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Mercredi 22 septembre 2010

Standing Committee on Estimates

Comité permanent des budgets des dépenses

Ministry of Finance

Ministère des Finances

Chair: Garfield Dunlop
Clerk: Douglas Arnott

Président : Garfield Dunlop
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON ESTIMATES

COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Wednesday 22 September 2010

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The committee met at 1557 in room 151.

MINISTRY OF FINANCE

The Chair (Mr. Garfield Dunlop): We can call the meeting to order. I'd like to welcome the Minister of Finance, all the staff from the Ministry of Finance here this afternoon and all the members of the committee.

We are now resuming consideration of the estimates of the Ministry of Finance, vote 1201. There is a total of six hours and one minute remaining. When the committee adjourned at the last meeting, the minister had completed his opening statement, as had the official opposition and the third party. The minister will now have up to 30 minutes for a reply. After that, the remaining time will be apportioned equally among the three parties.

With that, I recognize the minister and ministry. You have 30 minutes.

Hon. Dwight Duncan: I will forgo those 30 minutes and entertain questions from all members. I think that would be a better use of everyone's time.

The Chair (Mr. Garfield Dunlop): Okay. With that from the minister, we will move over to the official opposition. Mr. Sterling, you can begin with your 20-minute rotation.

Mr. Norman W. Sterling: Mr. Minister, I'd like to go back to the Nortel file and the current dispute between the pensioners' organization and the Ministry of Finance as to what will happen when their plan is turned over to you in the amount of, I think, approximately $2.5 billion. I've heard there are as many as 18,000 to 20,000 people who would benefit from that; 11,000 to 12,000 here in Ontario and 7,000 or 8,000 in the rest of Canada. I think that the primary concern, of course, in this forum is for the people who are residing in Ontario. But your decisions are with regard to their proposal to create a financial sponsorship model rather than have FSCO, the financial institute body, purchase individual annuities on behalf of the 18,000 or so people, which would affect, in some ways, the people outside of the province more than inside the province, in that the shortfall that they might experience from their existing pension cheques in Ontario will be made up by the pension benefits guarantee fund, whereas those people living in other provinces would not have the luxury of those payments—our province being the only province, as I understand it, that will have that. So in some ways, I'm pleading not only on behalf of the pensioners in Ontario but the pensioners from across Canada that any drop in the amount of the pension cheque that pensioners will receive will be felt more by those outside of Ontario than inside.

The financial services model, which is an alternate form to the purchase of individual annuities, as I understand it, has been used in Britain with some success, notwithstanding your comments before, which I believe were the comments of someone who contributed to a report that you're relying on. So my first question to you is in that vein. Could you identify the report that you're referring to when you say the financial services model did not work in Britain, the author of that report and the author of the statement that you're referring to?

Hon. Dwight Duncan: First of all I need to respond and read you portions of a letter that were released today to the Nortel retirees and the former employees' protection group that deal with a range of the issues with respect to the so-called FSM, the financial sponsorship model, and why we have rejected that. You've raised one of the reasons why we rejected it and we will provide you with that information. I think we're getting it right now, but we will certainly respond to that.

There were a number of points that were involved in our decision. The first: the potential increased risk assumed by pensioners through a high degree of exposure to equity markets. Essentially, what the financial sponsorship model implied is investing in a riskier suite of assets in a plan—and, yes, there is $2.5 billion in that fund, but it's woefully inadequate to cover the liabilities associated with the fund. The fear of a number of the pensioners who I met with, particularly those who are now covered by the pension benefits guarantee fund, was that increased risk would expose their principal to further erosion. That is the first point.

Mr. Norman W. Sterling: Have you quantified that risk, Mr. Minister?

Hon. Dwight Duncan: Yes, we have. Well, I shouldn't say that, because we can do it under different assumptions. But that's to the second point in the letter, which is a lack of a detailed offer and term sheet from a financial institution willing to undertake the financial sponsorship and provide retirement security for pension plan members. In the absence of that, we can only look at different models, but that was never forthcoming.

Then there would be the additional risk associated to the PBGF and Ontario taxpayers if the FSM failed. Given the riskier nature of the investments they were proposing to undertake, that is something that has to be considered in the context of the decision.

Mr. Norman W. Sterling: I understood that they were willing to negotiate the nature of those investments—

Hon. Dwight Duncan: They had no financial institution willing to take on those investments, with respect. We saw letters saying, "We might be interested in this depending on certain circumstances." We also believe that there would have been requests for financial guarantee by the province in any of that because of the risk associated with taking on a fund that is already considerably underwater and the risk associated with the asset profile that would have to go into it.

Mr. Norman W. Sterling: Are you willing to meet, if they bring—

Hon. Dwight Duncan: Oh, we've met on a number of occasions, going back months. In fact, I've met, my senior officials have met, my parliamentary assistants have met. We've analyzed it and we've come to a conclusion that we're not prepared to support the FSM model.

Mr. Norman W. Sterling: But your conclusion is based upon that there's not a financial institution willing to take on—

Hon. Dwight Duncan: No, it's not. I can finish reading—there are 10 different reasons why, and I'll keep going down the list.

"The proposal also assumed that the PBGF grant money would be available to the new fund, but the government made the grant for the purposes of the PBGF. The new fund would not be able to access the money from the PBGF"—that is, the $250 million we're putting in is going into the PBGF. We were not prepared to take that money and give it to someone else to run. That proposal assumed that the PBGF money would be taken out of the PBGF and put into their fund.

"Because the company would no longer be funding the pension plan, the fund would, barring federal legislative change, lose its tax-exempt status under the federal Income Tax Act, exposing the fund to significant tax liabilities and undermining the security of future pension payments"—that is, in order to even consider this, quite apart from all the other reasons why we rejected—

Mr. Norman W. Sterling: I believe the federal government is willing to help.

Hon. Dwight Duncan: They have not said that. They have not communicated that and have not expressed an interest in it.

Mr. Norman W. Sterling: And if they did, would that change your view?

Hon. Dwight Duncan: No. As I said, and I'll finish it, there's a whole range of other reasons why we rejected it. That is one of them.

"Other provinces where Nortel pensioners live would also have to agree to this model. That support, as we understand it, is not forthcoming.

"The model also assumes that future market returns and interest rate changes would be favourable to continuing Nortel plans—and that is a very large assumption that probably implies some form, again, of guarantee by the province to support this.

"There was opposition from Nortel pensioners and former employees, particularly those on long-term disability and with lower incomes."

Mr. Norman W. Sterling: Thirty-seven people.

Hon. Dwight Duncan: I don't agree with that number. I heard from that many people—and more.

We are getting you the information on the UK model and we'll provide you with that. There's also the issue of precedent that this would set.

For all of those reasons, we had to decide that, while we're prepared to put $250 million in to protect and to fulfill the legal obligations that Ontario had, and in spite of the real challenges a number of pensioners there feel—and they are real, although, I must say, there's no guarantee that they would be better off under the FSM than they would be under the model that they're going into. There's absolutely no guarantee of that. In fact, there's a considerable risk that they would be in a worse position.

On balance, this is the appropriate response in a difficult set of circumstances. We have decided to put $250 million in to protect the first $1,000 of pension income for all Nortel pensioners in Ontario. That's the only jurisdiction in Canada where that will happen. But we cannot support a plan that would put the $2.5 billion at further risk and put a lot of pensioners at further risk.

Mr. Norman W. Sterling: Since you have just issued this letter today, are you willing to respond to answers or misunderstandings or clarifications to your letter today from the Nortel pensioners?

Hon. Dwight Duncan: We have had an ongoing dialogue, again, at the political level, the staff level, the officials level. We have engaged in conversation with a range of advisers within FSCO, within the ministry, and this is the government's decision.

Again, we have decided to put 250 million taxpayer dollars into the fund to protect the first $1,000 of pension income. The model that has been proposed does not, in our view, enhance the protection of those Nortel pensioners who have been affected by this.

Mr. Norman W. Sterling: Mr. Minister, I understand your position in some ways, in wanting to take the most cautious route that you have been advised, perhaps, to take by your officials. However, we have to remember that this $2.5 billion is their money and not the government's money. The $250 million that you've written a cheque for to the pension benefits guarantee fund is a responsibility of the government—to find that money or fund that fund in some way. It's written in legislation and therefore that responsibility lies upon all of us, regardless of who's in government at the time, and therefore we'd have to come up with some way of funding that. You've already put money previously into that fund in 2004, and I believe in your budget last year you said you were going to put a further $500 million in. So you've got about $650 million—

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Hon. Dwight Duncan: No, no; it's a total of $500 million.

Mr. Norman W. Sterling: In the last day of the fiscal year 2003-04, you lent the fund $330 million at zero interest. About two or three years later it was deemed to be a transfer of money of approximately $150 million, so the total you have actually written to the fund is about $650 million net. That's a responsibility that you have, but the pensioners are quite convinced that your officials are wrong in their analysis of this.

Would it not be in the best interest of both the government and the pensioners to have some kind of mediation process where you would appoint—maybe you could get Mr. Arthurs to appoint—to evaluate what the real risks are, both in the short term and the long term, for the government and for the individuals, and give, in some way, Mr. Arthurs a role in determining where this issue should go for these people, given that it is their money.

Hon. Dwight Duncan: Actually, FSCO is the independent regulator, and the views I'm reflecting are also the views of FSCO. They are arm's length from the government and they are charged with regulating these types of situations. The $2.5 billion remains their money. We don't touch the money. In fact, an administrator is hired to administer the annuities, and that money is theirs. We don't touch it at all. What we're saying is we will follow the laws and regulations of the province of Ontario has laid down. We looked closely at the FSM model, and we don't concur with them. Our view is backed up by the regulator and by the $250 million that went into the PBGF for the purposes of protecting Nortel pensioners, and for the reasons I laid out we have rejected the proposal.

Mr. Norman W. Sterling: So you're stating today, Mr. Minister, that FSCO believes that the FSM model is too risky? Is that correct?

Hon. Dwight Duncan: Well, among other reasons. There are a number of challenges to it, absolutely, but yes, that is one of the key reasons.

