



ISSN 1181-6465

Legislative Assembly
of Ontario
Second Session, 41st Parliament

Assemblée législative
de l'Ontario
Deuxième session, 41^e législature

Official Report of Debates (Hansard)

Tuesday 25 October 2016

Journal des débats (Hansard)

Mardi 25 octobre 2016

**Standing Committee on
Estimates**

Ministry of Energy

Ministry of Agriculture,
Food and Rural Affairs

**Comité permanent des
budgets des dépenses**

Ministère de l'Énergie

Ministère de l'Agriculture,
de l'Alimentation
et des Affaires rurales

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Room 500, West Wing, Legislative Building
111 Wellesley Street West, Queen's Park
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
Salle 500, aile ouest, Édifice du Parlement
111, rue Wellesley ouest, Queen's Park
Toronto ON M7A 1A2
Téléphone, 416-325-7400; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Tuesday 25 October 2016

Mardi 25 octobre 2016

The committee met at 0900 in room 151.

The Chair (Ms. Cheri DiNovo): Good morning, everyone. I assure you that heat is on its way. Good morning, honourable members.

Before we begin, I want to draw your attention to yesterday's order of the House with respect to this committee. As you are aware, we are meeting this morning to resume consideration of the estimates of the Ministry of Energy. However, as per the order of the House, we will meet this afternoon following routine proceedings to begin our review of the estimates of the Ministry of Agriculture, Food and Rural Affairs. We will then resume consideration of the Ministry of Energy tomorrow at 3 p.m., not 3:45 p.m., and are authorized to sit past 6 p.m. until the time allotted for those estimates has finished.

Tomorrow's meeting will be in room 1. Are there any questions?

Mr. John Yakabuski: So we'll have to clear our stuff out of here, then, at 10:15. We can't leave it for the afternoon.

The Chair (Ms. Cheri DiNovo): Yes.

MINISTRY OF ENERGY

The Chair (Ms. Cheri DiNovo): We are now going to resume consideration of vote 2901 of the estimates of the Ministry of Energy. There is a total of four hours and 26 minutes remaining.

If there are any inquiries from the previous meetings that the minister has responses to, perhaps the information can be distributed by the Clerk. Are there any items, Minister? I believe there were some that were distributed.

Mr. Serge Imbrogno: Yes, I believe Mr. Tabuns asked for the Bruce contract and we said we would provide that, as well as the technical briefing that was provided for media and anyone else who showed up.

The Chair (Ms. Cheri DiNovo): Okay, thank you.

When the committee last adjourned, the official opposition had 18 minutes left in their round of questions. Mr. Yakabuski, the floor is yours.

Mr. John Yakabuski: Good morning, Minister. Today we heard some news stories, and we'd like to talk to you about that. Specifically, that is an accounting error at the IESO that seems to indicate that there's a little over \$80-million discrepancy or shortage found on page 161, volume 2a of public accounts. This is a lot of money.

Last week, you were crowing about a potential \$70-million deal over seven years with the province of Quebec—we're going to be asking you a little more about that too. You were crowing about that \$70-million deal like it was the greatest thing since the invention of the wheel, but we never heard anything about an \$80-million liability with respect to the IESO and an error on pensions that should cost them a little over \$80 million.

Can you tell me why the public would have never been informed of that? You made a big announcement about a deal with Quebec; mum's the word on an \$80-million discrepancy at the IESO with regard to pensions. Was there ever any kind of disclosure on that to the public?

Hon. Glenn Thibeault: Thank you for the question. Good morning, Chair. Good morning, everyone. I'm happy to be here to continue the conversation in relation to the Quebec deal—I know you said you're going to ask questions about that so I'm looking forward to having that conversation because it is a pretty exciting deal.

When it comes to the IESO accounting practices—that's what it is: accounting practices, not an error, as you mentioned—this dates back to 2010 when accounting practices changed, and that's in accordance with the expert guidelines. The accounting change had an impact on how their actuarial payments to the pension fund were calculated. In other words, it changed the accounting of their pension needs, often more than a decade into the future.

There's no additional impact to ratepayers. Let me rephrase that: There's no additional impact to ratepayers—accountants determining over which period these payments need to be recovered. I'll hand it off to the deputy to explain those details.

Mr. Serge Imbrogno: Sure. Prior to 2011, the IESO—

The Chair (Ms. Cheri DiNovo): Excuse me, Deputy, could you just introduce yourself? A new day. Thank you.

Mr. Serge Imbrogno: Serge Imbrogno, Deputy Minister of Energy. Prior to 2011, the IESO used GAAP accounting—

Mr. John Yakabuski: Used what?

Mr. Serge Imbrogno: GAAP accounting: generally accepted accounting principles. In 2011, it was determined that it would be more appropriate for the IESO to use PSAB accounting, Public Sector Accounting Board

standards. So in the adoption of PSAB, there was a change in how that pension liability was reflected in the books. It was in public accounts in 2012-13. They would collect in rates, over a specified period of time, that accumulated deficit that was calculated in 2011. It started at about \$5 million a year; it's down to about \$4 million going forward.

This was publicly disclosed. It has been reviewed by the OEB. As the minister said, these pension liabilities were already accrued by the IESO. It's just a change in the accounting that reflects it on the IESO books.

Mr. John Yakabuski: Just a minute, Deputy Minister—and Minister. I appreciate the attempt to answer, but I don't think I got the answer. The minister says there is no impact, and the deputy minister says—

Hon. Glenn Thibeault: He said there was no additional impact, and I emphasized that twice. Both times I said that there's no additional impact.

Mr. John Yakabuski: Okay, no additional impact. However, the deputy minister says the impact on rates was approximately \$5 million a year at the beginning of the change, down to about \$4 million a year today. So there is an impact on rates. He just said that there's an impact on rates. You can slice it any way you want, but the ratepayers are covering this deficit. If I understand the deputy minister correctly, the electricity ratepayers are paying for this deficit as a result of a change, if you want to call it that, in accounting procedures. It still falls back to the ratepayers. Is that a fair statement?

Mr. Serge Imbrogno: These are costs of operating the system, just like salaries and pensions are part of the compensation for employees. All of the IESO costs are recovered through rates. These are one of the costs that the IESO requires to do its business.

Mr. John Yakabuski: Yes, I understand that, but I think it needs to be clarified, then. The minister said that there's no additional cost to the ratepayers. There is an additional cost to the ratepayers. There was a change in the accounting that resulted in an approximately \$80-million change, and that does get passed on to the ratepayers. It's already happening, according to your statement, Deputy Minister. That \$80 million will be paid for at some point—if you're talking about \$5 million a year, you're talking 16 years, approximately; \$4 million a year, whatever. However you're doing it over whatever time frame, that is a direct impact on the hydro ratepayer, correct?

Mr. Serge Imbrogno: We're trying to distinguish between what was already a pension liability—whether it was through GAAP accounting or PSAB accounting, that pension liability is part of what the IESO would have negotiated and paid to its employees. So there's no additional cost. It is a cost that was always there. It's a difference in accounting and reflecting those costs.

Mr. John Yakabuski: If \$80 million means nothing, changes nothing—the electricity ratepayer would have been affected by this, correct? It would have gone through the OEB. The OEB would have had to approve some kind of a rate increase to reflect this \$80-million change.

Mr. Serge Imbrogno: The OEB would review that, just as they would have reviewed it under GAAP—probably a timing change rather than collecting those costs over a longer period of time. The PSAB accounting probably, from my perspective, required those costs to be collected over a shorter period of time.

Those costs would have been collected regardless. It's a timing issue. It's more transparent and has been reflected on the IESO books since 2011.

0910

Mr. John Yakabuski: It was part of the negotiations, you said.

Mr. Serge Imbrogno: The actual pension is always a negotiation—

Mr. John Yakabuski: Right, but you don't negotiate nothing.

Mr. Serge Imbrogno: —but the accounting isn't a negotiation. It's either GAAP or PSAB, and once you choose one of the two accounting methods, then you account accordingly.

Mr. John Yakabuski: Understood, but the amount is still something that the general ratepayer is on the hook for.

Mr. Serge Imbrogno: As I said, the pension liabilities, salaries, capital costs are all part of operating the IESO.

Mr. John Yakabuski: Understood.

Mr. Serge Imbrogno: And those costs are collected from the ratepayers.

Mr. John Yakabuski: But this meant that there is a change in the neighbourhood of \$80 million that would have been added to the rate base when that change in accounting procedures took place.

Mr. Serge Imbrogno: The liability would have been there. It would have been accounted for differently. You have GAAP accounting and PSAB accounting. It doesn't change the fact that you have the liability. It could change the timing, and when you reflect that and collect—

Mr. John Yakabuski: In what mysterious corner of the globe would that \$80 million have resided previously?

Mr. Serge Imbrogno: This is a more transparent method. I think that's part of why the IESO went to PSAB accounting.

Mr. John Yakabuski: I understand, but numbers just don't get invented. Numbers just don't get invented. There's a financial impact somewhere that is affecting the rate base, affecting the people.

If it was simply a change in how you did the accounting, and the numbers were all the same, then there wouldn't be a number disclosed in public accounts. But there's a number of \$80,617,000 at public accounts. That has to come from somewhere, and it has to apply somewhere.

I know that my friends in the third party have had the same kind of argument with you about accounting procedures in different ministries.

Interjection.

Mr. John Yakabuski: My colleague is chuckling.

Mr. Peter Tabuns: It's a very slippery process.

Mr. John Yakabuski: It's always just that, "Well, it's not really any real money. It's just a change in how we handled it." Well, I think the people have a hard time understanding that.

Can we get an actual full disclosure of what would have gone on during those negotiations, and that part of those negotiations would have indicated? You said it was part of negotiations when the change was made. Who decided? Moses didn't come down and say, "You've got to change the way you do accounting." There must have been some agreement between employees and employer. The government, in fact, is the employer at the end of the day. The IESO is an agency of the government, so you guys are the employer. There must have been some decision; there must have been some negotiation; there must have been some give and take that resulted in this.

Mr. Serge Imbrogno: The accounting standard would have been a discussion between the IESO and its external accountants. It would have been a discussion with the provincial controllership about what is the appropriate accounting. There was full disclosure when they made the change in 2011 from GAAP to PSAB, and that's fully disclosed, fully explained, in the public accounts.

Mr. John Yakabuski: So the money is coming back from ratepayers, this \$80 million. The IESO's application was to get this money back through the ratepayers, according to the public accounts. This \$80 million does have an impact on the hydro ratepayers. Is that correct? Yes? Don't say no; just say yes.

Mr. Serge Imbrogno: No, the pension liability—

Mr. John Yakabuski: I didn't give you the option of no.

Mr. Serge Imbrogno: I think I've said that the pension liability, like other costs of the IESO—part of running the system—is collected through the rate base. The change in accounting—

Mr. John Yakabuski: So that would be a yes, then.

Mr. Serge Imbrogno: The change in accounting would have only changed the time frame in which that was collected. The liability still would have been there.

Mr. John Yakabuski: But that would be a yes, then.

Mr. Serge Imbrogno: I think I've answered the question.

Mr. John Yakabuski: I don't know if you're capable of saying the word. That would be a yes.

Mr. Serge Imbrogno: Yes, I've answered your question.

Mr. John Yakabuski: Okay. Well, we can continue—

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

Mr. John Yakabuski: Just over five minutes?

The Chair (Ms. Cheri DiNovo): Yes.

Mr. John Yakabuski: So \$80 million down to the rate base—and I'll accept yes as an answer. So \$80 million—we'll round it up to \$81 million—going back to the

ratepayers: That has been going on since 2012, then, or 2013, Deputy?

Mr. Serge Imbrogno: Effective January 1, 2011.

Mr. John Yakabuski: Oh, 2011; pardon me. Thank you. January 1, 2011—we're into it a little over six and a half years, approximately. How long is that process expected to go?

Mr. Serge Imbrogno: I would have to check the public accounts, but I thought that it was collected over a certain period of time. I'd have to check the public accounts. I think that there's a disclosure in the notes to the public accounts.

Mr. John Yakabuski: But you did say that it started out as \$5 million a year approximately, and it's now approximately \$4 million?

Mr. Serge Imbrogno: Roughly. That's my recollection.

Mr. John Yakabuski: Is it on a continuously declining scale?

Mr. Serge Imbrogno: That I don't know. We'd have to check the public accounts.

Mr. John Yakabuski: Right, right.

Just in the last week, we see \$12 million in Ontario Electricity Support Program payments, \$81 million on the IESO pension rejigging—these are all charges that the rate base is responsible for but are essentially actions of the government. Do you feel that those are the kinds of things that we should be—the hydro ratepayer understands that they're paying for electricity. We can debate and we could be here until the cows come home about your decisions on how you generate electricity, but that's not the question right now. These kinds of costs essentially are decisions of the government that have absolutely nothing to do with the generation or distribution of electricity—nothing to do with it.

I'm saying this to the minister, Deputy, or asking this of the minister: Do you really think that those are the kinds of things that families in Ontario, who are making choices between heating and eating, wondering if they can stay in their own homes—and you would have been aware of some of the testimony at the Bill 13 public hearings on how difficult it is for people. You've acknowledged that now—belatedly, but you have acknowledged it. Do you really think that it is right to saddle these beleaguered people with those kinds of changes?

When that decision on the pension changes was made, somebody had to make that change, and they knew then—and I suspect that your ministry would have been deeply involved in that. When they made those decisions, they would have known that that impact was going to go back to the rate base, that that \$81 million was going back to the people. Do you feel that that is the right way to treat the beleaguered electricity ratepayer in this province, who has been way too patient over the last number of years but has reached the point of having had enough? Is that the right way to treat them?

Hon. Glenn Thibeault: Making sure that we have a reliable system, a clean system and a safe system for the

province is paramount for the government, and making sure that you have good people in those positions to make sure that the system stays reliable is key. Part of the IESO is a unionized environment. As part of the unionized environment, they're offering pensions to their employees. Part of that means that they have to ensure that these employees get paid their pensions. As the deputy was speaking to—he can, I'm sure, try to answer your question again—

Mr. John Yakabuski: But my question is, do you feel that it is right—

Hon. Glenn Thibeault: No, no; I'm continuing to answer your question—

The Chair (Ms. Cheri DiNovo): One at a time, please.

Hon. Glenn Thibeault: The importance of understanding that these workers who do work and do a good job at it have a pension is key. When it comes to the OESP program, there's a budget of \$225 million put aside to help those families that you and I agree are having—some are having a difficult time. We have 145,000 families on there right now, 14,000 approximately a month that are signing up, and those start-up costs were justified to make sure that we have this program on an ongoing basis.

0920

In relation to the importance of making sure that the employees and the IESO meet their pension obligations, I think the deputy has been explaining that. If there's anything that you would like to add to that, I'd hand it over to the deputy.

