours of sale, rigorous training for staff and things like this.

I know from my own personal experience, where I've studied this issue in the past, prior to my being in elected office, that these measures can be effective in other jurisdictions, as well.

Do you believe that these measures will help with ensuring that social responsibility requirements stay in place?

Mr. Smokey Thomas: No—yes and no. I'll talk to the no part.

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There's ample evidence to demonstrate that as alcohol consumption increases, what we call the alcohol deficit increases as well. What that means is that all the money that the government makes on alcohol sales, be it through taxation, profits from the LCBO, whatever the Beer Store gives them and all that kind of stuff, that amount of money collected does not equal the amount of money that society spends on the side effects of alcohol such as court costs, social costs from family break-ups, car accidents, trips to emergency, intensive care and all those sorts of things. Treatment of the health effects of a lifetime or even a quarter of a lifetime of alcohol abuse or whatever can be very significant. That costs society more than what they make.

The evidence shows—this is CAMH, a well-respected group. This isn't OPSEU claiming this; this is good, valid research. All we're asking is for the government to carefully consider—I heard what you said and I agree about selling it in a socially responsible manner. Where we would part company is that we don't think that expanding it into grocery stores comes to that end.

I've done some research. I had a researcher look at it. Beer sales in Ontario are shrinking; they're losing market share, if you will. So one way to get your market share back is to increase the sales. In my opinion, it's more about giving the Beer Stores—the brewers want to get their market share back.

The Chair (Ms. Soo Wong): Okay, Mr. Thomas, I'm going to turn to the official opposition. Mr. Fedeli?

Mr. Victor Fedeli: Thank you very much, Smokey, for your presentation. I've got two areas to approach. One, I always chuckle when the government talks about, "This is the most exciting and revolutionary news since prohibition." I drive down to Nipissing township and you can stop at Young's gas station and groceteria and they have a hand-painted sign, "Beer and wine for sale." It's hand-painted on the highway. Or you can go the other way and drive to Eldee, Ontario. At the gas station there they sell beer and wine as well. There are 218 outlets outside of Toronto that we think of. So I can never imagine why selling a six-pack in a grocery store is now all of a sudden called revolutionary and exciting. But you talked about how Ontario needs an alcohol strategy, so I'm going to ask you about that.

Then also, I'm more interested in your thoughts on the section that it becomes financial and commercial information. We're never, ever going to know, again, much like Hydro One, what the truth is. So I'll look for your thoughts on that. You've got two minutes. Go.

Mr. Smokey Thomas: I'll get Denise to jump in if she wants, but the alcohol strategy—what we think is needed in Ontario is what brings everybody together who has an opinion on it. A lot of these are very learned opinions. We take our lead as a person and as a union from CAMH, world-renowned researchers in addictions and mental health. They go hand in hand. We take our lead from there.

What we're saying is the province should have a strategy which will cover off all the social evils of alcohol, if you will. You know, 99% of people can have a few drinks and be fine, but it's for the group that can't. That alcohol policy would be something that would be a roadmap, a guide, if you will, for the province into the future. Because we think the 60 stores are just a start, right?

Mr. Victor Fedeli: And the other side?

Ms. Denise Davis: In your booklet there is a pamphlet: Why Ontario Needs a Provincial Alcohol Strategy. We've been working with various medical groups. They want to put together a provincial alcohol strategy and talk to—you know, the folks who can make decisions in the province are very concerned. That's why we've organized this health symposium. You can see the letterhead: CAMH, the Canadian Mental Health Association, MADD, RNAO, the Canadian Centre on Substance Abuse. They're the front-line groups that are working with people who have addiction problems and they can see this for—

Mr. Victor Fedeli: And a comment on the freedom of information side of the data?

Mr. Smokey Thomas: Well, it's just one more way of hiding information on money that should have rightly gone to the taxpayers. I've always said wherever there is a taxpayer's dollar involved, it should be open and transparent. How do you confirm whether they go over the limit or don't go over the limit? There's no way then of verifying; right?

So I always operate on, "We accept, but want to verify," and that takes away that opportunity to verify.

The Chair (Ms. Soo Wong): Okay. I'm going to turn to Ms. Fife or Ms. Forster.

Ms. Cindy Forster: So not unlike Hydro One and no oversight by any of the legislative officers as of a couple of weeks ago, it looks like there will be no Auditor General oversight, of this portion at least, of the liquor sales in this province.

So as we see, perhaps, revenues decrease at LCBO or jobs lost in the LCBO sector, there will be no way to monitor or review that if we don't have access to that restricted information in the private sector.

Mr. Smokey Thomas: Yes, exactly. We call that the democratic deficit. That's increasing in this province. We would also submit that that's money—there's no need to privatize. Like Vic said, you can buy it in lots of places now, so we still don't see the need.

