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Monday 25 May 2015

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des débats
(Hansard)**

Lundi 25 mai 2015

**Standing Committee on
Finance and Economic Affairs**

Building Ontario Up Act
(Budget Measures), 2015

**Comité permanent des finances
et des affaires économiques**

Loi de 2015 pour favoriser
l'essor de l'Ontario
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS**

**COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES**

Monday 25 May 2015

Lundi 25 mai 2015

The committee met at 1400 in committee room 1.

**BUILDING ONTARIO UP ACT
(BUDGET MEASURES), 2015
LOI DE 2015 POUR FAVORISER
L'ESSOR DE L'ONTARIO
(MESURES BUDGÉTAIRES)**

Consideration of the following bill:

Bill 91, An Act to implement Budget measures and to enact and amend various Acts / Projet de loi 91, Loi visant à mettre en oeuvre les mesures budgétaires et à édicter et à modifier diverses lois.

The Chair (Ms. Soo Wong): Good afternoon. I'm going to reconvene the committee. As you know, we are ordered by the House to have our fourth day of hearings on Bill 91, An Act to implement Budget measures and to enact and amend various Acts.

Before I call upon the witness to come forward, are there any questions or comments before we begin? Seeing none, I'm going to call the first witness forward.

**NATIONAL COALITION
AGAINST CONTRABAND TOBACCO**

The Chair (Ms. Soo Wong): The National Coalition Against Contraband Tobacco: Mr. Grant. Welcome, Mr. Grant.

Mr. Gary Grant: Thank you.

The Chair (Ms. Soo Wong): It's nice to see you again. As you've probably heard, you have five minutes for your presentation, followed by three minutes of questioning from each of the caucuses. This round of questioning will begin from the official opposition party. You may begin any time. When you begin, can you please identify yourself for the purpose of Hansard? Thank you.

Mr. Gary Grant: Yes. My name is Gary Grant. I'm the national spokesperson for the National Coalition Against Contraband Tobacco. I am also a retired member of the Toronto Police Service, with 39 years of experience.

The NCACT, the national coalition, is made up of 17 organizations from across Canada representing industry associations, business groups and law enforcement. The NCACT is a non-profit, non-partisan organization that works to make the public more aware of the problem of illegal cigarettes and contraband tobacco.

I'm happy to appear before you today to speak in support of measures included in Bill 91 that give more powers to police to stop the flow of contraband tobacco. I'll also speak more broadly about the value of other measures that were announced in the budget.

What is contraband tobacco? Contraband tobacco is any tobacco product that does not follow all of the provincial and federal regulations or does not pay all required taxes. It's often sold directly to consumers through a network similar to a drug dealing distribution network.

There are also more than 300 "smoke shacks" that illegally sell contraband in major communities in Ontario and Quebec. Illegal cigarettes are often sold in resealable plastic bags of 200 sticks. These baggies can cost as little as \$8 each.

More recently, we've also seen illegal cigarettes shipped in branded packs that look similar to a legal product, but on which no labelling or taxes are paid.

Ontario has the worst contraband tobacco problem in Canada, with one in three cigarettes purchased over the past year being illegal. That's bad for all Ontarians. Illegal cigarettes are a cash cow for organized crime, with the RCMP estimating that there are about 175 criminal gangs that use the proceeds from the trade to fund their other illegal activities, including guns, drugs and even human smuggling.

It's also lucrative: The RCMP has identified more than \$100 million in suspicious transactions from one contraband hot spot alone.

Beyond funding organized crime, contraband tobacco is also a major drain on the public purse. The government has recognized this previously, including highlighting the matter in the fall economic update.

Contraband tobacco was also identified as a key area of loss to the underground economy in the Drummond report. In fact, the Canadian Taxpayers Federation, an NCACT member, has estimated that illegal cigarettes cost Ontario taxpayers as much as \$1.1 billion in lost revenues each year.

As you'll recall, the budget committed to a number of measures to deal with illegal cigarettes. They are:

—exploring the regulation of non-tobacco manufacturing materials, including acetate tow, a material used in cigarette filters, which will make it harder for criminals to produce illegal cigarettes;

—increased powers and resources to the Ontario Provincial Police to focus on the link between organized crime and contraband tobacco;

—making Ministry of Finance officials peace officers to enhance their opportunities to pursue contraband tobacco criminals; and

—making it easier to stop, detain and search vehicles suspected of smuggling raw leaf tobacco.

Bill 91 implements that last measure, allowing for stopping and searching a vehicle if there's reasonable and probable grounds to believe it is being used to smuggle raw leaf tobacco. This is an important additional power for police, giving them the tools they need to investigate these crimes and disrupt smuggling networks.

We would also suggest that this be expanded to other illegal tobacco products, including finished product packages of cigarettes.

Of course, we hope that the implementation of other measures announced in the budget will follow shortly. In doing so, we hope that Ontario looks to what has worked in other jurisdictions, especially Quebec. Quebec has demonstrated that effective anti-contraband measures can have a meaningful effect on illegal cigarette levels. There, local police have been given the power to investigate contraband tobacco offences and are provided the financial resources to do so. Municipalities are even able to keep proceeds from the fines. The results: Since its introduction in 2009, contraband tobacco levels have been reduced by half.

As Ontario moves forward, it will be important to remember that addressing the province's illegal cigarette problem is a complicated matter, and the province should anticipate the need to revise and bolster its response on a regular basis. Organized crime groups involved in the trade will not easily give up such easy profits.

Also, the province should be mindful not to further disrupt the regulated market while it's working to get the contraband market under control. The proposed ban on menthol cigarettes in Bill 45, which is now being debated at third reading, is an example of that—which could move 300 million more cigarettes to the illegal market. We continue to recommend that this ban should be postponed pending real and substantial success in combating illegal cigarettes. There's no sense in giving a boost to the contraband tobacco market while introducing measures to address it.

The Chair (Ms. Soo Wong): Mr. Grant, can you wrap up, please?

Mr. Gary Grant: In conclusion, we're happy to see steps forward on dealing with this important problem, but there will be many more ahead as we work to stop an easy cash cow for organized crime. It will be important for the government to remain focused on the issue. We look forward to working with the government. Thank you for your time.

The Chair (Ms. Soo Wong): Thank you very much, Mr. McNaughton?

Mr. Monte McNaughton: Thank you very much, Mr. Grant, for your presentation today to finance. I know I've spoken about this issue a number of times. It's an issue that impacts where I'm from a great deal, especially in my riding of Lambton-Kent-Middlesex. I think the statistic there would actually be higher than one in three

cigarettes being contraband. I think it's something, quite frankly, the government has turned a blind eye to over the last decade or so.

I wondered if you could speak a bit in terms—and I think you touched on it a bit—of the costs of law enforcement. Do you have any numbers in terms of what it's costing right now in combatting this or in the illegal action that is being taken by some?

Mr. Gary Grant: The problem, really, is that it's not being combatted in as many ways as it could be, because of lack of resources in some police services—human and financial—and the fact that municipal police services have really not had the power. Even the OPP haven't had the power to conduct full contraband investigations. We're hoping to move towards that direction.

By using the Quebec model, in which fines that are given as a result of a conviction are put into a fund—much like we do here in Ontario with our RIDE program, where there's RIDE grants that police services ask for each year so that they can fund and staff those RIDE programs every holiday season. The money from the fines would be put into a public purse to fund further contraband investigations.

Mr. Monte McNaughton: But there would be a huge amount of costs combatting organized crime. I guess that's what I intended to ask.