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

It's time now to move to the third party: Mr. Tabuns.

Mr. Peter Tabuns: Thank you, Madam Chair. Good morning, Minister and Deputy Minister. Let me give you a little bit of preamble, and then I have a few questions about Hydro One.

When Hydro One left the payments-in-lieu system and entered the corporate income tax system, it received a deferred tax benefit. I had a chance to discuss this with your predecessor at length in the last round of estimates. According to public accounts, the benefits were \$2.8 billion, equal to about 20% of Hydro One's current market value. It's a big chunk of cash. It would make a huge difference in people's hydro rates.

In chapter 7 of the Ontario Energy Board's handbook on electricity distribution rates, we see that the OEB precedent holds that ratepayers should receive this benefit through lower hydro rates. But in its current rate increase application, Hydro One is demanding to keep this benefit for its investors. It insists that the precedent that I've cited shouldn't apply to Hydro One. It really should know better, because we went through this in estimates last year. The IPO stated that there was no guarantee that shareholders would get to keep the benefit, the \$2.8 billion, and they were warned very clearly that they might not.

If Hydro One gets to keep this deferred tax benefit, Ontario ratepayers will lose yet again but Hydro One's

investors will get an unearned \$2.8-billion windfall. Does the government agree with the OEB precedent that says that ratepayers should keep this benefit and not Hydro One investors?

Hon. Glenn Thibeault: The deputy has been addressing that.

Mr. Serge Imbrogno: Mr. Tabuns, you know that this is before the OEB right now.

Mr. Peter Tabuns: Oh, yes.

Mr. Serge Imbrogno: The OEB, as a quasi-judicial, independent regulator, will make that decision. There are proponents that are at the OEB providing their advice, one way or the other, and I think it is rightly up to the OEB to decide. There are precedents that go both ways in terms of how that could go, so we've left it to the OEB. It's the appropriate place to make that determination.

Mr. Peter Tabuns: And you're aware that, in the past, ministers have issued directives to the OEB on the interpretation of their tasks? Back in 2000, the Minister of Energy sent a directive to the OEB saying that when it comes to municipal distribution companies, the interests of the ratepayers should be first and foremost in their considerations when they make a decision. Are you prepared to issue a directive to the OEB stating that the interests of the ratepayers should be first and foremost in addressing this decision?

Hon. Glenn Thibeault: I believe that's already their mandate—having the ratepayers in mind on any decision. I believe that's their mandate.

Mr. Peter Tabuns: No, I'll just differ with you there. Will you tell them that, first and foremost, the ratepayers are their priority, that they are the head of the line and behind them in the line are the investors? Because we have a very substantial amount of money here. It would make a difference to the rates people pay to Hydro One, in the areas covered by their distribution, for a number of years. There seems to be some confusion. Will you clarify to the OEB that ratepayers come first and investors come second when they're making this assessment—in a ministerial directive?

Hon. Glenn Thibeault: As I think the deputy has mentioned, the OEB is considering this right now. They are quasi-judicial and they are at arm's length from the government. In my opinion, they have the ratepayers' best interests at heart. That is their mandate, and we'll see what the decision will be as it comes forward from the OEB.

Mr. Peter Tabuns: This government hasn't had difficulty telling the OEB what its job is in the past. When smart meters came forward, the OEB was simply directed to make it happen and not to actually assess the impact on rates and the electricity structure: "Just set aside your normal process of looking at these matters. Facilitate the smart meters." I think that's the most overt case.

Frankly, Minister, you set the context within which they operate. You tell them what their priorities are. You're in a position to reinforce to them "ratepayers first; investors second." Will you give them that directive,

setting the context within which they will make this decision?

Hon. Glenn Thibeault: I think I answered that question previously. But in relation to the smart meters, I don't have the context.

Deputy, would you be able to address that, please?

Mr. Serge Imbrogno: I think there are various instruments that we use to get advice from the OEB. Section 35 allows the minister to ask the OEB for advice. We've done that in various initiatives, most recently Energy East. We asked the OEB to undertake a consultation process and report back to the minister on the OESP. Through section 35, we've asked the OEB to provide advice on setting up a program. Those are instruments that we use for the OEB to provide us advice.

For this particular one, this is really—part of the OEB's mandate is to look at these issues where they have to balance ratepayer, commercial and other priorities. That's what the OEB does. It's there to balance all these competing priorities and they have the expertise to do that. I think the minister is saying that it's properly placed with the OEB to make a judgment on the rate case before them.

Mr. Peter Tabuns: I'll just submit to you that the minister has the right and the power to issue directives to shape the context within which decisions are made. Ministers have done it in the past—directed the OEB to follow a line of interpretation when it comes to its rules—and you're in a position to do the same.

You appear to be declining to give the OEB instructions as to how it is to interpret the interests of ratepayers and investors. That's another matter. I understand that you're not going to be doing that, but I think, frankly, Minister, that's a dereliction of duty, because you could have a huge impact on rates in rural and northern Ontario by making sure that the OEB understands what its instructions are and how it's supposed to operate. You passed on an opportunity there.

Is it possible that because you're looking at selling another 30% of Hydro One over the next year or so, you're reluctant to tell the OEB to interpret its rules in a way that favours ratepayers?

Hon. Glenn Thibeault: As mentioned, I have full confidence that the OEB has the best interests of ratepayers in its mandate, and so as a quasi-judicial regulator within the province, I will ensure that they have the opportunities to act in the best interests of ratepayers. We'll leave it at that.

Mr. Peter Tabuns: Well, we will soon see if your faith is going to be upheld.

On another matter, but also related to Hydro One: On pages 90 and 91 of your estimates book, you have an item here—this is “Strategic Asset Management.” You're allocating money for services. As I understand it, this category supports the province as shareholder of Hydro One.

In the 2015-16 estimates, you had the \$2.6 billion that you gave to Hydro One as a gift so they could pay their departure tax, the subject of my last few questions. You

allocated \$63 million in services; you only spent \$52 million.

In the year to come, in 2016-17, you've allocated \$70 million in services to manage your relationship with Hydro One. What is this money actually going to do?

Hon. Glenn Thibeault: I'll refer that to the deputy.

Mr. Serge Imbrogno: This would pay for any secondary offerings, whether it be the cost to the investment bankers or the cost to the legal advisers. These are outside costs that the province would incur as it moves forward with any additional tranches of shares.

0930

Mr. Peter Tabuns: This is what you budgeted to facilitate the sale of the next tranche?

Mr. Serge Imbrogno: That's correct.

Mr. Peter Tabuns: It cost us \$52 million to sell 30% so far?

Mr. Serge Imbrogno: Yes, that's correct.

Mr. Peter Tabuns: You're expecting to spend \$70 million to sell the next 30%?

Mr. Serge Imbrogno: It's an estimate. If we don't spend it, then obviously that would go back to the CRF. It is a guesstimate at this point based on previous experience.

Mr. Peter Tabuns: Why this big increase in cost to sell off this asset?

Mr. Serge Imbrogno: I don't think there's a big increase in cost. I think it was just a—

Mr. Peter Tabuns: From \$52 million to \$70 million—18 million bucks. That's of consequence.

Mr. Serge Imbrogno: I don't think we're expecting to necessarily spend that full \$70 million, but it is there in case we need it. We only spend what we need at the point if there's a decision made to move forward.

Mr. Peter Tabuns: It's very pricey help for that.

Okay. Energy efficiency: According to a report prepared by Nexant for the IESO, energy conservation and efficiency investments “can cost-effectively reduce the province's total electricity consumption by 31% by 2035. The report also finds that if Ontario pursues all of these cost-effective energy efficiency investment opportunities, we will realize a \$1.4-billion net reduction in our electricity bills.

“On the other hand, if the IESO's annual energy efficiency savings procurement budget remains at its current planned levels, Ontario's electricity consumption will be reduced by only 12% by 2035 and our net” reductions in bills will be commensurately smaller.

Will the minister direct the IESO and give them the needed budget to pursue all of the energy savings that are on the table?

Hon. Glenn Thibeault: Thanks for the question. Conservation is key for this government. It's the cleanest, most cost-effective energy resource that we have, and you allude to that in your question, the importance of us having conservation. For every dollar that is invested in conservation, Ontarians avoid about \$2 in system costs.

When it comes to the IESO, I know they have many programs that relate to conservation. I've been able to

participate in quite a few of these conservation programs, one of them the Save on Energy program. We've done quite a few events with that—savings for the industry, savings for the ratepayer and savings in conservation.

The specifics of all of the IESO programs that are available: Deputy, I think you'd be able to speak to those.

Mr. Serge Imbrogno: I think part of what the IESO does is it undertakes a very rigorous evaluation and measurement process for determining what the appropriate amount to spend on conservation is as they go forward. They do that rigorous approach and they come up with their estimate of what, over the course of a 20-year planning period, they think is a cost-benefit study of conservation.

We are about to launch our next long-term energy plan. That's an opportunity for us to look again at conservation, look again at how conservation links in with our cap-and-trade action plan. There are more proceeds available to fund different types of conservation efficiency initiatives.

Mr. Peter Tabuns: Deputy Minister, I think I understand your answer. But the question for me is: If conservation first is your watchword, then why would we not take all the cost-effective options that are on the table to reduce our consumption? The IESO paid for a study. I'm sure they paid a fairly good dollar. They hired someone competent. They identified the scale of savings that are there. You just told me that for every dollar we put in, we get \$2 back.

Why don't we go for the max on this? Why are you not directing the IESO to go to the absolute max of what has been identified as cost-effective savings? I'm sure there are things that are not cost-effective. I'm just saying: Why aren't we going for the max of cost-effective savings?

Mr. Serge Imbrogno: I think that is the intent, to go for all cost-effective conservation. I think that the opportunity to change things, to add more conservation, is through our long-term energy plan process that we've just started. That gives us the opportunity to re-look at any new programs that might come about and also look at how it links in with the cap-and-trade action plan as well—and additional proceeds that are available that could fund additional conservation.

Mr. Peter Tabuns: But you've already said, a number of times, conservation first. So I'm assuming that your long-term energy plan will be shaped by that. Is that a fair assumption?

Mr. Serge Imbrogno: That's one of the priorities. There are five priorities that we need to balance, and conservation is one of the five priorities.

Mr. Peter Tabuns: When you say "conservation first," I sort of think it's at the head of the line, and other things will be assessed in relation to it. Are you planning to maximize the cost-effective efficiency opportunities that are before us? Will you be taking advantage of the savings identified by this IESO study to maximize conservation?

The Chair (Ms. Cheri DiNovo): Mr. Tabuns, you have just over four minutes left.

Mr. Peter Tabuns: Thank you.

Mr. Serge Imbrogno: I think our intent has always been, through the IESO, to do all cost-effective conservation. I don't want to get into semantics about economic versus cost-effective, but that is the intent. I'm just saying that there are other things that are in play now with the cap-and-trade action plan that might increase the amount of conservation funding through other expenditures.

Mr. Peter Tabuns: Okay. In assessing the need for refurbishments, Pickering life extension, or renewal of contracts for gas-fired non-utility generators, did your ministry first look to see if the supply needs could be met using conservation?

Mr. Serge Imbrogno: I think the IESO would review both on a cost-effective basis and on what each of those different options provide you. With generation, that gives you not just the supply of electricity but different benefits as well. It's hard to compare conservation straight up with generation facilities. I think there's some savings on the energy side, but there's also a need for capacity, a need to support the system with voltage. So it's hard to compare conservation directly with keeping the system going and running generation facilities.

Mr. Peter Tabuns: Deputy Minister, in each of these cases—and I'm talking about supply options—did you do a business case analysis to see whether or not the need could be better met through conservation? If you did, can you show us those reports that compared conservation to investing in new supply?

Mr. Serge Imbrogno: Well, when OPG went before the OEB, they would have submitted the cost-benefit case that the IESO would have performed on the Pickering life extension, where they showed a \$600-million net benefit of proceeding with Pickering. So that's before the OEB, and that information is available for you to review.

Mr. Peter Tabuns: I'm assuming, then, that they compared the Pickering life extension to the conservation option and said that we need the extension rather than conservation. Is that what I should assume from what you've said?

Mr. Serge Imbrogno: I'm not saying that they would have done a direct comparison to conservation. They would have done a direct comparison of what is the system benefit of extending Pickering.

Mr. Peter Tabuns: And why would you not—

Mr. Serge Imbrogno: They would have determined that it was a \$600-million net benefit.

Mr. Peter Tabuns: And if you think that conservation is first, why would you not have at least done the comparison to conservation when you made a decision about the life extension?

Mr. Serge Imbrogno: I don't want to speak for the IESO. It would be in their analysis. They would look at all options, and they would have determined that this was the most economic option.

Mr. Peter Tabuns: Can we have a copy of that analysis showing that conservation was not the most economic option when it came to that life extension?

Mr. Serge Imbrogno: The analysis that the IESO did is with the OEB. It's part of the submission for the OEB.

Mr. Peter Tabuns: Can you identify that document for us so that we could actually review it and see if conservation was considered?

Mr. Serge Imbrogno: It is with the OEB. It's publicly available.

Mr. Peter Tabuns: But you are the Deputy Minister of Energy. Your knowledge and reach are legendary. So could you tell us or give us the document in which it shows that conservation was considered?

Mr. Serge Imbrogno: I can give you the document that's before the OEB. I can go on the public OEB website and provide that to you.

0940

Mr. Peter Tabuns: And you could pick out the particular document? Because these are often quite large batches of documents.

Mr. Serge Imbrogno: I could pick out the document that was provided to the OEB.

Mr. Peter Tabuns: That would be wonderful. That's taken down as an undertaking? Okay.

The Chair (Ms. Cheri DiNovo): Thirty seconds.

Mr. Peter Tabuns: Thirty seconds.

I'll be asking about the announcement that you were going to continue with the life extension of Pickering even though it appears that the business analysis for the life extension had not yet been done when you made your announcement last December. I'm curious as to why you made an announcement before all the business assessment had been carried out.

Hon. Glenn Thibeault: In 10 seconds?

The Chair (Ms. Cheri DiNovo): Five. Okay, that's it. Perhaps we can hold that.

We now move to the government side: Mr. Delaney.

Mr. John Yakabuski: Oh, I thought Arthur was going to tell us a story—

Mr. Bob Delaney: Of course, we are certainly pleased to see that our colleagues opposite are interested in our stories because—

Mr. John Yakabuski: Do you have a story?

Mr. Bob Delaney: Do I have a story? I have lots of stories.

The Chair (Ms. Cheri DiNovo): Could you speak to the Chair, Mr. Delaney?

Mr. Bob Delaney: Perhaps, Chair, we can start with a story. Minister, I want to talk to you about something that, when we're speaking about energy, particularly in the manner in which we manage it, is absolutely vital and is something I know that you can discuss in some detail: codes, standards and practices.