The government can stop selling hydro shares. They don't have to sell any more. They could do a referendum, and the government doesn't have to—I'm not aware they've signed leases or anything, or legal agreements. But even if they have, don't go beyond what they've already done. So do it small, see how it works, study it and go slow about it. It's a big change in Ontario.

But I still think the whole beer-in-grocery-stores thing is all just a diversionary tactic to keep our minds off other things.

Ms. Cindy Forster: It's interesting, because I actually sat on the LCBO review a couple of years ago with the member from Hamilton Mountain. We did that review and we went to a few places across the province, and there wasn't really anyone who made presentations with us—I think we visited three different areas of the province—who was actually in favour of anyone selling alcohol or beer outside of the LCBO, with the exception of some small rural areas where they might not have—

Mr. Smokey Thomas: They don't have service.

Ms. Cindy Forster: —access to an LCBO, right? So they talked a little bit about having maybe like a wine store on a main street in small-town Ontario to actually highlight local wineries.

So who's making the decisions here?

Mr. Smokey Thomas: It's not social policy. It's just being driven, I believe, out of the Premier's office or perhaps Deb Matthews's office. It's hard to figure out who's running things.

Ms. Denise Davis: Am I able to ask the folks a question?

The Chair (Ms. Soo Wong): No. I'm sorry.

Ms. Cindy Forster: Do I have any time left?

The Chair (Ms. Soo Wong): No, sorry. Thank you very much. That's three minutes.

Thank you very much, Ms. Davis and Mr. Thomas, for being here and for your written submission.

MR. TOM ADAMS

The Chair (Ms. Soo Wong): Our last witness is Tom Adams. Mr. Adams, welcome. As you heard, you have five minutes for your presentation, followed by three minutes of questions from each caucus party. You may begin any time. Please identify yourself for the purposes of Hansard.

Mr. Tom Adams: My name is Tom Adams. Thank you, Madam Chair and members of the committee, for an opportunity to appear once again before this committee, this time to address Bill 144, the Budget Measures Act.

My remarks focus on two issues, both arising from proposed changes to the Electricity Act contained in Bill 144. The issues of concern relate to transparency of government electricity accounts and impacts of this legislation on future municipal government tax revenues.

The legislation would repeal sections 85(2) and 85(6) of the Electricity Act, along with related sections. This means that the Minister of Finance would no longer be required to report the value of an account called the residual stranded debt held by Ontario Electricity Financial Corp., or OEFC, or to announce when the residual stranded debt had been defeased, or basically paid off.

Of course, successive Ministers of Finance have ignored the requirements to report on the status of the residual stranded debt contained in the existing legislation and only grudgingly complied when called on the carpet by the Auditor General in that agency's 2011 report on stranded debt. Notwithstanding the fact that successive Ministers of Finance have ignored the requirements to report publicly on the status of the government's electricity debts, the original Electricity Act requirements in this regard enshrined an important principle: The public ought to be entitled to regular accounting of the status of our electricity debts. Instead, a new veil of darkness is coming across these accounts.

OEFC was initially constituted under Mike Harris as a financial instrument dedicated to winding down the old Ontario Hydro debt. Sadly, the Harris government did not make provisions for OEFC to report its revenue projections, an accountability gap that allowed mischief to ensue. Without disclosure, the Ontario Liberals have gradually subverted the purpose of OEFC, turning it instead into an unfocused, unaccountable, non-reporting government electricity bank with authority to borrow on behalf of and to dole out money to government pet projects.

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Major elements of OEFC's financial statements are now directly contradicted by actions this government is taking. Far from clearing the air to protect future customers, the government is instead seeking to reduce transparency. I plead with the Auditor General and the Financial Accountability Officer to ensure transparency over the situation developing at OEFC.

Bill 144 will also repeal section 92(4) of the Electricity Act. That section originally would have redirected the flow of municipal taxes back to municipalities and away from OEFC once that portion of OEFC's liabilities called the residential stranded debt was paid down. You will remember that the residual stranded debt was part of OEFC's debt that the government claimed all along was being paid off through the debt reduction charge we all pay on our electricity bills. Taking in about a billion dollars a year for more than 13 years, far more has been collected from that tax than the initial $7.8 billion of principal plus interest.

After Bill 144, the flow of tax revenues once earmarked for municipalities will never reach those municipalities. This stripping of income from municipalities is obviously driven by the government's need to fill the hole coming in OEFC's income, caused by the sale of Hydro One. It is a reflection of the reality that the government's electricity investments are more than 100% mortgaged. There is no windfall to be had from the sale of Hydro One.

What all this means is that this government's signature initiative—to claim a windfall from the sale of Hydro One—is to be achieved in part by seizing revenues from another level of government. Shifting tax revenues from one level of government to another is hardly a winning strategy for building transit—

The Chair (Ms. Soo Wong): Mr. Adams, can you wrap up? Because your time is up.

