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Tuesday 19 May 2015

Standing Committee on Finance and Economic Affairs

Building Ontario Up Act (Budget Measures), 2015

Chair: Soo Wong
Clerk: Katch Koch

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Tuesday 19 May 2015

Mardi 19 mai 2015

The committee met at 0902 in room 151.

BUILDING ONTARIO UP ACT (BUDGET MEASURES), 2015

LOI DE 2015 POUR FAVORISER L'ESSOR DE L'ONTARIO (MESURES BUDGÉTAIRES)

Consideration of the following bill:

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

The Chair (Ms. Soo Wong): Good morning. I'm going to call the meeting to order to consider Bill 91, An Act to implement Budget measures and to enact and amend various Acts. Pursuant to the order of the House dated Wednesday, May 13, 2015, the witnesses will each be granted five minutes for their presentations, followed by nine minutes of questioning from the committee, or three minutes from each caucus. I ask committee members to ensure that the questions are relevant to the budget bill and to keep them brief in order to allow maximum time for witnesses to respond.

Do we have any questions before we start?

GEORGIAN COLLEGE

The Chair (Ms. Soo Wong): I'm going to call the first witness that's before us. I believe we have Georgian College. Good morning. Welcome.

Interruption.

Dr. MaryLynn West-Moynes: I'm just going to pretend that isn't my phone ringing.

The Chair (Ms. Soo Wong): That's okay. Good morning. Welcome. For the purpose of Hansard, can you please identify yourself and your position with Georgian College?

Dr. MaryLynn West-Moynes: Yes. My name is Dr. MaryLynn West-Moynes, and I'm the president of Georgian College.

Interjection.

Dr. MaryLynn West-Moynes: Nice to see you, too.

Interruption.

Dr. MaryLynn West-Moynes: Hopefully, that's going to stop. There we go.

Good morning. Would you like me to start, Madam Chair?

The Chair (Ms. Soo Wong): Yes.

Dr. MaryLynn West-Moynes: Madam Chair and members of the committee, I want to thank you for the opportunity to speak to you today after this wonderful weekend in Ontario. Let me begin by acknowledging this government's commitment to investing in people's skills and talent, and in infrastructure, both of which I feel are fundamentally key pillars to create a more prosperous Ontario.

I must tell you that the Georgian College Board of Governors and I are very privileged to partner with you to offer 120 career-focused post-secondary programs, certificates, diplomas and degrees to over 11,500 full-time students and 28,000 part-time learners in seven communities in central Ontario.

I must also say that we applaud the government's recent decision to invest $55 million in apprenticeship funding. This has been a long time in coming, the first time in almost seven years that we've seen an increase in apprenticeship funding directed to the colleges, which, as you know, do 90% of the in-class training for apprentices. This will go a long way to helping us meet our community's employment needs. I look forward to continuing to work with the government to ensure that Ontario has the skilled workforce that we need.

Today I'm here to bring your attention to another matter that is pressing to rural and northern colleges. That is the issue of overall financial funding stability. It's clear that the government recognizes the need to address the financial sustainability of the post-secondary education sector. Colleges and the province started to address this issue a year and a half ago by signing strategic mandate agreements which identify each college's mission, core strengths and long-term directions, and our outcomes are being measured in real, relevant ways.

The government has also said it is committed to reviewing the funding formula for both colleges and universities to reflect the reality of today's educational environment. The university sector review recently commenced, and it's not expected that the college review will start for two years. Meanwhile, the financial stability of Georgian College is at risk. I understand that Georgian is not alone in this, as many of the small and northern rural colleges are also struggling. This is a problem you've seen before in Ontario. I know you understand it as a government.

For the past two years, we've been the recipient of the College Financial Health and Sustainability Grant. The government introduced this program to provide bridge funding for a limited number of colleges facing financial problems until the comprehensive review of the college sector funding formula was undertaken. Unfortunately, this two-year program has ended, and we have at least another two years before the college funding review will start.

At Georgian, we used the grant to initiate improvement of financial reporting so that we would have a data enterprise to look more closely at how we were utilizing the funds you have provided to us. I know it has already led us to operational efficiencies through the automation of financial processes. Unfortunately, our next phase was to do the same for our HR component of expenditures, and as the grant has been cut, I don't believe we'll be able to do that.

I want to stress to you that our college takes financial responsibility very seriously. As a steward of public funds, we simply do not spend money we don't have. However, when you combine increasing costs such as collective agreements, inflation and part-time pension contributions, which were recently announced, with lost revenues from the elimination of—we've lost $3.5 million in small northern and rural grants, with a reduction in an enrolment bridge, ministry reduction in tuition, fee increases and grant per student, ministry tax on international student fees, the impact of the ministry decision on tuition billing and associated fees. I add those up, and in the two and a half years I've been president at Georgian, we've lost $7 million of revenue. The College Financial Health and Sustainability Grant was close to half a million dollars.

How's my time? Am I okay?

The Chair (Ms. Soo Wong): Can you wrap up?

Dr. MaryLynn West-Moynes: I will.

I just want to say that that bridge funding was so important to Georgian and 10 other colleges. I understand the need to be financially viable, but I don't believe we want an Ontario where all post-secondary students are going to the GTA.

The Chair (Ms. Soo Wong): Okay, your time is up. I'm going to go to the opposition party to begin the questioning. Mr. McNaughton.

Mr. Monte McNaughton: Thank you very much, MaryLynn. You mentioned quickly about some pension changes. Can you explain what that was and the cost?

Dr. MaryLynn West-Moynes: Yes. In the last 18 months, we have introduced pensions for our part-time employees. For a small or medium-sized college, it's about half a million dollars a year.

Mr. Monte McNaughton: Was this something that was done through the collective bargaining?

Dr. MaryLynn West-Moynes: Yes, it was. Just so you understand that, we have about 300 full-time faculty and close to 1,800 part-time faculty. It's a recognition of where our workforce is moving and ensuring that they have a good life as well.

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Mr. Monte McNaughton: Secondly, you mentioned that this funding formula review for colleges isn't going to begin for two years. What will happen in that two-year period? What kind of reductions will you have to make at Georgian?

Dr. MaryLynn West-Moynes: We know that over two years we have to cut 10%. We've started this year with 5%. It means we're not replacing full-time faculty support staff and admin who retire. We have cut our part-time workers by 15%. Next year I think we'll probably have to reduce 11 programs that we're currently offering, and the usual—and this isn't a college president indicating that I'm not up for the usual 2% or 3% cut that most institutions have. It's just that the economics of a small and medium institution are not being met through the current funding model, and the financial sustainability bridge made up for that.

Mr. Monte McNaughton: You specifically mentioned rural and northern colleges. Are other colleges and universities faced with the same tough choices to make?

Dr. MaryLynn West-Moynes: Yes. I've been a vice-president at a medium college, a president of a large college, and now a president of a medium college, and it really is 11 colleges outside of the GTA that are struggling right now. You can look at our ledger sheets. It's pretty clear.

Mr. Monte McNaughton: Thank you.

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

Ms. Catherine Fife: Good morning. The government is changing the Apprenticeship Training Tax Credit. I'm sure you're aware of this.

Dr. MaryLynn West-Moynes: Yes.

Ms. Catherine Fife: In 2015, they're reducing it by $30 million; in 2016, by $70 million; in 2017, by $95 million. So the general rate is going to go from 35% to 25%, reducing the eligibility period from 48 months to 36 months, shrinking the annual maximum tax credit by 50%.

This is your opportunity to give some sense as to what impact those reductions in the tax credit will have, given the fact that youth unemployment, especially in the north, is very high. Please give us some sense as to those reductions around closing the doors for apprentices to actually have opportunities to learn outside of the classroom.

Dr. MaryLynn West-Moynes: Well, it's hard to have an apprenticeship discussion without feeling that there's a need for total reform. I think this is fundamentally the issue. We keep coming around the margin of apprenticeship and not realizing that the system isn't working. Quite frankly, we have appalling completion rates for apprenticeship. Part of the movement to encourage people to get in and graduate, I feel, is a good, good move.

Ms. Catherine Fife: What are your thoughts on hampering employer demand, though? We've heard from employers that tax credits open the door to apprentices. If this bill passes as it is, unamended, then we're lessening the opportunity for employers to open their doors, because the government is taking away those tax credits.

Dr. MaryLynn West-Moynes: Again, I believe that there's a need for a total restructuring, a new responsibility for employers, and I actually believe more of an emphasis that apprenticeship is like other post-secondary programs.

Ms. Catherine Fife: Do you think that taking away the tax credit will be helpful or not?

Dr. MaryLynn West-Moynes: I honestly haven't looked at it closely enough to isolate it as a stand-alone issue.

Ms. Catherine Fife: Thank you.

The Chair (Ms. Soo Wong): This round: Ms. Albanese.

Mrs. Laura Albanese: Thank you for your presentation this morning and for giving us an overview of your comments—positive, and also on what is needed.

Our government has been committed to investing consistently, I would say, in colleges and universities, and I believe that in the span of 10 years, we've increased, on average, the funding by almost 80% to colleges and universities. I think that is also the case for Georgian College. However, you have highlighted some current issues that you are facing and that there are 11 colleges facing specifically your same situation, that of funding stability. So I guess that the review of the funding formula is what is really crucial to solve the current situation.

Dr. MaryLynn West-Moynes: Yes. As I said, in past years there was $10 million set aside for 11 colleges, which enabled us to address some of the unique issues that we were facing. But the real, fundamental issue is a revision to the funding formula.

Mrs. Laura Albanese: Okay.

Dr. MaryLynn West-Moynes: I will comment that we've been grateful for the 80% increase in funding, but at Georgian we've grown by 100% over that time. I don't want anyone to think that we're not good players in effectiveness and efficiency. For Georgian we have a $180-million budget. This is close to half a million dollars for us. That's the difference between us being able to make investments to improve our financial stability and—that's why you will see other colleges, I believe, try to impose on the government to rethink the decision not to go ahead with that grant these next two years.

Mrs. Laura Albanese: I also wanted to ask you this: The recent changes that we've announced, for example, to OSAP—you mentioned the apprenticeship—did those help you in any way?

Dr. MaryLynn West-Moynes: Absolutely. In central Ontario we're the fourth highest user of OSAP. It's another indication of being in rural Ontario and the financial ability of individuals. We see students struggling financially over and over again. This also fits the apprenticeship review. They're two systems. The OSAP funding model allows students to get in and complete a program, and we do applaud that as well. Thank you.

Mrs. Laura Albanese: Have you been hearing from business diploma students who can now transfer from one college to another under the new framework that has been implemented? Are there positive or negative comments around that?

Dr. MaryLynn West-Moynes: On July 1, I will have been 30 years in post-secondary education. We have improved pathways between colleges and universities in the last 10 years, something to be very proud of.

The Chair (Ms. Soo Wong): Ms. West-Moynes, we've finished with your presentation. Thank you very much.

Dr. MaryLynn West-Moynes: Thank you very much. I appreciate the time, everyone.

MR. TOM ADAMS

MR. MICHAEL HILSON

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

Mr. Tom Adams: Madam Chair and members of the committee, my name is Tom Adams. I'm joined here by Mr. Michael Hilson. We're here to address amendments to the Electricity Act.

In 2001, Mr. Hilson and I wrote in the National Post that then-Auditor General Erik Peters mistakenly accepted the Harris government's balanced budget claim in that year. His specific error was to not understand the impact of the Ontario Electricity Financial Corp. on the government's books.

In 2005, Mr. Peters, then working for Mr. McGuinty's newly elected government, reversed his view of this relationship and agreed with us.

In 1999, I was appointed to the Ontario Market Design Committee, helping the Ontario government implement its privatization and market plans. One duty of that committee was to develop an agreement balancing the interests of ratepayers with Ontario Power Generation's responsibility to repay its portion of the stranded debt held by OEFC. Hydro One was another key element of that plan to repay debt, as were portions to come from the debt reduction charge and a small amount of payments in lieu of taxes from distribution utilities. At the time, Ontario Electricity Financial Corp.'s total interest-bearing debt was $31 billion, then considered to be a measure of failure not to be repeated.

After 16 years, during which the debt reduction charge has been over-collected and the Bruce capacity sold, where are we now? OEFC's interest-bearing debt today is $26 billion, before taking into account $9 billion of interest-bearing debt owed over at Hydro One. The people of Ontario are now worse off by $4 billion of fresh debt, but we have fewer assets to back that debt.

The 1999 plan to pay off the $31 billion was an obvious and disastrous failure.

The reason Mr. Hilson and I are here today is not to discuss changes in accountability to watchdog organizations for Hydro One. We are not here to contest the government's estimate that it will be able to sell 60% of Hydro One for $9 billion. On the contrary, we feel that taxpayers should feel relieved if this was actually to be realized. No; the reason we are here is to seek accountability for the money the government intends to withdraw from the already 100% mortgaged Ontario power system.

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The original legislation earmarked any privatization proceeds for debt repayment. Now the government contends that any proceeds in excess of book value are a windfall available to fund other initiatives. What the government ignores is that the book value of OPG and Hydro One is today $9 billion less than the outstanding debt held by OEFC. There is a shortfall to declare, not a windfall to spend.

The lion's share of the work servicing OEFC's debt over the last 16 years has fallen on Hydro One. OPG cannot even finance its own operations, let alone generate dividends. It is telling that the government's review of assets uncovered no opportunities to realize value from that institution.

Under the government's current plan for OEFC, $5 billion from the Hydro One sale will go to OEFC, but the burden of repaying the remaining $21 billion will fall mostly on OPG. The government also promises no impact on rates due to the sale. We say that selling wires to fund subways will require a new transit tax, either on ratepayers, taxpayers or some combination thereof.

Under Bill 91, $4 billion is about to be taken out of the power system for political reasons, with the Ontario public holding the bag. The Auditor General seems focused on watching Hydro One, but the central problem for taxpayers and ratepayers is the $26-billion problem left at Ontario Electricity Financial Corp.

Thank you.

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

Ms. Catherine Fife: Thank you very much, Tom and Mr. Hilson, for being here. I'd like to get a hard copy of your presentation, please, at some point.

Mr. Tom Adams: We'll post it on the Internet this afternoon.

Ms. Catherine Fife: Thank you. Under the current Electricity Act, all proceeds from selling Hydro One must flow directly to the OEFC to pay for the huge debt left over by Ontario Hydro, which you've just pointed out. Bill 91, however, rewrites the law to allow the money to flow into general government revenues instead. I'd like your opinion on what this might mean for hydro debt going forward.

Mr. Tom Adams: The government has the power to rewrite section 50.3 of the Electricity Act, giving them flexibility in disposition of assets, but whatever the act says, the debt at OEFC remains. That's the ball to keep your eye on.

Ms. Catherine Fife: Do you think it is possible that the government might assume new debt in order to pay OEFC, just to get you on the record?