If we look at our homes, try to imagine if every maker of every appliance had to invent how many volts and how much current would go through it. It would just be madness. About the only way that we can efficiently and effectively ensure the safety, the security and the universality of our system is by a very broad range of codes, standards and practices, which is one that requires a great

many skilled people to not merely develop but also to maintain.

Codes, standards and practices are a part of just about everything we do, whether we're talking about the transmission of high-voltage electricity over great distances, or how we step it down, or the equipment that we install in our substations, right down to the substances that we incorporate in the making of our wires and the way in which power is transmitted and managed from the electrical box in our homes. Codes, standards and practices, for example, come right down to the fuses that you put into your fuse box. Codes, standards and practices are things that manufacturers depend on when their engineers are developing something that uses electricity as a means of powering it.

One of the areas that I think this committee does need to explore is the efforts that our ministry puts into energy efficiency codes and standards, which are every bit as important as those that the manufacturers and distributors use.

One of the reasons that I'm very interested in this is because most of the major appliance manufacturers are based in northwest Mississauga. They'll sit down with me and discuss this, in their office or in mine, at great length because, for them, keeping codes, standards and practices up to date is something that's absolutely vital. As technology changes and as the manufacturers get better at what they do, one of the things that's incumbent on both sides is to ensure that not merely the equipment standards but also those standards on which we ask them to measure and maintain energy efficiency remain current with the state of the art in the type of equipment that they can make.

For example, many of my appliance manufacturers will tell me that if you've got a fridge or a dryer in your home that's older than 12 or 15 years, you've probably got something where you can make a solid case to replace that particular appliance with a newer one because the energy savings all by themselves would be sufficient to justify the investment in the new appliance.

We've discussed in the House the degree to which the ancient old beer fridge that you've had forever probably is not saving you anything and indeed is probably costing you something. Before a lot of this was something that people talked about, I can remember that in one of my first campaigns I was looking for a place to just keep cold drinks because we'd begun the campaign in the summer-time. I called up a friend of mine, and I was just casting around to see what I could get without having to invest some of our precious resources, and he said, "Okay. I've got a fridge I can give you." I said, "That's great," and he said, "But there's just one condition." I said, "What's that?" He said, "You've got to promise not to give it back." I said okay. We brought over a couple of pretty strong guys, and the lot of us gently picked it up out of the basement, hauled it up a couple of flights of stairs and brought it over to the office and set it up. Throughout those few weeks when we were actively campaigning, it was great because we had a place we could store some-

thing. Of course, most of the people who were in the office liked the fact that they could pick up cold soft drinks and we could store food for the next day. After it was all over, of course we just abandoned the appliance in the office.

I saw him several months later, and I said, “Did you actually replace it?” He said, “Yeah, we cascaded the upstairs fridge, which was seven years old, downstairs and we bought a brand new fridge upstairs.” He said, “One of the first things I noticed was that my electricity bill had dropped because I had the old fridge that was no longer consuming a lot of power and now I could enjoy the savings on a new fridge.”

I know that there have been some recent changes to Ontario’s energy efficiency regulations, and I just want to give perhaps the ministry a little bit of time to discuss the roles that energy efficiency codes and standards play in our conservation efforts. I may wish to pick some of this up. In particular, would you tell me where in the spectrum of the other North American jurisdictions Ontario may stand when we talk about energy efficiency codes and standards?

Hon. Glenn Thibeault: Thanks, PA Delaney, on that question. I think it’s important for us to highlight a couple of things in this. First off, when it comes to regulating products, Ontario regulates more products than any other jurisdiction in Canada and has some of the most stringent efficiency requirements in Canada for a number of products, such as residential appliances, lighting products and some HVAC and water heating products.

I also think it’s important to note that we played a very pivotal role in the Canadian Energy Strategy. We co-chaired the energy efficiency working group established at the EMMC, the Energy and Mines Ministers’ Conference. It’s important for us to be proud of the work that we’ve done when it comes to energy efficiency codes and standards and the importance that they play in our conservation efforts.

Maybe, Deputy, you can talk to some of those specifics.

Mr. Serge Imbrogno: Sure. I’m going to ask Kaili Sermat-Harding, the ADM of our conservation division, to come up and say a few words as well.

As the minister mentioned, improving energy efficiency products and building standards represents a significant portion of Ontario’s long-term conservation targets. In terms of our building code, it’s considered one of the strongest in Canada in supporting energy efficiency. Ontario continues to lead in regulating the energy efficiency of products and appliances. We regulate over 80 products—more products than the federal government or any other province.

0950

The minister has talked about our work at EMMC and leading other provinces and, I think, encouraging other provinces to follow Ontario’s lead.

I’ll hand it over to Kaili to talk in a bit more detail about the work that the ministry does in this area.

Ms. Kaili Sermat-Harding: My name is Kaili Sermat-Harding. I’m the assistant deputy minister in the

Ministry of Energy’s conservation and renewable energy division.

As the minister and the deputy minister have noted, improving the energy efficiency of products and buildings represents a significant portion of Ontario’s long-term conservation targets. I’m very pleased to have the opportunity to provide some further details about the importance of codes and standards in Ontario, how our efforts compare with other North American jurisdictions, and about our work with other provinces, territories and the federal government to encourage and support harmonization of standards.

Energy efficiency regulations are a widely used tool to set minimum energy performance standards for energy-using products in order to remove the least-efficient products from the market. Setting a minimum efficiency performance standard ensures that efficiency improvements are incorporated into all new products. Minimum energy performance standards help reduce costs for energy-efficient technologies through economies of scale, ensuring that higher-efficiency products become more widely available and affordable, and enabling more consumers to benefit from advances in product performance and design. For example, because of minimum energy performance standards, all new refrigerators use high-efficiency motors and compressors, better insulation and improved heat exchangers. As a result, these products use 70% less energy than refrigerators manufactured in the 1970s, have achieved efficiency improvements of 225%, and cost only a third of the price, even though the average size is larger than in the 1970s.

Typically, the products we look to regulate are already established in the marketplace, often as a result of programs designed to encourage their adoption. As new technologies and products become established in the market, minimum energy performance standards are developed to clean out lagging products and lock in energy savings through product efficiency regulation.

Codes and standards are important in Ontario because they encourage market transformation, stimulate innovation and accelerate market penetration through conservation programs. They help to make conservation targets. Codes and standards will continue to make a significant contribution towards meeting Ontario’s long-term conservation target. They reduce consumers’ energy bills.

Energy efficiency regulations help consumers save energy costs and expand the range of energy-efficient choices available to customers. And they support Ontario’s climate change action plan as well as objectives of the First Ministers meeting on the pan-Canadian framework related to the built environment.

In the 2013 long-term energy plan, the government committed to continue to show leadership in establishing minimum efficiency requirements for products, to help consumers choose the most efficient products for their homes and businesses.

The Energy Statute Law Amendment Act, which came into force on July 1, 2016, amended the Green Energy Act to enable regulating the water efficiency of products

and appliances that consume both energy and water. Setting water efficiency standards for products and appliances that consume both energy and water decreases water consumption, thereby further reducing the use of energy for the purpose of processing and distributing potable water and waste water, and further reducing greenhouse gas emissions.

Most of Ontario's energy-efficiency standards for products and appliances are harmonized and/or aligned with the efficiency standards of leading North American jurisdictions, such as the US Department of Energy.

As the minister and deputy have both noted previously, Ontario regulates over 80 products—more products than any other jurisdiction in Canada—including through Natural Resources Canada. We do this through Ontario regulation 404/12, Energy Efficiency—Appliances and Products, under the Green Energy Act. The regulation includes products using electricity, gas and oil for residential, commercial and industrial use, and in a wide range of product categories. For example, Ontario regulates a number of products found in homes, including gas and electric ranges; clothes washers and dryers; dishwashers; dehumidifiers; refrigerators and freezers; wine chillers; drinking water coolers; microwave ovens; furnace fans; gas, oil and electric water heaters, furnaces and boilers; gas and oil swimming pool heaters; gas room, floor and wall heaters; air conditioners and heat pumps; ceiling fans; light bulbs; electronic products; thermostats; and windows.

Ontario also regulates a wide range of products used by businesses and industrial customers, including lighting products; gas, oil and electric water heaters; furnaces and boilers; air conditioners and heat pumps; geothermal heat pumps; water chillers; ice makers; vending machines; refrigeration equipment; roadway lighting; exit signs; traffic signal modules; and motors and transformers.

So how does Ontario implement new minimum energy performance standards? To begin with, the ministry has developed over the years considerable expertise in this area and has staff dedicated to undertaking the research, analysis and stakeholder engagement necessary to be able to identify recommended amendments. To this end, efficiency levels for new and existing products are developed through extensive industry and stakeholder consultation. This includes ongoing informal and formal communication with industry and other interested parties who provide valuable input on proposed regulatory changes.

Of course, formal consultation through the environmental and regulatory registries is an integral part of this consultation process. The ministry typically posts proposed regulatory amendments to the environmental and regulatory registries for a 45-day public review period. This provides stakeholders with an opportunity to provide detailed feedback and identify any potential barriers that proposed efficiency standards may have on product manufacturers or retailers.

The Chair (Ms. Cheri DiNovo): Mr. Delaney, you have just over four minutes left.

Ms. Kaili Sermat-Harding: To complement the postings, over 100 organizations and individuals are generally notified of proposed changes to Ontario's energy efficiency regulation. All comments received are reviewed and carefully considered for ministry staff in order to make final recommendations for proposed amendments.

To support the registry postings, ministry staff will also organize in-person meetings and/or webinars with key stakeholders to further discuss and clarify proposed amendments. Stakeholders that provided valuable input and made significant contributions to the most recent amendments included industry associations, manufacturers and organizations such as the Canadian Institute of Plumbing and Heating, the Heating, Refrigeration and Air Conditioning Institute, the Association of Home Appliance Manufacturers, Electro-Federation Canada and the Toronto Atmospheric Fund.

Going forward, the ministry will continue to build on these relationships and engage with stakeholders as new proposals are developed. It's also important to note that the US Department of Energy and NRCAN and other jurisdictions regulating energy efficiency also hold extensive consultations and conduct detailed reviews with stakeholders as part of their own requirements. This means that for standards aligned with other jurisdictions, Ontario's proposals would also be supported through consultation processes undertaken by these other jurisdictions.

Ontario is currently working on the next amendment to its energy efficiency regulation, including proposed water efficiency standards for products that consume both energy and water.

So where does Ontario stand in this area versus other North American jurisdictions? Ontario was the first jurisdiction in Canada to regulate product efficiency, with the first regulation filed over 25 years ago. At over 80 products, Ontario regulates more products than any other jurisdiction in Canada and has the most stringent efficiency requirements in Canada for a number of products.

Provinces are responsible for regulating products manufactured and sold or leased within their provinces. Currently, five other Canadian provinces have provincial energy efficiency legislation or regulation, including British Columbia, which currently regulates around 50 products; Nova Scotia; New Brunswick; Quebec and Manitoba.

Natural Resources Canada established the Energy Efficiency Act in 1992 and started to regulate products in 1995, and currently over 50 product categories are regulated by NRCAN. Canada's federal regulation does not take precedence over provincial regulation for locally manufactured and sold products. NRCAN is responsible for imports of products and interprovincial trade or movements of these products.

The North American market is highly integrated and Ontario's energy performance requirements for many products are aligned with regulations of the US Department of Energy.

California is recognized as the leader in regulating the energy efficiency of products and appliances and regulates a number of energy-using products in addition to products regulated by the US Department of Energy and typically sets the most advanced minimum efficiency performance standards that will gradually be endorsed by other jurisdictions.

In April 2016, NRCan announced that two key regulatory documents related to Canada's energy efficiency regulations were published in the Canada Gazette, part I. NRCan's policy is to support the Canada-US Regulatory Cooperation Council and update and align efficiency requirements with the US Department of Energy's requirements where appropriate.

The Ministry of Energy continues to work with and monitor NRCan's commitments to update and improve energy efficiency standards and codes for products, buildings and industry, and move forward with updates to its energy efficiency regulation for products and appliances that would harmonize efficiency standards with leading jurisdictions such as the US Department of Energy and Ontario.

Both the minister and deputy minister noted our efforts related to working with other provinces and territories as well as the federal government. Ontario actively participated in co-chairing energy efficiency working groups established to support the commitments made by the Council of the Federation in the Canadian Energy Strategy, and by the Energy and Mines Ministers' Conference to advance energy efficiency retrofits efforts in Canada.

The CES and the EMMC were engaged in complementary work to develop a common standards framework to support national harmonization and consistency of efficiency standards while recognizing regional considerations.

The 2015 CES directed provinces and territories to work collaboratively to improve energy performance standards to drive efficiency improvements. In July 2016, premiers met for the 2016 Council of the Federation in Whitehorse—

The Chair (Ms. Cheri DiNovo): I'm afraid, Mr. Delaney and the government side, that time is up.

Yes, Minister?

Hon. Glenn Thibeault: Can I just request a five-minute break, please, Chair?

The Chair (Ms. Cheri DiNovo): Yes, absolutely. Is that agreed on by the rest of the committee? Okay, five minutes. We'll reconvene at five past 10.

The committee recessed from 1001 to 1005.

The Chair (Ms. Cheri DiNovo): Welcome back, everyone.

We now move to the official opposition: Mr. Yakabuski.

Mr. John Yakabuski: Thank you very much, Chair, and thank you, Minister.

We were talking earlier about the pension. You never did quite answer as to whether you thought that was a good deal for the consumers or not, but I'm not even going to ask that again because I don't want a long-winded non-answer.

Perhaps the legendary deputy minister would have something to say about it. I'm humbled because I didn't realize that I was in the presence of a legend, but now I'll have to take note of that, and I appreciate the critic from the third party for pointing that out to me.

I want to talk about the Quebec deal—we don't have a lot of time, and I'll probably get back into that when we come again as well. So there was this big announcement on Friday. The announcement was Friday, but we knew about it on Thursday, maybe later in the day, that it was coming. There are so many important parts of an energy deal between two jurisdictions—two provinces, in this case. I think that the public has the right to know all of the details. I know that the Premier said on Friday that they wouldn't be releasing the details of it.

Here are some of the concerns that I have when you take that position: You can't just say, "We've got a potential of a two-terawatts"—is that two terawatts per year?

Hon. Glenn Thibeault: Yes.

Mr. John Yakabuski:—"two-terawatts-per-year deal between Ontario and Quebec." We need to know when that power would be purchased, under what circumstances—it just can't be at the whim; there have to be certain things that would trigger that power from coming over. Obviously, we don't want the power when we don't need it, which is a challenge for us if we've got capacity of our own.