Mr. Norman W. Sterling: Have they put their opinions in writing?

Hon. Dwight Duncan: Yes.

Mr. Norman W. Sterling: And have they been shared with the Nortel people?

Hon. Dwight Duncan: I sent them a letter today which incorporates FSCO's views. FSCO has met with them on numerous occasions. I'd have to double-check the exact correspondence, but this is the view that's held by FSCO and the government.

Mr. Norman W. Sterling: I'm aware that FSCO has no other alternative in legislation but to buy the individual annuities and it might require a legislative change in order to go to an FSM model. I'm aware of that. Are they stating their opinion within their legal framework or are they saying that if legislation was changed that would allow FSM—

Hon. Dwight Duncan: They recommend against changing the legislation. They believe that the current regime governing a pension situation like this is appropriate and protects the interests of the plan members and the retirees.

Mr. Norman W. Sterling: Would you provide members of the committee with their opinion to you?

Hon. Dwight Duncan: I will undertake to get that back to you, yes.

Mr. Norman W. Sterling: Thank you very much.

The Chair (Mr. Garfield Dunlop): You get about three minutes, Mr. O'Toole.

Mr. John O'Toole: Just briefly—I'm not as well informed as Mr. Sterling here, but certainly I'm very familiar with the needs and desires of the General Motors group, mostly the salaried group, under the organization called GenMo. They have three or four quite well-informed individuals whom I'm familiar with, met with and encouraged to work with FSCO and yourself.

What they really wanted is some voice representing the group, because they're non-organized, they're non-unionized, the salaried group. Because of the lack of contractual relationships with General Motors Corp. Canada, they don't have group representation.

Most of the takeaways, both on benefits and pension, have been to the salaried group. The agreement—some sort of dismantling agreement with the CAW—was such that the hourly collective agreement was honoured and there were no takeaways from benefits or meltdowns from the benefits of the fund.

They've asked—and I sent you a letter in writing some time ago—for some position on some advisory board. Whether or not they have voting powers would be something they would probably have to work out. Would you accede to responding to that?

Hon. Dwight Duncan: Sure.

Mr. John O'Toole: I think it's done in an honourable way, where they've had two or three public meetings. General Motors salaried employees from coast to coast, really—certainly in Ontario, the majority of them were asking for that provision.

From my understanding of it, having worked in personnel for General Motors for a number of years, actually, I wasn't aware of how much risk was involved, but the CAW certainly was. In fact, they negotiated away top-ups—mandatory, legislated top-ups—to the fund being underfunded, whereas the salaried group had no clue about what was actually going on—none, zero. When I found out about it, I was quite surprised, because at that time I had retired on a reduced pension from General Motors, mandated by some 3% per year under the age of 65. I think I was 51, so my pension isn't, how would you say, robust. And if I lost anything, I'd be losing everything.

I would ask that respectfully of you, to undertake to—

Hon. Dwight Duncan: John, I apologize. I have not seen your letter. I'm not aware of it.

Mr. John O'Toole: I'll resend it.

Hon. Dwight Duncan: No, no, I'm sure we'll have it. Let me follow up on it.

I will say this: What we went through with General Motors and Chrysler, working co-operatively with the federal government, helped, I think, preserve an industry. Considerable concessions were agreed to by the CAW—in fact, they had to ratify three separate collective agreements within I think 90 days—that cut both wages and benefits for organized workers. But you raise a valid concern. I'll undertake to follow up and get back to you—

Mr. John O'Toole: Just one last comment, if I may—just a summary comment, with your indulgence. It's my understanding that General Motors Corp. owes $27 billion to its liability, and we haven't heard the last of this yet.

The Chair (Mr. Garfield Dunlop): Thank you very much, Mr. O'Toole. We'll go down to the third party. Mr. Tabuns.

Mr. Peter Tabuns: Mr. Minister, I have two of my constituents here in the room today, Barbara Stewart-Fischer and Carol Sweeney, who are residents at the St. Joseph's seniors' home in my riding.

Minister, my sense is that you do a lot of constituency work, and you may well have the same experience as me. As I go to seniors' buildings in my riding, talking to people, I'm finding increasingly that those who are trying to make a go of it, paying non-rent-geared-to-income rents, are finding that rising costs, and pensions that aren't keeping up with those rising costs, are putting them in a squeeze—a very tough squeeze. They say to me that they feel the provincial government should be in a position to in some ways assist them with rent supplements.

There are two questions or requests that I have for you. First, there is a program called ROOF. It's a residential rental supplement program that your government operates. It is underspent significantly in the most recent reporting period. When that program came out, it was criticized by housing providers for not including seniors as a category that would be eligible for its $100-a-month rental supplement. Would you consider changing the rules so that seniors in your constituency and mine and across Ontario would be in a position to access those funds to deal with their affordability problems?

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Hon. Dwight Duncan: I apologize. Is this in a retirement home, a long-term-care facility—

Mr. Peter Tabuns: Non-profit housing for seniors.

Hon. Dwight Duncan: Non-profit housing for seniors. So there's already an implicit subsidy there.

Mr. Peter Tabuns: There has been; that's correct.

Hon. Dwight Duncan: Yeah, there are.

I can't give you that undertaking. The cost associated with that would be quite large. I think you raise some valid points around the adequacy of pension income and what I prefer to call post-retirement income, because some 70% of us don't have a pension.

Mr. Peter Tabuns: That's right.

Hon. Dwight Duncan: That is why we have undertaken a number of initiatives. The first is the reform of our pension laws here in Ontario, which really doesn't deal with the broader question, and that is the question of income adequacy apart from pensions. That is why we have been leading, at the national level, this discussion about reform of the Canada pension plan.

The income supplements that are most important I think to people like your constituents are the OAS, old age security, and the guaranteed income supplement. Those are designed for people of more modest incomes. Peter, I know you're very familiar with all of these things. Those programs are designed specifically to assist people of more modest incomes, and when I say "more modest incomes," a large percentage of Ontarians qualify for OAS, not GIS.

The Canadian Labour Congress, for instance, has advocated doubling OAS payments over the coming years, but the province does not. The cost associated with what you're talking about would be enormous and would likely affect a whole range of other programs.

I couldn't give you that undertaking today. The undertaking I will give you, and I will give your constituents, as I give mine, is that we have to continue to move aggressively on the question of post-retirement income.

I'll give you a for-instance. Both my mother and father spent the last five years of their lives in complex continuing care, which is part of the public health system. Their copays were $4,000 a month. I lost both of them two years ago. They lived to a good age, not in good health the last four or five years—otherwise, they wouldn't have been there—but that depleted their entire life savings. My parents weren't wealthy individuals—very modest backgrounds, modest incomes. That, for me, was the first really direct lesson.

In addition to what we paid in copays—and arguably they were among the most fortunate because they were in a complex continuing care facility, which is part of our hospital system. In addition to that, there were other expenses every month, things that you and I might take for granted: two-ply toilet paper, full-sized Kleenex; a whole range of these things.

So, I think there is a problem. It's here now. Unfortunately, we didn't address these things, in my view, adequately 10 or 15 years ago, although I must say that the Canada pension plan was put on a solid financial footing in 1998. This is why I believe there's a real problem coming at us. It's here, to some extent. It's probably reflected in the struggles your constituents have. I see it with my constituents as well, but I couldn't give you that kind of undertaking right now. I do think it's part of the longer-term discussion about post-retirement income and income adequacy as we move forward.

Mr. Peter Tabuns: I appreciate the answer. I want to go back to the issue. When I talk to those seniors, not just at St. Joseph's but at Broadview Manor, Greenwood Towers, Frances Beavis Manor—frankly, Minister, if you talk to seniors in any non-profit building in Ontario, you'd probably have a similar discussion. They find two things that press on them, and that's the stress of pulling things together so they can make ends meet, and just simply on a day-to-day basis making sure that they're well fed and well looked after.

In terms of avoiding longer-term health care costs, to the extent that seniors are able to live independently, eat well and get good social supports we avoid the early onset of more complex and costly housing and services for them.

So I'd come back to you and say I understand the argument you're making. What I would ask you to do is look at the cost avoidance that would come from making sure that independent seniors are given a better income break, either through better pensions or rent supplements, so that their health is maintained at as high a level as possible for as long as possible. You may find that there's a trade-off in terms of cost to government as a whole that would lead you to believe that it's advantageous—let's set aside any other consideration—to actually increase the funding now for those seniors.

Hon. Dwight Duncan: Well, we have through our aging-at-home strategy and a number of other—we've increased the budgets for community care access centres. There's a range of programs. In fact, the rate of growth in those programs has been quite high. I don't have the specific figures in front of me.

I agree with the premise of what you're saying, that those investments that help keep people living independently do have a cost-benefit return—most importantly to them. It helps them stay at home and hopefully lead as high a quality of life as they can. But before we could give an undertaking around addition—because, again, in not-for-profit homes there's already a built-in subsidy—we need to identify the total cost and we need to understand what the impact of that is on the budget and what the return would be.

We've chosen our aging-at-home strategy. We've chosen to enhance funding for community care access centres—because that goes to the entire population. There are many seniors who don't have the benefit of not-for-profit housing, who are struggling to stay in their own homes, and that's one of the reasons we have the seniors' property tax credit.

So there's a range of tax supports and other programs in place.

Again, to your specific question, no, I could not agree to what you're suggesting now because I think what we're absolutely obligated to do is to identify the cost associated with any of those program expansions, compare it to other choices—for instance, an enhancement to the aging-at-home strategy; an enhancement to the CCACs—and then understanding the impact that has on our financial statements, because it has to be paid for.

Is there a cost benefit? Yes there certainly is an economic cost benefit. The challenge we have to always be cognizant of is matching when the returns come in against when the expenditure goes out, because, unfortunately, when we go to China to borrow money, they don't look at the other side of it. And we're borrowing—we have a $40-billion borrowing program this year and $19.3 billion of that related to this year's deficit.

I will not disagree with you in terms of the objective, the ideal—and through our investments in the aging-at-home strategy and a range of other good programs and services that we have, including not-for-profit housing, which has an implicit government subsidy, we've done that.

