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Assemblée législative  
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## **Official Report of Debates (Hansard)**

Wednesday 2 June 2010

## **Journal des débats (Hansard)**

Mardi 2 juin 2010

**Standing Committee on  
Estimates**

Ministry of Revenue

**Comité permanent des  
budgets des dépenses**

Ministère du Revenu

Chair: Garfield Dunlop  
Clerk pro tem: William Short

Président : Garfield Dunlop  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 2 June 2010

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*The committee met at 1604 in room 151.*

## MINISTRY OF REVENUE

**The Vice-Chair (Mr. Robert Bailey):** I'd like to call the meeting to order. I'm filling in for Mr. Dunlop, who's unable to be here today.

We have four hours and 40 minutes total left today. We're going to start with the government. The government has 10 minutes left in their time, and when that 10 minutes are up, then we start on the 20-minute rotations. Mr. Naqvi.

**Mr. Yasir Naqvi:** Thank you, Acting Chair. Thank you very much for taking the seat. Thank you, Minister, Deputy, ADM; welcome back.

We left last week—actually it was yesterday; it feels like a long time ago since we saw you last—talking about the tax reform package. We were sort of discussing, as I recall, the scope of the tax cut. I was taking up the question that the member from Nepean–Carleton asked, whether this is one of the largest tax cuts in the last 40 years, in Ontario's history, or not, and you were explaining to me the different components of the tax cut—I think you talked about the income tax cuts, the corporate tax cuts, the tax credit—involved.

I was hoping you could also talk about the input tax credit, which takes place as a result of value-added tax. What is the scope of that? What dollar figure are we talking about? How is it going to be beneficial to businesses? And how does that fit into this being one of the largest tax cuts in the history of Ontario?

**Hon. John Wilkinson:** Thanks, Mr. Naqvi. I always say, when I have an opportunity to speak to the business community, "You know how you charge the GST?" And the GST is basically ubiquitous across Canada. It's on almost all goods and services out there. I say, "Do you know how you charge GST on your customer? What do you do with that money? You send it in to Jim Flaherty"—you send it to the federal government; it's a federal value-added sales tax—"minus what you've paid in GST, right?" So that's what's known as an input tax credit. In other words, before I send the government the money I've collected in tax I get to keep what I've already paid.

What that makes happen is that it ensures that there's no tax on tax, because the alternative is a retail sales tax, which is this provincial sales tax we've had since 1961.

Those vendors who have to charge PST charge it to their customers and they send that money to me. I'm the Minister of Revenue, tax collector in chief of the province of Ontario.

I say to the business community, "Do I give you any credit for all the PST that you have paid?" and they say, "Well, no." So when you go to the HST, which is the GST at 13%, you eliminate the PST—it doesn't exist anymore—and you have just the HST. Then the company understands that, all of a sudden, all of the PST that they had been paying, instead of being a cost which they must put into their price, now becomes a credit, money that they've paid but they get to keep. That is the nature of it. It takes out some \$4.5 billion worth of embedded tax on tax.

I use the example that there are even items where there is no PST charged to the consumer, but it is. I give the example that though there is GST currently on a new house, there is not PST; but there is, because it's hidden. The builder has purchased goods and supplies to make that house—the wood, the hammer, the nails—and paid PST on all of that, and there's no mechanism for that to come back to the builder. So where is that cost? It's in the price. There's no other place for it to be.

So it is important for people to understand that though businesses will receive an input tax credit, what does that mean to the business? It improves their cash flow, it improves their competitive position, and it puts them in a position to compete on value and price and to invest in their company for productivity.

When I had the opportunity to go to Entripy in Oakville, as I was saying, the young entrepreneur who started that company was saying that that additional cash flow—for his business allows him to do something that he wants to do, which is expand. He said, "That extra cash flow, I know I'm going to get that. That's predictable, bankable. I know that comes to me under the system. I'm already used to the GST, so I don't have to register for the HST. If I registered for the GST, it's the same."

The other thing that I found quite interesting about very small businesses—and I remember I was in Brockville and dropped in to see a very small business. He had a sign; it said, "No GST." But up on the wall he had his PST vendor certificate. Under the GST rules, if you have sales of \$30,000 or less, you don't have to register for the GST and you don't have to charge it, but if you're a vendor and you're selling taxable goods and

services, and I think if it's more than \$1,000 for the year, you must and are required by law to register for the PST.

Just quickly, Deputy, how many—or maybe my assistant would know—registered vendors do we have today for the PST in Ontario?

**Ms. Carol Layton:** Over 300,000.

**Hon. John Wilkinson:** Over 300,000 businesses. Many of them are small, because the threshold for that is if it's more than \$1,000. Now, for that small business, the PST won't exist after July 1—no tax—and the HST threshold is the same as the GST threshold; that is, under \$30,000. So no tax. He has the option to register if he wishes, because if he registers, he's allowed to charge it and then keep his input tax credits, but he doesn't have to.

**1610**

The same thing when I was up in Alexandria. I met with business. The one lady had a gym; I think it was a Curves. She goes, "I'm going to have to charge the HST." But she also had a catering business, and now she didn't have to charge HST. For one business there was going to be more tax, but input tax credits; the other business was going to be totally tax-free.

Again, that's the nature of our tax reform: How do we free up small business? For businesses that are \$30,000 or less, for not-for-profits that are \$50,000 or less, basically they become tax-free entities. That allows those small businesses to get up off the ground and to get running. Today in Ontario, the second their sales go over \$1,000, they're expected to understand that by law they have to register with us. Again, this will eliminate a great deal of really unnecessary paperwork and give small businesses their own choice, up to that threshold, of whether or not they're going to register with the federal government for the HST.

If they are registered, just to be clear, if you have your GST number, that's your HST number. There's nothing special you have to do to register for the HST if you're already registered for the GST.

**Mr. Yasir Naqvi:** Thank you, Minister. I often remind businesses of the simplicity of the new system. I say, "Picture a GST form. You've got the Canadian flag on the top right-hand corner and you've got the GST number, 1234, on the top left corner. On July 1, it's going to be the same form, with the Canadian flag on the top and it has HST number 1234. This is how simple it gets." Businesses always get quite excited, especially small businesses, which have proportionately higher expenses administratively, dealing with the Ministry of Revenue at the provincial level and keeping count of all the PST they have to collect and remit back to your ministry. So there is a significant impact there.

**Hon. John Wilkinson:** Particularly for businesses, it's time, because a small business isn't going to have an accounting department in their business keeping track of this. This is something that the entrepreneur, the business owner, has to find time to do. They have to find time to do their GST return. They have to find time to do their PST. They're required to remit PST a lot sooner, when they get

over the threshold of \$1,000 worth of sales, a lot quicker than when they get over a threshold of \$30,000 worth of sales. So there are a lot more people registered for the PST in Ontario—

**The Vice-Chair (Mr. Robert Bailey):** Two minutes, Minister.

**Hon. John Wilkinson:** You said over 300,000—

**Ms. Carol Layton:** There are 319,000.

**Hon. John Wilkinson:** —319,000 PST vendors. Of course, that whole system, by and large, is gone on July 1.

Again, as the tax collector for the province, we remind people that our vendors are to remit all of the PST—RST—that they collect up until June 30. People are going to have to collect that money. They're going to have to send it in. We're going to have to take 319,000 vendors and we're going to have to clean up all of their accounts, because they're going to want to have the assurance that, "Yup, I'm square with you. All the money I got, I've sent in. You guys are good with me." Then we have to actually close out 319,000 vendor accounts. They're not going to want this to be left hanging. They're going to want some assurance that they're done with that system. Of course, we always have people in the process of having appeals and audits and that type of stuff. Over time we're going to be able to wind down that system. That, in itself, is a big undertaking for the ministry, to get out of a tax, but we think it's well worth it. And the business community will just be dealing with the same tax and set of rules that they're using today in regard to the GST.

I have heard, though, from the business community about the fact that the rules around the GST haven't been modernized to a great extent over the last 20 years. For the first time, Ontario as a province, as part of the HST, will have some influence over the need to modernize that. I hear that repeatedly from small business. For example, for our renovation sector the definition of a substantial renovation, at \$50,000, hasn't changed in 20 years. The federal government hasn't changed that in 20 years.

**The Vice-Chair (Mr. Robert Bailey):** Thirty seconds, Minister.

**Hon. John Wilkinson:** Soon at least Ontario will be one of those provinces that are part of the national value-added tax system, which is the HST. We will look forward, as Ontario, as a province, to participating in the federal-provincial-territorial working committee that exists around those provinces with the HST.

**Mr. Yasir Naqvi:** Then the rules could be refined.

**Hon. John Wilkinson:** Yes. We actually now can have some moral suasion on that because it's our tax base as well.

**Mr. Yasir Naqvi:** Great. Thank you, Minister.

**The Vice-Chair (Mr. Robert Bailey):** Time's up; right on the button. Thank you.

**Hon. John Wilkinson:** We try.

**The Vice-Chair (Mr. Robert Bailey):** Now to the official opposition. Ms. MacLeod, 20 minutes.

**Ms. Lisa MacLeod:** Welcome back, Minister, deputies. Great to see you again. Thanks for coming in. I appreciate it.

I want to talk a little bit about public consultation, Minister, with respect to the HST. In December, we sat in this same room and went through a couple of things. One was an attempt at public consultation and the other one was an attempt at clause-by-clause.

As you know, the opposition had called for much more consultation on the HST, which was an omnibus bill; you'll remember that. It was a very large bill coming from the Ministry of Finance. At the time, we called for a travelling committee to go across Ontario to places like Ottawa, Whitby, Niagara, up north, to have an opportunity to talk to Ontarians about the impact of your tax package and the HST. At the time that was refused; we had a day and a bit of public consultation in a very short period of time. As many of us will acknowledge in this chamber, it takes roughly six to eight months to pass a piece of legislation through all the various stages: first reading, second reading, committee stage, clause-by-clause, public hearings and then, finally, third reading. This piece of legislation passed with very little public consultation in a three-week period.

If you go back and look at the GST, for example, there was a travelling committee that went from one side of Canada to the other and there were probably, I think, close to 10, maybe as many as 20, public consultations before the GST was passed. And there were many more public submissions given to that committee. In contrast, when you look at Ontario, we didn't have that opportunity, and this was pushed forward.

I guess the question is, your party opposed these legislative sessions for people to actually have an opportunity to speak to the HST at the time that this bill was going through the House. Why did you oppose that? The second part of my question is, why only now, a month before this HST is going to hit, are ministers finally getting out to talk to people?

**Hon. John Wilkinson:** That's kind of an open-ended question. Here's what I can tell you. The government of the day is supposed to present a budget to the House. That has to enjoy the confidence of the House. That's exactly what we did.

We entered into negotiations with the federal government when the Prime Minister and the Premier agreed that it was really something that we needed to focus on. We were successful in the sense that I think Minister Duncan and Minister Flaherty showed the requisite leadership and flexibility to ensure that Canada's largest province could be part of a modern tax system.

We presented that in the House. We presented it in March 2009 and we voted on it in December—I think the day before the federal government—

**Ms. Lisa MacLeod:** No, no, but let's be honest here. The reality is, the bill that brought in the HST was brought in and introduced—and you know this—in December, maybe late November. The reality is, you rammed through the single-largest sales tax increase in three weeks.