Also, I vehemently disagree that we can't know the terms of the deal when it comes to price. These are two provinces; this is not Company XYZ who has proprietary corporate secrets that they don't want revealed. These are two provinces, representing the public, the people, the voters. Every voter in Quebec and Ontario has the right to know all of the details of that deal. Nothing should be off the table. Nothing should be behind the curtain. These are governments; these are not companies. These are governments, and there should be nothing of those deals that is not fully disclosed—certainly, the price and what triggers the price. Is the price consistent? Is the price always the same when the electricity is purchased?

The other more concerning issue is that we're going buy two terawatts of electricity—who's getting shut down in Ontario? What Ontario generators that currently are supplying that electricity will not be supplying electricity under those circumstances?

You talk about reducing the amount of natural gas generation in the system. I don't get it. You're making this deal to reduce that, yet you've got two unfinished gas plants that you're paying \$1 billion in contracts to build. They haven't even hit the system yet. You've got a long-term energy plan about which you're in consultations, and you're signing an energy agreement in the middle of that process.

A multitude of questions as to what prompted this—or is it just another political announcement, ironically and, I'm sure, totally coincidentally on the day that the by-election was called in Ottawa–Vanier?

But I think that we need to know all of those details, and we definitely need to know what Ontario generation

will be shut down and what the impact of that is. Is it going to be with gas companies that have a standby contract as well? Because then you are going to be paying for electricity that is not generated, as well as for electricity that is generated from the province of Quebec.

There are so many unanswered questions here that there is no possible way that you can talk to the people of Ontario and say, “It’s a potential deal that could trade up to two terawatts a year and could result in savings of \$70 million over the term of the contract, which is seven years.” Seven years, correct?

1010

Hon. Glenn Thibeault: It is seven years.

Mr. John Yakabuski: Seven years, so \$10 million a year on average, but we don’t know whether it could be \$20 million one year and none the next, or we could lose \$1 million the next, because we don’t know the details. That’s the potential.

How can we actually even come to that conclusion or agree with those numbers ourselves if we don’t have the details of the contracts? I don’t know how you can possibly sit there as the minister and how the Premier could stand behind that podium or at that dais with Premier Couillard and say that we can’t disclose the information with respect to that contract. I wouldn’t be able to find a single ratepayer in this province that would agree with that position by your government, the Premier and yourself.

I will ask you here today: Will you provide the details, all of the details of that contract that you’ve signed with the province of Quebec so that the people can judge, we in opposition can judge, and the media and those energy analysts whose job it is to look at these things to see whether we’re getting a fair deal? Also, answer whether or not this contract would be governed under the Auditor General as to whether or not it would be subject to a value-for-money audit by the Auditor General herself.

I ask as an undertaking to provide the details and answer whether or not this would be subject to a value-for-money audit by the Auditor General. If you want to provide the details of that contract today, or undertake to do that, that would be wonderful.

Hon. Glenn Thibeault: Well, I’m happy to provide you details of this landmark agreement that, as we said, was seven years. Of course, I know you’re talking specifically about one piece of this landmark agreement, which is that we’re going to import two terawatt hours of clean hydro power from Quebec.

We’ve talked about this—just the two-terawatt piece—and you mentioned it as well in your question, that it’s about \$70 million in savings over seven years, about \$10 million. When you say what it’s going to target, it’s going to offset the reliance that we have on many of our natural gas peaking plants, which will actually reduce our GHGs by one million tonnes each year.

The two other pieces that are also in this—and I know the deputy will want to come in with some of the details, but as an additional part of this agreement, Quebec has agreed to store up to 500 gigawatt hours of our power

produced in Ontario each night when it is actually produced cheaply, and return that power during the day when Ontarians need it most, because as I’m sure you’re well aware, MPP Yakabuski, we are a summer-peaking province and Quebec is a winter-peaking province.

The third part—

Mr. John Yakabuski: We’d like to peek at the details of that contract.

Hon. Glenn Thibeault: The third part of this landmark deal is that the capacity swap that we had in place with Quebec previously will continue, and then we will provide Quebec with 500 gigawatts of power when they need it as well in their peaking period.

Those are three very, very important things that we were able to sign in this agreement. It is something that we’ve been in negotiations about for three years, and it’s something we’re very proud of.

Mr. John Yakabuski: Will you release the contract?

Hon. Glenn Thibeault: Deputy, do you want to get into some of the specifics, the details that the MPP was asking for?

Mr. John Yakabuski: With respect, Minister, I’m just about out of time here. Those details were publicized already. Everything that you’ve said is part of the—

Hon. Glenn Thibeault: You just asked me about the one piece. I included two others, and the deputy can give you more information.

Mr. John Yakabuski: But will you release all of the details? Will you release the contract, make the contract public, as you did today for Mr. Tabuns with the contract for the refurbishments at Bruce nuclear?

Hon. Glenn Thibeault: Well, you haven’t even given us an opportunity to give you all the details, so let us answer your question and then we can go from there.

Mr. John Yakabuski: No, no. Could you release the contract? Could you release the contract, as you did for Mr. Tabuns with Bruce Power?

Hon. Glenn Thibeault: I’m more than happy to have the deputy explain the details.

Mr. John Yakabuski: No. Would you release it? I don’t want you to tell me what you want me to hear. I want the release of the contract. Will you release the contract so we can see it first-hand? We don’t have to spend any more time talking about it then. Just tell me that you’ll give me the contract—not me; “me” as in the people of Ontario.

Mr. Serge Imbrogno: I’ll respond to your question. As the minister said, there is the agreement in place. It was signed by the two Premiers and the ministers. That agreement will be turned into—

The Chair (Ms. Cheri DiNovo): I am afraid that is it for this morning. We are recessed until this afternoon—as a committee; the minister is back tomorrow.

The committee recessed from 1015 to 1602.

MINISTRY OF AGRICULTURE,
FOOD AND RURAL AFFAIRS

The Chair (Ms. Cheri DiNovo): Good afternoon. Pursuant to the order of the House dated October 24,

2016, the committee is about to begin its consideration of the estimates of the Ministry of Agriculture, Food and Rural Affairs for a total of seven hours and 30 minutes.

As we have some new members, a new ministry and a new minister before the committee, I would like to take this opportunity to remind everyone that the purpose of estimates is for members of the Legislature to determine if the government is spending money appropriately, wisely and effectively in the delivery of the services intended.

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

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

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

Are there any questions before we start? I am now required to call vote 101 of the estimates, which sets the review process in motion. We will begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition and 30 minutes by the third party. Then the minister will have 30 minutes for a reply. The remaining time will be apportioned equally amongst the three parties.

Minister, the floor is yours.

Hon. Jeff Leal: Thanks very much, Madam Chair, and members of the estimates committee. It's a pleasure for me to be here to review my ministry's estimates. I think it has been over a decade since the Ministry of Agriculture, Food and Rural Affairs has been in front of estimates. So a bit of time has transpired since then, but as you know, it's great to be here today.

I'm pleased to have the opportunity to be with you today to provide you with an update on the great work we've been doing at OMAFRA to support rural Ontario and grow the agri-food sector across the entire value chain.

I also want to take a moment to acknowledge my staff and officials who are here with me today. They spent a

considerable amount of time getting us prepared for the proceedings that are taking place, and I want to thank them for their work.

I want to particularly acknowledge my deputy, Dr. Deb Stark, who recently announced her retirement this coming November, which is bittersweet for this ministry. Deb, I can tell you, has been a tremendous source of information, insight and advice, and we've become wonderful friends over the last two and a half, almost three years. She will be sadly missed at our ministry, but we'll be wishing her and Howard all the very best as she begins this exciting new chapter in her life.

Friends, colleagues and members of this committee, I'd like to touch on five key points in my opening remarks and then look forward, with the help of my ministry team, to answer your questions.

I intend on speaking to the impact of the agri-food sector on the Ontario economy, the role of government in maximizing the agriculture industry's impact, the significant and critical financial leveraging achieved through our provincial investment, our investments in rural Ontario, and opportunities going forward.

As a representative and resident of my great riding of Peterborough, where I had the great privilege of being born and raised and attending university, and as a representative from eastern Ontario, the concerns of rural Ontario communities and their residents are of great interest to me—an interest I know my colleagues share.

To begin, I'd like to talk about Ontario's agri-food sector and what my ministry is doing to support and, more importantly, grow the entire value chain. We're all familiar with the saying, "Farmers feed cities." It's a slogan that is an undeniable reality of Ontario in the 21st century; 0.6% of our residents feed the other 99.4%. This fact is testimony to the unique role played by agriculture producers. Our government recognizes the vital importance of this sector to Ontario's economy.

Agriculture is the foundation of our province and is, indeed, the future of our province. Agriculture is a vital industry. It sustains us, provides jobs and opportunities for Ontarians, and links rural communities to urban centres to support the ultimate goal, which is to feed us.

Many of you on this committee have worked in the agri-food sector and know full well the important role it plays. This is a significant contributor to Ontario's economy, and through the efforts of our producers, processors and others along the value chain and in government, this impact continues to grow.

In 2013, Premier Wynne issued the agri-food growth challenge to our industry to double its growth rate and create 120,000 new jobs by the year 2020. It was a bold and ambitious target, and colleagues, we're well on our way to achieving it. Since issuing the challenge, more than 42,000 jobs have been created and \$2.2 billion has been added to the economy.

Our agri-food sector remains one of the most diversified in the world. With 52,000 family farms producing our 200 commodities, the reality is that Ontario's agri-food industry drives the Canadian agri-food sector. Our

sector is one of the province's largest, contributing \$36.4 billion to the provincial GDP. It is a sector that touches every single corner of this province and provides jobs to a diverse array of Ontarians, urban and rural, from indigenous peoples to new Canadians.

Every single day one out of nine, or 790,000, Ontarians wake up to work in primary food production, food processing and distribution, and food retailer services. That's 790,000 jobs out of a total workforce of 6.9 million people.

More broadly, the sector provides stability to the provincial economy as it demonstrates consistent growth despite negative cycles in other sectors. The sector's growth is being fuelled by increased domestic and international demand, driven by both global population growth and the purchasing power and tastes of a growing and expanding middle class.

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What I will showcase for you today is just how committed our government is to supporting our agri-food sector to meet the agri-food growth challenge while also meeting the domestic and international demand for safe, high-quality food, which Ontario has an international reputation for.

The reason for the success of Ontario's agri-food sector can squarely be placed on the men and women who work in the sector. All along the value chain, we see hard-working and innovative producers, processors, distributors, retailers and many others.

Playing an important role as a key partner to the success of the value chain is the government of Ontario. We understand that the agri-food system is complex, that our farmers and food processors face many challenges. They require a stable and positive business climate, which our government helps to create and which I'm proud to say my team at OMAFRA and across the government has provided. A large part of my ministry's work is to help build resilience into the system to support farmers as they face those challenges head-on.

Our government is supporting the growth of the economy and jobs by supporting and investing in our agri-food sector. Our support as a government to the agri-food sector is targeted in four key areas: business risk management; research and development; food safety and security; and market access.

An anchor of our support for producers is our province's suite of robust business risk management programs that are sound and dependable. In partnership with the government of Canada, we've delivered \$240.5 million to Ontario's farmers through support programs like AgriInvest, production insurance and AgriStability. Unlike most other programs, business risk management is demand-driven. Fluctuations in payments do not represent budgetary decisions but rather producer needs. These programs matter to the farmers who depend on them in times of need and when uncertainties hit.

Ontario is a leader in business risk management. We are only one of two provinces in Canada that offer their own business risk management programs, with a \$100-

million risk management program designed to support farmers who face uncontrollable fluctuations in commodity prices and input costs. We are very proud of our work with producers on an ongoing basis to ensure our BRM programs are meeting the needs of our farmers.

In the past two years, OMAFRA has worked hard to expand the supports we provide to producers. Just last month, we expanded our production insurance program to tender fruit producers who lose their trees. Following the recommendation of the Beef Farmers of Ontario, we doubled the feeder cattle loan program to \$260 million and simplified access to the program. We expanded our Agriculture Insurance Act, which is already available for almost 90 commercially grown crops in Ontario. I'm particularly proud of our initiative partnership with the government of Canada to launch a soil-mapping initiative to help farmers adjust to best management practices, replacing a soil map in Ontario that was put in place some 40 years ago.

Our BRM programs will be very relevant this year as producers dealt with extreme dry conditions that impacted parts of the province this summer. Some regions of the province—including the Niagara region; Haldimand, Norfolk and Simcoe counties; Northumberland county; Prince Edward county; Manitoulin Island; and my very own Peterborough county—were impacted by severe drought conditions.

I had the opportunity to tour some of these areas impacted this summer, and I saw first-hand the damage that extreme dry weather has caused, particularly to corn, soy and hay. I want to thank my colleague and friend the MPP for Northumberland–Quinte West, Lou Rinaldi, for his tireless advocacy on this issue as many farmers in his riding experienced drought conditions as well. I have directed my officials to work with affected producers to ensure eligible claimants are processed in a timely manner.

This past summer, I also had the opportunity to meet with my federal, provincial and territorial colleagues to talk about the successor framework to Growing Forward 2 for 2018 and beyond. Business risk management was an important part of the discussion. I look forward to working on the next generation of programs in line with the principles outlined in the Calgary statement.

Another area I'd like to quickly highlight specific to agriculture is the positive, long-term impact that research and innovation has on productivity growth and improved sustainability of resources, and how it addresses the challenges within the sector, such as climate change, food security, and protecting animal and human health.

Research and innovation and, more importantly, commercialization are vital to maintain a globally competitive sector, capitalize on new and emerging market opportunities, contribute to a healthy Ontario and support a robust food processing industry.

This year, OMAFRA is investing \$72 million in research and innovation. This is anchored by a long-standing partnership with the University of Guelph, which you all know has an international reputation when it comes to agriculture.

To deliver on research and innovation to see the agriculture sector grow, we have partnered with the government of Canada in delivering the Growing Forward 2, or GF2, initiative. Aside from providing the foundation of our business risk management programs, the five-year, \$1.5-billion GF2 initiative has invested in a strategic initiative that will fund important research for our agricultural sector.

As you know, friends and colleagues, food safety and security are the top priorities of OMAFRA. Each and every day, our employees, working with producers and processors, work to ensure that Ontario food is safe and continue to regard it as the best, both at home and around the world. During my trip to China in April 2015, food quality and food safety gave Ontario an international reputation.

During this year, we expect to invest over \$103 million to further public health and support environmental initiatives.

OMAFRA is dedicated to enhancing food safety and animal health and welfare through technical education outreach, advisory services, surveillance and emergency management. My ministry continues its ongoing work to be a modern regulator.

Colleagues, a fourth area I want to touch upon briefly is market access, which I will speak to more in my closing remarks.