Mr. Peter Tabuns: If you can't make a commitment to actually make a financial shift at this point—and I'll say again, there's an amount that's been allocated and I think you could look at changing the rules within that allocation of $185 million to provide at least an opening for seniors, as housing advocates have put forward—could I ask your department, then, to look at the cost-benefit analysis of reducing longer-term health care costs tomorrow by investing in seniors' health and well-being today?

Hon. Dwight Duncan: I'm not disagreeing. If there's an underspend in a program like you've pointed out—you've got a number—you can put it right back into consolidated revenue to help reduce your borrowing, or alternatively you could invest it in any range of programs or services, including a range of programs and services for senior citizens. We could choose, for instance, to put that into the aging-at-home strategy. We could choose to put that into any number of other very worthwhile programs or services.

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We have, as you know, in the program you've identified, adjusted it because there wasn't good take-up initially. In fact, we were surprised at how little take-up of the program there was, so we looked at the criteria. I haven't looked at the most recent numbers for that program, so I don't know if those criteria changes that we put into place a year or so ago have yielded more take-up of the program. I don't know if any of my officials are aware of that. But we did look at the criteria when the program was set up, and we were surprised at the lack of take-up—not unlike, by the way, Second Career when we set that up. Any time you do something that hasn't been done before, you're trying to use your best judgment to determine what the take-up will be. As it turned out, the initial criteria that we put in place for Second Career were too restrictive, so we looked at them, we revised them, and we dealt with the problem.

As to the specific program you're referencing, I will undertake to get back to you to see if any of that's changed as a result of the program changes we made and provide you with that information.

Again, I have to tell you, and I have to keep saying, that if there's an underspend, whether it's in that program or any other range of programs, you have to look carefully at how you reallocate those resources. Whether you want to reduce the amount you're going to borrow this year by that as a result, whether you take those funds and put them into another program—aging at home, whatever that happens to be—that's a matter of looking at a whole range of priorities.

I should also point out that one thing you learn as you delve into the numbers and have the privilege that I've had of serving in this position as long as I have is that, in addition to those under-spent programs in every ministry, there are programs that have large what we call risks; that is, there's been more demand than we thought and we're moving towards an over-spend.

So it is appealing to look at something like that and say, "Well, take the money and move it over here," because it makes sense—you make a logical argument. But I'd have to look more carefully at the estimates—I'll invite you to do this—and our own internal numbers. In virtually every ministry of government, there are pressures that we call risks to the fiscal plan, and we do get under-spends in some programs, so it's a complex picture. You don't do that until you're certain, with respect to kind of what the aggregate numbers are on your over-spends and under-spends, first by ministry and then from the overall perspective.

Mr. Peter Tabuns: I understand your argument. I know, when I go back and talk with them, the argument they make to me. It's also a very logical one, and that's that they built the country that we live in. Their work over decades allowed us to live the kind of lives that we live. Allowing them to lead a life not of luxury but a life where they don't spend all their time looking for the cheapest food they can get, where their lives are not dictated simply by what's on sale, but occasionally by what they'd like to buy—so I understand your argument. I think they make a very powerful and compelling one as well, and one that I think increasingly we're going to have to listen to.

I want to move on to another question, and that's to do with—

The Chair (Mr. Garfield Dunlop): You have about four minutes on this round, Mr. Tabuns.

Mr. Peter Tabuns: Are you keeping good time, Mr. Chair? You're moving me through awful fast.

The Chair (Mr. Garfield Dunlop): I keep time, yes.

Mr. Peter Tabuns: If I only have four minutes, then I might go to a different question.

The agreement with the federal government, under HST exemptions, provided the total value of the exemptions is under 5% of the GST base—according to page 156 of the Ontario budget, the government's exemptions total about $600 million. How much room is left under the 5% cap for further exemptions?

Hon. Dwight Duncan: I'm going to have to get back to you on that, because we had a very significant change to that in June when we agreed to the First Nations' point-of-sale exemption. I don't believe we've even got the final calculation on that yet—but it does bring us very close to the 5% mark. Allow me to get back to you. We have to wait for the federal government to tell us, I think, what that is. We have not got that number back yet, but it does get us very, very close to the 5% mark. That turned out to be a fairly expensive proposition.

Mr. Peter Tabuns: What was the total value of the 5%, then? You had had exemptions of $600 million. You've made a further agreement with First Nations. Now you're saying you're very close to the limit. What was the total value of that 5%?

Hon. Dwight Duncan: I'm going to turn that over to Greg to give you the answer to that.

Mr. Greg Orencsak: I'm going to ask Steve Orsini, who's the associate deputy minister of the Office of the Budget, Taxation and Pensions, to help us with that.

The Chair (Mr. Garfield Dunlop): Both of you state your names, please. Thanks.

Mr. Greg Orencsak: Sorry. I'm Greg Orencsak. I'm the Acting Deputy Minister of Finance this week and otherwise the assistant deputy minister of the fiscal strategy and coordination division.

Mr. Steve Orsini: I'm Steve Orsini, associate deputy minister of the office of taxation and pensions.

Just let me elaborate a bit more in terms of the structure that the province had negotiated with the federal government on point-of-sale flexibility.

Previously there was, as part of the Atlantic provinces—their ability to provide point-of-sale exemption was non-existent. The federal government relaxed their rules as part of the negotiations with them on the HST and provided those provinces that are signing on to the CITC agreement 5% of the GST base. It's not the Ontario portion of the HST; it's really the federal base.

One of the things that the federal government, in terms of their policy direction—they wanted to grant policy flexibility to provinces and provide them relief, but because of the administrative complexity, because of the precedent it sets for other provinces, they put some parameters around it—for example, the 5% limit.

Then there's also the issue that it has to be capable of being simply administered so that it wasn't too cumbersome in terms of the ability of the CRA to administer and of businesses to comply, and there's a number of those criteria.

It's one that the federal government, at the end of the day, can adjudicate in terms of whether or not it meets their amount. That's one that is negotiated with the federal government in terms of that precise number. We haven't arrived at that precise number. The sense that the minister referred to is a recent point-of-sale exemption for First Nations. It's one that, often, when the province decides to move on a point-of-sale exemption, what happens is that Statistics Canada has to confirm those numbers, and there's a bit of a period of time when these numbers have to settle down and be confirmed.

The numbers we released in the budget are our best estimates. Some of these—the one for First Nations is going to be an actual amount that will determine the actual cost of that point-of-sale exemption.

All of that is to say it's still in a state of play and we don't have that definitive number at this point.

The Chair (Mr. Garfield Dunlop): Thank you very much.

Mr. Peter Tabuns: I'm going to come back to this question when it comes back to me.

The Chair (Mr. Garfield Dunlop): Sure.

Thank you very much. We'll now go to the government members. You have 20 minutes. Mr. Brownell.

Mr. Jim Brownell: Thank you, Mr. Chair, and certainly thank you, Minister, for coming before us and giving us this opportunity to hear your words and perhaps to reflect on—since your last time here, and look to the future.

I'd like to turn to poverty reduction. I'd like to make a few comments about back home and then ask a couple of questions.

With regard to poverty reduction, I certainly have had a number of opportunities back home to work with the folks who are working on poverty reduction: Judy Dancause, at the Agapè Centre, our local food bank, food kitchen and resource centre—she's doing a remarkable job there, and I commend her; and also Michelle Gratton. She is the executive director of the Social Development Council of Cornwall and area. I've met with them many, many times, even at the food bank with Judy Dancause and the Agapè Centre. I've done some volunteer work there so I've seen right first-hand some of the work that they've done.

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But they're always concerned and always telling me that there are more challenges and they continue to have challenges and whatnot. They're very excited that the government is looking at poverty reduction with a strategy and the work to implement a strategy.

They're also concerned about the possibility, and they've directed this to me—not only these two folks, but others in the riding have commented that in this current global financial situation, they're concerned that poverty reduction will be at the bottom of the list when it comes to supports in the future. I try to reassure them that, no, we're speaking here at Queen's Park and certainly interested in moving on with the strategy and whatnot.

So I'd like to find out what has been done and how things are moving on with regard to poverty reduction, and also to look at that global economic situation that we're in right now and what impact that might have on supports to poverty reduction strategies in the future.

Hon. Dwight Duncan: Jim, as you know, we've undertaken a number of initiatives. I'll put this in the context of the last seven years.

First of all, we've raised the minimum wage quite dramatically. The minimum wage was frozen for a number of years prior to our coming to office, which essentially cost people working with very modest incomes a significant reduction in quality of life resulting from that policy.

We have raised social assistance benefits. We've done that, I believe, in each year that we've been in government. I'd want to just double-check that for you, but we have. They've been modest increases designed to keep up with the cost of living. As you know, they had been cut 22% and frozen for a period of years prior to our coming to office.

In addition, we set up a poverty strategy group that was chaired by the now Minister of Health, Deb Matthews, which looked at a whole range of issues, including how we measure poverty, because that's the subject of great debate. How do we quantify success? How do we start to measure, and what are the measures associated with that?

The work we did, I think, is among the most progressive work in the world. It's been hailed by anti-poverty groups. It's been applauded across a range of jurisdictions. That is still a work in progress as we move on.

We've done a number of things on the tax side. The Ontario child benefit, for instance, was a massive tax cut for the poorest among us. It puts money back in their pockets; I believe it's $1.7 billion per annum. It was an enormous tax cut, and that, by the way, on top of the tax cut that we've provided to the first income tax bracket for those people, again, who are working with very modest means. So we've taken a number of steps along those lines.

The world economic downturn impacts—it has impacted everybody in the world. Unemployment has gone up. It makes it challenging to meet goals, but we've set goals. It'll make it difficult to achieve those targets simply because of what's happened in the world economy, but that does not remove the obligation from all of us to continue to work to reduce the impacts of poverty, to make measurable progress across the determinants that we laid out in our anti-poverty strategy. So we have provided a range of supports: tax cuts, income supports, investments in everything from breakfast programs through to after-school programs, full-day learning for kindergarten—a $1.5-billion investment. That will help families that struggle with the cost of child care. It will help a mother, particularly a single mom, get back to work when she wants to get back to work if she knows she's got a quality, full-day program. So that's all part of it.