Mr. Gary Grant: There is a huge amount. I frankly couldn't give you a dollar amount, but I have spoken at great length to the folks at the Cornwall Regional Task Force, which is the RCMP. They're throwing a lot of resources at it, and they're having a hard time. They're saying that the criminals are so sophisticated now that they're doing counter-surveillance on the RCMP.

Mr. Monte McNaughton: Wow. Thank you.

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

Mr. Victor Fedeli: Thank you, and welcome. First of all, thank you for your decades of service in the police force. Thank you very kindly for that.

Mr. Gary Grant: My pleasure.

Mr. Victor Fedeli: In my hometown of North Bay, the research has been done where they literally shovel the cigarette butts away from the smoking section of our local high school. In one of the high schools, an astounding 40% of the butts, the cigarette butts, are Putters—exactly what you spoke of—the cigarettes that are bought in the baggies. The school is miles—miles upon miles—away from the nearest reserve. What do you think we should be doing?

Mr. Gary Grant: There is a very serious contraband cigarette distribution network going on. These cigarettes are being smuggled off reserves—for instance, in the Six Nations area or the Cornwall area—to sophisticated criminal networks. Those networks are bringing drugs, weapons and guns around, and they're bringing them into neighbourhoods. So it's the very same as a drug distribution network.

I think that we need to be more diligent. What we really need to do is empower our municipal police officers and our provincial police officers to get on board, because right now they basically—

The Chair (Ms. Soo Wong): Mr. Grant, I need to stop you here.

I'm going to go to the third party. Ms. Fife, do you want to begin the questioning?

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Ms. Catherine Fife: Thank you very much, Mr. Grant. The impact of Ontario's contraband tobacco problem on revenue loss is estimated in the billions. You quoted \$1.1 billion—

Mr. Gary Grant: Provincial and federal.

Ms. Catherine Fife: Provincial and federal, yes. The Ontario government had previously committed to increasing fines and impounding vehicles used for smuggling back in 2012 and in 2013, although those measures have yet to be implemented; they have been talked about. Why do you think there's such reluctance to actually impose the fines and to impound the vehicles? Can you expand on that a little, please?

Mr. Gary Grant: Well, I couldn't come up with the motives or the reasons why government does or doesn't do something. I know that we have been coming forward for the last three or four budgets, coming and asking for these measures. There have been promises made, and there have been suggestions made in the budgets.

I will say that the last budget has given some things that we can hang our hat on. Hopefully, they will be implemented. But they can't just stop there. The other measures that were promised should be implemented and more.

Ms. Catherine Fife: In the budget, on page 218, they say that the government would like to enhance partnerships with key enforcement agencies. What is stopping this enhancement of partnerships right now? You came to the finance committee when we were doing pre-budget, and you talked about expanding the role of municipal police forces. We need to do more than just enhance. In order to solve an issue, you have to understand the problem. Can you speak a little bit about that, please?

Mr. Gary Grant: Well, as I've said, we need to empower municipal police officers. By not having municipal police officers and OPP officers fully engaged in the battle against contraband tobacco and leaving it in the hands mostly of Ontario revenue officers and the RCMP, you're basically leaving most of your team on the bench. Most of the police officers in Ontario are either OPP or municipal. Why there's been no move to even look at the Quebec-style legislation or look at our own to bring local police officers into the picture, I can't answer—only to suggest, please, moving forward, consider it.

Ms. Catherine Fife: Municipal police forces are already on board, right? They understand the connection between contraband tobacco and organized crime. They're looking for advanced powers, don't you think?

Mr. Gary Grant: The colleagues that I speak to would welcome increased powers to allow them to conduct full investigations.

Ms. Catherine Fife: Okay. Because so far in this budget, we have a commitment, again on page 218, "proposing a legislative change to designate Ministry of Finance enforcement personnel as peace officers, enhan-

cing their capacity to pursue compliance." Is this part of the Quebec model, or is this something new? You've held Quebec up as a successful jurisdiction to actually fight contraband tobacco.

Mr. Gary Grant: Well, Quebec is successful because they did bring in the big players, the big numbers as well, such as municipal and provincial officers. I don't know what their revenue officers were doing in Quebec before, but our revenue officers have plenty of powers, as I understand it, at the moment. What is concerning is that it's silent on municipal police services.

Ms. Catherine Fife: Okay. That's an important distinction. Thank you very much.

The Chair (Ms. Soo Wong): Okay. I'm going to stop here. I'm going to Ms. Vernile.

Ms. Daiene Vernile: Good afternoon, Mr. Grant. Good to see you here today. I had the pleasure of meeting with representatives from your organization in my constituency office in Kitchener Centre. You are to be commended, as are they, for the kind of advocacy work that you are doing to deal with contraband tobacco in this province.

You were talking about enforcement. We should mention that the Ministry of Finance is working very closely with local law enforcement agencies such as the RCMP. We see this in Cornwall with their regional task force and the OPP to reduce the presence of contraband tobacco.

With that, how will the initiatives that are proposed in the 2015 budget help you tackle the issue of contraband tobacco distribution in our province?

Mr. Gary Grant: Well, the measures that have been introduced, which allow the OPP officers further powers, are welcome measures. To be able to stop, on reasonable and probable grounds, those who are suspected of carrying raw leaf tobacco will make a difference.

Forgive me, but it's somewhat half measures, because most of the contraband tobacco that's being moved around is either in baggies or packages. So why stop at raw leaf tobacco? Why not say that if we have reasonable and probable grounds to believe that's a tractor-trailer full of fully produced contraband cigarettes, they have the right to stop that as well, not just raw leaf? The measures are welcome; we just don't feel they go far enough.

Ms. Daiene Vernile: You know that on January 1 of this year, the Ontario government assumed oversight of raw leaf tobacco in this province. How has that already assisted you in mitigating the dangers associated with the production and distribution of contraband tobacco?

Mr. Gary Grant: Well, we haven't seen the results yet; it's a little early in the year for that. But the part I would be concerned about is that most of the raw leaf tobacco that comes in, the vast majority of raw leaf tobacco that's used, is being smuggled in from the United States through the First Nations reserve at Akwesasne, through the Canadian side, manufactured and then out again. So there's not as much raw leaf, in our opinion, transporting around the province as there is fully manufactured cigarettes. But like I said, any empowerment

that the police have to stop the trade at all is always welcome.

Ms. Daiene Vernile: Would you say generally, then, that you are personally encouraged with what you see in the 2015 budget with regard to this?

Mr. Gary Grant: We're happy and we're pleased with what we've seen in the budget, and we urge you not to take your foot off the gas pedal and to keep on doing more.

The Chair (Ms. Soo Wong): Okay. Thank you.

Ms. Daiene Vernile: We appreciate your work. Thank you.

The Chair (Ms. Soo Wong): Thank you, Mr. Grant, for being here.

SPIRIT TREE ESTATE CIDERY

The Chair (Ms. Soo Wong): I'm going to call the next witness forward: Spirit Tree Estate Cidery. I believe there are two people coming: Mr. Thomas Wilson, the chair of the Ontario Craft Cider Association; and the Clerk just told me there's Mr. Hank Hunse from Shiny Apple Cider.

Welcome, and good afternoon. If you have any handouts, the Clerk will distribute them to the committee. As you probably heard, you have five minutes for your presentation, followed by three minutes of questions from each caucus. This round of questioning will begin with the third party. You may begin anytime. Please begin by identifying yourself for the purpose of Hansard. Thank you.