Mr. Michael Hilson: From the government—

Ms. Catherine Fife: When the whole point of selling Hydro One, according to the government, is to avoid new debt, is there a risk in assuming new debt?

Mr. Tom Adams: They haven't explained what the plan is.

Ms. Catherine Fife: I know. Thank you for saying that in public.

You've also said before that the privatization of Hydro One will lead to a new electricity tax that the government hasn't been forthcoming about. Can you expand a little bit more than what you've already done in your presentation for us today?

Mr. Tom Adams: We take the view that the power system is at least 100% mortgaged. If you intend to take money out, there's going to be some new liability someplace in the system that will have to be serviced. Ontario Electricity Financial Corp.'s debt repayment plans have been secret for 16 years, and they're still secret. We think that plan should be on the record so that we can have a substantive conversation.

Ms. Catherine Fife: Which, of course, leads to decreased oversight by all the independent officers of this Legislature around Hydro One. It is public money, and people should have access to that information.

Mr. Tom Adams: You say decreased oversight—

Ms. Catherine Fife: Decreased.

Mr. Tom Adams: —decreased—but for 16 years, the Auditor General has had authority to investigate OEFC and its debt repayment plans but has declined to exercise that responsibility.

Ms. Catherine Fife: She has declined? Or they have declined? Please be clear.

Mr. Tom Adams: Successive officers of the Auditor General's office have not investigated what's been going on with the debt over at OEFC.

Ms. Catherine Fife: And you feel that that's a thing that needs to happen. Okay. Thank you.

The Chair (Ms. Soo Wong): Okay. Mr. Adams, your questions are up. This round, Mr. Potts.

Mr. Arthur Potts: Thank you, Chair, and thank you, Mr. Adams. I appreciate you coming, Mr. Hilson. You've done extensive research in the area of energy over the years. I've had the pleasure of reading you in many publications over the years, even before I had an opportunity to be here in this House; you've been very thoughtful in your investigations and your approach.

I also know, of course, that you've assisted the party opposite, the PCs, in the development of their white paper. I don't mean that in any way as a political slight, but to say I know that's flavoured the kind of approach you've taken to it and the advice you're giving them on how to run the electrical system.

I've got to commend you on validating the capital assessment that we're making on Hydro One—the book value, as you suggest. You're not here to be critical of that, and we appreciate that, because I think our estimations are in the ballpark, in the right area, depending on whether investors are going to be satisfied with a 5% type of return. If that should be a 4% return, the corporate capital value of that asset could be a lot higher, and the amount of money that could be freed up in order to go forward with our plan could be significantly greater.

You talk about us not having explained the plan. I see the explanation on a daily basis, so it may be that you don't agree with the explanation, but clearly we're opening up the asset in order to free up money. You've agreed that the stranded debt associated with that asset is about right, and then we're going to utilize the additional, the net savings or the net gains from that, to put into new infrastructure. We've been very clear, I believe, on that additional—whether it's $4 billion or more, if the asset is worth more—as we go through with a 15% tranche and another 15% tranche.

First off, I think you must be very supportive of the idea of putting private sector oversight into Hydro One by selling off a sizable portion of the equity shares and moving it from a crown corporation to the oversight of a private body like the Ontario Securities Commission. Would you be supportive of that basic move, and particularly trying to reallocate those assets for a more productive purpose like building infrastructure?

Mr. Tom Adams: We're supportive of privatization of Hydro One. Our concern with respect to transparency is the lack of transparency about the debt repayment plan at OEFC. You've concentrated your remarks with regard to Hydro One; that's fair, but there's another story, which we think is the central story of this element of the legislation, which is the debt repayment plan for OEFC. That has not been explained.

Mr. Arthur Potts: We know where that initial debt—and how it became stranded. It is an elephant that needs to be wrestled with. I believe, as you point out, it has come down some $5 billion since 1999—

The Chair (Ms. Soo Wong): Mr. Potts, your time is up. I'm going to go to Mr. McNaughton.

Mr. Monte McNaughton: Tom, thank you very much. That was a great presentation. I wondered if you could maybe put into perspective the potential for rates to go up in Ontario. This decision by the government—how will that impact consumers? At some point, this $35-billion debt has to be managed. Can you give any indication as to where hydro rates are going to go?

Mr. Tom Adams: We believe that the ratepayer-backed electricity debt has risen since 1999. It has gone from $31 billion to $35 billion. We don't believe that there's any windfall here. Any attempt to extract cash out of this already debt-increasing situation is going to drive the debt higher in some respect, but we're not sure where it's going to appear.

Mr. Monte McNaughton: What is the risk of this debt to the overall energy system in Ontario? I mean, at some point, this is going to be unsustainable.

Mr. Tom Adams: It already is. Electricity consumption in Ontario peaked in 2005; it's been declining ever since. Customers can't pay their bills. Many large consumers are simply exiting the province to escape from this.

The debt represents future locked-in rate increases. We have many other factors that are also driving up electricity prices, irrespective of the situation at OPG and Hydro One. All of this is just making the situation from bad to worse for electricity consumers. They're fundamentally the value underneath this—you know, they're the source of all the funds for all of this, and we just don't see the plan.

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

The Chair (Ms. Soo Wong): Thank you, Mr. Adams. Thank you, Mr. Hilson.

0930

CANADIAN COUNCIL FOR PUBLIC-PRIVATE PARTNERSHIPS

The Chair (Ms. Soo Wong): Our next presenter is the Canadian Council for Public-Private Partnerships: Mr. Mark Romoff. Good morning. Welcome.

Mr. Mark Romoff: Good morning. Thank you.

The Chair (Ms. Soo Wong): Mr. Romoff, you know you have five minutes for your presentation, followed by three minutes per caucus for questions to you. This round of questions will begin with the government side. You may begin any time. Please identify yourself and your position with the partnership.

Mr. Mark Romoff: Thank you. My name is Mark Romoff. I'm the president and CEO of the Canadian Council for Public-Private Partnerships. Thank you again, Madam Chair and committee members, for allowing me to appear before the committee today. On behalf of the Canadian Council for Public-Private Partnerships, I'm pleased to be here today to speak in support of Bill 91, the Building Ontario Up Act.

By way of background, the Canadian Council for Public-Private Partnerships is a non-partisan, not-for-profit organization with more than 400 government and industry members from across Canada and abroad. The council is dedicated to promoting innovative infrastructure and public service delivery solutions through the use of public-private partnerships. We provide the venue, the research and the expertise to assist representatives at all levels of government to make smart public policy choices when procuring infrastructure. We seek to build awareness, acceptance and adoption of P3s and encourage all committee members interested to engage with us if you want to learn more about this particular sector.

Just last week, I appeared before the federal government's House Standing Committee on Transport, Infrastructure and Communities, where I mentioned that Canada has come a long way over the past 20 years in infrastructure development, but more work remains. In fact, I commended the federal government for its historic investments in infrastructure. But not to be outdone, the province of Ontario raised the bar even higher: Ontario's

10-year, $130-billion long-term infrastructure plan is the largest investment in infrastructure in Canadian history.

At the same time, we know the government of Ontario is working towards eliminating the deficit. We recognize that a strong balance sheet and low debt-to-GDP ratio are important targets for the long-term prosperity of this province. Bill 91 strikes a balance of investing in important core public infrastructure while making a significant step toward moving back to balance.

Bill 91 implements key elements of the accepted recommendations of the Premier's Advisory Council on Government Assets. In particular, the proceeds from the partial sale of Hydro One will contribute $5.7 billion toward infrastructure, with the remainder earmarked for debt reduction. Budget 2015 also dedicates an additional $2.6 billion of the long-term infrastructure plan toward public transit and transportation.

Bill 91 also makes changes to the Highway 407 East Act, which is a great project that will extend the 407, initially to Oshawa and then to Highway 35 at Clarington. It is also an example where the Ontario government has taken the successful elements of the original Highway 407 ETR project and made changes based on lessons learned, which ensures that the procurement of the Highway 407 east phase 1 and phase 2 projects will deliver impressive value for Ontario taxpayers. These investments are critical to addressing the longer-term infrastructure needs in this province.

There is no shortage of major projects coming down the pipeline. We know on transit that Toronto needs a downtown relief line and the implementation of SmartTrack, and Ottawa is already looking at a phase 2 for the Confederation Line LRT.

Hospitals, courthouses, highways and bridges, amongst others, will need renovations or replacement. These are major projects that carry significant risks. Thankfully, Ontario is a world leader when it comes to the use of public-private partnerships or, as it's known in this province, alternative financing and procurement. The partnering of the public and private sector and the sharing of risk based on who is best able to manage it has led to an unprecedented record of on-time, on-budget, high-quality infrastructure projects in Ontario and across Canada.

An independent impact assessment of P3s, AFP projects, undertaken over the 10 years between 2003 and 2012 showed that in Ontario alone, AFP projects created 144,000 direct jobs, added $12.76 billion to direct GDP, saved the government over $4 billion and provided the federal and provincial governments $3.85 billion in tax revenue, with $1.19 billion of that coming to Ontario.

Going forward, the future for P3s in Canada looks bright, with new jurisdictions coming on board, including the territories, municipalities and aboriginal communities—

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

Mr. Mark Romoff: Yes—and new sectors, including urban transit and water/waste water.

We know that P3s share widespread support among the Canadian public. A recent survey by Nanos Research indicated that 62% of Canadians favour P3s. At the same time, when we look at communities, they are even stronger supporters of the AFP approach.

The Chair (Ms. Soo Wong): Okay. I'm going to go to Ms. Hoggarth.

Ms. Ann Hoggarth: Thank you, Mr. Romoff, for your presentation. Part of our infrastructure plan is the continuation of the AFP model as a procurement tool. Can you speak as to how this model is transferring risk from the public to the private sector, please?

Mr. Mark Romoff: As I mentioned earlier, in the case of every public-private partnership, the key is to ensure that the risks are allocated to the party best able to accept them. So, for obvious reasons, political risk, for instance, would remain with the government side.

But design risk and construction risk, both of which tend to lead to excess spending or to spending over budget, are, in each instance, transferred to the private sector. So if there are challenges with the design and there are cost implications as a result, those are absorbed by the private sector consortium, as they are construction.

The key here is, you have a fixed-price contract which outlines responsibilities for the private sector and specific outcomes which are to be achieved, generally over a period of 30 to 35 years. So you're not only locking in the price, which makes it predictable for governments in terms of knowing what their long-term obligations are; at the same time, you're ensuring that needed maintenance for the asset that's being built is provided, to a standard agreed to at the outset, for the next 30 to 35 years. As you know, when it comes to maintenance, governments have an uneven record when they have responsibility for it themselves.

Ms. Ann Hoggarth: Right. The TD Economics special report on AFPs found that reverting entirely back to the old models of procurement would represent a major step backwards for this province. Could you please explain their rationale for this assessment?

Mr. Mark Romoff: I think, again, what the TD report points out is that the benefits of an AFP approach in Ontario have been very strong. It has led to the majority of projects being brought in on time and on budget, at significant savings to Ontario taxpayers.

So the concern is that if you abandon that approach and revert to more traditional procurement, you're going to end up with much of the same results: a Spadina extension way over budget; the waterfront project, way over budget; Nathan Phillips Square, way over budget—all examples of procurements that have gone ahead using the more traditional methods, and they have led to projects generally coming in late and more expensive than expected.

Ms. Ann Hoggarth: Thank you so much.

The Chair (Ms. Soo Wong): Mr. McNaughton.

Mr. Monte McNaughton: Do you have any statistics as far as the increase in P3 partnerships over the last number of years in Ontario?

Mr. Mark Romoff: The number has been large. At the moment, we have more than 224 projects across the country. More than half are in the province of Ontario, and the majority of projects in this particular space have taken place over the last 10 years.

The introduction of P3s in Canada—or AFPs—began back in the early 1990s. It was relatively slow for a while, and then, about 10 years ago, you see a true hockey stick, so a big jump in projects.

Mr. Monte McNaughton: Do you know, off the top of your head, a dollar value in Ontario of P3 partnerships?

Mr. Mark Romoff: Not off the top of my head. I can tell you that, for projects across the country that have reached the point of financial close—therefore, either the construction is under way now or the project is in operation—the value of those projects exceeds $73 billion. So it's very big business across Canada, and, as I say, Ontario leads the pack in that regard.

Mr. Monte McNaughton: Great. Thank you.

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

Ms. Catherine Fife: Thank you very much. Hello, Mark. How are you doing?

Mr. Mark Romoff: Good morning. How are you?

Ms. Catherine Fife: What are your thoughts on the fact that Bill 91 does not require that Hydro One proceeds, or any revenue from the asset optimization program, go into the Trillium Trust or that it be spent on infrastructure or transit at all? Do you have any concerns about that?

Mr. Mark Romoff: My interest is really in working with the government of Ontario to enable them to move ahead with modern approaches to infrastructure procurement. We work closely with all governments across the country to enable them to do that, which is why I talked a bit about research providing the evidence that governments need to enable them to make good public policy.

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Irrespective of the source of funding, the key here is to ensure that governments continue to invest in infrastructure, first and foremost because those kinds of investments are critical contributors to job creation, economic development and globally competitive communities. We see that around the world—

Ms. Catherine Fife: But the funding is a big piece of it, right? I mean, the government is selling us on the sale of Hydro One based on the fact that they need money for infrastructure and P3s. Yet contained in Bill 91, which is what this committee is supposed to be looking at, they have not built any true commitment to ensuring that the sale of Hydro One, the proceeds from that asset optimization, or unlocking, or broadening ownership, however you want to call it, is actually going to go towards infrastructure. Clearly, this government has been very kind towards the P3 model, if you will, but there's no guarantee in this bill that that money is actually going to get towards infrastructure. Were you aware of that, actually, at the beginning?

Mr. Mark Romoff: I understand the implications of the bill, but I'm a true believer in finding whatever sources you can to enable infrastructure to happen.

Keep in mind that there are two different issues that we're talking about here: One is funding, which is enabling governments to provide some funding for those projects; but the key to public-private partnerships, or AFPs, is turning to the private sector to identify alternative sources of financing. It's the engagement of the private sector in these projects that ensures there is skin in the game. It's the skin in the game that ensures that you'll get the kinds of results we've been talking about with respect to on time and on budget.

Ms. Catherine Fife: But you know that the Auditor General found that, essentially, this government is borrowing at credit card rates for infrastructure, because they are so biased, or lean so heavily, towards the AFP model.

Mr. Mark Romoff: I don't believe the AG said that.

Ms. Catherine Fife: Well, it's $6.5 billion more in additional funding than a traditional procurement. It's actually in her report. She also questioned the evidence as well. I know that you are a believer in evidence and comparing a traditional procured project versus a P3. But she found that that evidence, the empirical evidence, is not there. So there's still a lot of work to be done, I think, on that file.