There is no doubt that the last two years have been a huge setback. A large number of Ontarians lost their jobs. Even though we've regained, I think, 85% of them, there's still a large number of people who lost their jobs. Other people have seen their incomes cut. I can think of people who may not have lost their jobs, but they're not getting overtime—the waitress in a restaurant who's not seeing as many customers paying as big a tip.

We have more to do, but I believe that we're the first government in Ontario to lay out a strategy, lay out benchmarks, lay out goals, and then markers by which we can judge so that if we're successful in some areas, we know what we did right; if we don't succeed in some areas, we look at what we've done and see if we can do it again and what we can do differently to make whatever that investment or that initiative was work better.

Mr. Jim Brownell: Good. Thank you for your message there. I do know that the folks back home, Judy Dancause at the Agapè and Michelle Gratton, work very hard with the social development council. They certainly are gratified that there are goals—and achievable goals, but they and some of the others who work with them have always said that with the downturn, they were frustrated when some were saying that there might be a reflection in other areas that would put it at the bottom. That helps me.

I'm going to be changing the subject now to the HST—

Interjection.

Mr. Jim Brownell: Sure, okay. I'll move it to my good colleague from Lambton—

Mrs. Maria Van Bommel: Lambton–Kent–Middlesex.

I just want to ask the minister about something that came up yesterday when I was at the plowing match. I had the opportunity to talk to a number of farmers there. Many of them, of course, really understand how they're benefiting from the HST, what it's doing for their business and things that they're able to claim that they hadn't been able to in the past. But one of the things that they're not quite aware of is how the HST is actually part of a bigger and more comprehensive tax package, which would benefit not only their businesses but other businesses, how it involves economic growth for their communities and for their sector, and also how it would impact and benefit Ontarians and Ontario families. Could you explain a little bit further what the comprehensive package is, and not just that part of the HST but that entire package?

Hon. Dwight Duncan: Absolutely. We were gratified by the support we had from rural Ontario on the HST. They were a leading proponent because I think they understood the value of it to the farming community. We'll continue to work with our rural and farming communities to ensure that, as we move forward, they benefit from this.

The HST, as you know, Maria, was actually part of a broader tax reform package—some $10 billion in personal tax cuts. We also have a range of corporate tax cuts, many of which will benefit the farming community. The order of magnitude of the cuts in other areas is designed to help the family farm by reducing their corporate taxes, their personal taxes where they apply—and, also, of course, they'll get the input tax credits, which are very important to the farming community as well.

For instance, one of my assistants handed me a letter here from 44 top economists in the province, all endorsing this package as being the right package to stimulate future growth in the Ontario economy and in rural Ontario. I think that's why the OFA supported what we were doing and have urged their members to see the whole package.

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You've got corporate tax cuts, you've got personal tax cuts—farmers will benefit from that—and input tax credits totalling billions of dollars. The savings associated with the inputs a farmer would buy, in and of themselves, quite apart from the corporate tax cuts, the personal tax cuts, are substantial. One of the reasons we moved forward the way we did is because of the benefit to rural Ontario. I think that's why you were getting the response you were getting. You are certainly more in touch with the farming community on a daily basis than I am. I think even in your own family farm business you and Rene have probably figured out where the benefit accrues. I know that more and more people are looking at that carefully and giving serious thought to the arguments we've put forward.

For instance, if you're a small farmer and you get charged a small business rate, you're getting almost a 20% reduction in the rate, from 5.5% to 4.5%. If you're a large farm and you're paying the corporate rate, your tax is going to go from 14% to 10% over the next three years. In the food processing end of it, if you're a manufacturer, your tax has already gone this year from 12% to 10%. Again, that's a very significant cut in your corporate taxes.

The final point, on the personal income side, is: If you're a farmer of very modest income, like all Ontarians you're now going to be paying the lowest rate on the first bracket to $37,000, and, in addition, dealing with the concerns of people of more modest means, the most generous sales tax credit in the country.

It is part of a broader tax package that has been endorsed, first of all, by the federal Conservative government. It has been endorsed by the Ontario Chamber of Commerce, 44 top economists in the province—a whole range. The Ontario Federation of Agriculture has endorsed it. It is a difficult policy, and it is one that you've got to explain carefully to people.

We can no longer avoid the question of how to make our tax system competitive. We simply could not ignore that. We would do so at our peril. In fact, I think the IMF today released a study recommending that the USA adopt a value-added tax. I can't envision that happening any time soon, but they talked again about the importance of reducing taxes on income and investment. Farmers make huge investments in their farms, whether on the land itself or the machinery and equipment that goes with it, and also reducing taxes on income in exchange for a tax on consumption. That's why 140 jurisdictions around the world have this.

I think it's important for governments to show leadership and to say, "Look, we want to get to a better, more productive economy." The way to do that, whether you're dealing with a more competitive tax system or you're making billions of dollars in investments in new energy, new energy systems, so that we no longer ever, ever again have to put diesel generators in downtown Toronto just to make sure we can keep the lights on, is to have an honest discussion about that. I think that those kinds of investments, and investments in education, are all about building a better Ontario for our kids, a more prosperous Ontario and, to your specific point, better opportunity for our rural and farming communities and farmers, particularly, to do better in a more competitive tax environment.

Mrs. Maria Van Bommel: Thank you.

The Chair (Mr. Garfield Dunlop): You've got about another five minutes.

Mr. Bob Delaney: Thank you, Chair. That's exactly what I was going to ask you, so you've already started off answering that.

Minister, as I suppose nobody has to be told these days, after going through the recession, there are a lot of people out there who are a little cranky and frustrated. One of the things they're cranky and frustrated about is that they're not entirely sure who to be cranky and frustrated at. They've seen the banking system totter and financial institutions that used to be considered pillars of that industry simply collapse in more than one country.

A lot of people say, "I know it didn't happen here but, nonetheless, I'm still upset." The upset may mean anything from "My career hasn't progressed fast enough" to "I lost my job," or "My neighbour lost his job," or "My kid hasn't found his first job," or "My company isn't expanding." Even as we look at Ontario's progress out of the global economic recession, and, as you said earlier, we have the privilege of having an inside look, we do have to speak to some of Ontario's families, individuals, students and seniors, and talk to them and take some esoteric points and speak to them in layman's language.

In that vein, I'd like to ask you to provide us some more details as to what exactly is the Global Risk Institute in Financial Services.

Hon. Dwight Duncan: It will be a world-leading educational tool here in Toronto, which is the third-largest financial centre in North America, designed to promote collaboration between university researchers, regulators and practitioners in fields such as finance, economics, accounting, math, law, actuarial science and management. It'll help us build or provide additional infrastructure for what is, I think, the fastest-growing part of our economy—financial services.

To your point, Canada's reputation was enhanced in the last downturn as a result of the strength of our banking system, the regulatory regime that was put in place about 10 years ago by the government of the day in Ottawa, resisting the temptation to go down the deregulated route of the United States.

I wanted to address your preamble a little bit. The last two years have been very difficult for people. Whether you lost your job, as a lot of people did, or even if you didn't, you became more nervous about your job, and people feel that. It touches them very directly.

Tens of thousands of us saw our savings, our RSPs get really hammered—some people, 50%, 60%—in the span of a number of weeks. Even though that has recovered, I think the impact of what we all lived through stays with you and changes your perspective. It causes you to reflect on what your priorities should be and where you need to go. But it gives us an opportunity to make investments, like we did in the Global Risk Management Institute, in order to ensure that those parts of the economy that are growing can grow more. I was glad we partnered with the federal government on that. We put in $10 million; the federal government put in $10 million. That is precisely why we need to make investments in education, whether it's full-day learning or post-secondary education, whether it's Second Career, which is skill sets for people who have lost their jobs, to help give that greater certainty back to people.

That's why we have to make decisions around a more competitive tax environment. It's all about building a better and stronger economy in the future. Just as the Premier often says, every generation of Ontarians, going back to the pioneers who cleared the land, have had to make sacrifices in order to build this province. The challenges we find today are as real, albeit in different ways, as the challenges that our parents found in the pre- and postwar period, as those pioneers found. It's important to take a leadership position and it's important to, in my view, make investments like the Global Risk Institute so that Toronto can hopefully some day be, if not the third leading financial centre in North America, the second.

My predecessor, Janet Ecker, who is the head of the Toronto Financial Services Alliance, believes that is a very realistic goal. We're 12th worldwide now. There's no reason why we couldn't be in the top 10 and even higher.

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So these kinds of investments, I believe, are important not just in terms of the longer-term growth of an important sector of the economy but also in helping to restore confidence and give people a greater sense of security as we move forward in the coming years.

The Chair (Mr. Garfield Dunlop): Now we'll go to Mr. Miller of the official opposition.

Mr. Norm Miller: Minister, I'd like to start by asking about your forecasting. During the first round of questions, I asked you about inconsistencies in your deficit forecasts, pointing out that in the past year the figures changed several times. Pretty much every quarter, the deficit numbers changed. You explained that forecasts are difficult. Yet you're forecasting a balanced budget not one or two years out, but seven or eight years out: 2017-18. Given your track record, why should Ontarians believe that forecast?

Hon. Dwight Duncan: I remind you that three years ago we had an unanticipated surplus of some $7 billion, and we invested that in municipalities and a range of other areas.

Forecasting is, by its very nature—in fact, TD Bank today came out and revised their projections for next year, as they do on a quarterly basis as new information becomes available. The economy is dynamic. It's constantly moving, constantly evolving. In periods like we've been through in the last two and a half years, it has been particularly volatile.

I remember Prime Minister Harper saying on November 14, 2008, that they would continue to balance their budget for years and years ahead. We had already done the responsible thing and announced that there was, in fact, going to be a deficit. Within weeks, of course, the Prime Minister had to retract that, and they went on to have the largest deficit in Canadian history.

The point I'm making there is that forecasting is a difficult business. It's particularly difficult in a volatile economy.

You'll see, as we move forward, that we will continue to adjust—we do it on a quarterly basis—and report on that, and people will judge us accordingly.

Mr. Norm Miller: You had some huge, huge changes in the last year. I think you definitely set a record for numbers changing, and I went through those last time.