Mr. Thomas Wilson: Sure. Thank you. Good afternoon, Chair, and good afternoon, committee members. My name is Thomas Wilson, and I am currently the chair of the Ontario Craft Cider Association. We are here to discuss the opportunities and challenges for Ontario cider producers, who, not too long ago, did not even exist, which is ironic because cider is an old drink. This is what Ontario was founded on. Unfortunately, prohibition took it away. Consumers' choices have changed, but now it's back. It's a cool, new, hip drink. Unfortunately, some of the rules—legislation, taxation—are not keeping up with that. The presentation here that you're going to see in front of you is basically a summation of that.

Like I said, our challenges specifically are that we are defined as a fruit winery, but basically, at the street level, at the bars and restaurants, we're sold as a beer alternative. We're a gluten-free beer alternative. There's a fundamental difference in basically how we're defined and what we are. We need that government regulation framework to change.

We were hoping that as part of it, like the VQA, we would get guaranteed shelf space at the LCBO and even possibly with the Beer Store. Right now, we're strictly sold through the LCBO because we're considered fruit wine. Even though we're not sold on the shelf, we're sold beside the craft beer. We're basically a gluten-free craft beer.

The opportunities are massive. Ontario is the largest apple-growing region in Canada, so the fruit production,

the growers, are already in place. As part of the presentation on the back, you'll see two maps. One showcases the VQA map, the specific regions in Ontario where grapes are grown well and we produce VQA wines. In counterpoint, we have the Ontario Apple Growers regional map, which covers all of southern Ontario. That's a huge difference.

There's a massive opportunity here, but unfortunately, it's moving fast. This segment is growing quickly. For the last four or five years, the LCBO has seen 60% to 80% growth in the cider segment. They can't keep up. Unfortunately, on page 2, you'll see that it's 80% imported cider. We're importing 80% of the cider sold in Ontario, the largest apple-growing province in the country. That is a fundamental problem.

The apple-growing regions, the apple growers, are struggling right now with pressures from importation and low wages. They are struggling. The price of juice apples hasn't moved in nearly 30 years because there is no upward pressure; there is no demand for juice. With the cider industry, there would become a huge demand that would put upward pressure on the juice price and would even allow the growers to forward-contract, like the grape growers, which would really allow them to start planting more orchard cider-specific apples and really get the industry growing. Also, fewer inputs: We don't need perfect apples to make cider, so a lot less inputs.

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It's also carbon positive. You're looking at massive amounts of trees growing fruit, sequestering carbon. This is all rural, this is 100% rural. Apples grow in the rural areas. Most of the cideries are located in the rural areas, so this is rural economic development, rural job growth. On page 2, it gives you some of those indications as far as job growth for the industry.

Page 2 is based on a study we commissioned through the George Morris Centre that was financed through the Agricultural Adaptation Council. It showcases some of the numbers. That's based on our current industry. With some of the restrictions removed, this becomes exponential, the growth that we would basically be taking on and people getting into it. Some of the wineries and breweries are currently looking at it as is.

Again, that's our fundamental problem. We're really between the two: We're wineries making a beer alternative. Within the framework we can basically, with incubation, like a VQA program—we could be incubated, but ideally we need to have our own definition as a cider and a cider industry.

Because we're sold like beer—we're in bottles and kegs. We're completely different than the wine industry. The wine industry is not really worried about the cider industry. They want to get into it, but it's basically craft beer that we're competing with, we're following—competing in a good way. We're all working together—craft beer and craft cider—to create good Ontario products for the Ontario consumer.

Thank you.

The Chair (Ms. Soo Wong): All right. Thank you very much. Ms. Fife?

Ms. Catherine Fife: Thank you very much for coming in today. I see that next week is cider week, May 30.

Mr. Thomas Wilson: Yes.

Ms. Catherine Fife: Good. I think that a lot of people would be surprised to learn that 77% of all the cider is imported into Ontario, given the fact that we have such large producers here.

The Auditor General had made some recommendations that your industry is looking for: that the LCBO revisit its pricing policies. Can you just expand on that a little bit for the Hansard, for the committee?

Mr. Thomas Wilson: Sure. I think in that Auditor General report it was more a general criticism of how the LCBO bases its pricing strategy. It's not so much based on a retail model; it is more a government agency. They don't explore price reductions for large amounts purchased. What we're asking for is an incubation of the industry, so for small-scale producers, we would pay minimum margins, and then, as we grew, as our larger producers grew, they would pay more margins.

Ms. Catherine Fife: You're looking for a scaled approach.

Mr. Thomas Wilson: A scaled approach, correct.

Ms. Catherine Fife: The government is looking to sell 60% of Hydro One. Farmers from across the province have told us that the cost of energy is becoming more and more uncompetitive, if you will; it's becoming a disadvantage for farmers of all stripes. Did you want to give us some sense as to what your members are telling you about the cost of energy and perhaps weigh in on the potential impact of the privatization of Hydro One?

Mr. Thomas Wilson: Sure. Definitely it's going to affect us because we would become, and we are, basically food processors. We're processing the fruit. Some of our members are growers as well as producers. Others are purely on the production side. But we're all in the production business, just like craft beer.

I'd say we are less energy-consuming than some others because we're just taking a fruit juice and processing it and bottling it. So I'd say we're probably less energy-consuming than beer tends to be.

Ms. Catherine Fife: You mentioned what your industry is looking for, that you're looking for application to the RED fund essentially to garner support for apple producers. Are you prohibited from making those applications right now?

Mr. Thomas Wilson: No. But I think it's more as individual operations, and what we're looking for is more of an industry strategy like the craft beer program. We really look at that as a shining example of a program done right, and the success story is in the craft beer industry.

Ms. Catherine Fife: Okay. Thank you very much.

The Chair (Ms. Soo Wong): Mr. Wilson, I'm going to turn to Mr. Potts.

Mr. Arthur Potts: Thanks, Thomas and Hank, for being here today. You and I have talked in the past. I was involved 35 years ago with the Campaign for Real Ale Canada, and we changed the rules around craft beer production at the time—Conners, Upper Canada, a whole

raft of new ones—and now they're being followed by the craft brewers today.

This is a really important segment, and the opportunity to do it—so can you be very clear, in the markup staging of LCBO markups, that you'd like to be on the same competitive level with craft beers, and what that might look like?

Mr. Thomas Wilson: Yes, definitely. Right now, basically, if we were to sell two cases of cider or a truckload to the LCBO, it's the same markup. We're paying about a 56% markup, which creates a very expensive product on the shelf. The consumer basically is looking at a cheaper import that is usually subsidized, usually from whatever country they're coming from, especially the UK or other—

Mr. Arthur Potts: But compared to a craft beer, where the markup at a certain hectolitre level would be—

Mr. Thomas Wilson: They're getting marked up at 16% versus 50%, and for direct delivery to a bar restaurant, the LCBO never handles it. That's strictly a transaction between the brewer or the cidery and the licensee. The craft beer pays no markup. We're paying about 18% to 20% markup.

Mr. Arthur Potts: Right. I've heard you talk about the cost of a can, or a bottle of beer, and a bottle of cider. You're at about a \$4-plus range, and a craft beer might be at a \$3 range, because of the difference in the markup. So you'd like to have the same scale of—that the craft beer people have.

Mr. Thomas Wilson: Yes, exactly, because at the end of the day, if you go into a bar or restaurant in Toronto right now and look at a menu, there is cider and beer side by side, and the cider is much more expensive. That is a pure reflection of the current environment.

Mr. Arthur Potts: We've talked about the fact that it's hard to compare apples to oranges, or, in our case, apples to barley or apples to grapes.

But the definition is also very important, so that we can have you in a category, because currently the LCBO categorizes you the same as a wine cooler, which is a completely different set of markups, and you have the same classification as an imported apple drink product, which is a very different product—

Mr. Thomas Wilson: Yes, exactly. There are poor definitions and mis-definitions, where we're considered a fruit wine, when a beer alternative is really what we are. At the same time, we're competing with beverages on the shelf that are technically blended beverages. They're not even really a cider.