I'm going to turn to Mr. Fedeli. You can begin the questioning.

Mr. Victor Fedeli: Thanks, Tom, for a wonderful presentation. I want to pick up where you left off. I'm going to read a sentence from AMO as well, from a document submitted to us: "AMO is very concerned about the changes to the Electricity Act which appear to divert payments in lieu of taxes, or PILTs, from municipal governments once the stranded debt is retired."

That's exactly what you just said as well.

Mr. Tom Adams: Their statement is correct.

Mr. Victor Fedeli: Do you have any idea of the magnitude of dollars here? AMO did not report any money. Do we have any guesstimate or estimate? What kind of dough are we talking here?

Mr. Tom Adams: I don't have that at present, but I'm working on it and will publish it.

Mr. Victor Fedeli: You're working on a number? Okay.

Obviously, we believe the stranded debt, like I believe you think as well, was paid off before 2011. I'd said this earlier, in a deputation, that the auditor in 2011, the former auditor, said $8.7 billion was paid in 2011 for a $7.8-billion debt. At that time, he asked then-Minister Dwight Duncan to report within three months. Of course, the minister left, so we never did get that report, and that was four years ago.

Are you familiar, then, with the spike in 2004, where the debt retirement charge was $7 billion to $8 billion and spiked up to almost $12 billion?

Mr. Tom Adams: It was $11.4 billion. Yes.

Mr. Victor Fedeli: What do you think happened there? Did the government raid it for another $4 billion? Is that what we're paying off today?

Mr. Tom Adams: The accounts of OEFC with respect to the stranded debt and residual stranded debt have never been clarified. There is insufficient information on the public record to make a reasonable estimate, in response to your question.

Mr. Victor Fedeli: The DRC will come off of homeowners this year and businesses in 2018.

Mr. Tom Adams: Yes.

Mr. Victor Fedeli: Why do you think we still need to be collecting DRC charges if we've heard from the auditor that the debt retirement charge has been paid?

Mr. Tom Adams: OEFC still has $26 billion of debt outstanding.

Mr. Victor Fedeli: So it's no longer for the debt retirement charge.

Mr. Tom Adams: It's for something else.

Mr. Victor Fedeli: It's for the stranded debt or something else?

Mr. Tom Adams: I believe that the debt reduction charge will be replaced by some other electricity tax yet to be announced.

The Chair (Ms. Soo Wong): I'm going to stop you here. I'm sorry. It's only three minutes.

Mr. Victor Fedeli: Okay.

The Chair (Ms. Soo Wong): Ms. Fife.

Ms. Catherine Fife: Thank you very much, Mr. Adams. We've been quoting heavily from your blog, which must be very unsettling for you on some levels. In one of the quotes, you say that this government is using "astrology and unicorn sightings to guide their electricity and transit plans." I know. Well, at least you're turning red.

But I want to address the $800-million special payment from Hydro One to the government, and I wanted to give you an opportunity to weigh in on this, if you haven't had a chance.

According to the fall economic outlook and fiscal review, the government plans to give an $800-million special dividend to the OEFC to pay down the province's electricity sector debt and other payables. We learned that this payment will not actually reduce OEFC's stranded debt, because the OEFC's receivables from the province will be reduced by an equivalent amount.

This is very creative accounting. I asked you a very similar question last year around the sell-off of Hydro One. The sell-off of Hydro One—we need to be very clear about what the intention is, because it's not based on unicorn sightings and astrology. This is about very creative accounting. So I want to give you an opportunity to get on the record, so we can quote you later in debate.

Mr. Tom Adams: OEFC's accounts are unclear in a number of areas, but the largest gap in clear explanation is the amount owing from the province. That amount is growing rapidly. It's reported on OEFC's statements as a sound receivable flowing through to the province's statements. That amount is reflected as an accumulation of net income from OPG and Hydro One. That accumulated net income is treated on the province's statements as a liquid financial asset, as if it was a T-bill account or something equivalent.

There is, I believe, no reason to accept that accounting provision. I'm waiting for the Auditor General to pay attention to this issue. It has been going on for years. The amount owing to OEFC, showing as an asset on OEFC's books oweable from the province, has been rising—

The Chair (Ms. Soo Wong): Mr. Adams, I'm going to stop you here. I'm going to turn to the government side: Ms. Albanese.

Mrs. Laura Albanese: Thank you for your presentation. You spoke a lot about the value of the residual stranded debt. Where did that debt come from? I believe it came from rates being capped at about 30% for a long time, and I think it was the equivalent of $20 billion that has been paid down steadily. I just wanted to make that point in regard to that.