I note that in his article in the Globe today Jeffrey Simpson says, "Never, ever believe fiscal predictions seven fiscal years from now. They are jokes at best, deceptions at worst."

His article states: "The Fiscal Drag in Ontario is Bad—Why Won't Our Politicians Say So?"

He says the following:

"An unsettling post-recession disconnect has settled over Ontario politics....

"The disconnect lies between the doleful fiscal situation of Canada's largest province and the apparent unwillingness of Premier Dalton McGuinty, or any of the province's politicians for that matter, to talk seriously about that situation.

"Instead, the Premier has spent the past few months announcing new, long-term and costly spending policies, as if the $20-billion deficit hole in which Ontario finds itself either does not exist or will disappear when economic growth returns.

"The $20-billion deficit for 2010-11 follows on a slightly larger hole for last year, and precedes what is predicted to be a $17-billion one in 2011-12, another $16-billion one in 2012-13...."

That's where he says, "Lesson one in reading budgets: Never, ever believe fiscal predictions seven fiscal years from now. They are jokes at best, deceptions at worst. When Mr. McGuinty's government predicts a balanced budget in 2017-18, it is literally fooling itself and the voters."

How do you respond to that? It's not me; it's Jeffrey Simpson of the Globe and Mail.

Hon. Dwight Duncan: I think he's wrong. I think Jeff Simpson is really wrong, and I think that column was dumb. I think it betrayed a stunning lack of understanding of the fiscal challenges facing provinces.

Let me tell you what the C.D. Howe Institute says about our accuracy. This is from their document Canada's 2010 Fiscal Accountability Rankings. In the recent report published by the C.D. Howe Institute, Ontario received an above-average score in bias and accuracy indicators for its revenues and expense forecasts in comparison to the federal government and other provincial and territorial governments.

I think Mr. Simpson doesn't get it, and I think he doesn't tell his readers the truth, and I think he takes positions that he can't defend. On the one hand, he talked about the HST being a defensible policy, and then, two paragraphs later, he talks about a whole range of other things that benefit from it as not benefiting from it. You get people like that; you get columns like that. I prefer to rely on organizations like the C.D. Howe Institute. I will point out that not only in the first year of our plan we exceeded our target, which conveniently was ignored by Mr. Simpson.

I think he makes some valid points. He pointed out that your leader and your party haven't said what they would do and haven't addressed tough issues. I concede that. I would also not—

Mr. Norm Miller: He goes on to respond—

Hon. Dwight Duncan: You can read it into the record. I'm sure everybody at home saw it in the Globe this morning who wanted to see it. But he also pointed out—

Mr. Norm Miller: But he goes on to say, "The prediction is foolish because it rests on too many imponderables." The one good point he makes—

Hon. Dwight Duncan: If you look at his record on predictions, every year—

The Chair (Mr. Garfield Dunlop): One at a time.

Hon. Dwight Duncan: Every year he writes a column telling you why he got it all wrong. You know what? One column here, one column there: I'm not going to do that. What we're focused on is getting Ontario back to a balanced budget. We've laid out a plan. We're not going to close hospitals and schools the way you would.

Mr. Norm Miller: Minister—

Hon. Dwight Duncan: Well, I shouldn't say that; we don't know what you're going to do.

Mr. Norm Miller: If he'd let me ask a question—

Hon. Dwight Duncan: Rather than just read one column—

Mr. Norm Miller: What I'd like to ask you is this.

Hon. Dwight Duncan: —read the C.D. Howe Institute. Read other documents and look at what we achieved in the first—

Mr. Norm Miller: If you'd let me ask the question, what I'd like to ask you is this: Your plan counts on health care costs going up 3% a year, which has never been achieved. How can we believe that plan? What are you going to do to achieve that 3% increase?

Hon. Dwight Duncan: We took $750 million out of pharmacy this year. You stood up for big pharmacy. We stood up for consumers. It is a challenging goal; there's no question. Quebec today had to back down on their health user charge. There's no question that health care costs are going up. We have achieved our budget projections in the past on health care. We've had to adjust. There are some years we've missed them, but you know what? What's important is to lay out a plan, which we've done. We've laid out the numbers. We accept criticism. We accept challenge. I'd like to see your plan. Are you going to close another 28 hospitals?

Mr. Norm Miller: Moving on from that, you're talking about—

The Chair (Mr. Garfield Dunlop): Next question, Mr. Miller.

Mr. Norm Miller: —the success you've achieved in maintaining expenses. I note that in the public accounts you talked about "create efficiencies in our own operations" in your opening statement, and you talked about the fact that you're making savings. You just mentioned $800 million. So I look at the public accounts and I see the budget for programs in 2009-10—$106 billion—and yet you spent $400 million more than that $106 billion. Can you tell me where the savings are that you found if you spent $400 million more than you planned in your budget at the beginning of the year?

Hon. Dwight Duncan: When you are within two tenths of 1% on your numbers in your expense projections on a $110-billion budget, you're going to have variance. I think what's important—

Mr. Norm Miller: But I'm asking you, if I might—

Hon. Dwight Duncan: Because you've asked me a specific question, I'll try to give you as good an answer as I can. We made a number of decisions in the context of the downturn in the global economy, including large investments in infrastructure, which the federal government did and other provincial governments did. We've made a number of strategic long-term choices that are designed to enhance economic stability and growth in the economy over time. As I say, the budget target for the first year on deficit reduction was overachieved and, over time, we will see that, I believe, continue to bear fruit.

Are there difficult challenges? If you read the budget, you'll find that we acknowledge that. The 3% on health care is a big challenge, no question about it. I can't deny that. But we remain convinced that we can do it.

I think the best example was the pharmacy moves we took earlier this year that were designed to help us save money there, but there will no doubt be additional pressures moving forward on the health care file.

Mr. Norm Miller: So what specific savings have you found? We had the meltdown in October 2008. What savings have you found?

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Hon. Dwight Duncan: Since October of 2008? What do you mean by "savings"? Our spending has gone up. We invested in infrastructure. Absolutely.

Mr. Norm Miller: Any talk about efficiencies? I would like to know—

Hon. Dwight Duncan: Yeah, I'll give you an entire list of those. We'll break that out, and I'll report that back to the committee.

Mr. Norm Miller: Could you tell me what the total amount is of those?

Hon. Dwight Duncan: There's a billion dollars, I think you'll see in the earlier years, but every year you'll see a line in the budget around that. I'll give you a breakdown of those.

Mr. Norm Miller: I've seen the line in the budget; I've just not actually seen—

Hon. Dwight Duncan: I'll get you the list. For instance, we froze MPPs' pay. For instance, we've cut travel budgets. We've cut consultants' budgets down from where your government left them. I'll get those numbers for you as well. But we've taken a range of steps like that, and I'll get you the details.

Mr. Norm Miller: If you're looking at trying to deal with the $20-billion deficit that you face and faced last year and goes on for many years through to at least 2017-18, if we're taking your plan at face value, about half the budget is wages, and you've announced in this year's budget a plan to have a two-year pay freeze for unionized workers. So far, it doesn't seem like those talks are going very well with the unions. What happens if you don't achieve success in that two-year freeze? Do you have a Plan B?

Hon. Dwight Duncan: First of all, we have legislated on non-bargained unit employees across the public and broader public sectors. Second of all, we've achieved a number of agreements now, since the budget announcement, that achieve a net zero and zero. There have been a number of them settled that do not achieve that. We continue to talk with our partners in the public and broader public sector and will continue that course of action.

We believe that working together is the right way to go. We saw what happened when 26 million school days were lost in this province before. We think that people of goodwill can work together to find solutions and challenges. As I say, we will continue those discussions; they're ongoing. I believe they met today as well. But what we have said is that transfers to transfer agencies will not cover anything above zero and zero. That policy is in effect and going on now.

Mr. Norm Miller: So that's the transfer agencies. What about the general public service?

Hon. Dwight Duncan: We're not going to raise budgets to reflect anything above zero and zero.

Mr. Norm Miller: So if a union does negotiate a 1% or 2% increase in wages over the next couple of years, there will be savings somewhere else or cuts in service?

Hon. Dwight Duncan: There would have to be, yes.

Mr. Norm Miller: And while I think of it, Mr. Chair, Mr. Sterling asked me to ask that the clerk get a copy of the letter from the Minister of Finance to the Nortel pensioners.

The Chair (Mr. Garfield Dunlop): I think we've asked for that, yes.

Mr. Norm Miller: If I can please make that request. I think that Mr. O'Toole was jumping the bit, wanted to ask a question here.

Mr. John O'Toole: Well, I'm just following up—

The Chair (Mr. Garfield Dunlop): You have seven minutes, Mr. O'Toole.

Mr. John O'Toole: Yes, thank you very much.

Just in following up, I thought the article by Jeffrey Simpson was worth reporting, as Mr. Miller has done. But also, David Dodge said back in June that Ontario has indeed a structural deficit, which is a spending problem by another definition. In the context of that same observation, we should email Mr. Simpson about your qualified observations.

Now today as well, in the Toronto Star, the title: "Big Pension Funds Bypass Province." It reads, "Ontario is failing to attract big international pension funds and other large pools of capital to finance reconstruction of its electricity infrastructure, says Michael Nobrega." He goes on to say this is the largest fund and they're bypassing Ontario: "Foreign pools of capital avoid Ontario because they encounter clearer investment regimes abroad, where government stands back from day-to-day" operations. Ontario "is more likely to take an active day-to-day role." This is the red tape regime that we're seeing that's impacting the province of Ontario's competitiveness. Could you respond briefly to that? Is that false as well?

Hon. Dwight Duncan: No, it's accurate, but what happened was when you people imposed the price cap on electricity, investment dollars fled the province and confidence has not been regained; that's number one.

Number two, Mr. Nobrega makes a good point, in our view. I've had the opportunity to speak with him, and I do concur with him that we need to find more opportunities for those large pools of capital to operate.

One of the things they've asked for is a relaxation of the 30% rule that the federal government imposes, and the federal government has refused to do—

Mr. John O'Toole: Well, I just want to fill out the article a bit here. Go ahead.