Mr. Arthur Potts: And under the RED Program—as the PA to agriculture, I sit on the RED panel. We've done a lot of opportunities to give additional monies to the cider industry for canning, for planting, even for apple crushers. Those are ad hoc. You need something systematic and province-wide, to grow this industry.

Mr. Thomas Wilson: Yes, exactly. We're looking for an industry incubation that would really get this moving and become a net exporter. That's our goal in mind, that this becomes a net export.

The Chair (Ms. Soo Wong): Okay, Mr. Wilson. I need to stop you there.

I'm going to go to the official opposition: Mr. McNaughton.

Mr. Monte McNaughton: Great. Thank you very much, and thanks for the work that you're doing on behalf of your industry. I know in my riding, in the municipality of Lambton Shores, we have Twin Pines Orchards, Cider House and Estate Winery. I know they're growing and looking to grow even further.

On a personal note, I'm really happy and thankful for your product, because my wife is gluten-free, so she's able to enjoy some cider.

I wanted to ask, on the job side, what the potential is for this industry. Where is the industry at today, and where could it be?

Mr. Thomas Wilson: Currently, things are moving quickly, but we're at 22 members in the Ontario Craft Cider Association right now, and we're employing roughly 220 people. But again, it's like craft beer. We're small-scale, so instead of machines, we hire people.

Like I said, currently, our growth is fast, but it's also restricted, based on the margins we're working under. As those change, the economic impact rurally would be massive.

Mr. Monte McNaughton: I know the government, a year or two ago, made changes regarding farmers' markets and allowing different products to be sold in farmers' markets. Could you give your opinion on the changes to that program and if there has been any benefit to your industry?

Mr. Thomas Wilson: It will, I'm hoping, during the review. Unfortunately, that was—and this is a perfect example. The first two years of the pilot project was VQA, which technically we are, except we're not grapes. VQA is only grapes, and it's 100% Ontario. The Ontario cider association is 100% Ontario, but we're not grapes, so we were left out of that.

Ironically, on our growers' side, like Twin Pines, the people who are growing and making cider usually sell their fruit at these farmers' markets. So they're already there. They just can't sell their products there.

1430

Mr. Monte McNaughton: It doesn't make much sense to me.

Vic, do you have anything?

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

Mr. Victor Fedeli: No.

Mr. Monte McNaughton: Great. Thank you very much.

Mr. Thomas Wilson: Thank you.

The Chair (Ms. Soo Wong): Thank you very much, Mr. Wilson, and thank you, Mr. Hunse.

ONTARIO CRAFT BREWERS

The Chair (Ms. Soo Wong): Our next presenter is the Ontario Craft Brewers: Mr. John Hay, the president; Irvine Weitzman; and Greg Taylor—

Mr. John Hay: Greg couldn't make it.

The Chair (Ms. Soo Wong): Alright. I'm going to let you begin by introducing yourselves. You have five minutes for your presentation, followed by three minutes of questioning. This round of questions will begin with the government side. You may begin anytime.

Mr. John Hay: Thank you very much, Madam Chair and members. I'm really happy to be here.

Irvine Weitzman is on my left. Irvine heads up Mill Street. Peter Chiodo, further down on the left, is from Flying Monkeys in Barrie. They're very successful breweries.

I'm going to read this document, which is in front of you. You also have this. You can have a look at this. That's all our brands currently. It's great to have a quick look at.

I'll just read this thing into the record quickly. It takes about a minute and a half. Then I'll have Irvine and Peter make a couple of quick comments, and then we'll take all of your questions. I'm just going to go fairly quickly, but I'll just read it in.

We're basically here, we believe, just to simply support the budget bill. As you know, the bill enables government to negotiate a new agreement with the owners of the Beer Store to make it more accessible to Ontario Craft Brewers, something we've been asking for for quite a while. It sets the stage for the sale of beer in grocery stores.

Through these changes, the Ontario government has recognized the widespread job-growth potential of Ontario's craft brewing industry, and I can comment on that a bit now.

There are currently well over 150 operating breweries in the province, with many more in planning. The industry employs 1,000 people in direct brewery jobs and more than four times that in indirect jobs, using a standard multiplier of four. This accounts for about 30% of the direct brewing jobs in Ontario.

The new changes recently announced will allow craft brewers to double or triple our share, and that will create another 1,000 to 2,000 direct craft brewery jobs throughout the province. The spinoff jobs could easily create another 4,000.

There are about 50 cities and 90 towns in Ontario, and we expect to see at least one brewery in nearly every community and multiple breweries in larger communities. That's a very basic part of our strategy. This will give a real shot in the arm to smaller communities and particularly the downtown cores that could really benefit from the economic stimulus.

There are many benefits associated with having an Ontario craft brewery go into a community. When a brewery opens in a city or town in Ontario, jobs are created in the brewery. It could be anywhere from three to 100, sometimes even more. Craft breweries move into communities, refurbish old buildings, host events and sponsor local events, local teams and programs. They attract visitors and tourism dollars and build relationships with local chefs and restaurants, increasing the culinary aspect of their community. This economic stimulus works in urban areas and in rural areas.

Market share for Ontario Craft Brewers in 2013 was almost 4%—well over 3%. That's for premium-priced craft products. Compared to other jurisdictions that have more access to retail, craft market share could be anywhere from 6%, in Quebec, to 14%, in BC, and possibly higher, as it is in some US states, which range from 3% to 30%.

There are currently more breweries per capita in Ontario than in the United States, and consumers are looking for more opportunities to see, taste and buy their craft beer. These changes will provide that.

OCB has worked closely with the government and the asset review council over the past few years on these change processes. They all have been excellent to work with. We'd like to acknowledge that and thank them. We're very happy that a number of our recommendations have been accepted. These changes will take us closer to our vision of making Ontario a North American centre of excellence for craft brewing.

I'd like to ask Irvine just to make a couple of comments on how important they are to his company and ask Peter to do the same. Then we're open for questions, if that's okay, Madam Chair.

Mr. Irvine Weitzman: Hi. My name is Irvine Weitzman.

I think the most important thing I'd like to say is how impressive it was—the amount of time and energy that the Ministry of Finance and Ed Clark's committee put into allowing us to provide input prior to the plan that they presented. In many ways, we're excited that this plan will provide a great opportunity and the stability for Ontario Craft Brewers to grow in the next four or five years.

Mr. Peter Chiodo: I'm Peter Chiodo, Flying Monkeys Craft Brewery.

I'd just like to echo the comments of John Hay. We have such a huge opportunity, I think, in Ontario for craft beer, making it the mecca of North America. I look at a place like Portland, Oregon, that has 50% craft. If that was in Ontario, we'd probably have a small village of 30,000 people involved in the craft brewing industry, and that's really what we need to strive for—huge tax dollars. I think that we're poetically inefficient at making beer. We as craft brewers have been responsible for all the job growth over the course of the last 10 years, and I think that is really a part of the process and it's important to make a note on that.

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

I'm going to go to the government side for the questions. Ms. Hoggarth?

Ms. Ann Hoggarth: Good afternoon. Thank you for the presentation. Of course, Peter is from my riding and we're pleased to have Flying Monkeys in downtown Barrie. It is helping to rejuvenate the downtown and make it a place for people to go. I also had the pleasure of visiting the Mill Street Brewery and, again, it's in a very thriving area, and I'm sure that your business has something to do with that.