The future success of Ontario's agri-food sector depends on our ability to gain access to markets while at the same time ensuring that our producers have the choice to market their products through a supply-managed or regulated marketing system here at home.

Future international demand is rapid, and our government believes that Ontario is in an enviable position to fill this international demand for safe, high-quality food products. We know that we're competing with other jurisdictions, but this is why it's vitally important that we be part of trade deals and continue to grow markets in places like China, which I visited in April 2015, and will do so in my upcoming trade mission to India.

During these trade missions, we not only proudly display our primary agriculture sector but the other major partner in the agri-food value chain, food processing, a sector that is very valuable to our province. Last year, food and beverages makers contributed \$12.1 billion to our economy and represent 15% of Ontario's manufacturing capacity.

In 2014, they invested \$500 million in Ontario with great confidence. The success of our food processing sector is important to our growers. Almost 65% of agriculture products grown in our province are purchased by Ontario's food and beverage manufacturers, companies like PepsiCo and highly successful companies such as Maple Leaf Foods, Dare Foods and Weston Foods. That's why we're working to ensure that the food processing sector continues to grow and contribute—

Interjection.

Hon. Jeff Leal: The consortium develops labour productivity within its sources and the tools that provide training for food manufacturers.

GF2 also offers cost-share funding assistance to food and by-product processors, and the program contributes more than \$44 million to 850 projects for our food and beverage makers across the province.

Our government sees the vast potential in this sector and the good jobs it provides for Ontarians, with higher-than-average pay compared to other manufacturers. Recognizing that potential, we ensure that business and food-beverage manufacturing could access the Jobs and Prosperity Fund. Last year, we launched a 10-year, \$400-million Food and Beverage Growth Fund as part of the larger Jobs and Prosperity Fund. To this date, the fund has invested \$7.5 million to create and retain 715 jobs. This funding helps companies increase productivity, improve processes and products, compete in new export markets and create and retain jobs for Ontarians.

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Success stories like food processing through the Food and Beverage Growth Fund show that our government is delivering on a top priority of growing the economy and creating jobs.

I want to take a moment to tell the part of the OMAFRA story that is not reflected directly in the numbers that you see in the estimates. It is about how these numbers actually work in attracting investments from other governments and, very importantly, from the private sector.

My ministry's investments are especially important because sending out OMAFRA leverages significant spending by others. It is estimated that in the fiscal year, my ministry's core spending leveraged \$673.6 million in spending by others.

I'd like to highlight some of the examples and speak to this incredible investment by other parties in our agri-food sector, and how this results in a ricochet effect that positively benefits many others.

As I just mentioned, our government invested \$7.5 million in government funding in the Food and Beverage Growth Fund, which leveraged an additional \$56.6 million from our private sector partners.

Our government invested \$52.3 million in a research agreement with the University of Guelph and, as a result, partners invested an additional \$40.7 million.

Another resounding story of return on investment is our government's focus on local food. Our government has been a strong supporter of local food since 2003, while we recognize the opportunity to do more and to improve the return on our investments by creating a strategy to correctly focus our activities towards specific outcomes.

Following consultations with the industry and stakeholders, we introduced the Local Food Strategy in 2013. I will speak more to the success of our Local Food Strategy in my closing remarks, but I want to highlight the three-year Local Food Fund, which supported the growth of our domestic food and beverage market and helped build capacity for local foods when it was launched in 2013. The Local Food Fund committed approximately \$21 million to over 150 projects, leveraging \$98 million to expand markets for local food and to create jobs.

Recognizing that the Local Food Fund was coming to a close, and to build on the program's success, the Premier and I visited Fresh City Farms in Downsview to announce that \$6 million would go to the Greenbelt Fund over three years to continue to deliver local food programming. Through our agreement with the Greenbelt Fund, they have launched the Local Food Investment Fund.

So far, there have been two intakes of the Local Food Investment Fund, which has funded nearly \$3 million, or 52 projects.

Contrary to what some members have said, the Local Food Fund has gone to projects outside the GTHA. They've invested in projects in the north such as in Dryden, and as far south as Leamington.

During Local Food Week this past June, we announced a project out of the first intake of the Local Food Investment Fund with Burnac Produce Ltd. This project will help Burnac Produce bring Ontario produce to Subway restaurants across the province and promote this campaign using Foodland Ontario materials, which are now available at Subway locations.

The Greenbelt Fund has been a sterling partner and has leveraged our investments with high performance. For every \$1 the Greenbelt Fund has invested, they've leveraged \$13 in returns to improve the Local Food Fund. That is a significant return on investment.

As I mentioned earlier, rural Ontario is near and dear to me. My first post in cabinet was to serve as the Minister of Rural Affairs, and I've always taken this role to heart, especially in my riding of Peterborough, which includes many beautiful rural communities. For the record, 40% of my riding is rural, making up those various municipalities in Peterborough county.

First I'd like to recognize the tremendous staff we have in the field, providing advice to municipalities and businesses across the province. In fact, there are 26 agricultural and rural economic advisers working to serve our rural communities and producers in every corner of this great province.

The Business Retention and Expansion Program helps communities identify their economic development priorities. The Community Immigrant Retention in Rural Ontario Program supports rural communities with effective approaches to attract and retain talented youth and newcomers. They are vital services that rural municipalities depend on, which I'm proud to say that my ministry effectively delivers.

I'd like to speak directly to two specific rural initiatives that impact my ministry: the Rural Economic Development Program, or RED, and infrastructure.

I know many of you are ready to ask questions today and throughout this committee process about the RED program. I also know that there has been a real concern in several municipalities, many of which have passed resolutions asking us to reverse our decision.

First of all, I can assure you that RED is not dead. To build a stronger rural Ontario economy, create jobs in communities across the province and deliver better

service to Ontario businesses, the business stream for the RED program, along with the Southwestern Ontario Development Fund and the Eastern Ontario Development Fund, will be delivered through the Jobs and Prosperity Fund. That much is clear, since it was announced in this year's budget.

As we move our business supports under the JPF banner, we want to make sure that we get it right so that we work for businesses to help deliver economic growth in rural Ontario. As we make the transition on our business supports, rural companies will still have access to our government's regional funds. We understand the needs of rural communities and we will be launching a community development program through my ministry.

The second specific program that I want to highlight is the Ontario Community Infrastructure Fund, OCIF. In 2014, we made OCIF permanent, with a \$100-million allocation dedicated to rural or remote communities, half of which was formula-based funding; the other half was application-based funding. Our municipal partners appreciated that we made infrastructure funding permanent but wanted to see a greater share going towards predictable and stable formula funding.

I know how that's very important. I spent 18 years as a city councillor in Peterborough, from 1985 to the fall of 2003, so I understand what municipalities want and need in terms of dependable, predictable infrastructure funding.

Friends, we listened to our rural municipalities. Our expanded OCIF will invest in rural infrastructure. OCIF funding will go towards building and improving roads, bridges, water mains and waste water treatment plants, along with other projects.

From 2019, OCIF will have tripled, from \$100 million to \$300 million. Better yet, based on advice we received from our municipal partners, two thirds of that funding will go toward formula funding, which is bankable over five years. We've also made the application-based grant targeted and more transparent, so that smaller communities can get top-up funding to support their pressing infrastructure needs.

It has been a tremendous honour to serve as the Minister of Agriculture, Food and Rural Affairs for the past two and a half years. As many of you know, I recently celebrated over 30 years of being in public service, and I've said that the past years have been among the most rewarding of my three decades.

Throughout my career as a public servant serving a public life in my community of Peterborough, I've staked my reputation on being a collegial, collaborative and genuine team player. I will always work with my colleagues in the agri-food sector and will always try to do the same when working with my friends across the aisle. That's because everybody in Ontario has an interest in seeing Ontario's agri-food sector thrive, as do all Ontarians in every part of this province.

Given what I've outlined, it's clear that there are great opportunities for the agri-food sector and rural Ontario at OMAFRA. We want to pursue these for the benefit of

our sector and, just as importantly, for the people of Ontario. We all know that, by the year 2050, there will be nine billion people to feed in the world.

First and foremost, it is our determination to meet the Premier's Agri-Food Challenge. We're well on our way to doing that, so coming here provides an opportunity to strike new partnership agreements with two key players: the federal government and the University of Guelph. We intend to craft these partnerships in a way that works for both parties, maximizes opportunities to leverage funding, helps us to achieve our objectives in business risk management, research innovation and food safety, and strengthens supports for producers, processors and others in the value chain.

We intend to work with the government of Canada and other provincial and territorial partners to include climate change mitigation and adaptation in our next policy framework in ways that meet the needs of our sector. We intend to best position Ontario to capture markets that will come with new trade deals and the emerging middle class in China, India and around the world. We look to meet the challenge and continue to support our rural communities.

I'll conclude my opening remarks. I believe that it's important that I state two fundamental perspectives that I bring to my role as Minister of Agriculture, Food and Rural Affairs.

First, Ontario succeeds when both its urban and rural communities are strong. This principle is key to our long-term success in the province and is critical to the well-being of all the people of Ontario.

Second, rural Ontario is a special place with a distinct culture, unique traditions and history forged from generations harvesting the resources of our province for the benefit of Canada and the world. I am determined to shape policy that meets its unique needs, with an appreciation of rural Ontario's contributions to our province and country.

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I know that you'll have hard-hitting questions for me throughout this process, and I appreciate the opportunity to discuss the agri-food sector in rural Ontario. I recognize that although we've done great work, we can always, and will always, strive to do better.

Something that was provided to me many years ago as one of my favourite proverbs goes: "If you want to go fast, go alone. If you want to go far, go together." I firmly believe in these words and live by them.

Thank you for having me here today. I look forward to your questions.

The Chair (Ms. Cheri DiNovo): Thank you, Minister.

We now move to the official opposition. You have up to 30 minutes. Mr. Barrett.

Mr. Toby Barrett: Thank you, Minister and staff, for attending on what you've indicated is somewhat of a historic occasion, if you measure history in 10-year cycles.

Winter is coming; it's a good time to start talking about policy. There's a bit more combining to do, and

some fall plowing, and closing up buildings and what have you. But we are in that annual cycle and, of course, many farm meetings will be coming up over the next several months. So we recognize and welcome this opportunity.

Just last evening, and during the day, we had an opportunity as parliamentarians to have meetings with the Dairy Farmers of Ontario, and that is top of mind for all of us. Obviously, supply management remains a pillar that we all agree on. Certainly, the opposition unequivocally supports supply management and the border controls that come with that, recognizing the pressure from competition from other countries. They gave us the specific example of the United States and the exporting into Ontario of dried skim milk.

I'd just like to run through some of what we learned yesterday, as the Dairy Farmers of Ontario explained.

The lack of modern dryer technology means that much of our milk is not being used to produce ingredients that there is a demand for, with respect to food processing. They made mention of two dryers in Ontario. Over time, there has been a deterioration of plant and equipment. Ontario requires more butterfat. We are using more butter and, ideally, less sugar. We've figured out the information on fat and sugar, and I've changed my diet somewhat. But there's a lack of ability to process the associated skim milk.

They went on to explain to us the ingredients strategy. A new skim milk ingredient pricing class has been approved by Farm Products. It was implemented in April of this year. I don't know whether you'd call it a world market price, but they've reached out on their ability to control the price of their product, all towards the goal of making investment more attractive in the processing side of dairy and, obviously, making the price more competitive. We're told that a broader strategy is needed with respect to the skim milk powder dryers. They've reached their capacity.

Further to that, and to this strategy, they made us aware of one commitment in Winnipeg of millions of dollars to increase processing. In the Winnipeg example, Gay Lea and a company called Vitalus Nutrition Inc., in conjunction with the Dairy Farmers of Manitoba, announced a joint venture to process dairy ingredients and butter.

We do know that a number of months ago, the previous federal government committed \$450 million for a processor modernization fund, as it was called, to put up the money. It would cover off about 20% of the capital cost for new plants. There's a proposal for two new or upgraded ingredient plants in the province.

The question in this is the question I'm sure is asked of all of us. Very simply, is there movement to see Ontario match this federal contribution? That was the ask that we received yesterday. Do you want to comment on that, please?

Hon. Jeff Leal: Thanks very much, Mr. Barrett. Just to give you my background, when I was doing my degree in economics, I wrote a paper on supply management.

That's how I first became acquainted with supply management. Under that academic work, which was done a while ago—I have often said that supply management is the best model that's ever been designed for agriculture. The principles will always stand the test of time: fair price to the producer, fair price to the consumer, and supply management, of course, never needs any government assistance and provide great stability to the agriculture sector.

Two men, two agricultural leaders deserve credit for supply management: on the provincial side, Bill Stewart, who was Premier John Robarts's ag minister; and of course, at the federal level, the late Eugene Whelan, who was the federal ag minister for well beyond a decade, working together to support supply management.

I often remember hearing Mr. Whelan speak. He said that supply management, had it been incorporated around the world, would have assisted many countries in developing their domestic agriculture without facing the dumping of agricultural products by other countries. It continues to be a great pillar of our agricultural sector across Canada.

I'd be remiss if I didn't say I'm somewhat concerned. Maxime Bernier, who is seeking the leadership of the federal Conservative Party in Ottawa, recently indicated in a very public way that supply management should be dismantled. We in Ontario—and, as you said, sir, today, and I know the third party—would certainly suggest that he's wrong when he makes those observations about the value of supply management.

Of course, through our meetings yesterday, we learned that on the dairy side, the quota has increased by 13% in Ontario over the last two years, which certainly indicates to us that the dairy sector is strong and it's growing.

I'll turn it over to one of my assistant deputy ministers, Randy Jackiw, who is responsible for our economic development division. Randy, please?

Mr. Randy Jackiw: Thank you, Minister. I think it's important that I give a bit of context for this—it's a very complex value chain, as far as the dairy industry—and a little bit about our trading partners and that context as well.

First of all, it's important to know that agriculture is a shared jurisdiction between the provinces and the federal government. Specific to the dairy industry, there is a national commission called the Canadian Dairy Commission that works very closely with the regulations in each province. There are fairly sophisticated mechanisms in place as far as how production is allocated throughout the country.

On the regulated marketing side, because I think it's important as far as the dairy ingredient strategy, there are regulations in just about every commodity that's produced in most of the developed countries around the world.

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One of the big differences between this and other sectors is that we're dealing with perishable products, so it is time-bound as far as how they are dealt with. The

commodities, which are more like the grains and oil-seeds, tend to be a little bit more open-market, but even in those cases there's a role that the government plays around financial protection and all of the grains that are in storage, just to make sure that there's order in the marketplace.