Mr. Mark Romoff: There is no doubt that it would be very helpful if governments across the country, including Ontario, kept reliable information around the costs of traditional procurement. But that doesn't obviate the value of an approach like P3s, which are well documented. Quite frankly, if traditional procurement received the same kind of scrutiny and oversight that's imposed on P3s, all boats would rise. Quite frankly, AFPs account for no more than 10% to 15% of all infrastructure procurement in Ontario and Canada writ large. It's a lot of attention for a fairly modest piece of the action. Nonetheless, I'm all for that, but I'm all for it right across the board.

Ms. Catherine Fife: Okay. Thanks very much.

The Chair (Ms. Soo Wong): Thank you, Mr. Romoff.

Mr. Mark Romoff: Thank you very much.

REGIONAL MUNICIPALITY OF YORK

The Chair (Ms. Soo Wong): The next presenter is the regional municipality of York. I believe we have Bruce Macgregor and Mary-Frances Turner.

I know the Clerk has something that has come forward to all of us. There's some handout to share with us.

Good morning.

Ms. Mary-Frances Turner: Good morning.

Ms. Lina Bigioni: Good morning. I'm replacing Bruce.

The Chair (Ms. Soo Wong): Good morning. Welcome. Can you please identify yourself for the purposes of Hansard, as well as your position with the regional municipality of York.

Ms. Mary-Frances Turner: Thank you. My name is Mary-Frances Turner, and I'm the president of York Region Rapid Transit Corp. I'm joined today by Lina Bigioni, who is the director of government relations with the region of York.

The Chair (Ms. Soo Wong): You can start any time.

Ms. Mary-Frances Turner: Madam Chair and members of committee, thank you very much for providing this opportunity to speak with you today. We join you this morning to lend our support to Bill 91 and to the 2015 provincial budget.

From the perspective of transit and transportation investment, this budget continues a long-awaited investment in public transit. The $16 billion in dedicated funds that are going to be made available for transportation and other critical infrastructure across the greater Toronto and Hamilton area, through the Move Ontario Forward plan, will have enormous beneficial impacts on growth, sustainability and the livability of this region for decades to come.

The region of York is one of the fastest-growing regions in Ontario. Its population is set to grow to over 1.6 million people by 2031. The region's employment growth also continues to steadily increase, outpacing even the provincial and the GTA averages in 2014.

Transit is vital to the intensified smart growth happening today in our communities. It is a necessary link between our emerging urban growth centres and an essential component to ensure York region and all the regions continue to thrive. Not only will this investment help to ease congestion, but it will make it easier to move goods throughout the region and the GTHA. So it is only with the support of senior governments that we can ensure that sustainability generates the funding that is essential for the ongoing investment that's needed in transit and infrastructure in this province.

York region itself has wisely supported, endorsed and invested in major transit expansion programs in York region, including the Toronto Spadina subway extension and our vivaNext bus rapid transit system, as well as a number of facilities and terminals. We pragmatically chose bus rapid transit to provide the capacity that we needed. It approximated LRT but at the lowest possible cost. And we continue to receive enthusiastic feedback from our riders with the time they have saved on our newly opened rapidways on Highway 7 between Bayview and Warden Avenues.

The expansion of regional express rail is part of a very long-overdue investment in GO Transit. Once implemented, GO RER service will increase transit ridership, reduce travel times, help manage congestion and overcrowding on highways, connect more people to more jobs, and improve the economy, and the investment will have significant long-term impact on how our communities grow.

We are very encouraged to see an allocation of funds towards the Yonge North subway extension. Sustained funding to advance this project is critical. And while the budget at this stage does not provide for construction, continued engineering of this very important project and property securement is timely to avoid the long delays that it takes to get these very large projects up and running. These projects take at least two to three years to engineer and make shovel-ready, and York region is very committed to helping continue to advance this critically important project. It's an important missing link in the overall dedicated rapid transit system, and today it represents over 1,200 buses per hour per day travelling to an outdated terminal at Finch. It will have the highest immediate ridership of any rapid transit project, carrying over 165,000 riders on a daily basis.

With the Yonge subway extension, the intensification of the development of the planned Richmond Hill-Langstaff urban growth centre will meet the province's Smart Growth objectives and create the Union Station of the north, linking GO service, subway service, bus rapid transit service and the 407 bus rapid transit service.

So transit investment, as you can see, is a critical and necessary driver to the economy of the GTA.

I'd like to conclude by reiterating our support for Bill 91 and the Moving Ontario Forward plan. This bold support for transit is proof of the province's commitment to transportation investment that will contribute to the growth and development of York region and the GTHA, and will benefit the local economy and quality of life for generations to come.

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

Mr. Monte McNaughton: Thanks for presenting today.

In your opinion—and I'm not sure what your municipality supported in the past—how would you recommend the province of Ontario pay for the transportation upgrades?

Ms. Mary-Frances Turner: We've been involved in all of the different strategies. We've worked very closely with Metrolinx. We've worked very closely with Anne Golden's panel on the investment infrastructure strategy that she brought to the province of Ontario.

What we know is that sustained long-term investment in transit infrastructure is critical, and finding a path to that sustained funding is really very necessary or the economy will really stagger with respect to—

Mr. Monte McNaughton: I agree, and I think all the parties here agree with that as well, but I want to push you a bit on exactly how this should be paid for. You say you support Bill 91. Is it the selling of public assets, like Hydro One? I want to know exactly how Ontario should pay for the $16 billion in spending.

Ms. Mary-Frances Turner: Well, I do support Bill 91 and sections 9 and 20 of that bill, which speak to the selling of public assets, if that is a way to move forward with transit infrastructure funding. In fact, I think it's a brilliant move, if that's what's necessary to move forward with infrastructure investment funding, which is a critical problem across this entire country. Very few governments have had the courage to find a way to figure out how to do that.

Mr. Monte McNaughton: Thank you.

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

Ms. Catherine Fife: I want to commend you, as a municipality. Municipalities have been advocating for a long time to get the resources that they need, and they're looking for cost-sharing, I think, actually, which is not part of Bill 91.

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It's interesting that you mention Anne Golden's report because Anne Golden would never, in a million years, ever recommend selling off Hydro One as a major strategic public asset for a quick gain of $4 billion towards transit. She had some good recommendations in those reports, and none of those are found within this bill.

Do you have any concerns about the fact that Bill 91 is predicated fully, pretty much, for transit anyway, on selling off Hydro One, but there's no clear pathway to ensuring that the funding or the proceeds from that sale will actually go towards transit?

Ms. Mary-Frances Turner: We support the setting up of the Trillium fund, which is—

Ms. Catherine Fife: This does not guarantee that it's going to get to the Trillium Trust. You understand that, right?

Ms. Mary-Frances Turner: But there is an indication, and we have had success working with upper levels of government in the setting up of trust funds that help invest in transportation projects. It is a mechanism that can be used, and we have seen it done successfully. My understanding is that the Trillium fund is the mechanism the province intends to use to take the proceeds from those assets to ensure that these infrastructure projects can be built.

Ms. Catherine Fife: So you trust the government. That's what you're saying. You trust the government to put the money in the Trillium Trust.

Ms. Mary-Frances Turner: I trust the government to have made a wise decision to move forward on infrastructure investment. That's where we are, and that's a very important moment.

Ms. Catherine Fife: You have some impressive ridership numbers in your report, and I want to thank you for that. But when the government defers a long-planned project, for instance, like the Sheppard East LRT, which has been funded since 2009, are you confident that the government is actually going to follow through on any of these promises? If you pay attention to the transit announcements, they're pretty much aligning closely with the federal election ridings going forward.

Ms. Mary-Frances Turner: I've been in the transit investment, transit construction business for well over 15 years now and have seen four or five different levels of government. I do know these projects can and do get built. We are building them in York region, and I welcome you to come and see them—

Ms. Catherine Fife: I'd like to—

Ms. Mary-Frances Turner: With enough determination, these projects can and do get constructed.

Ms. Catherine Fife: Thank you very much.

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

Mr. Yvan Baker: Thank you very much for coming in today and speaking to us.

It's interesting. My seatmate in the Legislature is Chris Ballard. He's the member for Newmarket–Aurora. I know he's a strong advocate for infrastructure investment in your region, as are other members of caucus. Thank you for talking to us today and for echoing some of those thoughts.

A couple of things that came out of the discussion you just had previously is about this issue around the net proceeds from the sale of Hydro One going to infrastructure. I'm just going to reiterate what I think you were saying, which is that our government has been very clear about the fact that those net proceeds will be used for the Trillium Trust and those proceeds will then be used for infrastructure investment. I think you've spoken to the fact that the communities you represent are growing quite rapidly, and that's in fact one of the reasons why significant infrastructure investment has been made in your region and will continue to be made.

Obviously, this bill and our government are committing to making the largest single infrastructure investment in Ontario's history. I know you've done this a little bit, but can you talk a little bit about what the benefits will be to your community and the people living in your region of this investment?

Ms. Mary-Frances Turner: I think this is probably one of the announcements that when you look back in time, you'll realize the day that Ann and the Premier got off the train in Barrie and the announcement was made about the investment in GO Transit—how significant this announcement will be to our growth strategy.

If you can think to European styles of how people live and work in Europe and how they just walk down the street, get on the GO train and go in and out—they don't think about when the next bus is coming.

The whole opportunity to move Ontario differently has just happened with this announcement. I think it's an incredibly significant investment and announcement that the GO lines will be electrified, that people will have real options and real choices for how they move throughout the GTHA.

Mr. Yvan Baker: Fantastic. And can you talk a little bit about the GO service—because there are many folks who may not be familiar with your community, specifically, with York region—how it will specifically touch people in York region?

Ms. Mary-Frances Turner: Absolutely. The magnitude of the announcement that was made by the Premier and the minister that day was that GO service would be expanded to 15-minute headways on electrified tracks on two of the three GO service rails servicing York region and will be extended to all-day service to Barrie, allowing that community and the colleges that the president was just speaking to to be able to commute in and out of the city all day long and then to connect Markham centre, a huge urban growth centre in Markham, where we have the Pan Am Games happening this summer, and a new downtown emerging—we'll have 15-minute, all-day service. These are really significant changes in how we will actually move around our communities.

Mr. Yvan Baker: Thank you very much.

The Chair (Ms. Soo Wong): Thank you very much, Ms. Turner. Thank you, Ms. Bigioni.

Ms. Mary-Frances Turner: Thanks for having us.

MR. X INC.

The Chair (Ms. Soo Wong): The next presenter is Mr. X Inc.: Dennis Berardi.

Mr. Dennis Berardi: I have some handouts.

The Chair (Ms. Soo Wong): The Clerk will come around to pick them up from you.

As you heard earlier, sir, you have five minutes for your presentation, followed by three minutes of questioning. In this round, questioning will begin with the third party. You may begin any time. Please identify yourself for the sake of Hansard. Thank you.

Mr. Dennis Berardi: Great. Thank you. My name is Dennis Berardi. I'm the founder and president of a company called Mr. X Inc. in Toronto. We do animation and special effects for films and television. I'm here to talk about how the proposed changes will affect my company and, I think, a bunch of other companies and Ontario as a whole.

I started the business with my own money, on credit cards and one investor 15 years ago. Today, we're 200 people, employing artists, technicians, programmers, fine artists, coordinators and administrators, and we've emerged as a powerhouse on the global scale. I will say that Ontario itself has emerged as a powerhouse in film production and television production worldwide.

When I started the company, I had to learn how to sell the business, and after many failures I did learn how to do that. I talked about an end-to-end approach including design, the innovation that we employ and our financial strength as a company, because studios won't hire businesses that go bankrupt. Film is plagued with that type of thing.

One of the things that I did talk about, however, which became a real selling point and, frankly, a competitive advantage was the partnership I had with government in Ontario. I used to tell the clients, the studios, that Ontario believed in us as a sector, that they were investing in a sector that they believed in. I was employing people, and together we succeeded.

If you look at my slide on page 5: six years' compound annual growth rate at Mr. X of 26% from 2008 to 2014. We're a company with no debt. We're cash-flow positive. As we got bigger, our financial strength improved year over year. EBITDA—or operational profit, as I call it—is 22% to 25%, investing a million dollars every year in Toronto in my business in infrastructure.

The reputation continued to grow. Movies like RoboCop, Pompeii, Mama, Vikings—one of the most highly rated television shows; Mr. X's artists were Emmy nominated for that. Our clients—CBS Films, Constantin, Focus, HBO, Lionsgate—are some of the most prolific production companies and studios in the world, hiring us right here in Toronto, employing kids from Sheridan, Seneca, Humber and York.

If you look at my growth in demand, I see the prospects as growing. We identify our future potential market demand—the market that we go after—as $2.7 billion globally. It's a growing market. For shows like Vikings, on slide 11, we're filming actors on blue screen in Dublin and we're bringing all that work right here to Toronto, and we're creating the entire world around them—all that water is digital water, rendered and animated here in Toronto.

We've been moving the company towards what I call the tier 1 landscape, the global landscape, where we're actually not competing on price anymore; we're competing on quality. But there's a paradox there, inasmuch as once you start to do that, and this is what I want to talk to you about—the reason we win business or how we win business is, this tax credit, has become a real barrier to entry.

I don't know how it has happened, but globally, every jurisdiction that has become a production centre in the world has a tax credit. In the last five years, 30 of the American states have put in a tax credit, copying the Ontario model in a lot of cases. It's a necessary condition to have a tax credit to even bid on a project. A producer's starting point is, "What is the tax credit situation in that jurisdiction?" We've created a situation in Ontario where we've struck a nice balance of a nice tax credit for producers and a tax credit that has allowed me to harness that into a successful business.

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

Mr. Dennis Berardi: Yes.

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

Mr. Dennis Berardi: I'm going to get to my recommendations. My recommendations are frankly that you don't touch it; you leave it alone. It's working. We're employing thousands of people—31,000 people in our estimations at FilmOntario.

If that can't happen, I would say at least grandfather these changes in so that the clients and customers who have already committed to our jurisdictions can have enough of a fair warning on it.

There's a technical rule that maybe someone can ask me a question about, this OCASE, which is tethered. I think that that is a real problem.

I'll take questions.

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

Ms. Catherine Fife: Thank you very much, Dennis, for coming in. Was FilmOntario consulted in any way about these drastic changes to the industry?

Mr. Dennis Berardi: There was consultation; however, I will say, as a business owner and a board member of FilmOntario, that we were all blindsided by these changes.

Ms. Catherine Fife: Okay. New Democrats support the grandfathering in of this change, just so that it gives at least the industry a chance to adapt for now, because these changes came in immediately, right? So they are affecting mid-production?

Mr. Dennis Berardi: Yes, we have productions we're currently working on right now, a movie called Ben-Hur, for example, a big Hollywood production that Mr. X is doing the work on. They committed to us based on the old rules.

Ms. Catherine Fife: Sure.