Bill 91 marks a major shakeup in how the Beer Store would operate in this province. Can you speak to what a change of this magnitude will mean to the industry, for future business opportunities, and also for employment opportunities and the economy in general?

Mr. John Hay: Sure. There are very significant changes in the Beer Store; that's half of what's going on. There are significant changes at the governance level, the ownership level and the operating policy level. They should really accelerate our growth through that system.

The other set of changes are on the grocery store side, and the conditions that the government has put in place there with no-slotting fees, legislated markups, legislated shelf space and the right to direct-deliver are extremely helpful.

We are at a thousand jobs now, and we really expect it to double or triple as a result as these changes, and we expect an awful lot of it to be in the smaller communities right across the province, in all those cities and communities. We're in about 50 different communities now, and we'll probably get in all 150 before this is done, with at least one, so it is very significant. Then you have all the spillover effects in all of the production that goes in to build tanks and brewhouses etc. to support the industry. You can usually multiply by four to get the impact of that. It's very significant.

Ms. Ann Hoggarth: Could you tell me, of those brewers, how many of them actually export the product too?

Mr. John Hay: There's probably eight or 10 now; we're just starting. I'm going to let Peter talk about exporting because he's on the front end of that in some ways—other than to other parts of Canada here where Irvine would be the lead.

Mr. Peter Chiodo: That's a good point, John. We actually export all across Canada now to pretty much every province as well as to Spain, Germany, and we're just going into England, Sweden, Scandinavia, Italy, Brazil. We are exporting Ontario craft beer all around the world—to Taiwan; my export manager just did a symposium in Korea. It's really wonderful to see Canadian brew products around the world. It's a big part of our plan.

Ms. Ann Hoggarth: Great. Thank you very much.

Mr. John Hay: The Ministry of Agriculture—I have to thank them for that; they're very helpful—

The Chair (Ms. Soo Wong): Mr. Hay, I need to stop you there. I need to be on time.

Mr. Fedeli?

Mr. Victor Fedeli: Thank you very much. I appreciate that. Thank you very kindly for your comments—a fascinating topic.

Some time ago our office was visited by your association and we talked about some of the limitations to growth, and I'm talking about at the tax level. You know what I'm talking about, John, so can you take a moment—

Mr. John Hay: I'll go as fast as I can here. There are two things going on on the tax front. One you call triple-indexing and that's where our small brewers' tax rate,

which is now \$27, is indexed at about three times inflation, whereas if you're a larger brewer, it's \$77 and it's indexed to inflation. I can get into that more later, if there are more questions, but that's an issue. I think it may have almost gotten solved this time but it didn't.

The second aspect is, we have a wonderful tax system that was put in place that basically is a two-price tax system but the top end gets phased out. It has a clawback mechanism in it which is done through a corporate tax credit system. But essentially what happens is, your benefits go up until you hit 50,000, then they stay fixed until you hit 100,000 hectolitres—this is annual sales—and then they phase out until you hit 150,000. So it goes across and is flat.

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This phase-out is a little too steep. It should go to, say, 400,000, because what it means is that if Irvine was in that situation now—yes, he would be getting close to that. It means you're going to add more volume but make less money. So there's a little blip in your revenue and in your profit curve, which basically is a little bit of a disincentive to growth.

It would be wonderful to get this fixed. Our biggest focus has been on what government has just done, but that one is very close behind. I think that's what you're referring to.

Mr. Victor Fedeli: It's absolutely what I was referring to. To me, as a lifelong entrepreneur, that's a disincentive to grow. Do you agree with that, John?

Mr. John Hay: Yes, it is a disincentive. I don't want to misconstrue here. The idea of a clawback can work. That can make sense. It's just a little too quick. It needs to be smoothed a bit so the revenue curve doesn't have one of these dips in it.

Mr. Victor Fedeli: Because the way it is today, there's no incentive to grow your business beyond that 100,000.

Mr. John Hay: Yes, so you're completely free of the tax; that's right.

Mr. Irvine Weitzman: It's also challenging finance-wise, because it's actually from 75,000 that this higher rate clips in. It becomes quite difficult to finance, because if you're growing your volume, if you're investing in equipment, you're not making any more profit. Sooner or later the banks become a little anxious.

The Chair (Ms. Soo Wong): Okay. I need to stop you there

Mr. Victor Fedeli: I'm only at two minutes and 40 seconds.

The Chair (Ms. Soo Wong): Okay, you've got 10 seconds, because we have a call coming in.

Mr. Victor Fedeli: Let it go.

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

Ms. Catherine Fife: Thank you very much for coming in today and for sharing your thoughts on the modernization of alcohol sales in the province of Ontario. We're happy, of course, that you were consulted. We would have liked people to be more consulted on the sell-off of Hydro One, which leads me to energy costs.

I'd like to hear from you, as this up-and-coming, emerging sector, which we agree could be a global leader in export sales, the impact of energy costs on your industry.

Mr. John Hay: Maybe start with Irvine, because they might be closer, Irvine and Peter, to that than I.

Ms. Catherine Fife: Okay. Please go ahead.

Mr. Irvine Weitzman: I think, like everybody else, we've noticed the energy costs going up quite dramatically, but frankly I'm really not an expert on the subject. I never came prepared to talk about it.

Mr. John Hay: We're not hearing about it a lot. We hear about water before we hear about energy—water costs at the municipal level. But maybe Peter can add something.

Mr. Peter Chiodo: I'd have to agree with what Irvine said. I'm not really in tune with it.

Ms. Catherine Fife: So the Ontario Craft Brewers have no problem with the cost of energy in the province of Ontario?

Mr. John Hay: It could always be lower.

Interjections.

Ms. Catherine Fife: If that's true, that's interesting to hear.

I have the Brick brewery in my riding. They're one of the original craft brewers. I'm glad that my colleague from North Bay raised the issue of the hectolitre cap because this has been a disincentive to expansion. And of course, the Brick has left the Ontario Craft Brewers—

Interjection.

Ms. Catherine Fife: I'm sorry? Do you have something to say?

The Chair (Ms. Soo Wong): All right. No cross-talk.

Ms. Catherine Fife: I'm glad that you raised the triple-indexing and the phase-out, and I'm glad that the Ontario Craft Brewers will be moving forward and trying to address this issue, because the Brick brewery wouldn't need the southwestern development fund to create jobs if the phase-out were—

Interjection.

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

Ms. Catherine Fife: Try to control yourself—if the phase-out was actually brought into place. So I'm glad, and I wanted to let you know that we'll be working with you going forward.

The Chair (Ms. Soo Wong): Thank you very much, gentlemen. Thank you for being here.

OPSEU PENSION TRUST

The Chair (Ms. Soo Wong): The next presenter is the OPSEU Pension Trust. I believe we have two presenters. We have Mr. Hugh O'Reilly—and is it Mr. Tim Shortill? Okay. Mr. O'Reilly, you probably heard you have five minutes for your presentation, followed by three minutes of questioning. This round of questions will begin with the official opposition party.

You may begin any time. Can you please begin by identifying yourself for the purposes of Hansard?

Mr. Hugh O'Reilly: Thank you, Madam Chair, and members of committee. Thank you for allowing me to present today. My name is Hugh O'Reilly and I am president and CEO of OPTrust.

OPTrust is a jointly sponsored defined benefit plan with over 86,000 members and \$17.5 billion in assets. Our plan members are primarily front-line workers for the government of Ontario and its agencies, boards and commissions. Our plan is fully funded with a comfortable surplus, and, in 2014, our investment portfolio generated a return of 12% net of external management fees. We also receive high service satisfaction scores from our members and operate very efficiently. We're able to generate these results at a cost of only 53 basis points, which is far below the average of a retail savings vehicle.