**Hon. John Wilkinson:** And the single largest income tax cut as well at the same time.

**Ms. Lisa MacLeod:** No. You say this, but again we went through these numbers yesterday and—

**Hon. John Wilkinson:** I can read them again, if you'd like—billions of dollars.

**Ms. Lisa MacLeod:** When you talk about the health tax, when you talk about rolling back the 2003 tax reductions of Premier Eves, there still is a net increase in taxes compared to that time. But the reality is, Minister, only now are Liberals deciding to go out and talk to the public. It is a problem—and you can laugh at Ontarians who haven't had an opportunity—

**Hon. John Wilkinson:** I've seen 13,000 Ontarians in the last two months—

**Ms. Lisa MacLeod:** But you didn't do it in this chamber, and the reality is, they're not open to the public. It would behoove each one of you in the Liberal Party, if you're going across Ontario, to actually make it public—

**Hon. John Wilkinson:** This is on television right now and the public is paying attention.

**Ms. Lisa MacLeod:** It is. The public, through me and through Mr. Tabuns, is having the opportunity to question you. They are not able to do this directly in an open, free format in their own communities like we should have had an opportunity to do when you put this tax increase through.

Just yesterday, three ministers, none of whom were you, showed up in three opposition ridings to a select group of people. I would have appreciated, quite frankly, had the minister who appeared in my riding let me know so I could bring people to her or host an event with her so she could hear from the people in my riding. I'm sure the other members would feel the same.

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The question is, why are you now just touring PC ridings? Are you going to make these meetings public and will you post these summer meetings of your HST tour on your website so that Ontarians, whether it's in Nepean–Carleton or Nickel Belt, are able to go to meet a Liberal minister and tell them how the HST is going to impact them?

**Hon. John Wilkinson:** It's interesting. I find the question to be somewhat odd. I can't think of a public policy issue in this province that has had so much public debate, so many people commenting on it. I know that in this province the task that I had to implement and communicate—

**Ms. Lisa MacLeod:** The reality is that the Premier really struck a very sour note when he looked at Ontarians and said, "You have a problem with the HST? Call a talk show." Call John Tory, Lowell Green, Steve Madely or John Moore in the morning, call any of these people, because that's the type of sympathy that they've had, right? And they're great people, these talk show hosts; I listen to many of them. The reality is, though, they're not the Premier of Ontario; they're not the member from Ottawa Centre; they're not the member from Ottawa–Orléans. By the way, I've been in both of your ridings, and the people are very upset.

I can tell you something, Minister: The people of this province deserve to be heard on the concerns that they have with the single largest sales tax increase in our province's history. But instead, this bill was rushed through the chamber. You're attending—and so are your ministers and parliamentary assistants—hand-picked, closed-door meetings that aren't public. The simple question that I have for you—and I would appreciate an answer—is, when you continue to do these tours with the ministers and the parliamentary assistants, are you going to make these meetings public and are you going to make them available well enough in advance so that the public can attend?

**Hon. John Wilkinson:** Well, Ms. MacLeod, you're lecturing me about not listening and when I try to give you an answer you cut me off.

**Ms. Lisa MacLeod:** Well, you're not answering my question. I mean, that's the—

**Hon. John Wilkinson:** There we go yet again. You can't be lecturing people about not listening if you're actually not going to listen—

**Ms. Lisa MacLeod:** And you shouldn't be smug, sir. You should answer the question that I've asked you. The smugness and the arrogance has to stop.

**Hon. John Wilkinson:** You have to listen to the answer because you're here to ask me questions about my estimates.

Now, if you want to talk about history, if you want me to give you my opinion about history, I can. I was here to defend the estimates of my ministry. There has not been a government policy that has had more public consultation than the biggest tax reform in our province in over 40 years. You may not like the results of it, and I understand that; you may oppose it, and I understand that. But what I have enjoyed more than anything is crossing this province and answering the questions that people have that have been planted in their minds through fear and information that is not accurate.

**Ms. Lisa MacLeod:** Minister, 100,000 people opposing this signed a petition that I introduced in the Legislature today; it took five banker's boxes. They do not feel that the Ontario government, under the leadership of Dalton McGuinty and under your portfolio, have been listening. It's not a criticism just from me; it's not a criticism just from the New Democrats; it's organizations like the National Citizens' Coalition or the Canadian Taxpayers Federation. You mentioned Curves earlier; I couldn't think of a bigger insult than for you to mention saying that they're going to receive tax savings when Curves came to this Legislature and Andy Soumbos sat here, was not listened to during public delegations, then decided to bring 300 fitness members from across the province to this lawn and wasn't listened to, and then today showed up again to tell us that this HST is going to be hard on his Curves business and probably force an Ottawa Curves to shut down. For you to be callous enough, smug enough to sit there and say that this is going to be good for him and mention his business, I can only think he is going to—

**Mr. Bob Delaney:** On a point of order, Mr. Chair: We recognize the ability of a member to ask just about—

**Ms. Lisa MacLeod:** I don't think there's a point of order here. Mr. Chair, he's running my clock, and the reality is—

**Mr. Bob Delaney:** We recognize the right of a member to ask just about any question that she wishes within the scope of the minister's responsibility, but I wish to remind the member that she remains bound by the standing orders, which specifically prohibit the impugning of motive, and that's something she has just done. I would ask the Chair to enforce standing order 23(h).

**The Acting Chair (Mr. Robert Bailey):** Okay. Point well taken. I'll have you refrain. You can use your time the way you want—

**Ms. Lisa MacLeod:** Thank you, Vice-Chair.

The new talking points on the HST appear to be pretty off-colour. Yesterday your finance minister, who was the architect of the HST, who's done the economic modelling—and you're the salesperson—used words that we probably couldn't describe in here to talk about Tim Hudak and my PC caucus. So I guess I have a quick question for you: Were you consulted in this new PR scheme and did you approve of the script?

**Hon. John Wilkinson:** I find that a really interesting question at estimates. That sounds to me more like a partisan question.

What I can tell you is that, yes, cabinet ministers in Ontario actually fan out and meet with people right across this great province; always have and always will. I think that people have been extremely, extremely happy to understand that some of the misinformation out there that has been put out is factually incorrect. I distinctly remember—

**Ms. Lisa MacLeod:** Okay, thank you. I guess I'm asking you for answers to questions and you're not prepared to give them. I asked you if you approved the script, so I assume you did.

Yesterday, you put out a press release that misquoted my leader, took only half of a quote. I only can assume that that was deliberate. Yes or no?

**Hon. John Wilkinson:** That's actually a statement.

**Ms. Lisa MacLeod:** I just asked you, yes or no? Was the misleading quote deliberate?

**Hon. John Wilkinson:** Well, I'd love to read the entire quote into the record. Here we go—

**Mr. Bob Delaney:** On a point of order, Chair: The same comment I just made continues to apply.

**Ms. Lisa MacLeod:** Okay, I'll move on to another question. During question period today—

**Hon. John Wilkinson:** Mr. Chair, we were asked a question about the quotes of Tim Hudak, and I'd love to share that with the good people of Ontario—

**Ms. Lisa MacLeod:** —Dalton McGuinty let slip out that the HST “gives us more money,” before adding—

**Hon. John Wilkinson:** For example—

**Ms. Lisa MacLeod:** —“That's fundamentally what it is all about.”

**The Vice-Chair (Mr. Robert Bailey):** I don't want to get into that, okay? So stick to the estimates.

**Hon. John Wilkinson:** There's more. I'd love to share that with the people of Ontario.

**Ms. Lisa MacLeod:** The parliamentary assistant decided to intervene on your behalf to protect you from some of these questions, so I'll just move on to my next question—

**Hon. John Wilkinson:** I'm just here ready for quotes. You want quotes by Tim Hudak; I'm right here for you.

**Ms. Lisa MacLeod:** I will start over with my new question. During question period today, Dalton McGuinty, in a response to a question—

**Hon. John Wilkinson:** We call him the Premier around here.

**Ms. Lisa MacLeod:** —by the leader of the third party, Andrea Horwath, let it slip about the HST. He said, "It gives us more money...." before adding, "That's fundamentally what this is all about"—

**Hon. John Wilkinson:** Is that his whole quote, Ms. MacLeod?

**Ms. Lisa MacLeod:** —which flies in the face of what you have been saying, which is reducing revenue—

**Hon. John Wilkinson:** Was that just a partial quote or was that his whole quote?

**Ms. Lisa MacLeod:** When the Premier just admitted—not just now, today, but he also admitted that on May 5, when he said it's going to cost Ontario taxpayers more. So I guess you have been saying it's going to reduce revenues when the Premier just admitted, not only today but on May 5, that that isn't the case. So which version of the truth are Ontarians expected to believe: the version where you're saying it's revenue-neutral or the version where Premier McGuinty actually says it's going to cost more people and it's all about more revenue?

**Hon. John Wilkinson:** The good people of Ontario actually know a bit about math, and so if sales tax is up and income tax is down, people just want to ask the question, "How does it affect me and my family and my business?" There have been many independent people who've taken a look at that.

The other question is, "Overall, are you getting more money as a government or less?" The reality is that it's less. If it were more, under the Taxpayer Protection Act, introduced when your party was in power and voted in support of by our government when we were in opposition, we'd have to have a referendum. The reason that's not required is because overall it doesn't raise revenue for the government beyond what we had been receiving. So it's a net loss of revenue in the short term, at least the first three years—some \$3 billion. There's a broadening of the tax base in regard to sales tax and there are \$11.8 billion worth of tax cuts over the next three years for people. People understand that they have one wallet.

**Ms. Lisa MacLeod:** Minister, can I ask you a quick question?

**Hon. John Wilkinson:** Sure.

**Ms. Lisa MacLeod:** Does paying 8% more on 20% more items—

**Hon. John Wilkinson:** It's 17%.

**Ms. Lisa MacLeod:** —17% more items—mean you're going to take in more money?

**Hon. John Wilkinson:** Actually, the federal government is going to collect a sales tax, and we want to thank the federal government for that.

**Ms. Lisa MacLeod:** No, I guess—

**Hon. John Wilkinson:** And as we've shown—

**Ms. Lisa MacLeod:** The question I asked is, by paying 8% more on 17% more items, does that mean more tax?

**Hon. John Wilkinson:** Well, first of all—

**Ms. Lisa MacLeod:** Yes or no?

**Hon. John Wilkinson:** —we've been very clear. If you actually go to the budget, what it says is that in the first full year the conversion of the RST—

**Ms. Lisa MacLeod:** So 8% times 17% means you're going to get a tax reduction?

**The Vice-Chair (Mr. Robert Bailey):** Let the minister answer, okay?

**Ms. Lisa MacLeod:** Well, I'm asking him a question.

**Hon. John Wilkinson:** No, actually, you're not letting me answer the question, and I'm here just to answer the question.

So when you convert the RST base to the HST base in the first full year, that is an increase in revenue of \$2.025 billion, and one has to net against that that the very same people paying that are receiving benefits by way of income tax. What they have is a \$1.2-billion cut to their personal income tax, \$860 million going by way of the Ontario sales tax credit, \$530 million by way of the Ontario energy and property tax credit—

**Ms. Lisa MacLeod:** The question is—and I've indulged this long enough—is 8% more on 17% more of the items mean there's going to be more taxes? That's a pretty simple question.

1630

**Hon. John Wilkinson:** There's going to be more sales taxes. There's more than one type of tax in Ontario, Ms. MacLeod.