Mr. Dennis Berardi: Now this rule came in and it's retroactive to April 23, and it has really upset MGM, one of our biggest clients.

Ms. Catherine Fife: So the day the budget was introduced, it became retroactive—

Mr. Dennis Berardi: On that day.

Ms. Catherine Fife: On that very day. That's incredible.

Do you have any sense of reputational that you can speak to—because a lot of your presentation is about building this industry. The return on the investment for the economy on the tax credits is well documented. It's very healthy, actually.

Mr. Dennis Berardi: I've tried to quantify that. Thanks for asking that question. Look at slide 21, which I didn't get to in my presentation. If the proposed changes go in as is, meaning with no grandfathering, where OCASE is still tethered, and the reductions—the reductions are bad enough; you were talking about a 14% reduction in the services tax credit, which makes us less competitive, I think, significantly. Then, in my business—I can't speak to the whole industry, but I think it's going to bear out—I would see a 10% decline year over year so that by 2018, we would be 65% of the revenues we are today and probably have to lay off 75 people.

Simultaneously, I would put those resources into my New York and London operations, which are just getting going now. Both of those jurisdictions have just gone the other way. They have increased their tax credits.

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

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

Mr. Potts.

Mr. Arthur Potts: Thank you, Mr. Berardi. Thank you very much for coming in. Congratulations on what you've been building. In my riding of Beaches–East York—I actually live in Toronto–Danforth—

Mr. Dennis Berardi: I think you've met with some of our staff.

Mr. Arthur Potts: Yes, I was going to say I met with Mandy and, I believe, Chris MacLean last week: excellent commendations to them for presentation of the case to us and to me, a message which I think is being heard and we're reviewing very carefully.

Obviously, the business that you have developed—and again, competing on quality and not just price is super important. We believe that the tax credits as is will keep us as a number one tax credit destination in North America. Can you just comment maybe on that?

Then I know also that Mandy brought up very clearly this whole tethering question. I know we've heard that issue, but maybe you could explain or expand on that more.

Mr. Dennis Berardi: Okay, so the reduction in the services tax credit is a 14% reduction, from 25% to 21.5%. That puts about 10 other jurisdictions ahead of us around the world in terms of competitiveness. The producers are so price-sensitive. You're talking about millions of dollars of spend; every percentage point matters.

In the old system we had struck that balance. It was roughly on par with the Quebec tax credit and the businesses did the rest. It just levelled the playing field. I think now we're taking ourselves off the playing field entirely.

The OCASE tax credit is the Ontario credit for animation and special effects. It's a tax credit that I use as an employer—

Mr. Arthur Potts: In the special effects.

Mr. Dennis Berardi: —in special effects, and I use it as a pricing tool to help offset my pricing to combat lower-labour-cost markets emerging, like those in China and India. I also use it to pay globally competitive rates to artists right here so that we don't lose artists.

What this does is, it links my application to that credit to someone else's credit, the producer's credit, effectively making me finance that credit up front for up to 24 months, 30 months, until I get that tax credit. I'm not a bank. I don't have the resources to finance that type of credit up front.

Mr. Arthur Potts: I appreciate your comments earlier about how every jurisdiction has the credits, and many have modelled them after Ontario's model, and we think that will continue. Maybe some jurisdictions will discover that they're maybe more rich than they need to be.

But you do know that the credits this year will be greater than last year. This has been a phenomenal success. We're doing $440 million projected this year from a budget in culture of about $1.2 billion. The film industry tax credits represent almost a third of the entire cultural budget.

Mr. Dennis Berardi: I don't disagree, but you're investing; it's not a disbursement. I mean, we employ 200 people. With 31,000 people, we're putting back into the economy. Just since January, I hired 30 people, most of them graduates from schools right in this jurisdiction. We are doing our fair share.

Mr. Arthur Potts: Fair enough.

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

Mr. Monte McNaughton: Well, to continue what you were just talking about, can you let the committee know, over the last number of years, what the industry contributed to Ontario from a dollars standpoint?

Mr. Dennis Berardi: FilmOntario commissioned a study from a third party called Nordicity. Some of their stats—have any of you seen that report?

Mr. Arthur Potts: I have.

Mr. Dennis Berardi: You've seen it? So they talk about 31,000 jobs that we contribute, generating $1.8 million in economic activity—the third-largest production jurisdiction in North America, by the way—

Mr. Monte McNaughton: Sorry: $1.8 billion?

Mr. Dennis Berardi: Billion, yes. About half of that is foreign service work, American service work mostly, and the other half is domestic. Sorry; I'm not getting those stats right now, but they do in that Nordicity study claim that we contribute back, in terms of income tax, corporate tax and everything else, a surplus. I think it was around $60 million. I can forward you that report.

Mr. Monte McNaughton: Great. That's good.

The other thing: When this tax credit started, was it something that the industry assumed would continue forever?

Mr. Dennis Berardi: You know what? It started out as a—it was a master stroke. There was a brain drain happening at the universities. I remember at Sheridan College, when I would teach, the entire graduating class would be hired by Disney or Pixar or ILM. Those days are long gone. You were investing in the economy of the future. New media, technology, information, communication: These are the commodities that we're going to consume in the future. It immediately incubated businesses like mine.

Did I think it was going to last? I don't know, but the de facto norm that we have now, the global standard, is that all of the competing jurisdictions have this tax credit. If we're going to compete, we have to be on par with them. That's all this does.

Mr. Monte McNaughton: Right.

Lastly, what else is attractive in Ontario, in this industry, putting the tax credit aside? I'm assuming there's a lot of infrastructure built now, and—

Mr. Dennis Berardi: It's a great question. We have great shooting locales, a great city to shoot in the streets. We have a very deep talent pool, animation and special effects in particular, wonderful crews on the live action side, and great infrastructure on a post-production. A producer can take a script—a major producer like MGM—from script to final distribution and delivery right here in the city. This is new. There are only about eight or nine jurisdictions in the world that you can do that.

Mr. Monte McNaughton: Excellent. Well, on behalf of the PC caucus, thanks for all you do.

The Chair (Ms. Soo Wong): Thank you very much for your presentation, sir.

Mr. Dennis Berardi: Thank you.

ONTARIO FEDERATION OF AGRICULTURE

The Chair (Ms. Soo Wong): The next presenter is the Ontario Federation of Agriculture, and I know we're going to welcome Don back to the committee. Good morning, Don.

Mr. Don McCabe: Good morning, Madam Chair.

The Chair (Ms. Soo Wong): I believe you have your own colleagues coming forward as well. As you know, we're going to have you present for five minutes, followed by three minutes of questions per caucus. This round of questions, we're beginning from the government side.

You may begin any time. Please identify each of you and your position with the Ontario Federation of Agriculture. Thank you.

Mr. Don McCabe: Thank you, Madam Chair. It is a pleasure and an honour for the federation to be asked to present before the committee. I am pleased to be accompanied today by vice-president Peggy Brekveld and senior researcher Ted Cowan, who looks after some of our energy and environment files, especially in the areas of finance.

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With regard to today's presentation, I'd like to enter into the record that the Ontario Federation of Agriculture represents the interests of 37,000 Ontario farmers who manage our landscape and provide a significant contribution to Ontario's economy. Our efforts and contributions require competitive input costs and so are affected by a key element of the proposed budget.

In particular, we'd like to highlight what we see as the centerpiece of the budget: the sale of 60% of Hydro One. This issue is very important to our farm members, most of whom are Hydro One customers.

Ontario owns Hydro One and can sell it. However, the customers—not the government—paid for Hydro One. Half of the company is transmission and was paid for by grid customers in proportion to their use. The other half is distribution and was paid for by Hydro One distribution customers in proportion to their use.

Rural and small-town customers paid for all of the distribution. I repeat: Rural and small-town customers paid for all of the distribution. Ontario's rural population is 13% of the total. This rural population paid for half of Hydro One. This same 13% paid for 10% of the transmission, or another 5% of the total company. In all, farmers and other rural and small-town customers paid for 55% of Hydro One Networks Inc. The other 87% of Ontarians paid for 45%. Ontario farmers specifically, who are one half of a percent of the total population, paid for about 14% of the company. This is the OFA's direct interest.

OFA believes that the proposed sale and the possibility of higher rates that it will bring to Hydro One further compromise economic opportunity on farms and in rural and small-town Ontario. We realize that the funds from the sale are to be dedicated to transit and fully recognize the serious need for transit improvements. Hundreds of thousands of people idle their cars on multi-lane highways every day. That's a massive cost and the largest source of greenhouse gases in Ontario. Goods sit in trucks, and these cars and trucks burn 200 million litres of fuel a year sitting still. Businesses don't come here because they know about the traffic, and 90 minutes a day is stolen from a million families every day. Selling part of hydro and using the funds wisely can help address this.

However, HONI's assets were mostly bought and paid for by rural Ontarians, who will not benefit in a significantly tangible way from improved urban transit. The government of Ontario needs to recognize this and accommodate the needs of rural Ontario.

OFA offers seven recommendations that will recognize the positions of farmers and rural Ontario while serving the interests of the whole province. The full terms of the sale can be improved for the benefit of all Ontarians. These seven points are not prioritized and are as follows:

(1) Commit to develop farm and industrial power rates for Ontario. The rest of North America has customized rates for industry and farms. Ontario needs them to compete. Farms and the food industry need them to keep our home market and our food processing sector and its 600,000 jobs. Ontario can have competitive power again.

(2) Customer interest is the heart of the public interest in HONI. Appoint customers to HONI's board: two transmission customers and three distribution customers, including a farm/rural seat. This will ensure HONI serves customers affordably.

(3) Show that HONI employees will pay, in increased pension contributions, an amount at least equal to the initial listing price times the number of shares they receive.

(4) Build only mass transit projects that both demonstrably reduce loss of good farmland to cities as well as move commuters efficiently from home to work and back.

(5) Do not have HONI directors with a financial interest in connecting generators to the grid in Ontario or adjacent jurisdictions. This will help ensure that Hydro One treats all generators equally.

(6) Divide the distribution part of HONI into eight to 12 regional local distribution companies, all owned by HONI, and make them compete with each other to improve service and reduce costs.

(7) Create a business development group in Hydro One to attract and retain customers. HONI has lost volume and will continue to as companies move out or off the grid due to high prices. This drives up fixed costs in kilowatts delivered. HONI must attract business, or its remaining customers face increasingly higher fixed costs per kilowatt.

OFA and farmers are not keen on the proposed HONI share sale. The assets were mostly paid for by farmers and rural Ontarians, and we fear we will have to pay for them again once they are in primarily private hands.

Our concerns can be mitigated to a degree.

The Chair (Ms. Soo Wong): Don, can you wrap up?

Mr. Don McCabe: Thank you.

We have set out ways to overcome the inequities of the sale. We desperately look for the issue of a farm industrial tax rate, dividing the distribution into LDCs, and customers on HONI's board.

If it is done well, we can save farmland and rebuild the rural economy, at the same time that improved transit makes Ontario's cities more efficient and liveable.

Thank you very much for the opportunity to present.

The Chair (Ms. Soo Wong): Thank you. This round, Ms. Albanese, do you want to begin?

Mrs. Laura Albanese: Thank you very much for your presentation here today. It's extremely important for the committee to hear all the different views. Also, I want to thank you for all the suggestions that you made in your presentation, which we will, I'm sure, examine very carefully.

I do understand that reliance on energy is extremely important to the agricultural business, to farmers, for the movement of goods as well. It's extremely important. I know that you also have expressed, I guess, your approval of an expansion of the natural gas services in the underserviced areas of Ontario. How would that help the situation?

Mr. Don McCabe: In all areas for the farm—I'm not trying to be flippant here, but the reality is that businesses can come and go. A hockey stick can be made in North Carolina. I just finished planting soybeans this weekend on lot 2, concession 2, Brooke township of Lambton county. That isn't moving to North Carolina any time soon. You require the primary resources to have the best infrastructure in world-class shape in order for you to have the best economy in world-class shape. We require cost-competitive inputs.

When it comes to energy, that means electrons, that means natural gas. When you don't have the infrastructure or you have undue restraints placed in those areas, that's higher costs. I don't face those, even from within my own country. My fellow provinces have lower rates. Across the St. Clair to Michigan, or over to New York—lower rates. That puts an undue cost on us doing business here. I can't move away from it. I need help to fix it.

The Chair (Ms. Soo Wong): So this round of questions is to Mr. McNaughton.

Mr. Monte McNaughton: Thank you very much, Don. I'd like to put on the record, as Don already mentioned, that he is from Lambton county, close to my home. Thanks for all the work you do in representing 37,000 farmers in Ontario.

I wondered if you could, for the record, talk about some examples of agri-food businesses or farmers leaving the province because of high hydro rates. I know that down in southwestern Ontario I've heard of greenhouse operators relocating to Ohio. I wondered if the OFA has any examples.

Mr. Don McCabe: I think you've just touched on one, Monte, and that's the issue that we have heard of a greenhouse operator choosing to go and establish new facilities in Ohio. I'm going to turn the question over here to Mr. Cowan because he's more intimately associated with it. But we have members who are contacting us to say, "We're going off-grid because it's now cheaper to buy diesel fuel and run a generator."

Ted?

Mr. Ted Cowan: As of the first of the month, the new average price for rural Ontario is 20 cents a kilowatt hour; 9.5 in Ohio. It's 13 cents a litre for canola oil. With that, you can make your own power for around 10 cents a kilowatt hour, all-in cost, and have the waste heat to heat your hogs, dry your corn—whatever you're going to use heat for. Half-price and free heat looks like a pretty good deal. Our concern for Hydro One is that people stop being customers. There's a large belief in the company that customers can't walk, that they're captive. They may be crippled, but they can get up and walk.

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Mr. Monte McNaughton: Yes, I think it's pretty clear that, with the sale of Hydro One, hydro rates are going to continue going up in Ontario. In fact, there was a recent article in the media over the weekend talking about industrial power rates in Ontario being far higher than our neighbouring provinces, and of course—

Mr. Ted Cowan: All these things are fixable. The farm industrial rates—we could bring down industrial rates. Right now they're between six and 12; we could get them down to four to 10, with farm industrial rates. That 20 cents for farms would come down to 18—still way too high.

But it's the farm industry that we need. Food processing is our customer. If we lose a customer, then we're in serious trouble. If we lose all the customers, business is very, very different then. We'd be shipping everything we produce to the States at much lower costs and paying the freight.

Mr. Monte McNaughton: Thank you.

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

Ms. Catherine Fife: Thank you very much for your presentation and for voicing, I think, quite eloquently your concern around the sale of Hydro One.

You point out that rural and small towns have paid for the distribution lines for Hydro One. Do you think that rural and small-town Ontario fully understand the impact that the sale of Hydro One will have on the quality of their lives and on the economy?

Mr. Don McCabe: Well, first of all, allow me to thank you. I've never been accused of eloquence before.