In the commodities where there are animals, specifically around dairy, that's where you find a lot of the supply management because the genetics, the value chains, are very complex, and you just can't ramp those up and down. They're very sensitive to the vagaries of the marketplace and the biology in that. Also, other jurisdictions around the world have regulations like that in place. It might not be called supply management, but they have a lot of the same kind of controls. Whether they be marketing orders—generally, there are things in place to regulate what is a perishable product.

In Ontario, I think we're all pretty proud of the fact that they are looking forward, as far as what different trade agreements are potentially bringing—some of the things that have evolved, as you mentioned, in the comments around butter fat and skim milk surpluses. They've developed this ingredients strategy.

The important thing to know about that is that there is a significant amount of consensus around how Ontario would approach this. The goal here is to be competitive in the decades ahead. That isn't—at least, it wasn't a shared view across the country, with trade agreement discussions TPP and CETA as examples. There were some jurisdictions that were looking at dealing with supply management in another way. But in Ontario, they really wanted to see investment to put it on a sound footing going forward. A couple of major processors as well as the Dairy Farmers of Ontario came up with that ingredient strategy. They were working, at the same time, with the Ontario Farm Products Marketing Commission, which is responsible for the administration of the regulations under the leadership and governance of the ministry. The minister, also at the same time, was playing a national role with colleagues in Quebec as well as other provinces, and, over the last number of months, has actually made some progress on a little bit more of a national consensus around that.

It's important, again, on this value chain, that it isn't just about one thing that needs to happen. It isn't just about dryers; it's making sure that there's attention all along, from genetics right through to the finished products, because you need all of that to make sure that you're competitive for the future.

Mr. Toby Barrett: Again, what is the process, and is the process under way with respect to working with the federal government and, perhaps, working with Quebec? How clear are we on whether that federal money is still there, and are we able to match a percentage of that? That's what the farmers would like to know.

Mr. Randy Jackiw: We're still not clear, as far as what's happening at the federal level, which is why it was so important for us to still keep moving on this at the provincial level.

I would talk a little bit about some of the work that we've done with the processors and the dairy farmers. First of all, on its ingredients strategy, as you said, it was really with the focus of having a world price. There's nothing that we're doing within that that further restricts any products that are imported or have any other trade implications; it's just about getting competitive on that world market. Ontario is well positioned for a whole bunch of other reasons as well.

Mr. Toby Barrett: I'd commend the dairy farmers for agreeing to a world price without having a separate domestic price, like a higher price. We saw with tobacco that there would be an export price or a world price. The domestic price was higher. It sounds like the dairy farmers are taking that kind of a hit and reaching out. We just wonder to what extent we can see—

Mr. Randy Jackiw: Right. There's some significant work that we've been doing with the processors. I can't get into specifics at this point because these aren't finished, but the big discussion we've been having with them is along the jobs and prosperity, food and beverage stream process.

There's \$40 million that was available over a 10-year period. There's up to 20% of the eligible costs, and they are things like dryers. It isn't just dryers that they're looking at; it's ultrafilters and other technologies that really do get a higher utilization of those various products so that you get more butter and more of the ingredients, because that's really where the world is headed. The important thing about that is that that sets you up for being competitive on those products in the longer term.

There's a bit of an issue as far as how this has evolved over the last number of years. When you concentrate those milk ingredients to 85%-or-plus protein, it is no longer called milk and comes in across the border. We have a significant number of imports, if you will, of those products that are going into a lot of the new dairy types of things that have been very popular on the shelves—the yogourts and those sorts of things. This strategy is to be able to hit that head-on.

Mr. Toby Barrett: I guess we don't, as you say, need to get into specifics. I don't want to see a butter-oil debate again, or something like that. As with our dairy farmers—again, I commend them working to support their processors—I see similarities. I saw it a bit in tobacco. We see it with the processing vegetable industry, something that dominated the farm media this summer, as we know.

Again, the growers of cucumbers down my way are cognizant of the needs of their processors and their green shippers. A number of the growers—I think of Holland Marsh—are also processors. There were a couple of fellows in question period today who are involved in growing and also processing at the same time.

As we know, farm products this summer came up through the work of the farm products commission with 21 marketing boards. They presented their plan to eliminate the bargaining powers of the Ontario Processing Vegetable Growers association. There was an uproar,

certainly across rural southern Ontario. I commend Minister Leal for putting the brakes on that plan, as is appropriate. Those of us elected around this table—the minister used his power to issue a directive to the commission indicating that it had to consult with the growers and the processors before we saw any changes.

I think it was in today's London Free Press that journalist John Miner again wrote another piece on this. We are fortunate to have our farm media, or papers like the London paper, that cover agricultural issues. He made reference to a paper recently published by Dr. Larry Martin. The title: Learnings from a Comedy of Arrogance. I won't dwell on that, but I will just draw on a few things from his paper.

Again, we have an Ontario industry in many cases in direct competition with US industry. We think of processing tomatoes, for example, and paste manufacturing. We compete with the California price, and corn. Jack and I grow corn or soybeans based on the Chicago price. We understand that, and we can compete, in my view, with that California price. We do it with strawberries, for example, competing with some of the Ohio and Indiana processing or canning—peas, beans, sweet corn—Quebec, Wisconsin, Minnesota and New York.

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But we have that opportunity as well, or our processing growers have that opportunity, to switch to other crops. We saw it when tobacco got in trouble. In a way, you go from a very labour-intensive, irrigation-intensive crop. You can switch over to corn or soybeans or, at minimum, you can rent the land, as we do with our farms right now, when you can't do it anymore or don't have the time to do it or markets change. It's relatively easy to switch to these traditional crops; hence, the importance of being able to compete with the US product. Once you go to, say, corn or soybeans, you can contract a combine and things like that.

It's pretty difficult to go back into that intensive agriculture, as we see with our processing vegetables, a commodity that requires a considerable investment: lining up machinery and equipment, dealing with farm labour. That's a real skill that our vegetable growers have.

I'd just like to go on a little further here. With the resources that we have with OMAFRA, through OMAFRA, I'm assuming an organization like the Ontario Processing Vegetable Growers was set up with the expert assistance of OMAFRA staff back in the day. I know the bone of contention I had. We used to grow sweet peas. We didn't have an association back then. Things were worked out. We had a field buyer, a neighbour. The processing plant, Culverhouse Canning, was actually only one mile from our farm. We had some economies there.

So even though we weren't negotiating the price as a group, we were, I guess, price takers from that processing plant, with so many other processing plants across Ontario over many, many years. Canadian Cannery at one time had something like 150 plants. The farmer was a price taker. There was no heavy-duty negotiation. But the plants went out of business anyway.

There were other factors over the years: wage rates, for example; imports from other countries. There were many, many other reasons why we've had this sorry history of watching food processing plants that were established over the past 150 years right in the key growing areas in southern Ontario—established there for a reason: Because you could grow the product there. It wasn't far to move it—a perishable product, of course; and then you could get it in cans or now, more recently, freezing it.

With OMAFRA's expertise, how can we better assist the growers and the processors to work together? We don't need the confrontational stuff. We're dealing with enough already with weather and what have you. Essentially, how can the growers continue to better assist their processors, as we see with this dairy initiative—success for all?

Hon. Jeff Leal: Thanks, Mr. Barrett. Of course, I remind members in the estimates committee today that Ontario is the largest agri-food sector in Canada. We have 52,000 family farms producing over 200 commodities, making Ontario the most diverse province in Canada today when it comes to agricultural commodities. It contributes \$36.4 billion to Ontario's GDP each and every year, and, depending on what measure you take, agriculture is either number one or number two, depending on the yardstick that you pick. It's interesting to note too that in 2015, Ontario's farm cash receipts totalled \$12.73 billion, which was a new provincial record in Canada.

You're well aware that during the summer I issued a directive to the Ontario Farm Products Marketing Commission. We are in full support of regulated markets in the province of Ontario. I fundamentally believe—as does OMAFRA, as do many Ontarians—that this works and works very well.

I did take the opportunity when I was sending out the directive, Mr. Barrett, to call you personally and to call Mr. Vanthof personally to indicate what my direction would be. It's not about individuals who are with the Ontario Farm Products Marketing Commission, but I wanted to make sure that democracy prevailed, that appropriate discussions would take place in a true, transparent and accountable manner and to make sure, because my academic background is in economics, that a thorough analysis would be completed.

Look, I really want to thank you for a very positive quote. Just quoting you, Mr. Barrett; it appeared in the London Free Press on August 19: "This is the way democracy is supposed to work. This is quite heartening." I appreciate those supportive words. Dave Epp, who was quite vocal during the commission's consultation, called the directive "welcome news," and it certainly received support from Mr. Vanthof.

I'll just turn it over to my deputy, if there is anything additional—

Mr. Toby Barrett: Maybe in the transition: We welcome the directive, and you indicated, obviously, consultation and economic analysis—let's map out some

of the opportunities and come up with some recommendations. Very briefly—we only have a few minutes—where are we at in that process, or where is farm products in that process?

Hon. Jeff Leal: Mr. Barrett, I'll have my deputy respond.

Mr. Toby Barrett: Yes, thank you.

Dr. Deb Stark: Well—

The Chair (Ms. Cheri DiNovo): Could you please state your name?

Hon. Jeff Leal: Oh, I'm sorry, Madam Chair.

Dr. Deb Stark: Deb Stark, deputy minister, Ontario Ministry of Agriculture, Food and Rural Affairs.

The directive was to the Ontario Farm Products Marketing Commission, and they do have the authority to go forward with taking the direction that the minister has provided. I can tell you from informal conversations with them that they have reached out to both the processors and the producers to make it clear that they have received the minister's directive and they will be working under that direction. They have appointed a subcommittee, and that subcommittee is, as we speak, busy considering a path to go forward.

They are very cognizant of the fact that this whole process has created some uncertainty and certainly created some tensions within the industry. I know it's something that the members of the commission are interested in moving forward on fairly quickly, to demonstrate the path forward.

As you indicate, there is a need to do the economic analysis, and the real focus is on growing the sector collaboratively. So we will wait and hear how the commission goes forward with that. We as a ministry have offered any support we can provide—again, with that clear division of responsibility. It is the commission that has the authority to take action at this point in time.

Mr. Toby Barrett: I'm sure Farm Products can draw on the resources of OMAFRA or draw on other experts?

Dr. Deb Stark: We have offered them—if they wish, they can ask, and we can see what we can do to help them. Of course, the budget, the financial resources of the commission, is part of the ministry's budget. They have flagged that this is not something they can probably do with the existing dollars they have, and we have said that, indeed, we understand that, we appreciate that and we will manage that.

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Mr. Toby Barrett: And I think there is an opportunity here. Things are kind of unfrozen right now, and we can take a look at some options or recommendations that benefit all parties. Then things get frozen in place until the next crisis comes along.

Dr. Deb Stark: I think the minister was very clear in his direction that it was to be to the benefit of the sector in its whole.

The Chair (Ms. Cheri DiNovo): You have about 30 seconds. Would you like to use them?

Mr. Toby Barrett: No, I think—can I save those 30 seconds for next time?

The Chair (Ms. Cheri DiNovo): You can't. We'll move on.

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

Mr. John Vanthof: Thank you, Minister, for your opening statement, and Deputy and staff. I heard in your opening statement that it has been 10 years since agriculture has been to estimates. I can tell you that 10 years ago this day, I didn't know what the estimates committee was or how the Legislature worked; I was a farmer—proud to be a farmer.

I think for me, as a farmer—often we forget when we're legislators how incredible an honour this actually is. I can remember when previous Ministers of Agriculture came to Timiskaming. It was something that we prepared for—which we still do; you're always invited—because it's a big deal when the minister comes. It's an honour to be able to question to the minister. I take that with some deference. It's tough being the third one in the line, so some of my questions are going to be similar.

I've been in agriculture since 1981, I guess. I worked for my dad before. The changes that have come, from a farm perspective—how a farmer sees OMAFRA. I can remember when I started farming that the first person I went to was the ag rep. We still have an ag rep in Timiskaming—we're thankful—but a lot of parts of the province don't anymore. An ag rep used to be the first person you'd go to for advice and, in most of the province, they're gone. Long-term, I think that has had an impact.

I remember that my first milk inspection on the dairy farm was done by OMAFRA—no longer. It's done by DFO. I remember when we had meetings about it where the field rep from DFO was going to become the inspector, and it was quite a contentious issue. It was seen as the DFO guy was on your side and the inspector was not necessarily. That's changed. Again, it was a removal one step away. I remember when 4-H seemed like it was part of OMAFRA.

I don't know about the rest of the province, but in my part of the world in northern Ontario there seems to have been a backing away from supporting farmers. Now, I know right now northern Ontario is on everybody's mind; it's the sexy part of agriculture, if I can use that term—I'm going to get to that later with some questions. There has always been a vibrant agriculture sector, particularly in my part of the world. Timiskaming has always been pretty vibrant, but we've seen a backing away.

In your remarks you said it was \$72 million, I believe, with the University of Guelph on research. I'm familiar with that number. I'm also familiar with when one of your predecessors—at that time, Minister McMeekin—came to our riding because there was the rumour going around that the research station was going to close in New Liskeard. The local farmers and the minister struck an agreement. At that time it was \$1.5 million. It's still a work in progress and that's something we would like to look at too: how that is progressing.

Overall, I think from an individual farm perspective—I don't know if it's necessarily a bad thing, but there has

been a bit of a separation between OMAF, now OMAFRA, and the actual farm population, and that isn't helping your ministry. I don't think it is.

I'd like to go into supply management as well. Supply management is pretty near and dear to my heart. It's an incredibly complicated system but, actually, if you really think about it, it's not that complicated—it's not. My mentor in dairy farming was a fellow by the name of Albert Gauthier. He used to sell milk. He had a private quota with a dairy as opposed to supply management. In the wintertime, they wanted all his milk; in the summertime, milk was in cans and he'd bring the milk to the same dairy—and he had that quota with the dairy—but they didn't need the milk, so they just rejected it, even though there was nothing wrong with the milk.

That was the origin of supply management, when Bill Stewart and others worked on it. How the system actually works—because everybody talks about it, but nobody really—so they created tariff barriers for the milk products that existed at the time: for milk, butter and cheese. There isn't one on chocolate milk. Remember that we had a dairy beverage issue a while ago? That's because there's not a tariff barrier; they forgot the chocolate part.

Over the years, because of the tariff barriers, on their part the farmers agreed to provide a quality, safe product at a fair price, provided the borders were protected. I think it served the industry well, and it served consumers very well. I think we all agree on that.

What's happened is—and it's always that when you've got a good thing going, there's going to be somebody trying to get in. We have a fair price for milk in this province—a higher price than some other jurisdictions, so they do whatever they can to get around the tariff barriers. For a while there, you mixed butter oil with sugar—butter oil blends—but now it has become much more sophisticated. Those are the things that are getting through.