**Ms. Lisa MacLeod:** Okay, but I've asked you the eight times 17.

**Hon. John Wilkinson:** In sales tax.

**Ms. Lisa MacLeod:** In sales tax. And I have just asked you that question.

**Hon. John Wilkinson:** I answered that question. That's actually—

**Ms. Lisa MacLeod:** No, you didn't actually answer the question.

**Hon. John Wilkinson:** We voted for that.

**Ms. Lisa MacLeod:** You didn't actually answer it.

**The Vice-Chair (Mr. Robert Bailey):** Well, the minister gave an answer, so new question.

**Ms. Lisa MacLeod:** I guess the final thing is, we've been calling in the—actually, how much time do I have?

**The Vice-Chair (Mr. Robert Bailey):** Five minutes.

**Ms. Lisa MacLeod:** Five minutes. We've been calling in the Ontario Legislature for another vote to delay this because you did mention a referendum, and of course

when you brought forward the health tax—which is a tax, and you had to go to court and it was expected to be a premium but it really wasn't a premium—you raised taxes then. This is now a new sales tax, you're going to take in more money as a result of this new sales tax, and you're ignoring the Taxpayer Protection Act. The question then becomes, when we asked two or three weeks ago to have another vote in the Ontario Legislature on delaying this tax until you actually had a mandate from the people, why did your party oppose us being allowed to have that vote?

**Hon. John Wilkinson:** First of all, we have a signed agreement with the federal government, and when we sign something with another level of government we make sure we hold to that.

I can assure you, Ms. MacLeod, that we actually have a mandate from the people. There was an election in 2003; there was an election in 2007. We have a mandate to govern. No one predicted that the—

**Ms. Lisa MacLeod:** You don't have a mandate to raise taxes. In the last election, Dalton McGuinty said, "I won't raise your taxes; I won't lower them, either." You don't have a mandate to raise taxes. You signed an agreement with the federal government without a mandate to raise people's taxes. I remember the ads quite clearly in both 2003 and 2007.

**Hon. John Wilkinson:** That's a statement. Do you have a question?

**The Vice-Chair (Mr. Robert Bailey):** Can we get back to the estimates, okay? The estimates.

**Ms. Lisa MacLeod:** The reality is, the estimates on his department derive almost exclusively around this comprehensive tax package that they're trying to sell to the public. Not only are they trying to sell it to the public in forums like these which are free to the viewing public to see, because it's in the normal operations of this chamber, but then they're also going out on taxpayer money into opposition ridings to do political events. They've engaged in political advertising, some of which has been rescinded by the Auditor General as too partisan. We can only expect, in the days and weeks ahead leading up to the single largest sales tax increase in Ontario's history, that more of this stuff is going to happen. So if this minister is not accountable for that, then who is? Through his estimates I would argue that this is the appropriate place to ask these types of questions.

Yesterday, we talked an awful lot about the job numbers and how your job numbers just don't stand up because you've been unable to share with us your modelling. Again, the Jack Mintz report came after you had signed the agreement or—sorry, actually had the epiphany that you were going to move forward with this. I remind you, in February of 2009, Dwight Duncan was publicly saying he wasn't going to proceed with the HST; a month later it appears in a budget statement.

**The Vice-Chair (Mr. Robert Bailey):** Two minutes.

**Ms. Lisa MacLeod:** So this is the problem: First of all, we talk about the economic modelling, we talk about the job numbers that don't hold water, we talk about the

so-called comprehensive tax plan that they're trying to tell us is the largest tax cut in Ontario's history when we know it's not, when you look at the numbers, when you compare where Ernie Eves was in 2002-03, where he would have been in 2003-04, and where they are today.

This is a government that has raised people's taxes so they could reduce them by a little bit and then go around the countryside with your tax dollars, my tax dollars and the entire viewing public's tax dollars to sell it. They've done it in a very sneaky way. They did it in a way that excluded people from coming to this chamber and now they're going, in the last three weeks—I guess in the last four weeks, a month before this province is going to be forced to pay this tax, and they're going out to try and sell it now. And while they're doing it, they're smearing my leader, Tim Hudak.

**The Vice-Chair (Mr. Robert Bailey):** Less than one minute.

**Ms. Lisa MacLeod:** The reality is, unless my colleague has a question—would you like a question?

**Mr. Randy Hillier:** Yes. Sure.

**The Vice-Chair (Mr. Robert Bailey):** We've only got 30 seconds.

**Mr. Randy Hillier:** This agreement removes Ontario's jurisdiction regarding direct taxation in this province. I'm wondering, Minister: Can you tell me how this agreement will affect subsequent and future administrations on their ability to raise and lower sales taxes or provide exemptions?

**Hon. John Wilkinson:** That's a very good question.

*Interjection.*

**Hon. John Wilkinson:** What I'll do is ensure, one, that we table the CITCA agreement, and I'd be more than happy to answer your question on the next rotation just so I can give you a fulsome answer.

**The Vice-Chair (Mr. Robert Bailey):** Time's up. We'll move to Mr. Tabuns of the third party.

**Mr. Peter Tabuns:** Minister, I'm just going back to a question I asked yesterday, and I wasn't pleased with the answer then. I'm going to try and get something more concrete today. How much revenue does the government expect to raise as a result of the new tax on gasoline, oil and utilities?

**Hon. John Wilkinson:** Well, broadly speaking, it depends on the consumption of the people of Ontario, and that's a variable thing—

**Mr. Peter Tabuns:** Sorry, in the aggregate for the province as a whole.

**Hon. John Wilkinson:** The easiest way to say it is that it would be 8% on top of the existing price of gasoline. Of course, from then on it depends on what the actual price of gasoline is, but 8% is reasonable. But you did ask the question about, on the private sector side of energy, whether or not there would be cost savings and whether they'd be passed through.

They're part of a marketplace. On the ones that are regulated by the government, of course, they're regulated, and those people have to come, when it comes to natural gas and electricity, I'm thinking—they actually



have to go to the appropriate authority and justify any increase or decrease. So, of course, those are the types of questions the regulators have to ask about their cost savings as a result of comprehensive tax reform.

**Mr. Peter Tabuns:** So you're saying there will be an 8% increase on top of the cost of gasoline, oil, natural gas and electricity in this province?

**Hon. John Wilkinson:** And I've always said "energy"; 8% on energy is fair—

**Mr. Peter Tabuns:** I'll take energy.

**Hon. John Wilkinson:** If it ends up being a little bit less, I'd rather be cautious about that, and just try to be as fulsome as possible.

**Mr. Peter Tabuns:** When I look at the numbers in Modernizing Ontario's Tax System for Jobs and Growth, page 15, the table shows the relief to mining, utilities, oil and gas, and unfortunately, mining isn't broken out, so I can't say what the value is to mining. The relief from sales tax will be worth \$105 million to that sector. The figure that I have from Ralph Torrie, who has worked for your Premier doing his climate change plan and works for the company Navigant, is that Ontario spends somewhere between \$36 billion and \$40 billion a year on energy. So, 8% of, let's say, \$40 billion, is about \$3.2 billion in increased costs for energy in this province. Do you have numbers that would be different from that?

**Hon. John Wilkinson:** Of course, that same company, they do buy energy, but they also have the benefits of the fact that they have embedded retail sales tax in almost all of their operations. As well, we have the elimination of the capital tax. You're talking about industries that have that as well. They have the benefit of having a reduction in their corporate taxes. Of course, the work done by the Minister of Finance in 2009 was showing, and I think broke down, overall what the impact is to various sectors. Those sectors, I think, come from StatsCan as kind of a standard way of looking at sectors in the economy, so we've broken it out that way.

**Mr. Peter Tabuns:** The same table that I cited, your table, shows the corporate income tax reduction and the capital tax reduction combined with the HST benefit: \$315 million, and, unless you have figures to the contrary, my calculation is about \$3.2 billion more in taxes on energy, so it'll be about \$3 billion—\$2.9 billion—\$3 billion more that Ontarians will pay for energy because of your tax. Do you have figures that show a different number?

**Hon. John Wilkinson:** Maybe I might ask my assistant deputy minister, who works a lot on that, to give you some greater clarity.

**Mr. Bob Laramy:** I'm looking at the chart, which I believe is the table you're referring to, which breaks it down by sector, by—

**Mr. Peter Tabuns:** Yes, table 2.

**Mr. Bob Laramy:** I have table 2, and this is actually in the fall economic statement of 2009. You're looking at the mining, utilities, oil and gas?

**Mr. Peter Tabuns:**—oil and gas, correct.

**Mr. Bob Laramy:** That \$105-million number actually reflects the input tax credit savings that that industry is going to get. So that would be, if you like, the embedded sales tax that they're currently paying today.

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**Mr. Peter Tabuns:** Correct. Absolutely. And which they will be relieved from in future.

**Mr. Bob Laramy:** Exactly.

**Mr. Peter Tabuns:** And which you might argue would be passed on 100% to the consumer. I don't believe that, but you could make that argument. So that's one.

**Mr. Bob Laramy:** In addition to that, there is a \$110-million income tax—

**Mr. Peter Tabuns:** Right.

**Mr. Bob Laramy:**—any capital tax saving, all of which totals \$315 million in that particular sector.

**Mr. Peter Tabuns:** Right. And if the market was such that they passed on 100% of their savings and at the same time people paid 8% more for energy in this province, they would be paying \$2.9 billion to \$3 billion more for energy than they're paying today, based on what the minister said a few minutes ago. Do you have calculations that show a different number?

**Hon. John Wilkinson:** I think what I find most informative is the work done by TD Economics around that same time, because you have to take into account that there is embedded sales tax. According to—

**Mr. Peter Tabuns:** Yes, and you've quantified it here.

**Hon. John Wilkinson:** Some \$6.9 billion, I think—that's BC. In Ontario, I think it's about \$5.3 billion. When you're looking at this tax reform, it is important to take a look at: What are we paying now under the old system, what more will we pay under the new system in sales tax—

**Mr. Peter Tabuns:** No, Minister, I'm using your number already. You've identified the embedded sales tax for mining, utilities, oil and gas—I'll roll in mining; it overstates the number, but I'll roll it in—as \$105 million. That's the embedded sales tax they are going to be relieved from. Consumers, on the other hand, are going to be paying about \$3.2 billion more for energy than they were in the past.

Even if—

**Hon. John Wilkinson:** That's your estimate. Run that by me again, how you got \$3.2 billion.

**Mr. Peter Tabuns:** If we pay about \$40 billion a year in Ontario for energy in the aggregate, 8% of that is about \$3.2 billion.

**Hon. John Wilkinson:** And your source is a guy named Ralph?

**Mr. Peter Tabuns:** Ralph Torrie, who works for Navigant and has previously worked for your Premier's office developing your climate change plan. He's a well-respected energy analyst in Canada. I asked him to do a calculation for me: What is the total value of energy consumed in Ontario? It's about \$36 billion to \$40 billion, depending on the price of oil.

**Mr. Bob Laramy:** Expended on energy—is that at the business level or at the individual level? At the business

level, of course, they're going to get input tax credits throughout the system. So when you say "consumption," are you talking individuals or are you talking business?

**Mr. Peter Tabuns:** I'm talking about the province as a whole, so the total sales.

**Mr. Bob Laramy:** I appreciate that. I think where you're going is to the individual. Does he have the number to the actual end consumer? Has he broken that out?

**Mr. Peter Tabuns:** No, he didn't do it on that basis—total value of sales.

**Mr. Bob Laramy:** Fair enough.

**Mr. Peter Tabuns:** So if you have numbers that are different—because you, Minister, are the primary spokesperson for the government on HST in this province. You've been travelling around; you've been selling it. You are the most familiar person—

**Hon. John Wilkinson:** Educating people, I like to think.

**Mr. Peter Tabuns:** Whatever word you'd like; I'll even take that. You're educating them, so I assume that you, in turn, have been educated and you know the value. What is the cost in the aggregate to Ontarians of the HST on energy?