Hon. Dwight Duncan: I think that we do want to attract—I should remind you, I think we've got 49 P3 projects under way now that involve investments from large, foreign banks that are bearing fruit. But I do agree with him that we need to find ways for large pension funds to access not just the energy sector, but other opportunities to invest.

Mr. John O'Toole: But he does talk about Ontario.

Hon. Dwight Duncan: Yes, and he's right.

Mr. John O'Toole: In fairness, he does talk about Ontario's one-third utility purchase transfer that needs to be removed, and I'm sure you'll be looking at trying to improve and amalgamating more of the utilities. He goes on to say—but this is the other part of it. The whole Bill 150 strategy is completely wrong. In fact, you'll find other experts around the world avoiding the volatility in the Ontario market. It's dominating most of question period.

Another person from London Economics: "Goulding said the feed-in-tariff program, which grants renewable energy producers fixed prices at higher than market rates, is a mistake.

"Goulding likened it to paying less-productive employees higher wages than their workmates.

"The program, along with other green energy policies, has been touted as a job creator, but Goulding said money that consumers will pay in higher electricity prices"—which we're hearing today from the NDP and everyone—"to finance the feed-in-tariffs might produce more jobs if it were spent directly" or retained employed workers.

You see, it's your strategy that is completely wrong. In fact, today we read as well in the paper—you're under siege here, not by us, but your friends in the media. They say that we have the highest tuition in Canada. You increased tuition fees under your policies by 10% this year.

We talk about a knowledge-based economy, an innovation economy on the electricity side, and Jeffrey Simpson, quite a loyal Liberal commentator and an intelligent fellow—you dispute him. Are you listening to the people? Not just in question period, Minister. The economy and the consumers of Ontario are under siege by your policies, whether it's switching on a switch or going to the store or trying to find a job—our students.

It's fine, the public sector; we need it. We respect it. We're not—as you vilify it in your remarks.

What you're saying is, "It's our way or the highway." It's costing more, and we're getting less in health care, in education, in daycare.

I'm asking you a question. It's not just me or the comments that Mr. Miller has cited from the media or that I've cited from both papers that are generally friendly to you. Your electricity plan, which was supposed to create 16,000 jobs, is a failure. We're paying 80 cents a kilowatt hour and selling it for five to nine cents. None of this is good policy. Or do you think it is good policy to run Ontario into the ground by spending more than you're making? Just answer that simple question.

The Chair (Mr. Garfield Dunlop): You've got two minutes left.

Mr. John O'Toole: Well, I'll give him some time here to get the rope out.

Hon. Dwight Duncan: We have to invest in new transmission and new generation in order to ensure a stronger future for our economy—

Mr. John O'Toole: That was the agreement you signed with Bruce energy, guaranteeing them, even if the energy was stranded, that you could get it out. You spent $1 billion building a transmission line under a contract that you agreed to pay them.

Hon. Dwight Duncan: Sir—

The Chair (Mr. Garfield Dunlop): Okay. Let's let the minister answer the question.

Mr. John O'Toole: So don't blame it on us.

Hon. Dwight Duncan: Sir, your government signed that first agreement.

Mr. John O'Toole: Not the first one. You find the signed—

Hon. Dwight Duncan: With respect, you signed that agreement. By the way—

The Chair (Mr. Garfield Dunlop): A minute and a half left in this round.

Hon. Dwight Duncan: Yes, we will continue to make massive investments in our transmission. You're trying to pretend that you can freeze the price of electricity, and you can't. You're trying to make Ontarians believe that we had to stay with meters that were invented in 1909. You're trying—

Mr. John O'Toole: I talked to people this week from Sault Ste. Marie who told me—

The Chair (Mr. Garfield Dunlop): Let the minister finish, Mr. O'Toole.

Mr. John O'Toole: —meters that were in the homes—

Hon. Dwight Duncan: I think people of good will get it. They understand that the investments we're making are essential to ensure that we don't have to put diesel generators in downtown Toronto anymore, that we don't have over—

Mr. John O'Toole: You fought every investment in nuclear retrofits—

The Chair (Mr. Garfield Dunlop): Mr. O'Toole, would you let the minister finish, please?

Mr. John O'Toole: He's putting stuff on the record that's false. In fact, when we did the retrofit to the Pickering plant, you voted against that. John Manley was the head of that plant. We spent billions of dollars refurbishing existing infrastructure, which you and the previous NDP government ignored and avoided. That's why Ontario is in trouble, and you're making it worse, because every megawatt that you install in renewables has to be backed up by nuclear. You have failed to invest in nuclear. In fact, you cancelled the new-build nuclear in Durham.

Those are the facts. Your investments in long-term solutions are nothing more than talk. Your Premier promised to build those plants and now they've cancelled them, just like the 407—

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The Chair (Mr. Garfield Dunlop): That's the end of the official opposition's round. Now to Mr. Tabuns: You have 20 minutes.

Hon. Dwight Duncan: Do I get a chance to respond? I'm going to use my 30 minutes now, Mr. Chair, if I can.

The Chair (Mr. Garfield Dunlop): No, you can't. You can't go back to it.

Mr. Peter Tabuns: When you go to the Liberal rotation—

The Chair (Mr. Garfield Dunlop): When the government members—you'll have 20 minutes after the 20 minutes have rotated.

Mr. Tabuns has 20 minutes.

Mr. Peter Tabuns: And my guess is that your colleagues will give you the room. I have no doubt.

If we could have Mr. Orsini back, I'd appreciate that.

Before you proceed, I had a chance to ask you this question when we went through the revenue estimates. I'm asking the question again in part because either there is no firm number and it's simply a matter for negotiation, or there is a firm number—and if there is, I'd appreciate hearing it. The minister, when I first asked the question—I'm not trying to mix it up, I'm just trying to be clear—said that we had so much that was exemption; we negotiated point-of-sale with First Nations; we're pretty close to the limit.

I assume, then, that there is a sense of what that number is—or will you tell us that it is entirely up to negotiation between the federal and provincial governments? Can I get clarity on that?

Mr. Steve Orsini: I'd be happy to elaborate a bit further. The comprehensive integration coordination agreement we signed with the federal government lays out a formula for a number of things: the revenue formula in terms of how much the province would get as part of the HST pool; it lays out point-of-sale exemption flexibility. It doesn't put a number in there; it puts a formula in there. So part of it is—and it's agreement between two levels of government. In negotiating with the federal government on a point-of-sale exemption, the province has the flexibility to designate what areas the point-of-sale would be applied to. Recently, it was a point-of-sale exemption for First Nations.

The idea is there has to be agreement on the numbers. So last fall, we published a report listing the costing for the point-of-sale. It was a footnote, saying that we still have to confirm that with the federal government. So we gave an estimate, but it still, at the end of the day, has to be ratified or confirmed with the federal government. In fact, in many of the point-of-sale exemptions, it was additional Statistics Canada research.

For the First Nations point-of-sale exemption there is a different methodology being applied. It's based on actual data—expenditures that will have to be collected. There might be a notional amount that is provided, and we've negotiated an agreement with the federal government on that notional amount. The idea is, that is still to be confirmed.

The base amount, what the 5% is, is something that the federal government would have to agree to, and it's a moving target because it ebbs and flows with the state of the economy, because it's 5% of the GST base. Then the costing of all the point-of-sale exemptions has to be agreed to by the federal government.

As we get closer to confirming the First Nations point-of-sale exemption, we'll be in a better position to articulate what those numbers are.

Mr. Peter Tabuns: So in many ways, really, it's whatever can be negotiated between the provincial and federal governments. There isn't a fixed limit; there is an agreement that's reached. So you'd reached an agreement initially for about $600 million worth of exemptions. That was settled. You've put in place a process for another agreement on First Nations point-of-sale. You're going to negotiate that, finalize that. So in fact it's a floating framework rather than a hard cap.

Mr. Steve Orsini: There is a sense that there is a maximum of what's allowable in the framework. The challenge for some of these point-of-sale exemptions is, how much is that adding to the total costing allowable? I think the federal government, just knowing that they're concerned about the complexity that's added to the system every time a point-of-sale exemption—they will enforce a cap at the time and place they feel that would be breaching that cap. Exactly when we reach that is something that has to be negotiated with the federal government, but I don't think it's unlimited, from my experience and my discussions with the federal officials.

Mr. Peter Tabuns: So it's not quite "How high is up?" but it's not as firm as, "This is the floor; this is the ceiling."

Mr. Steve Orsini: It is one that every time the province of Ontario wants to approach a point-of-sale exemption, the federal government can weigh in and say, "You know what? We think that will breach the cap." It's a point of discussion.

Mr. Peter Tabuns: But they haven't sent a number out to you and said, "Here's the cap we're operating from."

Mr. Steve Orsini: No. It's a formula, and it's one that they have not given us a hard cap to work with. We approach them every time the province of Ontario wants to consider a point-of-sale exemption.

Mr. Peter Tabuns: That's useful. Thank you. Strange, odd to my way of thinking, but okay.

Minister, a pension question from a previous discussion: You've said before that an Ontario pension agency would be very expensive to set up. Can you tell me, in your mind, where the costs lie that you see as being an impediment to setting up an Ontario pension agency?

Hon. Dwight Duncan: There is a national pension agency that's established, the Canada pension plan, which has—I think they manage pension investments at about a quarter of 1%, 0.25%—Steve, I forget the number—versus 2.5%, say, for a private sector.

We have a model in Quebec, the Quebec pension plan, which is in serious challenge in terms of its ratios, in terms of its—so you're imposing additional costs. In terms of the actual dollar amounts, we haven't looked specifically at the total dollar amounts. We look more at management expense ratios and the cost associated with having a Canada pension plan, an Ontario pension plan supplement, and what that would mean in terms of the management of one's savings and the interrelationship between, say, a supplementary Ontario plan and the Canada pension plan, as well as whatever private pension somebody might have.

In general, the only limitation on that is what I would call the size of funds under management by any one organization, whether it's the Canada pension plan or what have you. We saw in Quebec what happened with the Caisse de dépôt, for instance. But I don't believe we're at that point, and our view is that a strong national pension manager like Canada pension is the appropriate mechanism for managing a public pension system.