I would say that rural Ontario is concerned, and that's why the Ontario Federation of Agriculture took the focus it did in addressing Bill 91 on this issue: because of the phone calls and the number of emails and whatever else is coming in.

I'd like Peggy Brekveld to offer her opinion on this, as she comes from Thunder Bay and has an opportunity to hear from folks in the north, also.

Ms. Peggy Brekveld: The concerns continue to grow, and the biggest concern continues to be the possibility of increased costs in electricity rates. The comparison of Ontario to Quebec or Manitoba—even if we reduce it by two cents a kilowatt hour, we're still twice the price that they are. We're getting closer to competitive, but we're not there yet.

I think the biggest fear is watching people move across the lines, in particular our processors. Those are large job losses. As the paper says, it's about 600,000 processing jobs; that's not even the on-farm ones. I watch my colleagues in my area look at buying farms and moving into Saskatchewan or Manitoba, and that's a shame.

Ms. Catherine Fife: You've been talking to this government about customized rates for your industry, for farming and industrial, for some time. Can you give us some sense of what kind of feedback you get? You make a strong economic argument for it.

Mr. Don McCabe: Well, I would offer that the discussions continue, and we're very much hoping that we're able to illustrate that bringing this particular program back in place at this time would not cost the government coffers any true loss. It could all be done within the current structure, and there would be no need for new taxes, nor a change in that light.

Ms. Catherine Fife: Thanks for being here today. You are representing rural Ontario—because this committee is only meeting here in Toronto—so I want to thank you for bringing the voices of rural and small-town Ontario to this committee.

Mr. Don McCabe: Thank you.

The Chair (Ms. Soo Wong): Thank you, Don, and all your colleagues, for being here.

FINANCIAL PLANNING STANDARDS COUNCIL

The Chair (Ms. Soo Wong): The next presenter is the Financial Planning Standards Council: Cary List, president and CEO. Welcome, sir.

Mr. Cary List: Thank you. Good timing.

The Chair (Ms. Soo Wong): Yes. As you probably heard, you have five minutes for your presentation, followed by three minutes of questions from each of the caucuses. This round of questions will begin with the official opposition party. You may begin any time. Please identify yourself and your position with the council.

Mr. Cary List: Good morning, everyone. My name is Cary List. I am president and CEO of the Financial Planning Standards Council. I'd like to thank the members of the committee for inviting me to present today on Bill 91, the Building Ontario Up Act. I also serve, on behalf of FPSC, on the federal National Steering Committee on Financial Literacy, and as chair of the Financial Planning Coalition, a group of four organizations dedicated to professionalizing financial planning.

I'd like to limit my remarks today to speak directly about strengthening Ontarians' retirement security and specifically the government's announcement in the 2015 budget of the appointment of an expert committee to thoroughly consider more tailored regulation of financial advisers, including financial planners.

FPSC was formed in 1995 and, as its name implies, we were formed to establish standards for financial planning in Canada. Over the past 20 years, the Financial Planning Standards Council, FPSC, has been developing, refining and enforcing standards for the financial planning profession.

As a non-profit organization whose moral owner and primary stakeholder is the Canadian public, we do not directly represent the interests of those whom we certify. Rather, we determine the appropriate knowledge, skills, ability, ethics and judgments required of financial planners. We hold those whom we certify accountable to rigorous professional oversight.

We approve educational curriculum. We hold two national examinations yearly for over a thousand FPSC level 1 or CFP—certified financial planner—professional candidates, and we assess candidates against competencies expected and determine who meets the requisite standards.

Our pass/fail rates reflect the fact that it's not easy to meet the standards we have set, nor should it be. Canadians deserve a high standard when dealing with financial matters.

Once certified as an FPSC level 1 or certified financial planner certification holder by FPSC, you must attest annually to meeting standards of professional responsibility and a code of conduct which includes the critical component of any recognized profession: Your clients' interests must come before all others. We also vigorously enforce this code on behalf of Canadians.

FPSC's purpose is to instill confidence in the financial planning profession, because Canadians must be able to trust financial planners to help them achieve their financial well-being.

I'm afraid, though, that we've been climbing a steep hill towards the fulfillment of this purpose, given the lack of recognition of the societal importance of financial planning in Canada. While there are approximately 22,000 individuals in Canada who meet professional standards for financial planners, over 9,000 in Ontario, there are thousands more in Ontario and tens of thousands across the country who imply, through title or advertising, that they too are financial planners yet who have not had to meet any financial planning qualifications. Unfortunately, anyone outside of Quebec can still call themselves a financial planner, regardless of qualifications, knowledge, skills or abilities, or ethics.

In fact, the majority of the 80,000 financial advisers in Canada are individuals whose qualifications relate specifically to the products they're licensed to sell, and the advice they may provide is related only to their licence. Such individuals, however, have no requisite training or qualifications for broader, more holistic financial planning advice.

Expertise gained through securities, mutual funds or insurance licensure does not equate to competence in financial planning. Unfortunately, however, most consumers don't know the difference. Most believe that a mutual fund licence, for example, equates to financial planning expertise and that financial planning is regulated. Not surprisingly, they also believe that those holding themselves out as financial planners must be qualified for the financial planning advice they give.

Consumers don't know how to identify a qualified professional and also have a lack of understanding as to what they should expect of a financial planner. Canadians use the terms "investment adviser," "insurance adviser" and "financial planner" interchangeably, yet the qualifications for each are wildly different. In fact, the term "financial adviser" can mean any of the above.

As a result of this confusion, today's environment leaves consumers vulnerable and at risk of receiving advice from individuals who have not had to meet any qualifications based on accepted common standards of competence, ethics or practice.

Canadians need help wading through a myriad of complex financial issues to achieve their life needs and goals. Specifically, they deserve to know whom they can trust to get the help they need, and they need help from financial planners who are qualified to see the big picture.

To address these issues, FPSC has partnered with the Institut québécois de planification financière, our sister organization in Quebec, to create the first-ever unified definitions, standards and competencies for financial planners across Canada. This joint publication performs an important role, as it provides consistency of expectations across the financial planning profession, regardless of sector.

To further address these issues, FPSC and our partners in the Financial Planning Coalition offer a solution which is simple in nature but profound in impact, and we look forward to working with the expert committee to discuss the issue and propose solutions.

The Chair (Ms. Soo Wong): Are you almost done?

Mr. Cary List: Almost done.

Specifically, we suggest four things:

—the adoption of a single, unified set of standards for financial planners;

—the recognition and adoption of the Canadian financial planning definitions, standards and competencies;

—the creation of the title "financial planner" and holding out restrictions that reserve the use of that title for only those who have demonstrated competence by meeting this standardized set of standards and ongoing professional ethics and responsibilities; and

—the establishment of a legal financial planner framework to make financial planners responsible to a professional oversight body that understands financial planning.

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This will go a long way to solving consumer confusion and protection issues that exist today.

We look forward to working with the expert committee that has been established to tackle this longstanding problem, and in the meantime I welcome your comments or questions.

The Chair (Ms. Soo Wong): Thank you very much. Mr. McNaughton, you may begin the questions.

Mr. Monte McNaughton: On those four points, anything in Bill 91—

Mr. Cary List: In Bill 91, the government has committed to establishing an expert committee to tackle this issue. It's an expert committee on the tailored regulation of financial planners and financial advisers. We're proposing a framework in those four issues that that expert committee should look at implementing to resolve that.

Mr. Monte McNaughton: And is there a time frame for a report?

Mr. Cary List: Well, I think the expert committee is to report back to the minister in early 2016, so we have about a year for the committee to work on it.

Mr. Monte McNaughton: Okay. And when will the committee get started?

Mr. Cary List: This is just from what we've been told, but our understanding is they have 90 days—I think it was announced about four weeks ago, so they're about a month in—to establish their mandate. I think they're already working on the project.

Mr. Monte McNaughton: Okay. Thank you.

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

Ms. Catherine Fife: Thank you very much for coming in and sharing your concerns. These are long-standing concerns. In the fall economic statement in 2013 the expert committee was announced. It was re-announced again in 2014, and on this committee we've just learned last week through another financial planning organization that there are no financial planners on the expert committee. Can you comment on how important it is for the committee to have that expertise on it?

Mr. Cary List: Yes. The way we understand it unfolding is that perhaps the expert committee is more appropriately named as an independent committee, and our understanding is there will be an advisory committee. We certainly would fully expect those with expertise, FPSC and CFP professionals, would be at that table, providing counsel and guidance to that expert committee.

Ms. Catherine Fife: Another concern that came up was regulation without representation. Do you want to speak to that as well?

Mr. Cary List: Our model actually proposes a regulatory model which is well established in other professions—regulated health professions—where the regulation actually is based on a self-regulating model where you have a combination in the model we propose and the model that we actually use in our governance structure. You have a combination of financial planners, CFP professionals in our case, and members of the public on the board of directors, and standards are set independently, also by a combination of both internal members of the community, of the profession, and external members.

Ms. Catherine Fife: Okay. We share your concerns that this is a matter of consumer protection, because in all of our communities across the province there are people who have thought that they were dealing with a true financial planner who was qualified and certified and ended up not having it.

We hope that this panel does come forward with some recommendations, and we hope that the expertise of financial planners is contained within the recommendations.

Mr. Cary List: Thank you very much. I should add that two out of every three individuals we've surveyed who believe they're working with a certified financial planner in fact are not.

Ms. Catherine Fife: Exactly. Thank you.

The Chair (Ms. Soo Wong): Thank you. Mr. Baker.

Mr. Yvan Baker: Thanks very much for coming in. I have to say that I have a finance background, and I spent a lot of years in university studying finance, but I'll tell you that when it comes to my financial planning I don't rely on my own expertise. I turn to somebody who has the—

Mr. Cary List: Absolutely.

Mr. Yvan Baker: So I can appreciate the importance of having that specific expertise and the important role that you play. We actually had a consultation recently in my community of Etobicoke Centre, in my riding, where we had a number of financial planners and others come together and talk about retirement savings and the challenges there. Financial planners played an invaluable role in that discussion.

I think the government understands that people are faced with complex decisions as individuals when it comes to their financial planning, and having informed expert advice is therefore critical to be able to do that. Currently, there isn't that regulatory oversight in place—I think you alluded to this—to regulate the activities or the work of individuals who have multiple certifications and designations for them to offer the appropriate financial planning services to the general public.

As you alluded to, in light of this, the government committed to investigate the merits of and possible options for proceeding with a more tailored regulation to help consumers, to help them make more-informed choices in investments, and they're moving forward with the expert committee that you referred to. Could you just speak to how regulating financial planners could benefit the financial planning sector in the province?

Mr. Cary List: I think, in fact, the beauty of this is that it's a huge consumer protection issue. It can benefit consumers while at the same time being a tremendous benefit to financial planners. In fact, our feedback from CFPs has been that they absolutely welcome the notion of a tailored regulation of financial planners because, frankly, those who have stepped up to professional certification to the CFP or the equivalent in Quebec have had to take a couple of years' worth of courses that we don't deliver but that we've approved. They've had to pass, really, three levels of certification exams and in excess of 10 hours of training and examination, yet they go out there in the field and they can be competing with somebody who is really good at sales who has no expertise at all. They're frustrated, because they're bringing all of that consumer- and client-interest-first thinking, they're bringing a holistic view and understanding of the client's needs, yet they are competing with somebody who is potentially really good at saying hi and making a good connection, yet doesn't have any of that expertise. So I think that there is a tremendous opportunity in the planning community.

We're hearing even from financial institutions that they're recognizing they have to change their models and that they need to look at professional advice as the real value added, not perhaps the advice around specific mutual funds or products. I think we're seeing, in light of the 2008 financial crisis in particular, more expectation that it's that true professional advice that is financial planning that people need, and it's that platform that not just the big FIs but the smaller shops are actually going to need to deliver, so that they see that if you actually codify in law standards around that, it's actually going to elevate what they're having to move to anyway.

Mr. Yvan Baker: Thank you very much.

The Chair (Ms. Soo Wong): Okay. Mr. List, thank you very much for your presentation.

Mr. Cary List: Thank you.

The Chair (Ms. Soo Wong): I believe that's all the presenters we have this morning. The Clerk just asked me some administrative stuff, so I want to ask the committee before we recess until the afternoon.

First, you know, in the past—the researcher is here to support the committee. What is the will of the committee in terms of the summary of the presentations? You know the turnaround time is very short; next Monday is supposedly the last day of the presentations. What is the will of the committee in terms of the role of the researcher? Ms. Albanese? Comments? Suggestions?

Mrs. Laura Albanese: Yes—

Mr. Monte McNaughton: Sorry. What are the options?

Ms. Anne Marzalik: With a bill, normally what we would prepare is a summary of witness testimony. The time frame is tight because the last day of hearings is next Monday. Tuesday is the deadline for amendments. I think in this case we would do our best to give you as much of the testimony as we can, but perhaps some of Monday's testimony wouldn't make it into the final summary.

Mrs. Laura Albanese: If I may make a suggestion, what may be helpful—because we're here, we're hearing all the testimonies. Many are also providing a written view of that. I would be in favour—and I don't know what the will or the view of the committee would be—of just having even a point form of the requests of each, or the concern and the issue brought forward by each presenter. I would be satisfied with that.

Ms. Anne Marzalik: Sure.

The Chair (Ms. Soo Wong): Any other comments? Mr. McNaughton.

Mr. Monte McNaughton: I agree 100%. I understand if on Monday you can't do all of them in detail because of the timeline. I think that makes sense.

Ms. Anne Marzalik: What kind of time frame would you be interested in, in terms of receiving the summary?

Mr. Monte McNaughton: As quickly as possible. Just whenever you can.

Ms. Anne Marzalik: Clause-by-clause is Thursday morning, so certainly it would have to be before clause-by-clause.

Interjections.

The Chair (Ms. Soo Wong): Okay. Just before I turn to you, Ms. Fife, the Clerk just advised me that the deadline for filing amendments to the bill with the Clerk of the Committee shall be 10:30 a.m. on Tuesday. The turnaround time is very tight.

Ms. Fife.

Ms. Catherine Fife: I have some serious concerns around these timelines: They're too tight. I mean, there are people who are going to be coming until, I think, Monday at 6:45. Then research is supposed to do a summary. You can tell by the nature of what we've already heard that people are voicing their concerns, they're delivering evidence based on those concerns and then they're asking the committee to make a recommendation. So that timeline is completely unacceptable; it really is.

The Chair (Ms. Soo Wong): Well, the Clerk advised me just now, for the purpose of the committee, that we cannot change what has been mandated by the House.

Ms. Catherine Fife: But it doesn't mean I can't voice my discontent, because I'm going to do that on a regular basis.

The Chair (Ms. Soo Wong): Absolutely. But I'm just saying that for this committee to change what has been directed and ordered by the House is not possible. I just want to bring that to everybody's attention.