**Hon. John Wilkinson:** We'll endeavour to get that for you.

**Mr. Peter Tabuns:** I understand that you already have that information. We submitted a freedom-of-information request, and in documents submitted in the appeal process the government says, "Record number 3 is the table setting out an estimate of the increased provincial revenues that would result from the imposition of HST on certain energy sources." In other words, Minister, your government has those numbers. Will you table those today? You've already done the calculations. I've given you my calculation; you have a different one. Will you table it so the people of Ontario will know what it's going to cost?

**Hon. John Wilkinson:** As I was mentioning, I'm here as the Minister of Revenue, responsible for the Ministry of Revenue. If you have a freedom-of-information request to the Minister of Finance for work that was done by his ministry—I can assure you, it has not been done by my ministry. I have to be responsible for the work of my ministry. If you have a freedom-of-information request to the Ministry of Finance, that will go through the process under the law for you to be able to get that. If you have a subsequent question to the Minister of Finance, you have the ability to ask him a question in the House, to write him a question, and I believe the Minister of Finance is attending this committee after my appearance.

**Mr. Peter Tabuns:** I understand that you are the primary spokesperson on the HST. Is that correct or not correct?

**Hon. John Wilkinson:** I've been given the task of both implementing and communicating the largest tax reform in 40 years. I've said that since the day I was appointed.

**Mr. Peter Tabuns:** Right, and I understand that, which is why I ask you this question, because you are the point person. You're the person to go to to answer questions on the HST, clarify the fog of confusion that exists out there, bring in the bright ray of sunshine. I'd like you to bring in that bright ray right here on energy costs. What are Ontarians going to pay?

**Hon. John Wilkinson:** After July 1, when the RST base is broadened by the HST, two broad sectors, energy and services—we've been saying that. When it comes to energy, that's the 8%. So, 83% of things aren't changing, which some people have heard otherwise—that's not changing, and there are many things that aren't changing. But energy, we've been very clear, is one of them. What it means to the consumer is, "Well, how much energy do I consume and what does 8% more mean?" They need to calculate that and then compare that to what their income tax savings are.

Again, as you and I have discussed, even two people with exactly the same tax situation can have very widely different consumption patterns. So that goes to the question of what the averages are.

But we do know that we've had a number of economists who've looked at it in aggregate. For example, Don Drummond from TD said, "What is the overall impact on inflation?" In other words, you've got this shift in tax. Is there an impact on inflation? He was quite clear. He said that it would be 0.7% of 1%, but that is the overall impact in the first year. Of course, we've linked that to our website to make sure that that is public.

But again, we're looking at a situation where we're trying to make sure that we have a competitive economy that's generating the jobs and wealth required to have a tax base to pay for the public services that we value.

Did you want to add something?

**Mr. Bob Laramy:** In terms of the reviews and the studies that are out there, the ones that are referred to by the government, they're all peer-reviewed, as I'm sure you're well aware, in terms—

**Mr. Peter Tabuns:** That wasn't what I was asking—

**Mr. Bob Laramy:** No, no, I appreciate that.

**Mr. Peter Tabuns:** I was asking about the impact on energy.

**Mr. Bob Laramy:** I'm just sort of following up on the point that I was asking about, the number you quoted, and whether or not—I'm sorry. Was it Ralph Torrie that you—

**Mr. Peter Tabuns:** Yes.

**Mr. Bob Laramy:** Okay—whether or not he actually broke out the "to individuals" and "to business." I'm wondering: Has that study he did been peer-reviewed as well?

**Mr. Peter Tabuns:** No, it has not been peer-reviewed, which is why I'm saying to you, if you have a different number, and I understand you have a different number, present the number.

**Mr. Bob Laramy:** Okay. Thank you.

**Mr. Peter Tabuns:** But I'm glad you raised Don Drummond. In a September 28, 2009, TD Bank report,

the Impact of Sales Tax Harmonization in Ontario and BC on Canadian Inflation, he said that the effective rate on consumption would increase by 1.5 percentage points, resulting in a net permanent impact on prices of 0.7% in both Ontario and BC and 4% nationally.

So, in fact, what you've done is put in place a permanent increase in prices. This isn't something that's going to drop in a few years. Drummond or TD Bank conclude—now, I differ from them on this. It doesn't make sense to me. I don't see businesses behaving that way. He says that in fact cost savings will be passed on, but he doesn't say that all of them will be passed on. He says that the study concluded that while the majority of business cost savings would be passed on to consumers, there would be, in the end, a 0.7% permanent increase in prices for consumers.

You've been telling us all along that in fact it's all neutral, that it won't result in a price increase, but in fact for consumers, even the consultants you use say there's an ongoing and permanent increase in costs.

**Hon. John Wilkinson:** And there's an ongoing permanent cut in income taxes. So you have to look at those two things.

**Mr. Peter Tabuns:** There is a cut in the first few years—

**Hon. John Wilkinson:** Permanent.

**Mr. Peter Tabuns:** No, no, no. There is a cut in the first few years that's substantial, and then that diminishes. You have funds that have been given to you by the federal government to "soften" the impact in the first few years. Even looking at your own numbers, Minister, going back to—I think it's page 158 here: the reduction, \$4.9 billion in 2010-11, then drops to \$4 billion in 2011, then drops to \$2.7 billion in 2012.

You have temporary money. You're spending it in the transition period, as you put it, but in the end those increases are going to affect people who pay tax and who don't pay tax. There's going to be a permanent change in the cost structure in this economy. Why have you not recognized that and said to people, "Look, we are going to permanently put prices higher in Ontario"—

**Hon. John Wilkinson:** We've been very clear, and you haven't attended all of my, I think, 100 appearances here in the province of Ontario, but what I could tell you—

**Mr. Peter Tabuns:** No, I tried, but—

**Hon. John Wilkinson:** What I can tell you is that we've been very clear that when we're going to change our tax system, we're going to rely more on consumption tax and less on income tax and corporate tax, which is what our competitors have done.

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It's what thoughtful people have been telling governments of all different stripes to do for the last 20 years in this province. I had an opportunity to talk to a number of former Premiers who entered into those types of discussions with the federal government, and there was never this ability to find common ground to strengthen our economy.

They all agreed that to be able to do that puts us in a position where the consumer is making choices, and they know exactly what their sales tax is. It's apparent, it's transparent, and they only pay it once on the total value, as opposed to having a hidden, embedded tax where we're getting more taxes than people can see because it's buried in the price. That's why we go to a value-added tax.

We take that money and permanently cut income taxes for people.

Don Drummond is absolutely right: The CPI this year is an increase on the CPI of last year. If you do it once, it is permanent; in other words, it's there. He's not saying it's temporary, but he didn't say it was cumulative either. What he said is, in that first year, and then all other CPIs are based on the previous year. He didn't say it was cumulative, but it's going to be there.

What we've done is—and this is where I think we've reached this agreement, the federal government understanding that it will take time for the value chain to re-price itself, for the market forces to force prices down and to take this additional money and ensure that people are getting the best value.

We need to support the consumers. That's why some \$3.9 billion is going tax-free into the wallets of millions of consumers in the first year, not for people at the high end, but for people who have very modest means and people who are middle-class, because that first year is the difficult year of transition. We need to be able to support the consumer.

As I've said to the small business people, their major concern is—once they've talked to their accountants, they said, "Wait a minute. I'm better under this system." They all agree with that. The only question is, "Wait a minute: If my consumers are unhappy, that's never good for business."

**Mr. Peter Tabuns:** That's true.

**Hon. John Wilkinson:** So what are we doing in that first year to make sure that we're supporting the consumer? For example, there's a personal income tax cut for the vast majority of people who make up to \$37,000 a year and beyond. There's that personal income tax. I think I get paid once a month. They withhold my tax every month. I started receiving the benefit in January. There are many seniors who don't pay their taxes, because they're not required to actually send any money, until next March or next April on this year's income. Even if we cut taxes in January 2010, that person may not receive the full benefit until April 2011, so that's why—

**Mr. Peter Tabuns:** Minister?

**Hon. John Wilkinson:** —it's important in that first year, as these permanent tax cuts—

**Mr. Peter Tabuns:** I appreciate your thoroughness.

**Hon. John Wilkinson:** —work their way through, that we use that federal money and make sure it goes to the consumer.

**Mr. Peter Tabuns:** In terms of the new tax revenue, what are the top three sectors from which the revenue

will come? You're extending the tax to cover 17% of total purchases that in the past weren't covered.

**The Vice-Chair (Mr. Robert Bailey):** Two minutes.

**Mr. Peter Tabuns:** My assumption is that the bulk of it is going to come from energy. Where, in your opinion, are the top three sources of the new revenue going to come from?

**Hon. John Wilkinson:** If I might help out, Mr. Tabuns, you have to remember that when we're looking at the RST, it is not 8%. It's 8% plus all the other 8% on 8%. That's that embedded tax. That's that \$4.5 billion—

**Mr. Peter Tabuns:** I understand—

**Hon. John Wilkinson:** —just so we're apples to apples. When we look at that, on the 83%, there's going to be a decrease because we're getting rid of the embedded tax. Then we're broadening the base: overall, RST versus HST first full year of implementation, \$2 billion more; permanent tax cuts, more than that—permanent. That's what in the—

**Mr. Peter Tabuns:** What are your top three sources of revenue from this 17%?

**The Vice-Chair (Mr. Robert Bailey):** A minute and a half.

**Hon. John Wilkinson:** Well, it's energy and services, and I would assume that energy is more than services, but we can try to get some clarity on that. I'm not an economist or econometric—

**Mr. Peter Tabuns:** I would appreciate clarity. If you'll make a commitment to let us know where the new sources of revenue are coming through, the top three.

**Hon. John Wilkinson:** It would be energy and services. Yes.

**The Vice-Chair (Mr. Robert Bailey):** One minute.

**Mr. Peter Tabuns:** There's not a third? Energy, services and?

**Hon. John Wilkinson:** Well, just broadly speaking. When I have an opportunity to speak to people, I want to make sure they can narrow in. They say, "Well, that means gasoline, home heating, electricity?" "Yeah, energy"—so people understand what that is.

Then services, services that aren't already taxed under the PST—because if they already are, they're already paying 8%; actually, 8% plus embedded in that price 8% on 8% on 8% on 8%. That's what's coming out of the system. So I have to broaden the tax base. When people say we should have lowered the rate, you have to understand that by going to a value-added tax, that's an efficient tax. There is no hidden tax on tax; it's all in that one tax bill to the final consumer. Every time the consumer pays, that's what it is, because any tax previously paid is taken out of the system by way of input tax credit.

**Mr. Peter Tabuns:** So the HST won't apply to the gasoline taxes in the gasoline price?

**Hon. John Wilkinson:** It will. I've had an opportunity to tell people that we may be able to get \$4.5 billion of hidden tax on tax out of the system, but we can't seem to eat the entire elephant in one sitting. Again, in principle, we're trying to get rid of tax on tax.

**The Vice-Chair (Mr. Robert Bailey):** Okay, Minister, time's up. Thank you.

Mr. Delaney, please.

**Mr. Bob Delaney:** Minister, I'm going to end up asking you kind of an open-ended question, but if you'll indulge me, I'd like to do a bit of a preamble before I do. I think a lot of the discussion that I've heard here has focused on something that is for all the world a relic of the Cold War. The Ontario provincial sales tax, retail sales tax—call it what you wish—began life under the stewardship of the government of Premier Leslie Frost, and a brand new Premier in 1961, John Robarts, actually finished the job and implemented what was then a 3% provincial sales tax. At that point, in the spring of 1961, what did the world look like? John F. Kennedy had been in office only 18 months; John Diefenbaker was Canada's Prime Minister; from out where I come from, a very young Bill Davis, in his first term, was only beginning his third year in office; at that time, it had only been about a decade since the Toronto Maple Leafs had last won the Stanley Cup, and indeed they had four Stanley Cups ahead of them.