We believe that duplicating that will duplicate costs, will create more inefficiencies in the management of funds and the distribution of pension assets to people, and that that existing mechanism, which is well regarded in terms of its management skills, is the appropriate institution for managing public pensions. For Ontario to set up a supplementary pension—Alberta and British Columbia, as you know, initially supported that concept. Both provinces have backed off of that based on the advice they've had from a range of experts associated with the cost of running a supplementary plan within their jurisdiction.

So our view at this point is if people of good will can work together across the country to enhance the Canada pension plan, there's no need for an Ontario supplementary plan. We would prefer to strengthen the Canada pension plan as opposed to setting up another pension manager.

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Mr. Peter Tabuns: Okay. Speaking of the Caisse de dépôt and the recent experience over the last few years with securities, in March the all-party government agencies committee released a good report on securities reform, and I'd like to follow up with some questions on recommendations that they have made, which I think are relevant to us. Certainly one would have thought the caisse would have been more—what can I say?—cautious about asset-backed commercial paper. They weren't. Hopefully, here in Ontario we can protect investors, small investors, who depend on the stock market and securities for their pensions.

The committee recommended "that the Ministry of Finance review the statutory scope of the commission's public interest jurisdiction; and introduce legislation to establish a regulatory framework for credit rating agencies that meets international standards." Can you speak to your approach to those two recommendations? Do you accept them, and if you accept them, can you tell us how you're acting on them?

Hon. Dwight Duncan: We support the latter one, certainly, on the regulation of credit-granting agencies. That is being undertaken at the international level by national governments. I just met yesterday with Dominion Bond Rating Service to get their views on how that has been evolving, and we continue to work with the federal government to ensure that those new international standards are met here in Canada. It's a worthwhile pursuit.

I should say that the industry itself agrees to greater regulation, and we look forward to working on that with the federal government, by the way, in the context of a common securities regulator. But there is international work going on that involves the federal government, and they are trying, as I understand it, to bring the European Union, Americans, Canadians and others into sort of a common regulatory framework for those credit rating agencies. There are only four of them in the world, and Dominion Bond Rating Service, which is based right here in Toronto—their office is literally four or five blocks from here—is one of them. So we support that, they support it, and that dialogue is happening at the international level as we speak.

Mr. Peter Tabuns: The Ontario Securities Commission—the Ontario government, because there is no national regulator, is the de facto regulator?

Hon. Dwight Duncan: Not of bond rating agencies, it's not.

Mr. Peter Tabuns: The committee had recommended that you bring in legislation or a framework. Do you accept that recommendation or are you—

Hon. Dwight Duncan: We believe the federal government has the responsibility, because this is an international undertaking that's going on. The European Union, for instance, has brought forward a number of proposals, and Canada has brought forward a number of proposals. We continue to work with the federal government, but we believe that is their responsibility.

Mr. Peter Tabuns: I'll go back then to the first recommendation in this group: "review the statutory scope of the commission's public interest jurisdiction." They felt that the commission needed more operating room to protect the public. Do you agree with them, and are you acting on that recommendation?

Hon. Dwight Duncan: We work on an ongoing basis with the securities regulator. I signed off in the last year on a whole range of new regulatory authorities. I only have one portion. The enforcement portion falls under the jurisdiction of the Attorney General. But we believe we've made progress. We believe the best progress to be made is through a common securities regulator, which we're working on with the federal government. That securities regulator should be headquartered here in Toronto. But we do rely on the commission itself, which is an arm's-length body from the government, for their advice.

There has been an ongoing debate in this country and province as to the efficacy and success of our regulatory regimes. I should point out that the challenges we saw going through the great downturn of 2008-09 and the outcomes of that were much less severe than in other places, but we will continue to work, first of all, on building a common securities regulator. That is, in our view, the first and most important thing we can do to enhance securities regulation here in Ontario and in Canada. We have dedicated considerable resource to that. We support the federal initiative in that direction, so that is first and foremost what we need to do.

On the regulatory side, we are constantly looking at ways to improve our ability to regulate the stock markets, some of which are met by participants with great support, others of which they've opposed. We have enhanced a number of regulations. I will provide you with a list of those that I have signed, certainly in the last—why don't we say the last year, since the last set of estimates, to give you an indication of that?

Mr. Peter Tabuns: Yes.

Hon. Dwight Duncan: Peter, our view, our strong view, is that a common securities regulator, so we no longer have 14 jurisdictions in Canada involved in this, is in everybody's interest. That is what we're moving towards, and we're working very hard, certainly with the federal government. As you're probably aware, a number of provinces strongly oppose that, but I think some 70% to 80% of capital markets are headquartered here in Toronto, and we will continue to support that initiative, as long as, of course, Toronto remains the headquarters for that. That is, in our view, the most important thing we can do on the securities side.

Mr. Peter Tabuns: Just so I'm very clear, you are not engaged in a review of the statutory scope of the commission's public interest jurisdiction at this time?

Hon. Dwight Duncan: No, we are not.

Mr. Peter Tabuns: Then I am clear.

The committee recommended "that the province establish a dedicated capital markets crime unit with sufficient resources to hire and retain specialized staff to investigate and prosecute criminal law as it applies to misconduct in the capital markets." You've just said that—

Hon. Dwight Duncan: The Attorney General.

Mr. Peter Tabuns: Yes. Is your government, of which you are a part, the cabinet of which you are a part, a person who's a significant player, considering action on this recommendation from the committee?

Hon. Dwight Duncan: I'm going to have to refer that to the Attorney General. What I can say is there are considerable resources expended on enforcement within the Ministry of the Attorney General, but beyond that, I'd have to refer that question to the Attorney General.

Mr. Peter Tabuns: Fair enough.

The Chair (Mr. Garfield Dunlop): You have four minutes, Mr. Tabuns.

Mr. Peter Tabuns: How much time do I have?

The Chair (Mr. Garfield Dunlop): Four minutes.

Mr. Peter Tabuns: It just rockets by, Mr. Chair.

The committee recommended that "the Ministry of Finance give priority to legislative amendments necessary to:

"—implement a regulatory framework for credit rating agencies;

"—enhance the commission's power to preserve assets during an investigation;

"—expand the definition of illegal insider tipping;

"—clarify the commission's jurisdiction over companies operating in the United States in the over-the-counter market that engage in manipulative or illegal activities aimed at Ontario investors; and

"—regulate complex investment products as they are introduced into the marketplace."

As Minister of Finance, do you accept those recommendations from this committee? Are you acting on them?

Hon. Dwight Duncan: We've taken a number of steps. I've just been handed a note to give you a little more detail on what we've done.

Mr. Peter Tabuns: Thank you.

Hon. Dwight Duncan: We've given the OSC more flexibility to take action on the basis of an enforcement order issued in another jurisdiction, to your question, including orders made by courts and security regulators in other provinces; giving investors the right to sue for misleading secondary market disclosure; adding clearer Securities Act offences for market manipulation, fraud and misrepresentations; strengthening deterrents to wrongdoing through increased maximum court fines and prison terms; granting new powers to the OSC to review information that public companies provide to investors, impose administrative fines for securities violations, and order offenders to give up all their ill-gotten gains from those violations.

In my budget this year, we announced that our government plans to propose reforms to the Securities Act—to your previous question—including changes to bolster capital markets enforcement. Ministry staff are working with the OSC to review a number of possible measures. As I say, that is now in the hands, I think, of the Attorney General, so I'll refer it to him. But we have provided the resources. That gives you sort of the eight points that we have focused on in the last short while.

Mr. Peter Tabuns: Okay. Thank you, Chair.

The Chair (Mr. Garfield Dunlop): Is that all you have, Mr. Tabuns?

Mr. Peter Tabuns: For the moment.

The Chair (Mr. Garfield Dunlop): Okay. We'll now go to the government members for the next 20 minutes. We'll finish their round today, I think. We're pretty well close to that right now.

Mr. Bob Delaney: I think we're almost exactly on 20 minutes to finish on time.

Minister, in the last round, there was a little bit of cross-talk going back and forth in between the question and the answer. Forgive me, but I didn't really have a chance to properly hear the answer that I think you were trying to give to the question raised by the member for Durham. For my edification, would you mind amplifying?

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Hon. Dwight Duncan: Yes, there was quite a discussion—a one-sided one, I might add—and I won't use the kind of language to refer to his point of view that he did with me, but he raised Pickering. It came in $1.2 billion over budget. It was done by the last government. In fact, a report that was commissioned by his own government was enormously critical of the way that particular project was managed. The chair of that commission, which had been appointed by his government, the Honourable Jake Epp, a former Conservative health minister, did such a good job on that that I, at the time, when I was energy minister, asked him to become the chair of OPG. We were fortunate that he accepted, and he is still chair of Ontario Power Generation.

On the question of new-build nuclear, what the member neglected to say in his diatribe was that in fact our government has committed to two new nuclear reactors. We did so in 2006 with our integrated power system plan. We have not cancelled that, as he said. What we did do, however, was do an in-depth analysis of what the cost of that would be. Quite candidly, when the report came back, the numbers were much higher than anybody anticipated, and so we have slowed down the process.

We're now dealing with a situation where the supplier of all of our reactors, AECL, Atomic Energy of Canada Ltd., has been put up for sale by the federal government, without consultation with Ontario, without the benefit of knowing what the largest customer of that organization's view is, and that puts considerable uncertainty into the mix as well.

I think what needs to be said about the energy policy is that in 2003, when we came to office, OPG was bankrupt. We had the largest cost overruns ever associated with a single refurb of a reactor, and that was Pickering A, unit 1, which was by any definition a disaster. We were able to proceed with Pickering A, unit 4. We did that refurb and we came in on time and on budget. We chose not to refurb units 2 and 3 because of the cost associated with it versus the return.

We in Ontario need to refurb some 10 reactors over the next 12 years. Nuclear base load accounts for 51% of our power. It is challenging, no doubt, but more importantly, we have to invest in our transmission, the big wires that take power from large generation facilities to communities. We're doing that.