Today, I'm here to share my views on some of the pension-related matters in Bill 91; specifically, its measures related to the ORPP and the Investment Management Corporation of Ontario.

I'm pleased to see the ORPP move closer to implementation. Too many Ontarians simply do not have access to a workplace pension plan. Even among those who do have some form of workplace pension, there are many who aren't confident that they will be able to save enough to fully support themselves in retirement. I support an ORPP that is both defined benefit and mandatory for those without comparable workplace pensions.

The question of comparability remains outstanding and needs to be answered. Should individuals with adequate defined benefit pensions have to participate in the ORPP as well?

In administering the plan, I call upon the government to ensure it is cost-effective for the taxpayers of our province. For example, a highly effective and tested system already exists for the CPP, a system that Ontarians have already paid for. My view is that Ontario should, for a fee, be given access to and permitted to make use of the existing CPP administration platform. The wheel should not be reinvented.

The government should also make more use of the considerable expertise of its jointly sponsored public sector plans, like our plan, OPTrust, as it continues to set up the ORPP. Ontario's jointly sponsored plans bring more to the table than administrative expertise. We are also global experts in investing.

The establishment of the Investment Management Corporation of Ontario is another area where JSPPs such as OPTrust can help. The Economist has called our pension plans "maple revolutionaries" and Toronto is viewed as the Silicon Valley of the pension world. My own organization has sophisticated investment capabilities with particular expertise in private equity infrastructure and real estate. We are also efficient. On average, for every pension dollar we pay, 76 cents is generated by investment returns, with the remainder coming from the contributions of our members and their employers. And as I mentioned earlier, we generate these results at a cost far below most retail investment vehicles.

Once again, the wheel does not have to be reinvented. The new corporation does not need to fully build its own

infrastructure capabilities to invest in all asset classes when it has the opportunity to draw on the expertise of some of the world's most sophisticated investors. Doing so would also give access to cost-effective and unparalleled investment capabilities to a broader universe of Ontario workers and the province's other investment funds.

Thank you, and I look forward to answering any questions you may have.

The Chair (Ms. Soo Wong): All right. Thank you very much. Mr. Fedeli.

Mr. Victor Fedeli: Thank you very much, Mr. O'Reilly, and congratulations on your level of expertise and returns for your trust.

Mr. Hugh O'Reilly: Thank you.

Mr. Victor Fedeli: It's been very impressive to watch.

With respect to the ORPP, let me first say, I don't think the government has the capacity to match anywhere near your function to this date. I've watched them in this Legislature only for four years, and I've had to shake my head at the management of our tax dollars, I might say.

With respect to the ORPP and the job losses—I think this is the area I want to talk to you about. We've heard from many companies, whether here or at our pre-budget consultations—there have been a lot of groups, associations, stakeholders and actual companies who've sat in that very chair and talked to us about the job losses that will come from the ORPP.

Ms. Daiene Vernile: Who?

Mr. Victor Fedeli: For instance, Magna had a great story in the regional newspapers the day the ORPP was first announced. They talked about that this would be a \$36-million hit to them alone, one company alone, and they wouldn't open another plant in Ontario if this thing passed.

The Ministry of Finance's own documents, I think, are the most compelling. They told us, in the confidential advice to cabinet, that with this payroll tax, for every \$2 billion that's drawn out, we'll lose 18,000 employees in Ontario. So if this is indeed a \$3.5-billion program, we stand to lose 30,000 or more jobs in Ontario.

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When we toured on the pre-budget consultations, there was one company that told us—anecdotally, I will tell you: He's got 15 people who work for him. He knows that he's going to have to do this, so he told us he's going to fire one of the employees and use that pay to pay not only his 1.9% but also the employees', who won't be able to take a 1.9% pay cut. He's going to have to use his share of that fired employee's salary. That's what we've heard from the Ontario Chamber of Commerce, from the Canadian Federation of Independent Business. They all sat in that very chair and told us the same thing about job losses.

Do you have any comment, aside from the management of the money now, that we can talk about specifically on the job losses that virtually every single organization has told us will affect them?

Mr. Hugh O'Reilly: I'll respond to both issues you raised. We're proposing that, with respect to the ORPP, the funds that are collected for the ORPP be invested by an existing jointly sponsored pension plan such as ours.

Mr. Victor Fedeli: I'm sorry; by whom?

Mr. Hugh O'Reilly: By an existing plan such as ours. We're saying we can provide the investment expertise, which you complimented.

Second, on the issue of the payroll taxes, I think this is a complicated issue. In 2011, the federal government, federal finance, produced a briefing note that was leaked to the press and quoted in the Financial Post. That briefing note noted that initially, with the introduction of a payroll tax, you would see a reduction in jobs with an expanded CPP, but after a short period of time, it demonstrated, through its economic modelling, a bounce back.

Second, a lot of employers, including the ones that you're out talking to—and I understand that any time there's change, there's concern and trepidation, but some of them already offer group RRSPs or defined contribution plans. If the contribution rate for those plans, where they're already making contributions, was reduced by 1.9% and put into the ORPP, that might be a reasonable solution to the issue—

Mr. Victor Fedeli: "Might be"? Is it a big leap to think that?

Mr. Hugh O'Reilly: Well, based on the federal data, I don't think it is. And I did do some research—because I had done some research on you, of course, as well—on the issue of payroll taxes. There are both short-term issues and long-term issues. We are in the middle of a significant retirement income crisis. With the decline in defined benefit pension plans, people are going to suffer. They're going to be poor in old age, and that's also going to have an economic drag. It could even lead to increased taxes.

Mr. Victor Fedeli: Have you looked at the McKinsey study?

Mr. Hugh O'Reilly: I have looked at the McKinsey study—

The Chair (Ms. Soo Wong): Mr. O'Reilly, I need to stop you here. I'm going to go to the official third party to ask you the next questions.

Ms. Catherine Fife: Thank you, Chair, and thank you for coming in and sharing your thoughts with us.

For us, it comes down to the design of the ORPP. What are your thoughts on the province proceeding with a procurement to identify potential third-party service delivery providers for the ORPP, and what do you think this will mean for Ontarians and their retirement security?

It's in the budget bill.

Mr. Hugh O'Reilly: I understand. I think by third-party procurement, they're looking at things like, for example, having administration—

Ms. Catherine Fife: To manage.

Mr. Hugh O'Reilly: —and also to manage the investments. We definitely favour not setting up a bricks-and-mortar organization. We're of the view that they should

establish what amounts to a virtual ORPP, take advantage of the existing CPP system for administration purposes—we shouldn't have to pay for that twice as Ontarians—and use the services of pension plans such as ours to invest the money so that they don't have to hire up a huge bureaucracy.

Ms. Catherine Fife: So you see it's a duplication, this proposal.

Mr. Hugh O'Reilly: I think there's a way to do it in a very cost-effective way, and we can solve a number of problems by doing that.

Ms. Catherine Fife: What are your thoughts on the accountability and transparency measures of the ORPP Administration Corp? For example, the corporation will be exempt from the Freedom of Information and Protection of Privacy Act. Do you think that measures like this will inspire confidence in the fund, or do you have any concerns about that lack of oversight?

Mr. Hugh O'Reilly: I think there will be oversight of the organization through the mechanism of the board of directors. In terms of freedom of information and other oversight, that I'm really not in a position to comment on.

Ms. Catherine Fife: Okay. Well, thank you for coming in today and making a proposal for a different structure. I appreciate that.

The Chair (Ms. Soo Wong): Thank you, Mr. O'Reilly. I'm going to Mr. Anderson.

Mr. Granville Anderson: Thank you very much for your presentation and your optimism here this afternoon.