Mrs. Laura Albanese: Madam Chair, would it be better for the researcher, if we receive them even in installments, let's say, as they're ready? So the ones for today maybe are ready in a—we just keep on building on those so that they're not to be done all at the last minute and we don't get to look at them at the last minute, as well. Would that be—

Ms. Anne Marzalik: It would make it a bit more time-consuming for us on our end, because we have to go through an editing process. So it's usually preferable to do the editing process all at once.

Mrs. Laura Albanese: All at once, okay.

Ms. Anne Marzalik: But as we go along, we're putting this into a document. Generally, what we'll do is that when we reach the point where, depending on your deadline, we feel we need to cut it off, we'll do that right away and then send it into editing.

Mrs. Laura Albanese: So is there any preferred way from your end?

Ms. Anne Marzalik: It's helpful for us that you've asked to have the document summarized by witness in terms of their recommendations, because often what happens with a bill is that we normally try and attach it to sections of the bill. So if we do it by witness, it already simplifies it for us. I think you've done all you can in terms of making the process more efficient for us.

The Chair (Ms. Soo Wong): Any other comments? Okay. I also was informed by the Clerk that the 4 p.m. presenter will be coming at 3:15. Just so everybody knows, 3:15.

Yes, Mr. McNaughton?

Mr. Monte McNaughton: So are we expecting to be out of here then by 4, 4:15 or 3:45?

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

The Clerk of the Committee (Mr. Katch Koch): Mr. McNaughton, it really will depend. Because what happened is that on Friday, when we called people to schedule, we were not able to reach everybody. We left a number of messages. It really will depend on whether those people get back to us. Of course, we're doing a follow-up; we're calling them again. If we're able to plug some of these holes, we will. I may have an update for the committee when we come back in the afternoon.

Mr. Monte McNaughton: Okay.

The Chair (Ms. Soo Wong): Any other questions or comments? Seeing none, I'm going to recess the committee until 1 p.m.

The committee recessed from 1044 to 1302.

The Chair (Ms. Soo Wong): I'm going to call the meeting to order for the consideration of Bill 91, An Act to implement Budget measures and to enact and amend various Acts.

NRSTOR

The Chair (Ms. Soo Wong): I'm going to call the first witness before us. Good afternoon.

Ms. Annette Verschuren: Good afternoon.

The Chair (Ms. Soo Wong): You must be Annette Verschuren, chair and CEO of NRStor. You have five minutes for your presentation, followed by three minutes of questions from each caucus. This round of questioning will begin with the third party. You may begin any time, and please identify yourself for the purposes of Hansard. Thank you.

Ms. Annette Verschuren: My name is Annette Verschuren. I am chair and CEO of NRStor, an energy storage company that has recently been established, but I'm here today to share some of my perspective on energy and the electricity sector and how the changes that are being proposed in the budget can help the wave of innovation that is really starting to get under way and is really needed in Ontario.

I think it's very exciting times in the electricity sector; there's lots of change. We have to get prices down for ratepayers. It's an extraordinarily exciting time for me because I looked at this industry to see where there was opportunity.

Previously, I was employed by Home Depot and built out the Home Depot franchise across the country, but I really wanted to do something special and something different and I really wanted to get into an industry that was changing. Certainly the electricity and energy market is changing and what has happened over even the last six months has just been quite extraordinary.

I want to talk briefly about the perspective of energy storage for a moment. I was really pleased when the IESO, which is the Independent Electricity System Operator in Ontario, came out with great courage and said, "Look, let's have a 10-megawatt energy storage project." So we bid on that, and we installed a flywheel installation with Ontario technology—Temporal Power, which is an amazing flywheel that's used for regulation services to help absorb and manage all the intermittent energy that's going on the electricity system today. Subsequently, 50 megawatts of energy storage was announced in the long-term energy plan, and that really has encouraged a lot of innovation in Ontario.

You just have to list the names: Electrovaya, Hydrostor, eCamion, Temporal Power. These are all stores that have been built out of a positive view, a view going forward of what we can do to integrate more of the renewable energy and more of the surplus energy in the marketplace.

We are a developer of energy storage technology, so we build projects. We are working on about 20 projects at the moment and we see the introduction of energy storage really making a big difference in terms of how we get electricity to market in a cheaper way. NRStor recently announced a partnership with the Tesla Powerwall, which is very exciting, to be introduced. We want to start in Ontario. We see that movement towards, again, using excess energy to improve costs and make it easier for customers. At the end of the day, I learned a long time ago, the customers speak. Serving the customers, like I think we are doing, is really critical.

I'm just looking at my time; I think I've got a couple of minutes left.

I also think energy storage is a great benefit for the future low-carbon economy. I think everyone knows that and sees that. Congratulations to the Ontario government for its announcement on cap-and-trade policy. I'm a believer that you have to price carbon. I don't have an opinion on what type of pricing, but I do believe that in order for us to recognize this as a social and economic responsibility, it needs to be priced.

But what I like about this budget is that it does move forward on some key barriers. Consolidating those three LDCs—Enersource, PowerStream and Brampton—really makes a lot of sense because I believe more innovation will be created when larger organizations come forward and can really put this into their rate base.

The privatization of Hydro One is also something that I'm very supportive of. For many years I worked in a crown corporation. I was involved in the privatization of crown corporations. I'm on the board of Air Canada. Where would Air Canada be if it wasn't privatized? It's one of the biggest global leading airlines in the world today. I put together Saskatchewan Mining and Eldorado Nuclear to make Cameco, which is the largest or second largest uranium-producing company in the world.

And so I am biased towards privatization. I think governance will improve. I think oversight will continue, obviously, with the 40% position with Hydro One. But I believe the privatization and the initiatives moving this industry forward to invest in more technology, to invest in more innovation, are key to making things happen and causing change.

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

Ms. Annette Verschuren: Yes, I will wrap up. Those were basically my points, but I think consolidation can create a stronger and more nimble LDC system. I think every ratepayer in Ontario will benefit from it.

The Chair (Ms. Soo Wong): Okay, that's great. Ms. Fife, do you want to begin the questioning?

Ms. Catherine Fife: Thank you very much for being here today. Also, thank you for being so honest about your self-admitted bias towards privatization. I wish the

Ontario government had the same honesty, actually, on this issue.

I'm glad that you raised the issue of cap-and-trade as well because we are still waiting to see the plan on carbon pricing. It's been promised now for almost six years. We've still not seen the plan. I hope that you'll weigh in when that plan comes forward.

And then the issue of the sale of Hydro One: I'm interested to know why you think that it will inspire innovation because, quite honestly, Hydro One, for instance, has been such an advocate around conservation. Bill 91, which is, of course, what we're supposed to be debating today or hearing about—there's nothing in this budget bill about conservation, and that's where the smart money is. That's where the smart investment is.

Can you touch on conservation and then also the importance of research and innovation, Annette?

Ms. Annette Verschuren: At Home Depot I really believed in working with the utilities across the country on conservation, and Hydro One has done a terrific job. There's no question that Hydro One has done terrific innovation as well. They've invested in a Temporal Power facility for voltage management.

But I believe that different people around the table, different investors, diversity of opinion and perspective really bring a greater future and more secure future in terms of sustainability. I think having one shareholder provide directives is difficult. I really believe in freer enterprise and privatization.

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I think it will bring greater opportunity to Hydro One for potential expansion, for improvement and for innovation. I think the more capital that it can invest that will be freed up as a result of moving in this direction—

Ms. Catherine Fife: Are you aware of how much money Hydro One actually brings in—

Ms. Annette Verschuren: It's $800 million a year.

Ms. Catherine Fife: Yes, $800-plus million. Actually, the only taxable revenue which was increased in this last budget was Hydro One and OPG, and then, of course, the municipal land transfer tax. This is the sell-off of one important public asset for a very quick grab of cash which, quite honestly, is not even guaranteed to be invested into the infrastructure and the transit that it was originally promised for. Do you have any concerns about the accountability lines around the funding?

Ms. Annette Verschuren: Absolutely. As someone who has taken responsibility as a CEO and board member, I take full responsibility for accountability, but I believe there are mechanisms in place to do that. I believe that Hydro One has a lot of opportunity to continue to grow and to develop. I really believe that the growth and the improvement, in terms of performance, are dependent upon more diverse and different investors, different perspectives coming to the table and making a big difference.

The Chair (Ms. Soo Wong): Ms. Verschuren, I have to go to the government side. Mr. Milczyn.

Mr. Peter Z. Milczyn: Thank you, Ms. Verschuren, for coming this afternoon. It's really very interesting for us to hear your depth of experience and knowledge in the private sector and now in energy specifically. That's very helpful to us.

You've spoken about your own experience of looking at crown corporations being transformed into publicly traded companies. I was wondering if you could tell us a few things. First, what is your experience in terms of those newly publicly traded companies being able to continue to achieve the broader goals that those companies would have in providing whatever service they have? Obviously, electricity distribution in Ontario is something that can be handled through a private corporation—a publicly traded corporation—but there would still be some public goals to be achieved. How would that model serve us better in achieving some of those goals and having efficiency innovation?

Speaking also to Bill 91, could you maybe touch on the redistribution of capital? Freeing up capital from Hydro One, putting it into transit, which is something that only the government can build, and allowing the private sector to get involved in something that it can build—if you could tell us a little bit about your views on that.

Ms. Annette Verschuren: I think the redistribution of capital and getting capital to work in favour of Ontarians is really critical for this committee to consider. Many times in my career, we've had to reallocate capital to places that needed it more. I personally think that taking some of the equity out of Ontario and using it for the greater good of Ontarians, in the form of transit, really does make a lot of sense. I'm very comfortable with that approach.

My experience in terms of the private sector—and just so that everybody knows, I worked in a crown corporation for the first 11 years of my career, the Cape Breton Development Corp., which is a coal mining company. It wasn't privatized, but if it had been privatized, I wonder whether it would have lasted longer than it did. It did close down.

But I think that managing the social and economic issues in companies is critically important. I have seen situations where the maintenance of policy, the perspective of regulation—and of course, we have the OEB, which is an extraordinary organization that manages the rates and investments that a lot of institutions in the electricity market make. But—

The Chair (Ms. Soo Wong): Ms. Verschuren, I have to shut this down. I have to go to Mr. McNaughton. Sorry.

Ms. Annette Verschuren: That's fine.

Mr. Monte McNaughton: Great. Thank you very much for your presentation today. As an aside, I have to say I have followed your career, especially at Home Depot, because prior to politics I was involved with Home Hardware Stores Ltd. Congratulations on all your success there, and of course with your new venture, because we all know energy storage is key, moving forward with the sector.

Just a couple of points I wanted to ask you about: You mentioned in your opening that we need to get prices down in Ontario when it comes to electricity costs. Do you actually see the potential for that? We heard earlier this morning from an energy consultant that there is $35 billion worth of debt in Ontario's electricity sector. How do we move to start getting prices down, in your opinion?

Ms. Annette Verschuren: Well, I think energy storage is one way of postponing major investments of new generation. I think that there are ways. We probably produce, in our province, 20% to 30% more energy than we use. We curtail it. We don't manage it efficiently. So I would say there is a lot of opportunity to make our system much more efficient. Energy storage is one approach.

I think there is more alternative—the price of solar is going down so much; the price of wind is going down. I think there are probably still some more hydro projects, but I think what we need to do is manage the resources that we have better. I think a bit more private sector involvement can really help make that happen.

Mr. Monte McNaughton: I just wanted to get your opinion, since you've had some experience from the crown corporation side. In Ed Clark's final report—and you had mentioned Hydro One Brampton—it said, "[T]he council believes that the province should not conduct an open auction or procurement process for Hydro One Brampton...." Do you think that's acceptable, for a government to not have an open auction process for the selling of an asset?

Ms. Annette Verschuren: I don't have the answer to that question. I think the government has to look at all alternatives in terms of the disposition of its assets or the creation of assets or whatever work that it has to do. But I think it needs balance. So I'll leave it at that.

Mr. Monte McNaughton: Thank you.

The Chair (Ms. Soo Wong): Thank you very much for your presentation.

INDIE ALE HOUSE BREWING CO.

The Chair (Ms. Soo Wong): The next presenter is Indie Ale House, Jason Fisher. Good afternoon.

Mr. Jason Fisher: Good afternoon.

The Chair (Ms. Soo Wong): As you heard earlier, you have five minutes for your presentation, followed by three minutes of questioning. This round of questions will begin with the government side. You may begin at any time, and please identify yourself for the purpose of Hansard.

Mr. Jason Fisher: Thank you. My name is Jason Fisher. I am the owner of the Indie Ale House Brewing Co. and brew pub in Toronto. I should say, I'm obviously here to speak about the proposed changes to the selling of alcohol and beer, not Hydro One.

We're almost three years old. We opened in October 2012. We serve approximately 500 people a day in our in-house retail store and pub. More than 80% of the people are from our immediate community, within a five-minute walk. We produced approximately 2,000 hectolitres of beer this year in our third year. That still puts us in the bottom 1% of brewers in Ontario, and not in the bottom 0.1% in North America.

We employ 46 people, all above the minimum wage, and 25 of them this year will be full-time on benefits. The majority of staff live within a five-minute walk to work. We're a big part of our community. If anybody has been to the Junction in Toronto, it wasn't the nicest neighbourhood not that long ago. I would say 14 division takes more credit for that than we do, but substantially the neighbourhood has turned around since restaurants have moved in. There are 18 that have moved in since we opened two and a half years ago, of all shapes and sizes. It's now a community you can walk around in—some of the pros and cons of gentrification, along with the brew pub—but a large part of opening a small brewery in a neighbourhood is that the neighbourhood starts to change its shape.

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We are looking to expand, and prior to the amendments proposed, that would have been nearly impossible for us. A large part of our economic model is the on-site retail store. Without the proposed change to the 25,000 hectolitre limit, we would not have been able to open a retail store, which means, functionally, we would have to open in some non-urban part of the province, in an industrial complex, and then ship our beer and sell it, and not serve a community. That's not really our model. This change will allow us and a lot of other small brewers—basically any of the small brewers in Ontario, which are almost 100 now—to basically double in size if we so choose.

I'll say that there's support for the bill. It's not a perfect bill, if you were to ask the small brewers. There are really pretty minor impacts for the most part; however, it is the first time, I think in my lifetime, that there's been a meaningful change made. We have a rich history in Ontario of promising to make changes and not actually making any changes. So I think the brewers are extremely positive even though the proposals are small. We believe it's a start.

It's a good sign because, also, for the first time the small brewers were consulted in the process in various ways. No one's ever talked to us before, so we're pretty happy about that. Five years ago there might not have been as many of us, but certainly, at least people are listening now. We feel good overall about the climate for the change.