**Hon. John Wilkinson:** And that was it.

**Mr. Bob Delaney:** In fact, to continue that analogy, the Chicago Blackhawks had just won the Stanley Cup in the spring of 1961, defeating the Detroit Red Wings. I was, by coincidence, on the phone with an old friend of mine from Chicago just recently—

**Mr. Randy Hillier:** This is estimates, isn't it?

**Mr. Bob Delaney:** —and those superstitious Hawks fans with grey hair and long memories are in fact rooting for the HST implementation in Ontario and hoping that history repeats itself.

When we ask ourselves about a relic like the provincial sales tax circa 1961, I think we could also ask ourselves, just to put it into a bit of perspective: Are we still wearing the same wardrobe that we wore in 1961? Do we drive the car that we drove in 1961? Do we use the tools or the household appliances that we used in 1961? In fact, they're self-evident questions because of course the answer is that we don't, and the world has moved on and changed over numerous times since then. Nonetheless, we today are left with this Cold War relic.

In fact, at the time that the PST was first implemented, there was no such thing as the expression "service sector" in the modern English lexicon. Goods, such as they were, were tangible, and export, even outside the province, was very much the exception and not the rule. So it's become a smaller world; it's become a more interconnected world. The value chains have become much longer, much more complex, and such as it is, those things that constitute value are now a blend of services, things that could not have been foreseen at the time.

The concept of the PST was conceived in the early 1960s, and in this manner, when we look at the way that the existing provincial sales tax is structured, it really can't be amended or tweaked or fixed or improved or augmented in any way and made to work in the modern world. The PST is an anachronism. It's obsolete, it's

expensive, it's cumbersome, it's duplicative, and in the context of the 21st century it is a stupid way to raise money through taxation. It can't and it shouldn't be saved. It's a job killer. It costs businesses in Ontario \$500 million annually in paper-shuffling costs. It means that input tax credits, which are the hallmark of a value-added tax, which people all over the world are familiar with—they certainly know it in Europe; they certainly know it in Asia—in which the tax that you pay on the things that pass through your hands on the way to their final consumption are, in fact, reimbursed. Those input tax credits in the PST are simply stuck in the system. It means that the vendor has to eat them, and that's simply wrong. It's unacceptable. It makes our businesses uncompetitive. It means higher prices for people. It means lost jobs. It means companies don't come here.

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In the context of our discussion, over the weeks and months since, I've heard suggestions about whether the government did and didn't do consultation. So while we've been sitting here, I was just jotting down some of the consultations that I know I've done. After the 2009 budget announced the fact that Ontario would move toward a value-added tax—it didn't even have a name at the time—the very next day in Mississauga we had a budget breakfast that was attended by some 300 people. It was open to everybody, as all of ours are.

In the past year, both with my fellow MPPs and doing another one, which was by demand in northwest Mississauga, we put another 300 people in the room. All of them were very lively sessions and all of them confirmed what we who have gone out to talk about this have found: that people realize that the world has moved on. People realize that there's another way to do it. People say, "Explain it to me." They're not saying that initially. They're either for or against, but they are saying, "Explain this to me. Show it to me rationally. Let me make a decision based on the facts."

Just thinking of some of the ones that I've done, I know I went to every single seniors' group in western Mississauga—every one of them, some of them more than once. You, Minister, have been to the Mississauga Board of Trade, as have I. I've been to many of the ethnic business groups. I've talked to student groups. I've attended and called public meetings. I've met with condo owners. I've talked with farmers and builders. I've talked with equipment dealers and funeral directors. The last time we did an informal count among the government members, I think our public consultations numbered in the hundreds—certainly the most extensive round of public consultations in the province.

As I do every year, I visited 1,000 businesses in western Mississauga over the span of a few weeks and I talked about this. We had a chance to sit down and ask just about anything that people wanted to ask.

One of the things that businesses, as they came to look at the reality of Ontario's proposal, began to understand is that in the context of a North American market the proposals laid before the people of Ontario are going to

give Ontario's companies and the people who work for them and the careers they build a permanent competitive advantage over the United States—a permanent one. For example, what many manufacturers—and we have a lot of those businesses in Mississauga—are saying is that this will allow them to sell in Ontario at the same price that they sell outside of Canada, because they can flow through their input tax credits.

I spoke to a lot of people who are service providers. As you go out and you do your retail visits, as I do very regularly, I'm always surprised at the number of places that I had never seen before. I'm amazed at the market for personal services, whether they be nails or hair or spas or whatever. I'm just going to use one as an example. I spent a little bit of time chatting with the proprietors and the customers in some of these establishments on a fairly slow day, when I had the opportunity to sit down with some of the customers and just say, "Talk to me, because I'm here and I'm the government and I'll answer your questions." So we got into it, and one of the things that some of the proprietors of the businesses didn't grasp is that, effective when the two taxes are blended—and for all practical purposes, there's just one, and it's the GST. They didn't realize that on the purchase of hair and skin care products, all of the taxes that they pay on those, which represent a big part of their business inputs—remember, I'm talking about fairly simple businesses in terms of their structure and business model. I'm looking at the things that they consume, and there are a lot of consumables. They didn't realize that they had to eat all the sales tax that they were paying on those hair and skin care products.

They hadn't counted up the provincial sales tax—retail sales tax—that they were eating on computer equipment; business supplies; some of the equipment that they use in their shop, be it a vacuum cleaner or whatever; cleaning products, soap, laundry, consumables; linen; transportation; renovations; and purchases of furniture. In this one case I asked the guy, and he was curious enough to start digging it out and start doing a very quick back-of-the-envelope addition. He thought, "Oh, my God. I'm stuck eating 8% of that," and I said, "Yes, and that 8% is simply going to go away."

When we've done our budget consultations, I've normally invited an independent auditor to come in and do them and to actually preface them by commenting on the government's budget. We've invited them down here, put them in the lock-up and said, "Go off and do your own thing, and just come in and talk to us tomorrow. You lead off; the MPPs will follow. Then we'll take questions."

In 2009, the senior tax partner who came and spoke with us—this was the end of March, of course. He thanked us for the chance to go down to the budget lockup. He'd never been in a budget lockup. He said it was really interesting. He watched the budget; again, it was something that he'd never done. He said, "I'm just going in to do my clients' taxes, so I'll see you in about six weeks." I said, "Fine."

True to his word, we saw him about six weeks later, and he said, "This was really an interesting exercise." What he said is, "I was doing my clients' taxes and I was doing a pro forma, 'This is what you have now; this is what you're going to have, post-implementation.'" He said that as a rule of thumb, a business can find somewhere between around 0.8 of 1% and upwards of 5%, and if you want to do a working average, you can use either 1% or 2%, depending on how aggressive you want to be. There's that much of their total business costs that's stuck—embedded—in PST. It's just stuck there. He said that when you take your total business costs and you subtract—and you can pick the figure you want but it will be somewhere in that range—that figure simply goes away, and you factor in as well the reduction in your business income taxes, the elimination of the capital tax, all of the other tax benefits, he said that what businesses are only going to begin to realize is the competitive advantage that they have, to be able to aggressively lower prices to compete for increased market share and to be able to do this while protecting whatever is important to them, be it their profit margin, be it their net income to them after taxes. He said that that depends on the business. It depends on where they are and what they're doing.

The businesses in western Mississauga—as I also discovered as I did my assignments as the parliamentary assistant—very quickly moved off of the "what" and the "why" in asking about the government's tax reforms. As we discovered as the months wore on, the "what" and the "why" turned into "when" and "how." We would be sitting down in forums, and most of the questions weren't, "Why are you doing this?" but, "How is it going to work?" and, "How will it apply in my case? What difference will it make?" and, "How is such-and-such a thing treated?"

I think one of the best ways to set the stage for Ontario businesses is just a very, very short quote in a document that I've often circulated, which is the study called Ontario's Bold Move to Create Jobs and Growth, and it is by Jack Mintz.

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I'm going to read the conclusion, and it's a very short one. It reads:

"The 2009 Ontario budget is a historic watershed in tax policy for the province. Both sales tax harmonization and a competitive corporate income tax rate will confer substantial benefits to Ontarians"—here's the key part—"for generations. The marginal effective tax rate on capital investments in Ontario will be cut almost in half, leading in the long run to a 20% increase (equivalent to \$47 billion) in capital investment, the creation of an estimated 591,000 net new jobs, and an increase in the annual incomes of Ontarians of as much as \$29.4 billion."

Minister, we haven't actually talked enough about something that I think really bears a little bit more elaboration. I'd like you to, in the time you have, expand a little bit on the benefits of flowing through the input tax credits for Ontario businesses.

**Hon. John Wilkinson:** I want to thank Mr. Delaney. Unlike the member for Nepean–Carleton, you actually gave me some time to answer a question, so I appreciate that.

**The Vice-Chair (Mr. Robert Bailey):** You've got four and a half minutes.

**Hon. John Wilkinson:** There was a 20-minute one where I actually didn't have a question from my friend from the opposition.

Mr. Delaney, because I've had an opportunity to get out and see businesses and to see people—it's really interesting. I went to see the construction industry, and I was quite surprised by how warm the reception was. I was trying to say to them, "What is the basis of this?" They said, "You have to understand something"—I know Mr. Hillier is going to like this.

In the province of Ontario, because we have this two-tax system, if you haul a load of sand, there is GST but you're PST-exempt as long as you go to my ministry and get an exemption certificate. We issue thousands and thousands of these exemption certificates, complying with thousands and thousands of pages of regulations. But if there is actually any salt in the sand—and I know you'll like this, Mr. Hillier—then you have to self-assess the PST on the portion of the load of sand that has salt. I know Mr. Hillier wants us to keep that system, but on July 1 we're getting rid of that system. We're just going to have the HST. It means that you pay the HST and then the company gets it all back by way of an input tax credit.

There are many examples about why it's important to get rid of thousands and thousands of pages of regulations on the old retail sales tax that had built up since the days of Leslie Frost and John Robarts. To be fair to them, of course, when they brought that in I think it was to pay for the community college system that we're all so proud of today. That was the reason for the Conservative government of that day to actually do that. Obviously, we've all benefited from the wisdom of that decision they made back when I was but two years old.

What I can say is that, yes, the world has moved on. The idea that we're paying people to issue exemption certificates based on thousands of regulations—rather, we should just have a system that our country and many countries around the world are already using, which is a value-added tax. It gets rid of that embedded tax, that hidden tax that's coming in to the government that people are really not seeing, using the example of a new home, where there is no PST but actually there is; it's buried in the price.

I would agree with Mr. Delaney that as I go out and understand just how complex the system is that we have today around the PST and why the business community sees the benefits of just dealing with one government, one set of rules, one rate, one set of auditors, one remittance—all of those types of things are of tremendous benefit. They'd rather be doing what they need to do to make the next sale, to be profitable. The amount of time that particularly small businesses have to take to be in

compliance—as my deputy was saying, we have 319,000 people registered as vendors under the PST; that whole system will, by and large, be gone on July 1, as long as you remit—

**The Vice-Chair (Mr. Robert Bailey):** A minute and a half.

**Hon. John Wilkinson:** There are examples, and I hope to share with you another example. I don't have enough time in this rotation.