The steps announced in the 2015 budget would allow for the creation of a professional independent pension organization to administer the ORPP. What do you think are the benefits of enhancing retirement security for Ontarians and could you elaborate on what you think of the independent body that's going to oversee the pension system?

Mr. Hugh O'Reilly: I think the need to expand retirement income coverage in Ontario and across Canada is an acute issue. There have been studies—for example, Mr. Fedeli referred to the McKinsey study—but those are all studies that are based on the current moment and look at the way in which wealth has been accumulated by generations such as mine, quite frankly, now that I'm in my mid-fifties. But, if we look at people who are, say, my kids' age or in their thirties or forties, I don't believe they're going to have the same opportunities. I think there's a very real prospect that people are going to retire at a lesser level than their parents have.

I also think that it's significant, when you look at the polling data and, indeed, you look at the election results, where both the governing party and the third party supported the notion of the ORPP, that people voted for and they understood that they would have to spend more money to have this coverage.

In terms of the mechanism that is being used to establish the ORPP and the independent oversight, I think it is important that it be at arm's length from government. I think that the Ontario model—if you will—is a model

that is the envy of the world and in particular our neighbours to the south. It's because of the independent boards that these things are run properly and run in a fashion that pays attention to the needs of the beneficiaries.

Having said that, I don't believe that it makes sense to set up a brand new investment group for the ORPP when use can be made of our really successful pension plans here in the province of Ontario.

Mr. Granville Anderson: To expand a little bit on what you have said, what do you think the benefit will be of enhancing the retirement security for the next generation? As Mr. Fedeli and the opposition often say, it's only 17% of the population that actually needs a pension. Do you agree with that assessment?

Mr. Hugh O'Reilly: Well, I can't comment on a position; I'm not a political person at all. But, what I would say is, we do have a retirement income problem. People are unable to save sufficient amounts to ensure that they will have an adequate and dignified retirement. This is a concern that poll after poll identifies. It's an issue that was front and centre in last June's election and the people of Ontario supported the creation of a pension plan. I think the data is overwhelming in this regard. More people are likely to have saved nothing in an RRSP, than to have saved over \$100,000. If we try to kick this can down the road, we're going to end up in a situation where taxes are going to go up, and the responsibility of government to support seniors—and we're going to have a lot more in poverty—is going to increase significantly.

The Chair (Ms. Soo Wong): Mr. O'Reilly, thank you very much for your presentation and thank you for being here.

Mr. Hugh O'Reilly: Thank you.

MS. TRACY BLODGETT

The Chair (Ms. Soo Wong): Our last witness coming forward is coming to us via teleconference. I believe she's online. Her name is Tracy Blodgett.

Tracy, are you on the line?

Ms. Tracy Blodgett: Yes, I am.

The Chair (Ms. Soo Wong): Good afternoon.

Tracy, I'm just going to introduce myself as well as the rest of the committee so you know who's at the table for this afternoon's hearing.

Ms. Tracy Blodgett: Okay.

The Chair (Ms. Soo Wong): My name is Soo Wong, I'm the Chair of the Standing Committee on Finance and Economic Affairs. I have with us at the table, from the government side, Mr. Granville Anderson, Mr. Yvan Baker, Mr. Bob Delaney, Ms. Ann Hoggarth and Ms. Daiene Vernile; from the official opposition party, Mr. Victor Fedeli and Mr. Monte McNaughton; and from the third party, Ms. Catherine Fife.

When you begin, can you please identify yourself. You have five minutes for your presentation, followed by three minutes of questions from each caucus. This round of questions will begin with the official third party. You may begin any time.

Ms. Tracy Blodgett: Thank you, Madam Chair and members of the committee.

My name is Tracy Blodgett. As president of the Trillium Lakelands Occasional Teacher Local, I see the effect of budget measures on our schools, our families and our communities. In this budget, the government is offering what they call "stabilized funding for education." As an educator, I can say that this does not solve the long-standing structural funding issues that are continuing to have a negative effect. While Ontario has embraced an integrated model for special education, special education grants are not keeping pace with the increased number of students with special needs. More access to educational assistants, smaller class sizes, and specialized supports such as behavioural counsellors and speech and language pathologists are all needed to meet the needs of students with exceptionalities and to help all students succeed. Parents of children with special needs understand the need for educational assistants who are able to offer individualized instruction to their children. All parents recognize the benefits of smaller class sizes.

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The government has increased funding by introducing full-day kindergarten, but large class sizes and dedicated early childhood educators without sufficient planning time are hurting the important new program.

As teachers, we see the effects every day that poverty has on our students. Lower family incomes often mean that many students arrive at school hungry and unable to fully engage in learning. Currently, over 370,000 Ontario children live in poverty. There are millions of workers in Ontario who earn at or near minimum wage and many, many more who work in precarious jobs. This is in contrast to the enormous wealth gap, where Canada's CEOs are making 171 times the average Canadian income, according to the Canadian Centre for Policy Alternatives, and they pay a smaller share of their income in taxes than those with the lowest incomes. It is not lost on the average Ontarian that the Ontario corporate tax rate is the lowest in North America. Our families and communities have borne the brunt of over a half decade of austerity budgets even though we did not create the deficit.

The real issue is that Ontario has a revenue problem, not a spending problem. Ontario is losing billions of dollars a year by continuing to give deep tax cuts to corporations even though Stats Canada has shown that corporate tax cuts have not generated new jobs. Yet this budget pays little attention to those issues.

Our families and communities also depend on strong public services during lean times. Ontario spends less per capita overall than any other province on public services, yet the continuing government move to privatize services weakens the very public services that we have built together with our tax dollars. First it was hospitals, then home care and now, with this budget, it is aspects of public hydro. Time and again, we have seen what privatization results in: higher costs to taxpayers and profits predicated on cheaper labour that builds more precarious

jobs. It's a vicious cycle that pays out private sector profits at the expense of our local economy and jobs.

Let me talk about a few of the dangers of privatization that I see as a member of the public. As you are aware, today a report by the Ontario Ombudsman was released related to Hydro One billing practices. Currently, contacting the Ombudsman is one way of settling a dispute with a public company like Hydro One. Have you ever tried to settle a dispute with a private, for-profit company? Have you ever tried to question their billing practices? I have, and it's not an easy fight. Even the Consumer Protection Act isn't much help because the ministry won't investigate or assign a mediator unless the dispute involves a bill over \$500.

I live in the Parry Sound–Muskoka riding. Recent changes to our snowplowing contract have increased the level of private contracts and the responsibilities of those contractors. As a result, the company that plows our highways has cut manpower, equipment and the use of salt and sand to achieve a better bottom line. This has had a direct impact on the safety of the families and community members who live in or travel through our area. Despite many complaints and even fines, the company continues to cut costs and services to save money. I am sure our MPP, Norm Miller, can attest to the high number of complaints he has received in recent years.

Privatizing Hydro One will result in similar concerns. Imagine longer power outages, less safety equipment for the front-line workers and lower levels of customer service, all so a private company can make a profit. This is not the kind of Ontario people like me want to see. It offends our values of decency, equity and respect for average working people and for the growing population of those in poverty.

I urge you to rethink this budget, to put priority on ensuring all students have access to learning conditions they need to succeed, to put priority on addressing the wealth gap so that those in need are taken care of and those at the top pay their fair share, and to put priority on delivering the public services that people rely on instead of privatizing our common assets to the highest or lowest bidder.

The Chair (Ms. Soo Wong): Thank you very much. I'm going to turn to Ms. Fife for the first round of questioning.