We are investing in new green energy. The opposition doesn't think that we should be paying higher rates for green energy that is produced on our farms, and we respectfully disagree. We think it's an important market. At its maximum it will be a very small percentage of our installed capacity, and what it is designed to do is incent not only the development of that power here in Ontario, but the development of that industry.

I think Ontarians remember the blackout. They remember the summers of 2004 and 2005 when there was a very real risk of blackouts. What that member and his party are advocating is dirtier electricity; that is, our air in our communities will not get cleaned up.

They're pretending that the price of electricity is not going up everywhere else. It is. Some jurisdictions are luckier than others. Quebec and Manitoba have an abundance of hydroelectric supply, which allows them to be among the least expensive not only in North America but in the world.

We do have to be cognizant of our competitive position on the industrial side. That's why we've done a whole range of things, including the northern industrial electricity rate which was included in the last budget.

So any government needs to say, "What are we going to do to have cleaner power, more reliable power, and ensure that we don't have to worry about blackouts in the future, or brownouts or rolling brownouts?" Reliability is key. We will continue to make investments in transmission, in distribution and in cleaner sources of energy. That comes with a cost. We always have to be looking for ways to help consumers manage that.

There has been a great contretemps around so-called smart meters. They're being installed in a whole range of jurisdictions around the world. Ours are now in the process of being installed. They're a modern technology. The old hydro meter that most of us have in our house? That essential technology was invented in 1909. If you ever try to read it—I don't know about you, but I can't read it. Not only will they afford us opportunities in the future to manage our consumption, but the system savings associated with the installation of those meters and better wires, the so-called smart grid, will help make this economy more productive and more competitive.

I acknowledge that there are challenges in implementing this. I acknowledge the angst that seniors feel around the price of electricity. We will continue, as we did with our Ontario seniors' property tax credit, to look at ways to assist people in managing this.

Mr. Bob Delaney: Well, if I can just interject a little bit on that, anybody who owns a cell phone is used to time-of-use metering because that's exactly the technology. Your cell phone is metered by what amounts to a smart meter, which is, in fact, a time-of-use meter. Anyway, sorry. Carry on.

Hon. Dwight Duncan: You make a very good point. I guess the point is that politicians of all political stripes, for their own purposes over the years, have tried to pretend that the next unit of electricity is going to be less expensive than the last unit. That's just not the case.

We saw what happened—and we did have to install diesel generators in some of our largest communities in this province in the summer of 2002 and 2003. Our wires were literally falling apart because people didn't want to come to terms with the need to invest to keep the system running.

It's just like our houses—your house, my house: When the wires get worn out, what do we do? We replace them. When we need a new energy-efficient appliance, it costs money, but we know that over time, there will be a payback. That's what leadership is about. That's why what we've said is, "We want cleaner air in our communities."

You know, right now, Bob, today in Ontario, on our old wires we lose almost 15% of the electricity we generate just by what they call line loss. Yet people like Mr. Hudak and others want to allow that to continue. Think about 15%. That would be a coal plant or a nuclear plant. That's what you're talking about. We reject that, and we're going to take our argument to the people of Ontario and say that the kinds of investments we're making are important for a better future for our kids—and at the same time acknowledge that we have got to help people manage through this.

One of the big challenges with conservation is that it's hard to accrue the benefits of conservation to people of more modest means. If you're a senior citizen in a one-bedroom apartment with four or five lights and a stove, it's hard to conserve. We know that. It's much easier for somebody in a large house with a swimming pool and all of the accoutrements that go with that. That is a challenge; we know that. The issue is, how do we help those people deal with that?

We learned from our farmers about how to better use resources, and that's why I support the microFIT program. When I see a wind turbine up in rural Ontario, I know there's a farmer getting a lease payment, still being able to farm the land. And we're producing cleaner electricity. When I see the microFIT program—again, an anaerobic digester; I think a number of us went up to the Stanton farm. You remember Walkerton, what happened and how that happened. Imagine if we had more anaerobic digesters across Ontario so we could take various forms of animal waste, whether it's cow manure, pig manure—and by the way, I guess each one of these different types of waste has different energy coefficients and so on, but imagine if that's how we could dispose of it.

Then, by the way, those farms—the Stanton farm, I think, is probably the best example—can turn even the by-product from that into useful product, whether it's bedding for the barns or algae-enhanced opportunities for fish farming. It's unbelievable.

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We've got to get away from that old paradigm that just says, "Let's freeze the price. Let's not make the investments. Let's just pretend that the way things were going is the way they should keep going." You know what? We will lose our competitive advantage. We will fall further behind if we don't take these steps today.

Premier McGuinty has set this province on a path for a brighter future for our kids, whether you're talking about electricity pricing and policy, education or a more competitive tax regime. As the Premier said on any number of occasions, every generation of Ontarians has had to make sacrifices, and I think all of us agree that we're prepared to make those sacrifices if we think it'll improve our children's opportunities in the future.

A better, more reliable electricity system and cleaner air, I believe, are in everyone's interest, and to pretend that you can artificially keep the price of power down is just not true. There is a big price to pay for that. In the one and a half years of the previous government's price freeze, not only did investment in new transmission and new generation cease; it stopped entirely. It cost the provincial treasury $1.5 billion and contributed to the hidden $5-billion deficit that that government left—the biggest portion of it.

You know what? When you tell people the facts, when we have the debate—and we have to have a debate because it is money, and we have to be sensitive to those needs—I think people will understand the need to make those investments, and I think they will get it.

I was talking to some home builders and they're saying that young families are now demanding energy-efficient appliances in their homes, whether it's one of those hot water heaters that just flows the water or any range of other things. People understand that, and our job is to convey the importance of these investments in transmission, distribution and generation, and in cleaner forms of technology.

I believe very strongly and I think our government's view is that without those investments, you're talking about less reliability, less productivity and an economy that just can't compete.

Mr. Bob Delaney: You make some very strong points. You mentioned a few that, for those of us in western Mississauga, an area that is still relatively new—when you sit down and talk to people, it seems almost counter-intuitive to think, "Well, this is my new fridge." You say, "Okay. When exactly was your new fridge new?" "Well, in 1994."

The biggest manufacturer of home appliances, Whirlpool, which makes everybody's, is a constituent of ours, a very interesting company that's very enlightened in its approach. I've worked with them and they've shown me the cost-benefit analysis if you have an appliance that's more than 10 years old. Your payback time in terms of savings in energy: It's far less expensive to take the old appliance and recycle it today—and I'm going to come back to the recycle part—than it would be to continue to use it and to continue to pay the energy cost.

In most homes, we're speaking about the refrigerator, which is a big consumer of energy. Your dryer and your dishwasher are big consumers of energy, and your stove and, secondarily, your clothes washer and your television. Most of us, for entirely different reasons, which is that we would like to have high-definition television, have long since tossed the old vacuum tube TV that sucked up juice and replaced it with a far more energy-efficient high-definition, LED or plasma screen TV. But even now, the next generation of those are far more efficient than the "old," circa 2005, version.

About two years ago in the fall, at the suggestion of Whirlpool, I went to Oakville, where our colleague Kevin Flynn has the facility where old refrigerators go to be recycled. A lot of people say, "Well, you know, I feel bad about wasting it. My parents came from the Depression, and I know what it was like." They've all got stories of when they didn't have a lot of money. The idea that you're taking a perfectly functioning, working appliance—it seems counter-intuitive that you're going to put it out front and someone is going to take it. But it is a good idea, because it goes to this place in Oakville.

The first thing they do is go through and strip out all plastic, and they recycle all the plastic. The second thing they do is snip off all of the Freon and recycle all the Freon, so it isn't lost; it doesn't end up going into the atmosphere and so on and so forth. There isn't much left that isn't metal. The fridge is then put into a compressor an awful lot like a car compressor, and they squeeze it. Down comes this enormous, big, thick, heavy block of metal. The expression in the plant is "fridges to bridges" because it goes to Hamilton, and it's melted down and comes out as rebar or whatever else.

The feeling that people have that somehow or other it's wasteful or that if you discard the good old fridge that was one of your wedding presents when you first got married, or "This was the first fridge we got when we could actually afford to buy appliances," or whatever else—there's a lot associated with the fridge: "This is the one my kids put their notes on and where we stuck their drawings"; ditto for the washer and the dryer and the dishwasher and whatever else.

The Chair (Mr. Garfield Dunlop): You have three minutes, by the way.

Mr. Bob Delaney: Thank you. In fact, doing what seems to be counter-intuitive not only works for the environment because it doesn't go into landfill, but it recycles the steel, it captures the Freon and any other nasties that may be in it, and it provides an incentive because most of the components for new appliances are, in fact, made in either Ontario or Pennsylvania, but mostly Ontario. It gives many hundreds of thousands of families—we were celebrating, at that time, the 500,000th recycled refrigerator. It allows that many brand new, energy-efficient fridges to very significantly lower the demand on the electricity system that you spoke very eloquently about in macro terms. As we do this with our other appliances—and very helpfully, our microwaves tend to break down pretty much on schedule whenever their key components wear out. As we replace those and give up our feelings of guilt at saying, "I'm throwing out something that, in every way, is still working" and realize that, in so doing, what you're not throwing out is energy consumption—the energy consumption is going down, not going up.

I just wanted to acknowledge that, although this is slightly off topic in estimates for finance, energy is as crucial to the direction that we're going as a province as is our ability to marshal our financial resources and deliver an efficient financial system for businesses to come here. They also need a secure, affordable, reliable system of electricity generation and transmission.

Chair, does that take me to the end of my time?

The Chair (Mr. Garfield Dunlop): No, you've got about another 20 seconds.

Mr. Bob Delaney: I've got about another 20 seconds? I tell you what: Can I ask for unanimous consent that we just skip the 20 seconds and close it here?

The Chair (Mr. Garfield Dunlop): Are you happy with that answer, Mr. Minister?

Hon. Dwight Duncan: Absolutely.

The Chair (Mr. Garfield Dunlop): Okay. We'll adjourn the meeting today, and we'll meet again here on the morning of the 28th at 10:30 in the morning. Thank you very much, everybody. Thanks, Minister, and thank you to staff.

The committee adjourned at 1759.

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