As I've said, this is comprehensive. There is some fear out there, but I think as people tune in and try to understand what it means to them and their families and their businesses, as they get more facts and they know they can go to our website, like two million other people have done, to get the facts—what's changing, what's not changing, what are the benefits of the income tax to that particular family or business. They're coming to understand that that's something that we need to do, and that it's increasingly an untenable position to say that—I haven't heard anybody say, "What we really need to do is somehow keep the status-quo two-tax system." People instinctively know that one sales tax collected by one government at one rate—especially if it's a modern tax, a more efficient one—makes a lot more sense than those thousands of pages of regulations that have to do with how much salt is in the sand.

I'm not responsible for all of those, but a good chunk of those, I say to Mr. Hillier—and I know he'll welcome the day when we're able to get rid of those. Really, it's just duplicative, so that's why it's important for us to keep focused on creating an environment with 600,000 more jobs.

**The Vice-Chair (Mr. Robert Bailey):** Thank you, Minister. Time's up. Okay, we return to the official opposition for 20 minutes for their round.

**Ms. Lisa MacLeod:** Thank you, Minister.

**Hon. John Wilkinson:** Mr. Chair, did you want me to answer Mr. Hillier's question now?

*Interjection.*

**Hon. John Wilkinson:** Oh, okay.

**Ms. Lisa MacLeod:** I'm going to focus on a little bit of the HST and pocketbook issues.

**Hon. John Wilkinson:** Sure.

**Ms. Lisa MacLeod:** I'd like to just read a couple of excerpts from some various reports, and then I have a quick question for you.

The Canadian Taxpayers Federation's report Taxpayer Supply and Government Demand has a quote saying, "Applying the 8% HST to March 2010 pricing margins, Ontarians will pay nearly \$0.08/litre more at the pump than they otherwise would. In practical terms, this works out to nearly \$5 more at the pump every time an Ontarian fills up a mid-size car...." That's page 12 of the report.

The May 21 Statistics Canada consumer price index report says that in effect, the HST is six months' worth of increases in one day.

A May 5 Statistics Canada report points out that \$792 is the cost the average family is going to see in additional taxes each year.

That same day Mr. McGuinty said, "I think for families, at the outset, there will be an increase in taxation."

Finally, a TD Economics report, which you've cited on numerous occasions, says the overall price level will increase by 0.7%.

If you're relying on businesses passing on the savings to consumers once the HST is implemented, do you really believe they'll do this despite increased costs from the gas tax and its impact on inflation?

**Hon. John Wilkinson:** Yes, I do, because if they don't, they're going to lose sales. As I said, I was in business for over 20 years, and if you have the wrong price, you don't sell anything. It's a very competitive market. All of the businesses are saving money, starting on July 1. They have to make their own decisions, but business will respond to their consumers. That is crucial.

**Ms. Lisa MacLeod:** Okay, and that just brings me back to a point. First of all, Minister, what do you think is going to roll back, or reduce in price? What is going to reduce in price as of July 1? Do you have one item that you can guarantee?

**Hon. John Wilkinson:** As I was saying, Ms. MacLeod, the vast majority of things that we buy today already are taxed at 13%—5% plus 8%. But as I was discussing with Mr. Tabuns, it's really not 8% because there's embedded tax. That 8% is embedded in the value chain over and over again.

**Ms. Lisa MacLeod:** Just to take this one step further—

**Hon. John Wilkinson:** So I use the example of Canadian Tire.

**Ms. Lisa MacLeod:** Can you give me an item?

**Hon. John Wilkinson:** You go into Canadian Tire; almost everything in there is taxed at 13%. That is a very competitive market. Of course, what companies are going to need to do is understand that they're going to have consumers who are going to be extremely price-conscious.

I've been telling business communities, particularly through the chamber of commerce and others, that they need to be ready and understand the fact that their margin is being improved, and that if they want to keep their market share and protect it against others who are going to be first to the fishing hole with the worm, they'd better make sure that they reflect that in their price.

**Ms. Lisa MacLeod:** Have you done a study, then—yesterday we talked about modelling and how you hadn't seen an economic modelling report prior to the implementation of the HST. You said yesterday, I believe, that you still haven't seen one from the Ministry of Finance.

I guess the question I have is, have you seen a study internally by the government of Ontario that assesses the impact of the HST on the consumer price index? Have you seen that?

**Hon. John Wilkinson:** No. What I've seen is the one by TD, which is independent of the government.

**Ms. Lisa MacLeod:** So the province of Ontario has not done a study?

**Hon. John Wilkinson:** Your question was—

**Ms. Lisa MacLeod:** No, have you seen one?

**Hon. John Wilkinson:** Have I seen one—

**Ms. Lisa MacLeod:** I would assume, as the minister who's responsible for selling this, that you would have seen one.

**Hon. John Wilkinson:** Well, of course, as we've said, I'm not the Minister of Finance. I'm the Minister of Revenue.

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**Ms. Lisa MacLeod:** So the Minister of Finance doesn't share that information with you?

**Hon. John Wilkinson:** You can ask the Minister of Finance about any report that he commissioned or that his ministry has done, but I'm not aware of that because I'm not the Minister of Finance.

**Ms. Lisa MacLeod:** I guess the concern I would have, and I'm sure Peter Tabuns has it as well, because he did ask the question, and he probed you earlier on this: Who is the minister responsible for the implementation of the HST? And you indicated that it was you. You're the salesperson; you're the person who is carrying the ball—

**Hon. John Wilkinson:** Well, people call me a "salesperson." Like I said, I kind of tend, myself, to be an educator on this file.

**Ms. Lisa MacLeod:** It's somewhat troubling, I think, to be here, to say that, in some very important information that one would expect the Minister of Finance would share with you on economic modelling and what the impact this tax would have to the CPI—we would assume you would have access to that information. Why wouldn't you have access to that information from your own government?

**Hon. John Wilkinson:** I can tell you that the Minister of Health and Long-Term Care does not share any of the studies that she has, or the Minister of Children and Youth Services, or the Minister of Natural Resources. In a British parliamentary system, ministers are responsible for their ministry, so I'm here defending, as we say, the estimates of my ministry. I don't think I've had a lot of questions about my estimates, but anyway. But it is about tax reform.

**Ms. Lisa MacLeod:** They're all relevant to the running of your department, right? I can't believe that you haven't even commissioned on your own a study within your own department on the CPI. Does this type of report exist within the government?

**Hon. John Wilkinson:** You're asking me about any work that would have been done by the office—I think it's called OBT, deputy?

**Ms. Carol Layton:** Yes, Ontario Office of the Budget and Taxation.

**Hon. John Wilkinson:** That's right. So there is a whole department at the Ministry of Finance where our economic people work on behalf of the government of Ontario. They do a wonderful job, and they advise the Minister of Finance, not the Minister of Revenue. I think there was that issue that came up—I think it was the NDP who spent \$2,500 to rent the software from StatsCan,

then put their own information in to try it out and then drew their own conclusions. So I know there is some question about that StatsCan data and whether or not we could correct the record on that. But, again, I would do that in consultation with the Minister of Finance.

**Ms. Lisa MacLeod:** Again, I think it's troubling that you wouldn't have been provided with that information, because it's more than possible that the increase in the gas tax is going to increase the cost of getting goods to market. I don't know how anybody could stand here and justifiably and credibly say that this extra 8% is not going to impact prices and it's only going to have a positive impact. So, I guess—

**Hon. John Wilkinson:** Well, as I said, Ms. MacLeod, we're getting rid of \$4.5 billion worth of embedded tax, and I know about that embedded tax because it's PST. I know that our consumers have been paying it and through businesses remitting it to us. So we know what the tax on tax is. That's something that I am responsible for as the Minister of Revenue. That's the existing tax that we're going to get rid of and replace with the new harmonized sales tax.

Again, what we're trying to do is make Ontario more competitive so that we have more jobs. I think all of us would agree that an Ontario with more jobs is a good thing.

**Ms. Lisa MacLeod:** But you don't, then, have a model that shows that raising the cost of the number one driver of the consumer price index, which is gas, isn't going to raise prices on anything? You don't have a study that you can table with this committee that is not TD and not Jack Mintz but from the ministry that would have come earlier, before this tax was actually put forward in your 2009 budget?

**Hon. John Wilkinson:** I think what I have from my good friend, the Minister of Finance—again, I can always speak to things that are in the public record; I'm looking on page 74 of the 2010 Ontario budget. We're looking at table 5, where it clearly shows how, because of the recession, our economy took a tremendous hit, and that since we've said that we're going to reform our tax system, we've been in a position where we've been adding net new jobs, at the moment, at a record clip; and that, actually, even these economic projections from the people that you're talking about, the people who work for the Minister of Finance at OBT, are all being exceeded today based on what's coming out of both the OECD and the Conference Board of Canada.

So the reality, even then, if we look at just a few months ago, is just the dynamic shift that's going on in our economy, from the fact that, as the manufacturing heartland, we were particularly hard hit by a global recession because we export so much around the world, and the fact that this rebound that is happening, which is really, in part, driven by governments understanding what their function is in this type of unprecedented situation.

**Ms. Lisa MacLeod:** Just to go back to this: I want a definitive answer on this. You, as Minister of Revenue, have never undertaken a study, through your staff, on



what the impact of the new tax on gas will have on the CPI?

**Hon. John Wilkinson:** Overall? Or just on gasoline, or all energy—

**Ms. Lisa MacLeod:** Gas or anything, but I guess I'm talking at this point, Minister, about the major indicator.

**Hon. John Wilkinson:** I know my assistant deputy minister understands the studies that we have used and that have been published. They're in the public record. I can speak to those. They're from the Ministry of Finance but they're public and so of course I have no problem sharing them here.

**Mr. Bob Laramy:** Again, these were ones that we talked about yesterday, and they were in the—the booklet I'm looking at is the fall economic statement. They talk about the case-study savings that are broken down by various individuals, families, single parents, as well as businesses. There are several business case studies as well. We've used those. Those are provided by finance and they're in the public domain. We've used them extensively.

I might also point out too that there were a lot of international calls for harmonization prior to the budget—

**Ms. Lisa MacLeod:** Thank you, deputy. Minister, I really appreciate that. What I'm looking for is: Before you guys decided to put the oar in the water, did you assess the conditions? I guess what I'm hearing is no. If that's not the case, I'd like you to provide us with that. Had the Ministry of Revenue and the Ministry of Finance, before they actually put that in the 2009 budget book, done an economic modelling practice to discuss the major indicator, which is gas, and the 8% increases in taxes towards the CPI?

**Hon. John Wilkinson:** To your question: In the period of time that you're discussing, there wasn't a Minister of Revenue. There was a Minister of Finance and Revenue. That's the Honourable Dwight Duncan. You're asking a question about a ministry that I was not—at that time I was the Minister of Research and Innovation.

**Ms. Lisa MacLeod:** Sure, and there was a minister. Minister Chan was revenue at the time, and Monique Smith was, but—

**Hon. John Wilkinson:** In the period of time you're talking about, the 2009 budget, preparing that and the negotiations with Minister Flaherty, they were conducted by Minister Duncan. There was a Ministry of Revenue created in June of last year, and I was appointed by the Premier to be that minister of a stand-alone ministry. So the period of time that you're talking about is a period of time when I definitely wasn't the minister. I know that that minister is going to appear before this committee next and I know that they're—

**Ms. Lisa MacLeod:** Back to Peter Tabuns's question.

**Mr. Peter Tabuns:** Tabuns.

**Ms. Lisa MacLeod:** Tabuns. I apologize. It's my Gaelic tongue. The reality is: Who is in charge of the HST file? Is it you or is it Dwight Duncan?