The two most significant parts of the bill for small brewers in Ontario and for the people of Ontario are the grocery store part of it—the sale in a third channel—and the change to the 25,000 hectolitre limit. That's the only one that impacts me. We're far too small to sell to grocery stores. I would say of the 100 or so breweries in Ontario, 80 to 90 of them are far too small to sell to a grocery store in any meaningful way. We could do it for ego or just to say we did it, but I would have 10 cases to sell them. We sell out of beer faster than we can make it and so does everyone. It's good times.

For the 25,000 hectolitre rule, obviously, it allows us to expand. It allows us to look for a place that isn't under another name, or essentially a B version of our flagship place, and that's not how you would operate a business.

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

Mr. Jason Fisher: Yes. Ontario has long been underserved by craft beer. We have the lowest number of craft beer per capita of any place in North America, and the main reason is access to market. If you can't get to market to sell your crazy one-off beer, you might as well not brew it.

The Chair (Ms. Soo Wong): All right. We'll be beginning with Ms. Hoggarth.

Ms. Ann Hoggarth: Thank you for your presentation.

Mr. Jason Fisher: Thank you.

Ms. Ann Hoggarth: I was asked to ask the exact location of where your restaurant is.

Mr. Jason Fisher: Sure. We are at 2876 Dundas Street West: Keele and Dundas.

Ms. Ann Hoggarth: Thank you. I also want to let you know that the craft breweries have been consulted, and we believe that what we've done is the biggest shakeup to the way beer is sold in Ontario in nearly 90 years. We listened to consumers and we believe that we're delivering more convenience and expanded choice to them. Also, entrepreneurs and new businesses such as your own will be able to grow and prosper. It will be a win-win situation for everyone.

I, myself, am from the riding of Barrie, so we have the Flying Monkeys and they're quite excited about what's going on. I hope that your business will grow and thrive because of this as well.

The legislation marks, as I said, a major shakeup in how the Beer Store would operate in the province. Can you speak to what this change of magnitude would mean to your business and future business opportunities?

Mr. Jason Fisher: Certainly. The changes to the Beer Store specifically won't mean much to us. They largely remain the way they are. They have a little more oversight—that's probably a good thing—but they are still wholly owned by three foreign nationals, or at least all the decisions are made by three foreign nationals. So there's no real meaningful change to the Beer Store.

But for the 80-plus small brewers in Ontario, we can now expand without winning the lottery. We can open a second place, funded through our own growth, and basically you can double production in Ontario. Anybody considering opening a brewery in Ontario now has a realistic means of growth. So those are good manufacturing jobs, it's good beer—and you can look to Michigan, which went from nothing to close to 20% of GDP statewide on breweries in less than 10 years. That's astronomical.

Ms. Ann Hoggarth: The jobs that are created, from what I understand from the owners of the Flying Monkeys, are good jobs. Most of them are very high-paying jobs.

Mr. Jason Fisher: Yes. I think the average salary is in the $40,000 range; it is at our place, and we're small. We are tiny. That's just the jobs that I pay for. Then there's all the trucking and all the marketing people and event people, and there's a lot of ancillary positions around a brewery.

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

Mr. McNaughton.

Mr. Monte McNaughton: Well, my first question is going to be, where are the samples today—

Mr. Jason Fisher: Yes. I was cautioned against that.

The Chair (Ms. Soo Wong): We've got the address.

Mr. Monte McNaughton: Yes, we have the address now.

I have a couple of questions. The first one is not related to Bill 91. Do you have an opinion on the changes made, I think a year or two ago, by the government regarding selling beer at farmers' markets?

Mr. Jason Fisher: Yes. You can sell a bottle of wine to someone at a farmers' market, but not a bottle of beer, which is just completely illogical. What would happen if I sold you a bottle of beer at a farmers' market? What kind of unrest would happen?

In the province, the treatment of distillers, wineries and brewers is very different, and in different ways, if you mapped it all out, it would seem highly illogical, and there's probably a coming time to address that.

We sell at farmers' markets through a catering endorsement when the situation allows it, so we're standing next to wineries selling wine, and we see that to go fine. It would be an interesting exercise.

My concern would be, is Budweiser going to pull up a truck and turn the park into a giant Budweiser store? I can't compete with that, and I don't think the community wants that. However, could there be a change in the law that lets small local brewers in that neighbourhood sell six-packs to people?

This weekend, there was a two-hour lineup to get into Bellwoods Brewery to buy beer, and we ran out of beer because we're too small to make enough.

So it wouldn't be a bad thing. I don't think society would unravel, and it seems like it would be fair.

Mr. Monte McNaughton: Great. Thank you.

To continue that, what do you think the next step should be in Ontario to liberalize our beer and wine sales?

Mr. Jason Fisher: I think I'm the last guy you want answering that question.

I think Molson and Labatt are allowed to own 450 retail stores, the government is allowed to own quite a few, and I'm allowed to own two. I make the beer, so I'd like to have more than two.

I'd also like someone waking up tomorrow in Ontario to say, "I've got an idea. I'm going to be an entrepreneur. I'm going to open a craft beer store and maybe sell wine and cheese, and curate a great list. And I'm going to live or die based on the success of my efforts and create jobs from entrepreneurs who want to do that." Right now, if you want to do that in Ontario, you'd have to move to Quebec.

Mr. Monte McNaughton: So you would advocate for a free system—

Mr. Jason Fisher: A freer system.

I am also largely in favour of regulation and taxation. I think all the good things that come with that are good for society.

I don't think it should be in corner stores; I don't think it should be in every place. I'm fine with the regulated system. I'd like it to be a fair system.

Mr. Monte McNaughton: Great. Thank you.

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

Ms. Catherine Fife: Thank you very much, Jason, for being here.

That's actually a really good statement, I think, around the so-called greatest modernization of alcohol in the province of Ontario.

You said that you have 10 cases to bring to a grocery store. I think that's a very telling statement. It's a good thing that you were consulted, because with the largest sell-off of a major public asset like Hydro One, there was no consultation on that, so I just want to bring that to the fore.

I like the fact that you mentioned that Bill 91 is not a perfect bill, because we obviously agree with your assumption on that.

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The issue of distribution: The member from Barrie mentioned Flying Monkeys, which is a good beer, I want to say. There's a lot of talk about the liberation of beer sales in the province of Ontario. As someone who is on the ground as a creator and as a craftsman, do you see a beer like Flying Monkeys or your own beer in a Walmart in a neighbourhood close to you coming anytime soon?

Mr. Jason Fisher: It's a tough question. I can only answer for myself. I think a lot of Ontario brewers have been philosophically opposed to the Beer Store being the only chain. We've had that mindset for 80, 90 years. This is the biggest change to alcohol sales in Ontario in my lifetime, so I think we're positive.

There are a couple of parts to that. Any time a middleman gets between the manufacturer and the consumer, the consumer is going to pay for it and the manufacturer is going to make less, so I'm not in favour of that. I'd like to be able to open stores and sell directly to consumers. No one is going to care about my beer more than me, certainly not Walmart. But if I'm going to grow, I need a vehicle to sell my beer. The biggest restraint to the development of a good craft beer culture in Ontario and lots and lots of jobs and taxation dollars is access to market. If you're a small brewer and you make a crazy beer with wild blueberries and something else, the LCBO and the Beer Store don't want that. You need a place where you can sell a small batch. In Quebec, I can go to a corner store and say, "Do you want to try this crazy beer?" and they can say yes or no. But if they say yes, you can establish—

Ms. Catherine Fife: You also mentioned the hectolitre limit. There has been no sense to that hectolitre limit.

Mr. Jason Fisher: Cynically, that hectolitre limit was put in by two larger breweries to keep smaller breweries from having a second location.

Ms. Catherine Fife: Absolutely. Yes. Thank you.

The Chair (Ms. Soo Wong): Mr. Fisher, thank you for your presentation.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Chair (Ms. Soo Wong): The next presenter is the Ontario Public Service Employees Union: Smokey Thomas. Welcome. Good afternoon. If there is a handout, the Clerk will take it and distribute it.

Mr. Thomas, as you know, you have five minutes for your presentation, followed by three minutes of questioning. This round of questions will begin with the official opposition party. You may begin anytime. Please also include your colleague in your introduction, for the purposes of Hansard.

Mr. Smokey Thomas: Good afternoon. I'm Smokey Thomas, president of the Ontario Public Service Employees Union. With me today is our political economist Randy Robinson. We're happy to be here.

I'll get right to the point. The guiding principle of the 2015 Ontario budget is cannibalism. The budget says that we can only afford public infrastructure if we cut services and sell assets. Want a new hospital? Lay off some nurses. Want to build transit lines? Sell transmission lines. This is not progress. This is eating your own flesh to fill your stomach.

Cannibalism is the strategy of the desperate, and the government has been working hard to convince us that times are really desperate. Government is broke, they say. We have a deficit that's over $10 billion, but we need to understand why. It's not because of spending. We have the lowest program spending per capita of any province in Canada, and we are starving public services in this province. Our problems today stem from tax changes that Mike Harris began and Dalton McGuinty continued. Provincial revenues are $19 billion less today than they would be if government now had the same commitment to public services it had 20 years ago. Looked at another way, we could recoup all that lost money merely by collecting own-source revenues in Ontario at the same rate as Manitoba.

At the core of our problems is the coddling of big business. Under Dalton McGuinty, corporations got special treatment in two main ways. First, they got massive tax breaks through the elimination of the capital tax, the introduction of the HST and cuts to corporate income tax rates. Second, they've been invited to guzzle public dollars through privatization of public services and the use of public-private partnerships, P3s, to build our hospitals, schools and courthouses. Our Auditor General has pointed out that we pay more than 28% too much when we use P3s to build infrastructure.

These two policies represent the central theme of the Liberal era: the transfer of public wealth to private interests. This is obscene.

Ontario's GDP per capita is at a record level. Corporate profit rates are at a 27-year high. There is more money in this province than ever before. We built our

400-series highways, medicare and our community colleges when we were poorer than we are today. We can afford to keep building.

What's holding us back is a Liberal government that takes its orders from Bay Street, not Main Street. Losing control of Ontario Hydro won't build our economy; it will strip us of our power. Privatization won't save us money; it will cost more. We need to feed our public services, not feed them to Bay Street.

We would like to see some changes to the budget and to Bill 91. We need to put more money into public services. We need to put the brakes on privatization and the sale of assets like Hydro One. We need to raise money.

I propose a simple plan to raise $50 billion over the next 10 years. Here's how to do it. Restore corporate income tax rates to 2009 levels. This would raise $23 billion over 10 years. And don't use P3s to build infrastructure. Based on the Auditor General's numbers, using traditional public procurement to build $130 billion worth of infrastructure would save just under $29 billion. These ideas would net us $52 billion in 10 years. We would use $2 billion of that to strengthen Infrastructure Ontario's capacity to oversee projects. Based on statements by the Premier, that capacity is much weaker since the Liberals came to power. We need to restore it.

We'd be pleased to take your questions.

The Chair (Ms. Soo Wong): Thank you. Mr. McNaughton.

Mr. Monte McNaughton: As always, thanks for telling us exactly what's on your mind and being straight with the committee here.

I wanted to ask you about your trust in the Kathleen Wynne government. Of course, I'm an opposition member, but we're seeing things that she didn't campaign on and they're now implementing. I wondered if you could just speak to your opinion on trusting the government.

Mr. Smokey Thomas: Well, I don't trust them at all, and I don't know too many people who do, unless you're down on Bay Street and your name is Ed Clark or Bert Clark or any one of those people—Dwight Duncan. They're all doing pretty good under Kathleen Wynne. But the average person on the street is going to be hurt tremendously by this budget. Industry is going to be hurt by skyrocketing hydro rates.

There's just nothing in there for people of no means. All we need to do is look at SAMS and how people on ODSP and Ontario Works have been shafted by this government. My folks in the government who do that work—if they hadn't laid off a bunch of people who do infrastructure, they could have done it for $25 million to $35 million. Instead, the government contracted it out for $250 million, a colossal waste of tax dollars.

I and my organization just had our convention last week. We passed a unanimous resolution to take any and all measures necessary to fight the privatization of public services and the sell-off of public assets, and we will.

Mr. Monte McNaughton: How do you think a government, in particular this government, becomes the party of Bay Street, not Main Street?

Mr. Smokey Thomas: I guess you drink that corporate Kool-Aid and sell your soul to your rich friends, not to the working people. I can't think of any other reason.

Mr. Monte McNaughton: Lastly—and I think you touched on it—in your opinion, what is going to be the result of the sale of 60% of Hydro One for consumers in Ontario?

Mr. Smokey Thomas: Well, I think increased electricity rates. In that bill, the Auditor General, the Ombudsman, the sunshine list—there would be no oversight. So a total lack of transparency, a total lack of oversight and, again, just a massive sell-off. All those Bay Street folks who sell the shares, even at a cut rate, are still going to make hundreds of millions of dollars selling those shares.

The Premier talked about broadening the ownership of Hydro One and the hydro system. You can't get any broader than everybody in Ontario owning a stake in it. That's going to narrow the interests. It's just not good for Ontario to privatize anything that belongs to the people of Ontario without public hearings. They should hang their heads in shame.

Mr. Monte McNaughton: Thank you.

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

Ms. Catherine Fife: Welcome. Thank you for your presentation and for being so direct.

You agree that there's no mandate whatsoever for this government to sell off Hydro One?

Mr. Smokey Thomas: No. They have no mandate whatsoever to sell off anything.

Ms. Catherine Fife: And would you agree with me that it's unprecedented that eight independent officers of the Legislature have voiced collectively their concern about the lack of oversight around where the money is going in this province?

Mr. Smokey Thomas: I've been doing this a long time, fighting politicians of all stripes. I've never seen anything like this. Even in Mike Harris's day, he didn't try to pull off the biggest boondoggle in history and totally strip the powers of the oversight people. What is democracy without oversight? It is unprecedented, and I think Kathleen Wynne should resign.

Ms. Catherine Fife: Even if you look at the Auditor General, to your point around P3s, the Auditor General came forward. She said there's no empirical evidence whatsoever that the P3s and the AFP model is actually serving the people of this province well. In fact, she cited an $8.1-billion excess over a traditional procurement process. The government has outright dismissed her findings, as did the energy minister, saying that it was too complex for her to understand around smart meters.

Can you comment on the level of arrogance of this government, Mr. Thomas?

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Mr. Smokey Thomas: Well, I've never seen arrogance like the Liberals' when they're in power too long. This is the most arrogant, power-mad Premier I've ever seen. At least Mike Harris, when he was going to stab you in the back—he didn't stab you in the back. He just said, "I don't like you"; "I don't like this"; "We're going to do it." And you had a chance to fight it.

They got a majority government by fearmongering and now they're going to use that majority to do some things that are not good for Ontario, in my opinion.

Ms. Catherine Fife: One final point on the privatization of public services, because the list of services that have been, quite honestly, corrupted by privatization in the public service—SAMS is the most egregious right now. It's the issue of the moment because people are not being served well.

Can you comment on the contracting-out, the sourcing-out of public services for this record?