Ms. Catherine Fife: Thank you very much, Tracy, for calling in and taking the time to share some of your concerns around the budget bill. Also, thank you for raising the issue around special education. This has been a long-standing issue around funding pressures on the classroom.

Two recent studies came out from the Ontario Principals' Council and People for Education which cited the fact that, because the needs of special education students in classrooms were becoming so high and there was so much pressure on the staffing ratios, students were being accommodated by actually being excluded. Can you comment on that? I know that school boards are really in a corner on the special ed file, for sure.

Ms. Tracy Blodgett: Absolutely. I actually work as a daily supply teacher, and I am frequently in a classroom with students who have behavioural concerns, who have learning concerns. The supports that are available are non-existent. Often what ends up happening is, students get pulled and put into a segregated class, especially when there's a supply teacher in the room, because there aren't adequate supports there to ensure everybody's safety in those circumstances. Classroom teachers who are in there day after day often have to just deal with it. It's only when there's a change in routine, like a supply teacher coming in, that you really see the gaps in the system and see where the problems lie.

We want integrated classrooms. We want all children to have an opportunity to learn in the same fashion. But realistically, without additional support, it's just not fair to the students who lose out because so much attention is going to the students with high needs and so little going to the students without high needs.

Ms. Catherine Fife: Thank you very much for raising your concerns around privatization as well, Tracy, and for pointing out that the new money that has been injected into the government has gone to new initiatives and not to the long-standing issues. Later on today, when we're discussing the back-to-work legislation, I'll be raising your concerns in the House. Thank you.

Ms. Tracy Blodgett: Thank you.

The Chair (Ms. Soo Wong): All right. I'm going to Mr. Baker.

Mr. Yvan Baker: Thank you so much for joining us, Tracy. We really appreciate it. The Muskoka-Parry Sound area is one of the most beautiful parts of the province; I've spent quite a bit of time there over the years, so I have an affinity for that area. You live in a beautiful community and part of the province.

Ms. Tracy Blodgett: Thank you.

Mr. Yvan Baker: Since becoming elected an MPP, Tracy, one of the things I get a tremendous amount of fulfillment from is having a chance to visit the schools in my community. There's somewhere north of 40 schools in Etobicoke Centre, and I have a chance to visit a lot of elementary schools. One of the things I do when I'm there is, I often have a chance to chat before or afterwards with the teacher who is teaching the class. I have a tremendous amount of respect for the work that teachers do and the important role they play in shaping the future for our young people.

When I talk to many of the teachers, in my community anyway, some of them are from Etobicoke, but some of them are actually from different parts of the city or even outside the GTA, and they commute in to teach in the school. I even have a friend who doesn't live in my riding, who lives downtown, but she commutes up to the York region area. I don't know how familiar you are with the city. She commutes north, and she often has to leave her home at around 6 a.m. or sometimes earlier to get up to where she teaches.

One of the things that I hear from teachers who are concerned about the future of the children they're teach-

ing, and also their own futures, is that really we need to make sure that we're paving the way for the future and making some of those investments, of course in education but also in infrastructure.

I know that on the education side, education funding is stable this year at about \$22.5 billion, which is an increase of over \$8 billion since 2003; that's a 56% increase. Per pupil funding has increased by \$4,620 to \$11,451 since 2003; that's an increase of 59%. That's despite declining enrolment. The government is trying to help schools through a \$750-million school consolidation fund, and we're doubling funding for school renewal projects from \$250 million to \$500 million. There are some significant investments there to address those concerns of teachers.

But also what I hear about is this issue that I was mentioning earlier around commuting in to work. It's not just from teachers but other members of my community. I think one of the things in this budget that's really important is the focus on the building of that infrastructure which will have paved the way for that future that I was talking about. There's a \$31.5-billion investment as part of Moving Ontario Forward. This is the largest infrastructure investment in the province's history. All the proceeds from unlocking government assets will flow through the Trillium Trust, and this will build roads, bridges, public transit, hospitals etc., so it's important for the future.

The Chair (Ms. Soo Wong): Mr. Baker, I need to stop you now. There's no time.

I'm going to go to the last questions: Mr. McNaughton or Mr. Fedeli.

Mr. Monte McNaughton: Thank you very much, Tracy, for calling in. I just wanted to touch on a couple of points and ask you a couple of questions.

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First off, you mentioned in your opening comments—and I didn't quite catch it—full-day kindergarten. I wondered if you could just repeat what you were saying about full-day kindergarten.

Ms. Tracy Blodgett: Yes. We believe, as educators, that it is a very important program, and we do recognize the additional money that has gone into the education system in order to implement full-day kindergarten. However, there are still some pretty major flaws with the system, one being the large class sizes. We have classes that are upwards of 30 students in full-day kindergarten, which sometimes causes a problem because of the sizes of rooms and sometimes just the volume of bodies.

Also, while each classroom of that size has a designated early childhood educator, they often have many extra duties in the day and no planning time with the teacher. So while they're expected to work as a team, they don't get any opportunities to work as a team unless they do it outside of their hours. So those two major flaws—the class sizes and the lack of planning time for early childhood educators—I believe are really hurting this program that we've invested so much money into.

Mr. Monte McNaughton: Okay. The other thing I just wanted to see if you were aware of—last week at finance we had a presentation by Ontario's Ombudsman. We were talking about the sale of Hydro One, as you mentioned. I wasn't sure if you were aware that the Liberal government has taken oversight by the Ombudsman away from Hydro One, moving forward. Were you aware of that?

Ms. Tracy Blodgett: Absolutely. One of my concerns is that that wouldn't be an option in the future, because it is very important that we have an avenue for dealing with it, from a consumer perspective.

Mr. Monte McNaughton: Right. Thank you.

The Chair (Ms. Soo Wong): All right. Mr. Fedeli?

Mr. Victor Fedeli: Thank you very much, Tracy. First, I want to say thank you very much for your work in the teaching profession. I know that Norm Miller would ask me to pass that on to you.

You mentioned something, and I have to ask where you got your information. You said that Ontario doesn't have a spending problem; we have a revenue problem. Yet in the actual budget document, it shows that spending is increasing by \$2.4 billion and revenue is increasing by \$5.9 billion. So our revenue is considerably higher. That, to me, would indicate that we don't have a revenue problem; we actually do, indeed, have a spending problem. Can you tell me where you got your data?

Ms. Tracy Blodgett: I actually had some help with some of my facts from the Elementary Teachers' Federation, whom I work for, and their communications specialist. What I think we mean by that is that it's not exclusively about too much money being spent or having been spent but that there are ways to look at the way we generate revenue and reconsider some of our practices that might help eliminate the deficit instead of just cutting spending.

Mr. Victor Fedeli: Well, I hear you, but when spending is actually up by \$2.4 billion and revenue is up by \$5.9 billion, I hope you'll take a moment to pass those accurate budget numbers on.

Ms. Tracy Blodgett: I will.

Mr. Victor Fedeli: Thank you.

The Chair (Ms. Soo Wong): Okay. Thank you very much, Tracy, for coming to us from Huntsville. Have a good day.

Ms. Tracy Blodgett: Thank you.

The Chair (Ms. Soo Wong): I'm just going to go through a couple of housekeeping items before we adjourn the committee. The Clerk informed me that the distribution of the rest of the written submissions was received this morning at 9:45, at your desk here. The deadline for filing amendments, if any, is tomorrow morning, Tuesday, May 26, 2015, at 10:30 a.m. The next meeting is this Thursday, May 28, at 9 a.m. for clause-by-clause consideration of Bill 91. We will be back in our committee room, which is room 151.

I'm going to adjourn the committee. Thank you.

The committee adjourned at 1515.

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