**Hon. John Wilkinson:** When it comes to tax policy, that is the Minister of Finance—what are the tax laws? When it comes to the collection of tax or an agreement that we would have in regard to the relationship between Ontario and Canada in regard to personal income tax, corporate tax, sales tax, that falls to me as the Minister of Revenue. I can't collect what is not a tax that has been approved by the Legislature, and that comes from the Minister of Finance, because that's the job of the Minister of Finance. Tax policy is his job.

**Ms. Lisa MacLeod:** Okay, so what exactly is your job? Just to collect the money and sell this tax?

**Hon. John Wilkinson:** My job as the Minister of Revenue, let alone all of the—and you see that, of course, in my estimates—various taxes that we have and the benefits, I might add, that we pay to people, because we're also in charge of benefit payments, including things like the Gains program. I'm responsible for that. While doing that, I've been asked by the Premier to implement this shift from having a major source of revenue being collected by the province to now, starting on July 1, being collected by the federal government, and that agreement that we've entered into with them about that. I'm responsible for that. I was also asked to ensure that, when it came to tax reform, I had the ability to communicate that, to be across the province and do that, and also answer the type of questions. I've had questions, of course, from members of all sides of the House. Constituents have asked technical questions, and they've come to me to get that. But the tax policy itself is settled by the Minister of Finance and then—

**Ms. Lisa MacLeod:** Have you ever, in your capacity as Minister of Revenue meeting with the finance minister, advocated for a reduction in the rate, like the other provinces have done?

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**Hon. John Wilkinson:** What I can tell you is that as a minister, I always respect the fact that we each have our own responsibilities. The decision made by the Minister of Finance was the result of the leadership shown by the Prime Minister and the Premier. It led to an agreement in principle. It was ratified by our cabinet, as it should have been. It was then presented to the House, and both governments undertook to present that as part of budgetary measures that were put in front of the House of Commons and also put in front of our Legislature. Both of those statutes were passed. All of that was the responsibility, at the time, of the Minister of Finance—a budgetary matter. Now that it is the law, I am responsible for collection and also making sure that we have an appropriate relationship with the federal government in regard to making sure we get our share.

**Ms. Lisa MacLeod:** Okay. I just have one quick question, and then my colleague wants to jump in. You had no input, then, in whether it was more prudent for Ontario families and seniors to receive a reduction in the rate over these one-time so-called bribe or transitional cheques? You had no input into that; that was solely done by the Minister of Finance.

**Hon. John Wilkinson:** What I can tell you is that it was the agreement between our two governments—and the CITCA is, of course, the comprehensive integrated tax collection—

**Ms. Lisa MacLeod:** Presumably, though, you had negotiations in caucus—or in cabinet, sorry.

**Hon. John Wilkinson:** In cabinet. What I can say, to be quite clear, is that when the federal government announced—and they received a mandate from the people of Canada to reduce the GST—

**Ms. Lisa MacLeod:** But they gave you \$4.3 billion, and it was your decision on what you were going to do.

**Hon. John Wilkinson:** We had people who said it was the right thing to do politically, but the wrong thing to do economically, so we made a conscious decision as a government, through our negotiations with the federal government, to be responsible for the tax policy in the province of Ontario—

**Ms. Lisa MacLeod:** So you think it's more responsible to give out one-time cheques rather than reduce the rate?

**Hon. John Wilkinson:** We're talking about a permanent sales tax and permanent income tax cuts. The transition money is the result of our two governments understanding that in the first year particularly, we needed to support the consumer with tax-free money, because we had to give the marketplace time to have the cost savings in the business chain reflected in prices. That can't happen overnight, Ms. MacLeod, because products are the result of numerous transactions. That embedded tax has to come out of the system.

Businesses feel that they have to lower prices, but they also know that they have to go to their suppliers and say, "Hey, I need my price down, too." That's why it's so important for business to understand it.

**The Vice-Chair (Mr. Robert Bailey):** Four minutes.

**Ms. Lisa MacLeod:** Randy, I know you could go on for four more minutes.

**Mr. Randy Hillier:** Minister, can you give me a direct answer to this question? Clearly, you've broken over 140 years of constitutional jurisdiction here by providing direct taxation to the federal government instead of the province, but in the 2011 or subsequent 2012 budgets, will the provincial government be able to create exemptions or raise or lower the provincial portion of the HST without penalty?

**Hon. John Wilkinson:** First of all, just on the premise of your question, what we're doing is constitutional. I can assure you of that.

On the question that you had, which is a more practical question, under our agreement on going into having one harmonized sales tax in Ontario, which begins on July 1 of this year, 2010, the province of Ontario—

**Mr. Randy Hillier:** Will subsequent governments be able to raise or lower the provincial portion or create exemptions without penalty?

**Hon. John Wilkinson:** I'll just give that to you. The provincial government can raise or lower the provincial portion after July 1, 2012. That's in the agreement. The

government of Ontario can have exemptions at point-of-sale, but it cannot represent more than 5% of the total tax base. I can tell you, the exemptions we have today are within that 5%. It's those two things, particularly the point-of-sale exemption—

**Mr. Randy Hillier:** So the federal government will now have control over direct taxation instead of the province with regard to exemptions. You'll be limited to only 5%.

**Hon. John Wilkinson:** No, no. We've entered into an agreement. We get to decide what the exemptions are; that's our provincial responsibility. It has to be administered by the federal government, and they actually have to administer it. So they are, for example, for books and for diapers and for—

**Mr. Randy Hillier:** Okay. My next question is: Recognizing that there is one taxpayer only, and we know that you have transferred 1,250 people from the PST over to the federal government, even though there is no new business for the HST or GST position, were you aware that all PST auditors would be transferred over to the federal government with this agreement? Were you aware that they were going to get a severance? What savings are there to the one taxpayer? We have the same amount of bureaucracy administering the harmonized sales tax. Explain to me how there are any savings to the one taxpayer.

**The Vice-Chair (Mr. Robert Bailey):** You've got one minute, Minister.

**Hon. John Wilkinson:** There are about 1,250 what we call FTEs, full-time equivalent positions, that are not required by the province of Ontario going forward because we're not going to be collecting, administering, auditing the PST system.

**Mr. Randy Hillier:** The feds are.

**Hon. John Wilkinson:** No, because the PST doesn't exist after July 1, Mr. Hillier. So we have those employees. What happened was, the federal government said, "If we're going to have the HST, we're going to need more people. We would like the ability to offer them a job. Would you be willing to negotiate the fact that we could offer them a job?" We said, "Sure. They work in Ontario; they're Ontario people. If you want to offer them a job in Ontario, that's better than a job in"—

**Mr. Randy Hillier:** So there are no savings to the one taxpayer.

**Hon. John Wilkinson:** For us it saves \$100 million a year.

**Mr. Randy Hillier:** For you.

**Hon. John Wilkinson:** You can ask Minister Flaherty—

**Mr. Randy Hillier:** The government saves, but not the taxpayer.

**Hon. John Wilkinson:** You have to ask Minister Flaherty what it's going to cost him to hire 1,250 formerly provincial employees.

**The Vice-Chair (Mr. Robert Bailey):** Time's up.

**Hon. John Wilkinson:** But I don't know that. You'd have to ask Minister Flaherty.

**The Vice-Chair (Mr. Robert Bailey):** We'll move on to Mr. Tabuns and the third party.

**Mr. Peter Tabuns:** That was a long 40 minutes.

Before the government signed the initial memorandum of agreement with the federal government in March 2009, did the government consider the impact on First Nations?

**Hon. John Wilkinson:** I wasn't party to that; at the time, I wasn't the minister. Perhaps you can ask that of Minister Duncan. Again, I was not privy to the discussions between the Prime Minister and the Premier, nor was I privy to the discussions between the Minister of Finance federally or provincially.

I can tell you, of course, that the agreement was ratified by cabinet. Any discussions in cabinet, of course, are confidential so I couldn't comment on those. But I can tell you, that was the process that led to the ratification of the memorandum of agreement.

**Mr. Peter Tabuns:** To your knowledge, or the knowledge of your senior staff who are here before us today, was the Minister of Revenue at the time briefed on the issue by civil servants before the agreement was signed?

**Hon. John Wilkinson:** At the time, the Minister of Revenue was the Minister of Finance, so you'd have to ask him that question.

**Ms. Carol Layton:** At that time, the Minister of Revenue was the Minister of Finance, so it is Dwight Duncan.

I was involved only in the context of what this would mean—it was a confidential budget discussion—to start to wind down a retail sales tax, which was significant. I was very, very focused on that because I knew that on the day of the tabling of that budget—March 26, 2009—I would have a staff of about 2,500, many of them involved in retail sales tax work, wondering what the implications were.

The focus of myself and also Bob Laramy, assistant deputy minister here, was to make sure that we were ready with everything from a video to questions and answers to lots of discussions with the relevant bargaining agents, the OPSEU and the AMAPCEO bargaining agents, to make sure that when that budget was tabled at 4 o'clock on that particular day, we were able to outreach to all of the various folks, because we knew, at that point, people would wonder, "What does this mean for me in terms of my job?"

That was the focus for myself as deputy minister of revenue as well as Bob, as one of our assistant deputy ministers, leading up to the tabling of the budget in 2009.

**Mr. Peter Tabuns:** I understand why that would be important. I won't argue with that for a moment. I understand the consequences of that. But are you saying, then, that you hadn't considered the impact on agreements with First Nations?

**Ms. Carol Layton:** I'm saying that those meetings and the budget briefings in that regard were confidential briefings held by the Ministry of Finance with the senior executives of that ministry.

**Mr. Peter Tabuns:** I'll leave that for the moment.

This government has called for a new relationship with First Nations in Ontario. Why weren't First Nations leaders consulted on the HST before two HST agreements were signed with the federal government?

**Hon. John Wilkinson:** Mr. Tabuns, under our British parliamentary system, when it comes to budgetary matters, those are matters that are confidential. That is the nature of our form of government. What I can tell you is that when that became public knowledge, we immediately started to reach out to First Nations. We have had numerous meetings with them.

I'm particularly happy with the fact that just recently we were able to sign, Minister Bentley and I, a memorandum of agreement so that the federal government understands how clearly we are of one mind that the point-of-sale exemption which First Nations have in regard to self-delivery of goods or services, something that we've had as an administrative practice for the last 30 years in this province, something that all three parties have governed with, is something that is particularly important to our First Nations. We recognize that. We have the room under our exemption limit to be able to provide that. The Premier has written the Prime Minister and said that it's important that we do that.

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There are some technical questions that the federal government has. Of course there is no point-of-sale exemption for First Nations in regard to GST, HST or QST anywhere else in the country, so Ontario has a unique perspective on that, but it's not one that's contained within the federal government. So to be able to do that there has to be a good working relationship between the federal, provincial and First Nations governments. We've called on that.

What we found frustrating was the fact that the federal government had not been able to see its way clear to actually have a meeting with all three parties in the room. I understand, though, that Minister Flaherty recently called Chief Shining Turtle and said that he would arrange such a meeting—I'm not sure whether or not it's actually happened; I think maybe it already has. We actually are now getting some progress, having the three different governments—First Nations, provincial and federal—all in the same room, because what we're talking about, at the federal level, is administering something that is unique to them; they've never done it before, and so it requires a level of co-operation.