I commend the Dairy Farmers of Ontario and your ministry and the processors for working on this. The processors are asking for support, and the dairy farmers are asking for support to help the processors with this changeover. That's a bit new for the dairy sector, because the dairy sector has always prided itself—"You protect us and we're not going to ask you for money." They've been very good at that. But because they were protected for 50 years, and science has gone around those barriers, that's why they need help. Those plants didn't have—usually, if you want to build a new plant, you look for export markets. We don't look for exports because we have barriers, and one of the barriers is that we can't go. So it's hard to build big, new plants when your processing production is limited.

Now they have decided, "It's time. We can no longer look the other way. We have to compete with these markets." That's why the need is here now for those plants. I support the opposition, but I support anything that we do to help that along the way, because this is the next generation of supply management.

I was on the board of DFO when we fought butter oil blends, but this is a bit of a break from tradition, because traditionally, you don't see DFO asking for government-specific support for infrastructure. They are now, and that, in my estimation, is the reason. I don't want to hear all the explanations—we all know how supply management works and why it's beneficial, but I'd like to put on the record that that's a bit of a departure, and Ontario has led the way on that.

There are two trains of thoughts in this country on supply management. There's the train of thought that we are going to hold the course and just continue to fight this issue by issue by issue. And the other train of thought is: "Wait a second. We are being outstripped by science, and now we have to make this conversion so we can sell the same products to compete with the products that are coming into the country."

This isn't something—and I hope you agree with me—that we can wait on for years. The train has left the station, and we're at a point where we're catching the train but we need to be on the train.

Minister, would you—

Hon. Jeff Leal: First of all, Mr. Vanthof, I had the opportunity, not too long ago—it seems like just yesterday—when we attended the International Plowing Match, which was held in the New Liskeard area. I remember first-year geography in university where you talked about the Great Clay Belt as a geological formation that is unique to northeastern Ontario and northwestern Quebec. The plowing match was superb—and I think for many of my urban colleagues, from all sides, who took the opportunity to be in the New Liskeard area for the International Plowing Match to really appreciate what the Great Clay Belt is all about. A decade or so ago, they weren't growing corn, soybeans and oats. Now, as the world has gotten warmer, there are more heat units in the Great Clay Belt and you can have wonderful crops and wonderful forage crops of corn, soybean and cool oats.

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Mr. Vanthof, as you know, I also like to talk about my wonderful company where I spent four summers working as a university student, at Quaker Oats in Peterborough. They're one of the biggest purchasers of cool oats from the New Liskeard area to put into their world-famous Quaker Oats granola bars that I hope all members of the House consume each and every day.

When you talk about the price of milk and supply management, because it's close to home, I buy from Kawartha Dairy. So you're looking at three bags of 1% milk. It often is in the neighbourhood of \$4.89 or \$5 for three bags. When I go to the Memorial Centre to see my beloved Peterborough Petes play, people are prepared to pay \$2 or \$2.50 to buy a bottle of water. So I ask you, I ask all of society in Ontario today: Where is the value when you do a simple division to look at value?

You're quite right. Supply management, like any economic model, has to adjust its perspective with the times. We certainly witnessed that with the changes that were

made on the ingredient strategy by the Dairy Farmers of Ontario in April. We're also seeing it happen with regard to changes with the Chicken Farmers of Ontario, bearing in mind that reform is necessary to sustain supply management, going down the road.

We're all aware that we live in a world today where there are trade agreements, whether it's NAFTA—we don't know what's going to happen with the Canada-EU deal and we don't know, because of the presidential cycle in the United States, what ultimately may happen with the TPP. But we do know that the Great Depression became "great" because international trade froze for that decade, from 1929 to 1939, which really wreaked havoc in terms of all nations of the world. So there is going to be trade, and we want to make sure that we adjust all of our industry—and the agri industry, certainly—to that.

With regard to the Canada-EU deal, part of the agreement there was for Canada to absorb about 17,000 tonnes of cheese under TRQ, the tariff-rate quota. We'll have to see what evolves with Canada-EU.

I had the privilege of representing Ontario in Atlanta last September during the TPP negotiations. I always like to acknowledge that. I worked closely with the former federal ag minister, the Honourable Gerry Ritz, and the then trade minister, the Honourable Ed Fast. We were able to negotiate, I think, what really essentially under TPP protected the essence of supply management for the Canadian economy. I do make note: Those countries that abandoned a supply management system, Australia and New Zealand, their dairy industry today is under big stress, big trouble. In fact, their governments are actively subsidizing out of their financial resources to rescue the dairy sector in both New Zealand and Australia, because they thought the free market was going to be the be-all and end-all when it came to the trade in agricultural products—a real lesson for those two countries in terms of abandoning a model that worked very well.

Again, I'll have my assistant deputy minister, Randy, just chat about the process.

Mr. John Vanthof: I think the point, though, if I could break in—it's not really a rural thing to break in on people, but I'm starting to figure out that that's how you have to do it here.

Everything you've said about trade—no problem there at all. What's at issue right now is not about trade; it's about us being able to supply our own market with the products that are coming in. It's not about pushing into other parts of the world, because that is still a very touchy issue. It's about being able to supply our own market with our own products, and delivered in a way that other countries are putting into this country.

Hon. Jeff Leal: What we've seen is that consumer tastes have changed. I mean, 10 years ago, everybody was going to margarine because they thought that was the safest thing to do. Fast forward 10 years, and now everybody is going back to butter because they think that's the consumer preference. That's a good thing for Ontario producers.

I take your point. Thanks so much.

Dr. Deb Stark: If I could, I just want to assure the committee that we are in very serious discussion with the dairy processing industry about what they need to implement the dairy ingredients strategy.

The challenge we have is that these are confidential conversations at this point in time. I know that it was the dairy farmers who came yesterday and said, "Let's move on it," but it is about the dairy processors. That's a little bit of the box that we find ourselves in today—unable to share information about another part of the sector—but we have been working with the industry on this dairy ingredients strategy for a while, and I can assure you that it is top of mind for us.

Mr. John Vanthof: Thank you. I'm going to go to the Ontario Processing Vegetable Growers association with that issue, as well.

One thing that you mentioned—I forget your name.

Mr. Randy Jackiw: Randy.

Mr. John Vanthof: Randy—about vegetables is that they're perishable, as is milk. That's why regulated marketing is very important. I would like to thank the minister for his response, but I would like to put on the record that I was surprised at the way that the commission handled it, because there is a time to reap and a time to sow, and that wasn't the time to throw that out there.

As a farmer, I was shocked. I would have expected that—I would have understood it—from a totally urban group that had no real comprehension of how the agriculture sector worked, but the marketing commission is not that, I would hope. I know they're not that.

To throw that out there—you did the right thing, Minister, but for that to get thrown out there—also, I read comments that members of the commission made comments at other places that they were the fixers and they were the hired guns.

My question is going to be a direct question: Were you aware that this process was going to start before it started?

Hon. Jeff Leal: First of all, it's not my practice, in the time that I've been in public life for over 30 years, to comment on personalities. A situation occurred. This Ontario government, as previous governments of all political stripes have been, is 100% supportive of the regulated farm products mechanism of the province of Ontario.

It came to my attention that the Farm Products Marketing Commission needed some direction. I provided that direction and I provided a course of action. As my deputy has said in response to a question from Mr. Barrett, currently the OFPMC—all these acronyms—is considering the directive and discussing next steps. Since the OFPMC's next steps have been developed, the commission will advise industry stakeholders on how the process will move forward, and I look forward to that.

I was very clear. It was one of those times that there was no wiggle room. I was very clear in my directive. I believe that it was the right thing to go to bring about transparency, accountability and for me to do the appropriate economic analysis of the situation. Those are the

three things that are most important to me as the minister and most important for the people who are in this very important aspect of Ontario's agri-economy.

Mr. John Vanthof: Thank you.

I'm going to go back to something else that's near and dear to me and to a lot of people I represent, and that's northern Ontario. Just for the record—it's a touchy thing for northerners—we don't live in the Great Clay Belt. Timiskaming is in the Little Clay Belt, and the Great Clay Belt is in Cochrane. We've always grown oats. Corn and soybeans: That's in the last few years.

Hon. Jeff Leal: Okay.

Mr. John Vanthof: Why am I saying that? As more people talk about northern Ontario and about promoting agriculture in northern Ontario—and there are massive possibilities to increase agriculture production in northern Ontario, without a doubt. But one thing that, as a northerner and as—I don't know how to do this. I'm trying to not be too—we have heard this before. We hear sometimes people from other areas who are like, "We've got the answers and we're going to foist this upon you."

1720

We've been through programs from OMAF before. One of them was Norfund. I don't know if anybody remembers Norfund. Norfund—and this was when I just started farming—came up with a program to help northern Ontario. Someone, somewhere, decided that what northern farmers needed was granaries, weed sprayers and a few other things. So you got a massive subsidy on a weed sprayer whether you needed a weed sprayer or not, and every farm had a weed sprayer and lots of them never left the shed. As a result, for the people who actually needed weed sprayers, we also had the most expensive weed sprayer prices in Ontario, because there was a big subsidy. Same with granaries: All kinds of granaries were built that were never used.

That's an example of a bad program, because it directs funds where others think they should go, as opposed to where the biggest bang for the economic buck is. And I can't even remember which government that was under. This isn't political.

There is currently a really good program. It's not through OMAF; it's through MNDM. This is the third or fourth iteration of this program. There are a couple of programs, but this one is focused on tile drainage and land clearing. It's a fantastic program because it allows people to do—and tile drainage is the best program. If you want to increase agriculture in northern Ontario, tile drainage is a necessity.

But before that, there was a program that was, in my opinion, even better, and that was under a Liberal government. The reason that Timiskaming—and for those of you who haven't been to Timiskaming, you cross that big hill and Timiskaming looks as nice as the Woodstock area. It's a beautiful place to farm. It's a beautiful place, and the land isn't \$20,000 or \$30,000 an acre. But the reason it looks like it does is that there was a heritage fund program, and it stated that you could access money from the heritage fund, up to \$50,000, with the caveat

that you had to increase your gross within two years after that by the amount you got.

What it did: Things that people were planning to do in the next three or four years, it made them all happen. It accelerated them. And it didn't have the typical impact, like when you say, "It's only for spraying," or it's only for whatever. You couldn't spend it on livestock or rolling stock; I understand. But some people put pieces on their barns; some people built new barns. You get \$50,000 and—I did a lot of work on this. The average expenditure per farm was close to \$350,000 or \$400,000 that the farmer put in. So some people put in barns; some people tile-drained.

That was an example of a really good program, because it took the people who actually knew—and it's not unique to just northern Ontario. Farmers know where the money is best spent—at least the good ones do.

I'm not going to ask you to spill the beans. I know you're working on northern Ontario. But the things that I would like to encourage are that you look at programs like that and you talk to people on the ground who are successful now in northern Ontario. Everybody's got theories about how to be successful. Everybody's got studies. We can talk about the beef farmer study, and that's great; it's a good study. But prices have changed significantly since that study was put out, you know.

It's crucial, and it has always been crucial, to talk to people who are successful in the area now. And there are successful farms not just in Timiskaming; there are successful farms in Cochrane, there are successful farms in Kapuskasing, there are successful farms in Dryden, in Rainy River. And those are the people. They might not be great on the facts and figures, but when we moved to northern Ontario in 1971, and my dad was as guilty as the next guy, he thought, "Move to northern Ontario and these guys don't really know what they're doing; we're going to do it like southern Ontario."

The Chair (Ms. Cheri DiNovo): Mr. Vanthof, you have five minutes.

Mr. John Vanthof: Okay, good, good. I can finish this story.

My dad almost lost his shirt. A local farmer came to talk to me. He said, "Well, Mr. Vanthof, if you want to make it here, every morning what you should do is climb up your silo and see what everybody else is doing."

My question is—I know you're looking at northern Ontario. I've been told it's one of your priorities. It's in the mandate letter. How are you consulting who you're consulting and at what stage are those consultations? That's my question.

Hon. Jeff Leal: Mr. Vanthof, I've duly noted what you've provided. You did acknowledge the Northern Ontario Heritage Fund, which has been doing great work in terms of tile drainage. That's one of the reasons why, after 40 years, I believe a new soil map is needed for the province of Ontario.

We're actually doing some work up in your area. We're doing three areas in 2016-17. One of the things, of course, that we're identifying through tile drainage—you

could take soil classification that was done 40 years ago by the government of Canada through the Canada Land Inventory system. It was classified 40 years ago as lands 4, 5 and 6. You tile-drain it and you can improve capacity—same soils of class 1, 2 and 3, through appropriate tile drainage, which is a real success story.

I'll have my assistant deputy minister, Phil Malcolmson, respond to some of your other comments.

Mr. Phil Malcolmson: Thank you for your question. I was listening in the back and I thought you made a really insightful comment, that there have been lots of ideas with respect to northern Ontario over the last 10 years, and not all have been successful.

If I could start my comment by kind of looking in to the long term and looking globally, there are going to be nine billion people on planet Earth by 2050. That's a lot of demand for food. And, when the OECD looks at where that food is going to be produced, one of the places that they look at increasingly is going to be Canada and Ontario.

There are certainly some negative implications for climate change, but for an area such as northern Ontario, particularly in the area that you're in, things that couldn't have been grown there in the past can be grown there now and into the future, along with innovation around animal and plant genetics. So, things that weren't possible will be possible. There'll be a lot of market pull; it will have to be produced somewhere.

The other is just fundamental economics. If you look at land prices in southern Ontario, you see acres going for \$18,000, \$20,000, \$25,000—that's not the prices that you would see up in your area, so economics actually do make it attractive, provided you're in it for the long term, quite frankly.

Your question was with respect to what the ministry is doing and who we are talking to. You would know more than most that the Ontario government, through the Ministry of Northern Development and Mines and Minister Gravelle, has a northern growth plan. One of the main sectors under the northern growth plan is agriculture, aquaculture and food processing. We take that opportunity very seriously. We actually have a kind of very active engagement process that started in the summer and went through the fall, where we did some engagement in northern Ontario.

But, to your point, about this cannot be a southern- or a Queen's-Park-based imposition, we went into that with a philosophy and a framework that this would be individual- and industry-led and government-enabled and, really, with a view of listening to people in terms of what they needed to develop their opportunities, in particular so it could be sustainable economically in the long term.

I'll just give you a highlight with respect to some of the engagement. I don't want to trouble you with too many facts, but we had six in-person sessions in northern Ontario; 12 WebExes across northern Ontario, just to make it easy for people to participate; two WebEx sessions with municipalities in northern Ontario; and

some in-person sessions with indigenous persons in northern Ontario.

Overall, we had 163 people who attended our sessions, not including the WebExes. We did allow for submissions online, and we had 43 written submissions. That's just in the process of closing now. That's a lot of input. We're in the process of synthesizing that input, to start with listening to what we heard.