You do say that the new measures reduce the transparency of Hydro One. But at the same time, we have to make it a company that is subject to the same rules and responsibilities of other companies that are being traded. We still want to take responsibility for that. The intent is to have, at the end, a better-run company with stronger management than what it has now.

The government and the people of Ontario, I would say, still own 84% of this company right now. We will still be the major stakeholders, always, because we will own 40%, and it is enshrined in legislation that no person, no individual, no group, no company can own more than 10%. Therefore, the people of Ontario will always be the major stakeholders of that company, even though we are proceeding with this in what I hope is considered a prudent way of testing the market, through four phases. That's what has been indicated.

You also spoke about the municipalities. The municipalities have spoken to finance officials—and I believe the opposition knows, too, that the impact is supposed to be less than $1 million. We are continuing to upload what was downloaded beforehand to municipalities, so municipalities continue to benefit from the government, the province of Ontario, uploading a lot of the costs that in the past had been—

The Chair (Ms. Soo Wong): Ms. Albanese, I'm sorry. We need to stop you.

Mr. Adams, thank you very much for your presentation. If there's any written submission, please submit it to the Clerk by 6 p.m. tomorrow.

I'm going to adjourn the committee, and we'll see—

Ms. Catherine Fife: Chair?

The Chair (Ms. Soo Wong): Yes?

Ms. Catherine Fife: Just a question. I've noticed that there's this tendency for government members to talk for the entire three minutes and not actually ask questions of the delegations. Are there any procedural powers that you have as the Chair to control this? Because it's shutting down democracy at this committee.

The Chair (Ms. Soo Wong): Ms. Fife, just to clarify for everybody, when each caucus gets their allotted time, when there's three minutes—this is the first time we did it around the table for nine minutes; I can tell you right now that it's very hard, as the Chair, to make sure everybody gets their three minutes—it's the prerogative of the caucus or the member to ask a question, make a statement or to clarify, because sometimes the witness makes a statement about the government or what have you.

I just want to be very clear that during the time that has been allotted to your respective party, you can ask for clarification or you can make a statement. That's up to individual members.

Ms. Forster, then I'm going to adjourn the committee.

Ms. Cindy Forster: Yes, I have a question. When can we expect to actually have the Hansards from this committee? When is the deadline for the amendments?

The Chair (Ms. Soo Wong): I'm going to turn to the Clerk. Mr. Clerk?

The Clerk of the Committee (Mr. Katch Koch): The amendments are due—I'm just looking at the time allocation motion here—on Friday, December 4, at 10 a.m. They must be filed by 10 a.m.

In terms of the committee Hansard, I know the House did sit a couple of evenings this week. Priority is always given to the House; then the committee transcripts would be transcribed in the order of committee meetings. There have been a number of committees that have met this week before finance.

Ms. Cindy Forster: I would just like to get it on the record that in this majority government setting, the government is setting the agenda. The government is time-allocating bills. The government is pushing through the deputations, followed immediately by clause-by-clause, so that in two committees that I've been involved in in the last week, I still hadn't got the Hansard and we were going to clause-by-clause. And after the deadline for the amendments to actually be presented, we still didn't have the Hansard.

I am certainly not blaming that on the Hansard staff, but I want it on the record that we need to have these Hansards in order for our official opposition and third parties to actually put our amendments forward. We're not able to represent the people who we represent and the stakeholders if we do not have the Hansards in a timely way, so that we can actually meet our commitments to those folks.

The Chair (Ms. Soo Wong): Thank you, Ms. Forster, for your statement.

I'm going to be very clear with the committee: There is clause-by-clause on Monday afternoon starting at 2 p.m., and your respective parties will have an opportunity to submit your amendments to the Clerk, because tomorrow we don't have any witnesses before us, so there is extra time.

Thank you. We'll see you on Monday afternoon.

The committee adjourned at 1745.

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STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Présidente
Ms. Soo Wong (Scarborough–Agincourt L)

Vice-Chair / Vice-Président
Mr. Peter Z. Milczyn (Etobicoke–Lakeshore L)

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Mr. Yvan Baker (Etobicoke Centre / Etobicoke-Centre L)
Mr. Toby Barrett (Haldimand–Norfolk PC)
Mr. Victor Fedeli (Nipissing PC)
Ms. Catherine Fife (Kitchener–Waterloo ND)
Ms. Ann Hoggarth (Barrie L)
Mr. Peter Z. Milczyn (Etobicoke–Lakeshore L)
Ms. Daiene Vernile (Kitchener Centre / Kitchener-Centre L)
Ms. Soo Wong (Scarborough–Agincourt L)

Also taking part / Autres participants et participantes
Ms. Cindy Forster (Welland ND)

Clerk / Greffier
Mr. Katch Koch

Staff / Personnel
Ms. Susan Viets, research officer,
Research Services