I was delighted, though, that when the Prime Minister wrote back to the Premier he did recognize that under our agreement, the comprehensive integrated tax collection agreement, it is Ontario's decision as to which things are point-of-sale-exempt. The Premier has also subsequently written the Prime Minister, so there's clarity that we expect this point-of-sale exemption to happen under the HST; and, as well, the idea that, under our agreement, of course, we have to be accountable for and transparent about taxation, that that agreement has to be based on facts and data. There is, in some cases, a lack of that data that the federal government was using, because normally

they use StatsCan data. There's StatsCan data around purchases that consumers make broadly, but we're not talking about data around a product that's been purchased—that's kind of easy—but actually the products that are purchased by a separate set of individuals. That's why it's quite unique, and so we have to be able to find that data—

**Mr. Peter Tabuns:** I understand that. Let me go back, then. The Minister of Finance came to the Legislature; presented his budget; announced that the province was going to go forward with an HST. At that point, agreements had not been signed with the federal government. Is that correct?

**Hon. John Wilkinson:** No. The memorandum of agreement had been signed before the budget, and both governments agreed then to bring them into their respective Houses to have the appropriate measures ratified.

**Mr. Peter Tabuns:** And there was a second agreement with the federal government? Or was it a memorandum and then a final agreement?

**Hon. John Wilkinson:** Yes, that's right. So we had the memorandum of agreement. That came out of, as I said, January, I think, roughly—the Prime Minister and the Premier speaking; then asking their finance ministers to work on it. That led to a draft memorandum of agreement that was taken to both respective cabinets. They were approved.

Subsequently and shortly thereafter, both governments then presented budgets—their March 2009 budgets—and then we had entered into the memorandum of agreement to do the detailed, comprehensive integrated tax collection agreement that every HST province has with the federal government because they become the tax collector on behalf of the province, just like they're the tax collector on income tax and corporate tax. My assistant deputy minister, actually—again, I want to praise Bob Laramy about that, because that then led to the signing of the CITCA by both Minister Duncan and Minister Flaherty for their respective governments—on 6 November 2009 by Minister Flaherty and on 9 November by Minister Duncan, so—

**Mr. Peter Tabuns:** So there was a lot of time, then, between the budget decision and that final agreement being signed. Yet in that time the First Nations were not integrated into those discussions?

**Hon. John Wilkinson:** Oh, no, I disagree with that. I—

**Mr. Peter Tabuns:** I have to say, they're not at all happy with the state of things. You're still working out an agreement with them. You did not work out an agreement with them before the second agreement was signed?

**Hon. John Wilkinson:** We have an agreement with them. We don't have an agreement with the administrator of the tax, which will be the federal government. Our point-of-sale exemption for the provincial tax runs right up until June 30.

As a matter of fact, at some of the meetings I had with First Nations, they asked me as Minister of Revenue,

“Could you just remind all of our retailers that up until at least June 30, it's your tax, you set the rules and there's a point-of-sale exemption that has been around since 1980?” They were quite happy that I was able to take that action. That action came out of the fact that we have been in consultations. I think I might even be able, perhaps with the assistance of my friend the Minister of Aboriginal Affairs, to table all of the various meetings that have been going on since that time, if you'd like to know. There has been a great deal—

**Mr. Peter Tabuns:** Please table them. That would be useful.

At that point, you were serving as Minister of Revenue. Were you aware at the time that implementing the HST threatened the First Nations point-of-sale exemption?

**Hon. John Wilkinson:** As a matter of fact, I think one of the very first meetings I had was with First Nations. We were able to share with them the fact that, as they had heard, we were getting out of the retail sales tax business, so therefore there was going to be a new federal tax, that we had the ability to do exemptions, that we had received agreement with the federal government on many of the traditional things that had been exempted, where there is StatsCan data about the sales of products—so we think of things like books, children's clothing and all those exemptions—but we had not secured their agreement in regard to a First Nations point-of-sale of the provincial portion of the HST. In our discussions with First Nations, we have always tried to tell them everything we know, to be open and transparent with them. We let them know as soon as we knew that there did not seem to be an appetite on the part of the federal government to have something unique in Ontario, which they do not administer anywhere else in Canada.

That led, for example, to a letter by me to my counterpart, a letter by Mr. Duncan to Mr. Flaherty, the letter from the Premier to the Prime Minister. So, working together, we decided to do the things that only we could do, government to government, with the federal government.

Of course, they've made their own entreaties to the federal government. They also reported back to us, as we've worked together on this, that they weren't getting the kind of response they'd hoped for from the federal government.

Minister Flaherty's call to Chief Shining Turtle just last week was quite newsworthy because that was the first time that I'm aware of that the federal minister had decided to engage on this personally, and of course we welcomed that. We think that is a positive thing.

This challenge that we have has to be solved by the federal government, the provincial government and First Nations coming together in common cause. This is something that is going to require co-operation, so we've worked as hard as we can to build that co-operation. Subsequently, that is what has led to this memorandum of agreement between the political confederacy and our government. Again, that was on May 3.

As you know, when we're dealing with First Nations, we have to respect their way of forming a consensus amongst their group. It's important for us to respect that. That is part of their traditions that extend into the millennia, and so we have to be cognizant of that. This has been an issue that they themselves had to come to grips with and try to understand, as a community, how they would respond.

We are delighted that we've been able to reach an agreement where we can stand together with a common position with the federal government, and we'll continue to do that.

It is a unique situation. To give the federal government its due, we're asking them to administer something they have never administered, which is a point-of-sale exemption to a particular group as opposed to a product. We were doing that as well for farmers. They would use their farm organization card, though in this case they will not use that after July 1. They'll just receive the full input tax credit. They're delighted because that's exactly the same treatment in Quebec. That's something farmers have been asking for.

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**Mr. Peter Tabuns:** York University professor Fred Lazar estimated recently that the HST on First Nations will cost them \$100 million. Is that in line with your estimates?

**Hon. John Wilkinson:** I would perhaps ask my deputy about that. I did take a look at the report and the—

**Mr. Peter Tabuns:** Ask the deputy; that will be—

**Hon. John Wilkinson:** I don't remember the underlying assumptions behind that, so I wouldn't want to validate it or invalidate it.

**Mr. Peter Tabuns:** I'm happy to hear from the deputy.

**Ms. Carol Layton:** Actually, I may have to get back to you on some of that detail. Certainly, in the reading of that report there was a feeling, an appreciation, that the numbers seemed to be fairly significantly overstated. It would be hard right now without seeing the—I don't have those details with me to actually validate those estimates.

**Mr. Peter Tabuns:** Have you actually done your own estimates on this? Has your ministry done that assessment?

**Ms. Carol Layton:** I'd have to defer to my colleagues at the Ministry of Finance, again because of the tax policy role that they play, who would have looked at this more closely.

**Mr. Peter Tabuns:** But your ministry hasn't done an assessment?

**Ms. Carol Layton:** Revenue has not.

**Mr. Peter Tabuns:** Minister, is it your position and the position of your government that the First Nations point-of-sale exemption is a treaty right?

**Hon. John Wilkinson:** Oh, Mr. Tabuns, I'm not a lawyer. What I can tell you is exactly—

**Mr. Peter Tabuns:** I'm not asking your legal opinion; I'm asking your opinion as the minister.

**Hon. John Wilkinson:** If you give me one statement, I'd like to read something into the public record, if we

have our memorandum of agreement with First Nations. I'll get that for you and I'll read that into the record. I think that might clarify it for you.

**Mr. Peter Tabuns:** If you have that statement. But is that the position of your government?

**The Vice-Chair (Mr. Robert Bailey):** You have four and a half minutes.

**Hon. John Wilkinson:** No, because it was signed by me as a minister and it was signed by First Nations.

**Mr. Peter Tabuns:** Why don't you read the relevant part related to whether or not the point-of-sale exemption is a treaty right? You don't have to read the whole page. There's a fair amount of text there. Just: Do you recognize it as a treaty right?

**Hon. John Wilkinson:** There's really three things. This agreement signed by us has the following clause:

"Whereas Ontario First Nations assert that the point-of-sale tax exemption is based on their treaty and inherent rights;

"Whereas Ontario asserts that the First Nation point-of-sale tax exemption is based on its administrative policy, which provides for a point-of-sale tax exemption for goods purchased off a reserve and 'self-delivered' by a status Indian to a reserve;

"Whereas Ontario and the political confederacy may disagree on the basis of the First Nation point-of-sale tax exemption; however, they are committed to the principle of reconciliation and to the continuation of the First Nation point-of-sale tax exemption under the HST, as the exemption is currently applied in practice in Ontario under the RST system...."

Those are the three relevant paragraphs of a memorandum of agreement that was just recently signed by our government with First Nations. Thank you for indulging me. I just wanted to get that in the record so it was clear.

**Mr. Peter Tabuns:** If I heard you correctly, your first point was recognizing the treaty rights of—

**Hon. John Wilkinson:** First Nations recognize that they have a treaty right. We have recognized that it is an administrative practice that was started in 1980, and we have maintained that ever since.

**Mr. Peter Tabuns:** So you don't see it as a treaty right, then?

**Hon. John Wilkinson:** In my own opinion as the Minister of Revenue, what I can tell you is that the point-of-sale exemption for the PST is something that my ministry administers.

**Mr. Peter Tabuns:** Sorry, your government does not then see this as a treaty right?

**Hon. John Wilkinson:** Well, I would defer—

**Mr. Peter Tabuns:** You see this as an administrative matter? Simply and no further?

**Hon. John Wilkinson:** No. As the Minister of Revenue, I tell you that I have to maintain the point-of-sale exemption and administer it. But if you have a question, again, of the Minister of Aboriginal Affairs, who represents the government in regard to that whole question about treaty rights—

**The Vice-Chair (Mr. Robert Bailey):** Two minutes, Minister.

**Hon. John Wilkinson:** —then you need to ask the minister who actually can answer that question, because that's important.

Again, I don't answer questions for other ministers, though if there's something in the public record, for clarity, I don't mind reading it in.

**Mr. Peter Tabuns:** In that agreement you've said that the First Nations recognize it as a treaty right and you see it simply as an administrative procedure; you don't see it as a treaty matter. Unless you had signed on and said, "Yes, we recognize it as a treaty matter," I'm assuming that that agreement expresses your government's opinion. You don't see it as a treaty issue.

**Hon. John Wilkinson:** First of all, I can tell you that—

**Mr. Peter Tabuns:** Fair enough.

**Hon. John Wilkinson:** —my understanding is that the Supreme Court has ruled on this that when it comes to the GST or provinces with the HST or the QST, under the current system there is no sales tax, federal or provincial, on-reserve. There is a point-of-sale exemption—

**The Vice-Chair (Mr. Robert Bailey):** One minute, Minister.

**Hon. John Wilkinson:** —of the GST when a First Nation individual purchases something off-reserve that is to be delivered by the company, by the vendor or the

vendor's agent onto the reserve. That is the current practice. Any kind of constitutional question that has been asked about self-delivery, which is something we do administratively, has been ruled by the Supreme Court as not applicable.

Again, the appropriate minister is the Minister of Aboriginal Affairs. This is an area that is complex. I'm sure those are the types of questions—

**Mr. Peter Tabuns:** I think what you've said is clear enough.

**The Vice-Chair (Mr. Robert Bailey):** Time's up.

Thank you very much, Minister, Deputy Minister and assistant deputy minister.

The hour being 5:55, we're going to adjourn and reconvene in this room on September 14, Tuesday, at 9 a.m., according to the parliamentary calendar. We'll have at least two hours and 50 minutes for the minister to come back.

I wish him the best all summer, and his staff.

**Hon. John Wilkinson:** You too.

**The Vice-Chair (Mr. Robert Bailey):** Thank you to your staff, and Happy Canada Day.

**Hon. John Wilkinson:** That's right. Income tax is down July 1.

*The committee adjourned at 1756.*



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