1730

Some themes, without getting into the 143 comments—and I don't think you'd be surprised by any of these: There was a really positive attitude that there are lots of significant opportunities. There's quality land, and the prices of the land relative to—

The Chair (Ms. Cheri DiNovo): I'm afraid, Mr. Vanthof, that your time is up. It goes back to the minister now. So you might want to continue along under the minister's time.

Hon. Jeff Leal: I want to thank both the commenters from the official opposition and the third party this afternoon. The topics we discussed—the dairy ingredients strategy and regulated markets—are very important issues for us all. You've all demonstrated a keen interest in seeing a thriving agri-food sector in our province and vibrant rural communities.

I'd like to take this time to continue sharing what my ministry and our government are doing to meet the Premier's agri-food growth challenge. I'll also speak to more initiatives we're undertaking to support a thriving rural Ontario.

In 2013, Premier Wynne, as Minister of Agriculture and Food, saw the potential in the agri-food sector and launched an ambitious challenge to grow the sector. By 2020, we want to see the agri-food sector double its rate of growth and create 120,000 jobs. As mentioned in my opening remarks, we're already doing a lot of work to help out the primary and food processing sectors grow across the province, which is helping the sector meet this growth challenge.

In 2014, we convened the Agri-Food Growth Steering Committee, consisting of leaders and experts in agriculture, food processing and government, to come up with recommendations to help us meet the agri-food growth challenge. My deputy and Amy Cronin, chair of Ontario Pork, both kindly served as co-chairs of this growth steering committee.

The committee delivered their recommendations last November at the 11th annual Premier's agri-food summit. These recommendations focused on three key areas: increasing government and industry promotion of Ontario's agri-food sector at home and abroad; strengthening the advocacy of Ontario's food processing sector, particularly at the federal level; and focusing on medium-sized agri-food businesses to enhance competitiveness.

As my ministry puts together an implementation plan for the steering committee's recommendations, we've already made great progress towards meeting the agri-food growth challenge. Since the Premier's challenge was issued, more than 42,000 new jobs have been

created, exports are up by \$3.3 billion, and \$2.2 billion has been added to the province's GDP. In 2015 alone, agri-food exports rose to \$14.1 billion, up 13% from the previous year.

To support our goal of growing our agri-food sector, our government has placed a large emphasis on expanding and developing export markets for Ontario-produced and Ontario-made products. The future success of our agri-food industry depends on our ability to gain new markets while at the same time ensuring that our producers have the choice to market their products through a supply management and/or a regulated marketing system. Future international demand is rapidly expanding and is driven by population growth and the purchasing power and diverse tastes of a growing international middle class.

Recent trade agreements, if ratified, will liberalize trade and provide additional markets for Canada and Ontario, but they will also create strong competition in foreign and domestic markets. Most importantly, these trade agreements provide an opportunity, if we're prepared to take it. This is why, my friends, I'm determined to see Ontario successfully compete with other jurisdictions like the United States, Europe and Asia. We're doing that by growing markets and promoting our high-quality agri-food sector.

In April 2015, my colleague Michael Chan, the Minister of International Trade, and I went to China for the province's first-ever minister-led trade mission to that wonderful country. Twenty-one businesses and organizations joined us on a 10-day mission, which began in Beijing and took us to several stops across China and Hong Kong, resulting in \$9 million worth of investment and increased exports for Ontario products in one of our priority markets. In 2015, Ontario's total agri-food sales to China, including exports to Hong Kong, reached \$1 billion, representing Ontario's second-largest export market for agri-food products behind the United States.

While we were in China, representatives from more than 200 Chinese companies took part in investment seminars to learn more about the benefits of investing in Ontario, particularly the province's dynamic agri-food sector. Two round-table forums provided opportunities for more than 75 representatives from Chinese companies to discuss what Ontario could do to improve access for Chinese investors. These forums provided an important two-way learning opportunity for all involved.

During the 10-day mission, Minister Chan and I and delegates also met individually with more than 300 agri-food companies interested in investing and trade opportunities in Ontario. Some examples of deals we signed while in China were the Futurevic Global Sourcing and Shijiazhuang Junlebao Dairy Company signing a letter of intent to purchase \$2 million worth of maple products over the next two years.

Ontario's Pillitteri Estates Winery and China-based Hare Wine Co. signed a \$6-million agreement that will bring more Ontario icewine to China and help meet the growing demand for this signature Ontario product. The

investment by the Hare Wine Co. will establish a new vineyard and build a new winery in Niagara-on-the-Lake.

Last November, my former parliamentary assistant—the member from Beaches–East York, member of this committee, MPP Arthur Potts—travelled to Guadalajara, Mexico to represent Ontario and Canada at the 24th agricultural tri-national conference. MPP Potts did a fantastic job ensuring our interests were well represented.

This week, Ontario will be hosting the tri-national conference in Niagara Falls. This year marks the quarter-century anniversary of this annual meeting between Canada, the United States and Mexico. It's Ontario's first time hosting. I can assure you we'll be building bridges and not walls. As the tri-national host, our province will serve as a stage for important discussions on how the three countries can work together to promote increased agricultural market access, trade collaboration and co-operation between our countries.

To further boost our exports and grow market access for our producers and food processors, next month I'll be embarking on my next trade mission travelling to India, the world's third-largest economy and second most populous country. The mission will take place November 13 to 20 and include visits to such communities as New Delhi, Mumbai and others.

This is a follow-up to Premier Wynne's trade mission to India that she led in January 31 to February 5 of this year. Premier Wynne's successful trade mission to India resulted in memorandums of understanding with five India states, all of which included references to agriculture and food processing.

The mission will build on the Premier's successful mission and focus on strengthening agri-food trade relationships with India, home to a rapidly growing economy and growing middle class. When I travel to India, representatives from Canadian trade organizations, commodity groups, food and beverage processors and the feed sector will join our delegation. My ministry will also have staff on hand to provide advice to help agri-food businesses develop their export readiness and help to identify and break into new markets.

Ontario is the home of the largest Indo-Canadian community in Canada. Almost 700,000 Ontarians have connections to India. Ontario has international trade investment offices in New Delhi and Mumbai. The Indian trade mission and previous trade missions to China further support Ontario's Going Global Trade Strategy and speaks to the growth steering committee's recommendation of promoting agri-food products abroad.

As we work to expand Ontario's agri-food exports, we must also work to ensure the integrity of our supply-manage system, an essential piece of our agri-food economy. During the Trans-Pacific Partnership negotiations last year, I travelled to Atlanta to support the supply-manage sector. We will continue to work with our industry and federal partners to find new opportunities from trade deals, but we'll also continue to ensure that the interests of Ontarians, including producers of our supply-manage sectors, are well protected.

Another way we help grow our agri-food sector is by driving domestic demand. We're doing that by showing that good things are grown in Ontario through our government's local food strategy. Our local food strategy addresses the final piece of our value chain: the consumer. Launched in 2013, the local food strategy has a clear vision focused on increasing the consumption of local food.

I noticed when I'm grocery shopping—particularly when I'm at home in Peterborough—something I never noticed a few years ago: Everybody is looking at labels now. They really want to know where their food is coming from, where the content of that food comes from. And we've seen the proliferation of people visiting their farmers' markets on a regular basis.

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Launched in 2013, the local food strategy has a clear vision: increasing the consumption of local food. The Local Food Act, the first of its kind in Canada, is a centrepiece of that strategy. We've consistently promoted locally grown food and beverages to Ontarians so that they continue to recognize that good things are grown, harvested and made right here in our very own province. One of our government programs that has successfully been able to do this is Foodland Ontario, which next year will be celebrating its 40th anniversary. This is a significant milestone: a program that has survived governments under three political parties. Foodland's brand recognition can compete with some of the biggest players out there. Consumer recognition of this logo has remained above 90% for the past 10 years. Foodland Ontario has played an important role in generating domestic demand for local foods. They do that through advertising and their branding strategy with retailers and food service companies. Foodland Ontario is therefore playing an important role in supporting our local food strategy.

I'd also like to commend industry stakeholders—our local food champions—like the Ontario Federation of Agriculture, for contributing to our local food strategy with programs like Six by Sixteen, which teaches young people how to plan and prepare six nutritious, locally sourced meals by the time they are 16 years old.

I would also, of course, like to recognize the work of the MPP for Sarnia for coming up with that—farmers who donate to local food banks would receive a tax credit for doing so. That's very important to those families in Ontario who face financial challenges—the kind of challenges that you and I don't face on a day-to-day basis.

We've seen a growing interest in farmers' markets, which oftentimes serve not only as a great way to pick up local produce but also locally made products. To that end, we have invested almost \$4 million since 1999 in Farmers' Markets Ontario to help build capacity in these retail channels, because we know they not only serve as a great way for Ontario consumers to buy local, but also serve as a weekly gathering place for members of the community. Most of my constituency knows that on any given Saturday morning, between 8 a.m. and 10 a.m., I

will be at the farmers' market in Peterborough to pick up local produce and speak with local farmers and, indeed, consumers.

Our government's recent announcement, in May, allowing the sale of VQA wines, craft ciders and fruit wines at farmers' markets has been a welcome addition for Ontario consumers and a way to further draw new customers to these markets. Of course, it's the first fundamental reform of alcohol distribution in the province of Ontario since Prohibition was lifted in 1926.

This past June, we launched our second local food report, which updates Ontarians on our progress with the local food strategy and celebrates some of Ontario's local food champions, including the Algoma Food Network and Fresh from the Farm school program.

I mentioned the local food donation tax credit for Ontario farmers, which was the result of a private member's bill from the MPP from Sarnia. It's a nice way to further support our producers, who exhibit a tremendous amount of generosity. Our egg farmers have donated 144,000 dozen eggs annually. Some 500 dairy farmers produce and donate one million litres of milk each year. And 300,000 servings of fresh Ontario pork, 80,000 of both Ontario beef and turkey, and 400,000 servings of chicken are donated each year by our very generous farmers in the province of Ontario.

Building our support for market access both at home and abroad, we are building up our agri-food sector through strategic investments and research and innovation that allows our entire value chain to increase productivity and develop new markets. Those who believe that farming is not a knowledge-based industry are mistaken. As I tour Ontario farms, I am constantly reminded that our producers are using modern technology and a science-based process to deliver high-quality, safe foods.

Government plays a critical role to foster the sound environment for innovation, investing in foundations for innovation and help to overcome barriers to innovation, and ensure that innovation contributes to public policy.

Going forward to initiatives, I've invested in strategic initiatives that have funded important research for our agricultural sector. This has allowed us to invest in the Vineland Research and Innovation Centre, which, among economic activities, helps support commercialization opportunities for Ontario's horticultural sector.

We've also funded the Agricultural Adaptation Council to administer the Ontario Farm Innovation Program to support on-farm demonstration of innovation projects.

We're quite good at recognizing and celebrating the dynamic innovations developed within our agri-food sector. Later this year, we'll be announcing the 10th annual Premier's agri-food innovation awards. These awards serve as a great opportunity to both showcase some of our most innovative agricultural food-processing projects in the province and to bring other innovators together through regional award ceremonies. To date, we've handed out over 475 awards to recipients across this great province.

I've had the privilege to attend and celebrate local innovators. It is so inspiring to witness the new friend-

ships and business collaborations that evolve in a room full of innovators. Last year, at an event in Baltimore, Ontario, collaboration between innovators led to new product development.

I'd like to turn your attention to the opportunities that lie ahead for the agri-food sector and why Ontario is positioned to be the best place to do business.

As a province, we have the right conditions to attract investments from companies from other jurisdictions. We have the lowest effective corporate tax rate in North America. We have well-maintained infrastructure with our government's historic investments in this area, and it will only get better. We benefit from one of the most educated populations in the world, and, not to forget, we live in an absolutely beautiful province.

Friends, Ontario's agri-food sector is poised to benefit from significant global changes in the 21st century. We have access to some of the largest sources of fresh water in the entire world. A changing climate will bring new opportunities to farmers across the province but will pose new challenges as well. Given the importance of fresh water to the future success of our agri-food sector, we're taking steps to protect our Great Lakes so that the world's largest fresh water source remains healthy.

We're also identifying emergent opportunities for the agri-food sector and laying the groundwork to capitalize on these opportunities.

As many of you know, I'm a resident of Peterborough, Ontario. I like to eat my Quaker oats for breakfast. I know we've talked about getting the oats from northern Ontario—I wouldn't be doing my job if I didn't throw in another reference to Peterborough.

As part of our government's growth plan, my ministry is concluding a series of consultations on the northern agriculture-aquaculture food-processing strategy.

My ministry is also completing the development of 32 digital soil maps from legacy information for the Cochrane-Hearst corridor to support the development of agricultural opportunities in this area.

Ontario has the largest bio-economy sector in the world, which is concentrated in Sarnia-Lambton. It has been an important program focus of my ministry for several decades and has yielded great results. You may wonder what the bio-economy means. It's the manufacturing or use of innovative products made from using inputs like agricultural biomass and agri-food waste, for example.

To help develop Ontario's bio-economy, we have invested in research through our University of Guelph partnership, focusing on bio-economic and industrial uses using GF2 funding to launch and support the Agri-Technology Commercialization Centre and to ensure bio-products are an eligible category for the Food and Beverage Growth Fund.

Ontario has one of the most diverse populations throughout the world, and we look forward to the opportunity to increase local production and the availability of world foods. World crops could mean a boon for Ontario farmers. The estimated potential market demand for

world food crop vegetables in the GTA is approximately \$61 million per month—that's \$61 million per month. That takes into account all vegetables, not just specialty vegetables. In the most recent study of ethno-cultural vegetable demand in the GTA, top vegetable crops include okra, eggplant, bitter melon, bok choy, Chinese broccoli and callaloo. Since my most recent mandate letter includes the development of a world crop strategy, you can bet that work in this area will speed up.

A key element for growing all these opportunities is collaboration. We're working with our industry partners, with our research partners at other levels of government and our indigenous partners to leverage today's talent, knowledge and funding opportunities to build the future of Ontario's agri-food sector.

As I conclude my remarks, I'd like to turn your attention back to the rural affairs side of my ministry. I'm particularly proud to launch a series of rural Ontario summits. The first one was held in 2014 in Cobourg, and it allowed me to reach out to rural Ontarians in different fields to gather a sense of how our province—

The Chair (Ms. Cheri DiNovo): Excuse me, Minister. Because of the vote in the House, we will now adjourn until 3 p.m. tomorrow, when we will resume consideration of the estimates of the Ministry of Energy in room 1. We will resume consideration of the estimates of the Ministry of Agriculture, Food and Rural Affairs next week.

We stand adjourned.

The committee adjourned at 1750.

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