Mr. Smokey Thomas: Yes, I can. I asked Dwight Duncan, Dalton McGuinty, Kathleen Wynne, Deb Matthews—I asked them to prove to me that privatization saves money and makes public services better. The last chat was in October. It was the last time I had a meeting with Deb Matthews. She promised me within two to three weeks we'd have that evidence. She said, "Smokey, I'm telling you right now: It's true." I said, "Well, prove it to me."

She still hasn't sent the evidence, and the reason, I believe, she hasn't sent the evidence is that all the evidence is to the contrary.

Ms. Catherine Fife: That evidence doesn't exist.

Mr. Smokey Thomas: Exactly.

Ms. Catherine Fife: Thank you very much, Mr. Thomas.

The Chair (Ms. Soo Wong): Thank you. I believe it's Mr. Baker.

Mr. Yvan Baker: Thank you very much, Mr. Thomas, for coming in and for sharing your perspective with us.

There's a recent report talking about the impact of congestion in the GTHA. You know, depending on the estimates you look at, people put out somewhere between $6 billion and $11 billion a year in terms of the impact. I think about my community of Etobicoke Centre and how often I hear from my own constituents about how this is impacting their lives and how they want to spend less time commuting and more time at home with their families. They want to get to work faster, they want to seek out economic opportunity, and obviously, that congestion is curtailing that.

I hear from folks, from people in my community, "We need you to continue to be making investments to grow for the future." They ask for those investments because they believe that they create good, strong jobs. They also create opportunity and pave the way for our future prosperity.

So I'm wondering—and I'm sure you've been in situations yourself where you've probably felt that way, where you feel that we could certainly do more to ensure we address that infrastructure challenge. Can you tell us a little bit about—are continued investments in infrastructure important?

Mr. Smokey Thomas: Well, let me answer that with a question: Would you sell your car so you could build a garage to put it in? Because that's what you're doing. Why don't you try the old-fashioned way, before the Liberals gutted out everything the bureaucracy used to do? It used to borrow the money, design the projects and manage the projects at cost. The Auditor General already told you: $8.1 billion more than necessary was spent. It won't be any different on transit. It's just a great, big cash grab for a bunch of rich construction companies with close ties to the Liberals.

You answer me this question: What is the logic of selling off a crown jewel, another goose that lays golden eggs, called Hydro, to raise a fraction of the money you need to build transit?

In my opinion, I think that's just a smokescreen to privatize Hydro. The $5 billion you're going to get—what is it, $140 billion short? Where the hell is the rest of the money going to come from?

So, no, I don't think it's a good plan at all. I think you go back, you rebuild the public service, and you do it in a way that saves money. I started working in government in 1970. I became a union activist in the mid-1970s when we became a union. I've seen how it should work. I've seen how it has gone downhill ever since. It started in the 1980s with a book called Reinventing Government. Now it's all about profits for Liberal-friendly corporations.

Build transit? Yes, but do it the old-fashioned way: Borrow the money yourselves at a fraction of the rate and save the taxpayers of Ontario all that money and build what you need to build. Sell bonds; do whatever.

Do what we say in here: Bring back taxes to where it's still a hell of a good deal for business to do business in Ontario and you'd have all the money you need and some left over. You wouldn't have to starve people out. You wouldn't have to attack the people who work for the government, the people who are employed in the public sector, because that war is looming. By September, you're going to be in a full-blown war with everybody, and those are the policies of your government, sir.

Mr. Yvan Baker: Okay.

The Chair (Ms. Soo Wong): All right. I don't think we have time—sorry. Thank you very much, Mr. Thomas.

Is the next presenter, the Premier's Advisory Council on Government Assets, Mr. Clark, here?

So, everybody, we're going to recess until 2 o'clock.

The committee recessed from 1346 to 1400.

PREMIER'S ADVISORY COUNCIL ON GOVERNMENT ASSETS

The Chair (Ms. Soo Wong): I'm going to resume the committee to consider Bill 91, An Act to implement Budget measures and to enact and amend various Acts. Mr. Clark, you have five minutes for your presentation, followed by three minutes of questioning from each caucus, and this round we'll be beginning with the third party.

When you begin, can you identify yourself, as well as your position with the Premier's advisory council, please? Thank you.

Mr. Ed Clark: Thank you, Madam Chair and committee members, for giving me this opportunity to speak about the recommendations of the Premier's Advisory Council on Government Assets. I am the chair of the council, and my fellow advisory council members include Janet Ecker, Ellis Jacob and Frances Lankin.

David Denison, who was an original member of the council and signed our last report, has now resigned to become chair of Hydro One. I want to thank David for all his hard work and for taking on this new role. David is a superb choice, a proven and experienced business person who understands the role you must play when you take on a public trust.

Ontario is facing a significant challenge. In order for our economy to grow, much of the infrastructure needs to be replaced or upgraded, and the province does not have unlimited debt capacity to fund those upgrades. The challenge we took on, at the request of the Premier, was to look at three key assets the government owned to maximize their value in a way that would help pay for the much-needed public transit and transportation infrastructure that will allow Ontario's economy to grow. In doing so, we had to protect the long-term taxpayer interest; at the same time, we wanted to do it in a manner that would reduce pressures on electricity rates and help promote a modern electricity system.

We were a non-partisan council focused on the doable. We unanimously agreed on the conclusions. We could find the needed resources in a prudent and responsible manner, a manner that benefits the ratepayers, respects the taxpayers, strengthens customer service and creates an exciting partnership with unionized workers focused on building a growing and better-performing company.

We studied other attempts at realizing value inherent in public assets and were determined to avoid mistakes that had been made. Two seemed critical: fire sales that leave a lot of money on the tableand creation of companies where the consumer has little or no protection, so prices end up higher.

For the council, because recommendations were being driven to maximize long-term value, it was important that this not be a fire sale. As you are aware, we have proposed to structure the deal so that this will not be the case, nor will putting Hydro One directly into the hands of Ontario investors result in increased rates. That is simply not how our system works. Hydro One rates are regulated and will continue to be regulated. Hydro One does not set its rates now, nor will it do so as a private company. That is the mandate of the Ontario Energy Board, and the board is indifferent as to whether an owner is private or public. The government has also announced that it will take steps to further strengthen the OEB to better protect ratepayers.

We believe having Hydro One broadly held will have a favourable impact on electricity rates over time. Injecting new capital and, for that matter, private sector discipline should improve Hydro One's business performance. Strongly performing companies typically reduce costs and improve service. When this happens, the cost savings can be passed on to the ratepayers through lower rates than would have otherwise occurred.

The market for assets such as Hydro One is stronger than it has ever been, but we have been prudent in our assumptions of value and we are taking steps to ensure the transaction costs associated with this process will be significantly lower than the usual fees charged by Bay Street. At the end of the day, the real test will be whether the resources freed up by this dilution of the province's interest will be invested in returns higher than those required to sell the assets.

If you look at the price we achieved in the sale of Brampton or that we expect to achieve in the IPO for Hydro One, prices are at or close to the province's borrowing rate, so it appears we are at an optimal time to shift resources from ongoing ownership in Hydro One to new investment in infrastructure.

The government has made a commitment to retain 40% of the shares of the initial offering. It has also made sure that Hydro One will be a widely held company with no other entity owning more than a 10% share. Further, by limiting the IPO to approximately 15% of the company, the government is not only making sure that the price will be optimized, it is also allowing itself to enjoy the upside in the company. As improvements are made in the company, the province, as a larger shareholder, will be the largest beneficiary.

Proceeding in this way will avoid the errors of selling assets for ideology or one-time revenue gains. This is just smart business. Equally important, we have created a new growth company anchored in Ontario, creating jobs for Ontario, with the public sector, as investor, continuing to get the benefits of that growth. This is, therefore, good for Ontario, and good for the taxpayers.

The company will, of course, also be subject to oversight through security laws, like any other publicly traded company. The senior executive compensation package will be disclosed to the public. The finances of the organization will be audited. The company will be held accountable for how it treats its customers. Publicly traded companies are very focused on their customers and their brands. In our report, we have called on the new board to ensure that the company's business strategy recognizes that the core focus of the company must always start with the customer.

The new Hydro One would also create an ombudsman whose role would be to directly address the concerns of the customers. This is good governance and it is how modern service companies today operate.

In short, as a council we are pleased where we ended up. We believe that the province can rely on substantial value and attractive prices, repurpose those proceeds for higher returns for the province and do so in a way that protects the consumer and creates a growth engine anchored in the province.

I now welcome any questions you may have.

The Chair (Ms. Soo Wong): That's great. Thank you very much. Ms. Fife, you can begin your questions.

Ms. Catherine Fife: Thank you, Mr. Clark, for being here today. Obviously, following your report many criticisms came forward, as I'm sure you expected them to. I want to get your thoughts, though, on the report co-authored by Dr. Douglas Peters, former TD Bank chief economist, specifically where he states that selling a 60% stake in Hydro One will cause a net annual loss of $338.8 million. You, in your report—the committee—say that the Hydro One valuation is actually estimated at $15 billion. He and his team have estimated the valuation of Hydro One at $10.6 billion.

So there are two questions there. The net annual loss obviously has a lot to do with the residual stranded debt, so this is your opportunity to comment on those numbers, please.

Mr. Ed Clark: Yes. Why don't I just take them in reverse order? I think we'll find out, when we do the IPO, who turns out to be right. I think we obviously have a fair amount of expertise in this area, and we used it and came up to a view. I think we would stand by our view. I'll say: We'll see, Doug, in October.

Ms. Catherine Fife: So you'll see the numbers when you see the numbers, will you?

Mr. Ed Clark: Yes.

Ms. Catherine Fife: But it's a big risk, don't you think, Mr. Clark? There's a lot at stake here for the people of this province.

Mr. Ed Clark: Absolutely, and so I think the way we structured the deal by only selling 15%, even if you took the delta between our two—

Ms. Catherine Fife: Little pieces. Bits and pieces.

Mr. Ed Clark: Right. I think the mistake that people have made is trying to sell all of it at one time, overloading the market and therefore not getting the best price. So we intentionally said, "Look, why don't we just go sell a very small amount and find out what the market is, because reasonable people can differ." We're highly confident in this. We have not had any feedback from the marketplace that our numbers are wrong.

Ms. Catherine Fife: To date, you have not.

Mr. Ed Clark: Yes.

Ms. Catherine Fife: I think, if we go back to your original task, though, the number one principle guiding the council's work was that the public interest remain paramount and protected. Is that correct?

Mr. Ed Clark: Yes.

Ms. Catherine Fife: I'd like to quote from Hydro One's most recent annual report: "Conflicts of interest may arise between us and the province as a result of the obligation of the province to act in the best interests of the residents of Ontario...." What does it mean when Hydro One says that its business interests conflict with the public interest?

Mr. Ed Clark: That's an interesting question because I think they are a regulated utility. I think the reality is that the province has lots of instruments where it can, in fact, impose its view in terms of what is right for public policy.

If you look at Ontario and then you look across Canada, there are a large number of utilities that are not owned by the governments, yet I don't think—if you take the gas business, does that mean that the gas business, in fact, can't be run in the interest of—

Ms. Catherine Fife: Well, I guess I would come back at you and say that the most positive examples are of Manitoba and Quebec. Those have the lowest hydro rates, and that's where the public owns most of the interests. Therefore, the interests of the people of the province are not competing with the interests of shareholders. Do you not see that this is an issue, going forward?

Mr. Ed Clark: Well, I would think it's a bit of a stretch to say that because Hydro One is owned, that's why they had the water. But the reality is they have cheap rates because they had a lot of water power that's very low rates.

I think the key issue here is, there are lots of utilities that are privately owned. The state, the province, has the ability to manage public policy with respect to those, as well as the publicly owned. The way they do it is through instruments like the IESO and the OEB. So it's indifferent to whether a company is privately or publicly owned.

The Chair (Ms. Soo Wong): Ms. Fife, I think your time is up.

Ms. Catherine Fife: Three minutes is not enough, I have to tell you.

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

Mrs. Laura Albanese: Thank you for your presentation. I will be brief in posing my questions to give you more time to answer.

The first question that I have is, could you please explain to our committee why the asset council engaged with third-party experts to assist you in your work?

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Mr. Ed Clark: Well, because we wanted to know what we were doing. We were a small group, but these are very complicated deals, and then we were taking—it wasn't just Hydro One. We looked at OPG, and we did the Brewers Retail. The Brewers Retail deal, I think—it turned out to be quite critical that we understand the economics of the Beer Store, and to do that meant we had to do deep, deep analysis of their financial situation. The same was true with Hydro One, and the same was true with OPG, and within Hydro One you had Brampton as well as Hydro One.

So I think the experience of someone who runs a business is, you want to know the facts before you make up your mind, and in order to get the facts, we need a lot of arms and legs and intelligent people.

Mrs. Laura Albanese: What do you think of all the criticism and the media attention around the employee shares of Hydro One?

Mr. Ed Clark: I think they've been mischaracterized. I think we had a vigorous negotiation with the Power Workers' Union around getting a new contract, and we had set out in our approach some fairly critical comments about the compensation levels and the structure of pensions and wanted to make sure that we made real progress, because all of that progress goes to the benefit of the ratepayers, and that's the important thing. We were essentially representing the ratepayers, negotiating with the Power Workers' Union. As part of that arrangement—and I'm at a slight disadvantage here because we're not allowed to speak about this until the contracts are in fact ratified. But the things that have come out—you're aware we did say in our report that we got a net-zero contract, which is really, if you look at the history, a remarkable change, and that the benefits of that again go to the ratepayers.

Secondly, there were certain payments—as part of any deal, you give them something and they give you something, and the union wanted to have shares rather than cash. We said, "Well, why wouldn't we give you shares? You're asking us for that." That's a good thing to do because when you run a company, you want your employees aligned with the interests of the company as much as you can. I think it was a very nice gesture on the part of the Power Workers' Union, but a meaningful gesture that they wanted to be part of this new entity.

Mrs. Laura Albanese: There have also been some questions about oversight. Could you tell us what kind of oversight and accountability mechanisms exist in a publicly traded company?

Mr. Ed Clark: Any modern company today is heavily—the key thing is transparency and openness, a tremendous amount. There has been a tremendous improvement—I think a good improvement. As you know, I've been very critical in the industry about some of the practices that went on in the past, and so I think we have a lot more disclosure. A company cannot operate, whether it's privately—well, if it is, the only way it can operate is to be private, and then it's not subject to those laws, owned by a government. But once you get owned in the public domain, there's a huge amount of disclosure that you have to do that's good. I think it's also important to realize that publicly owned companies are subject to a lot of public scrutiny as well. It's good for them. That's what we think.

One of the things that was dismaying to us was the lack of customer focus in Hydro One, and I think that will dramatically improve.

I ran a company that started only with the customer and worked in, and it turned out to be great for the shareholders. But this was a company focused on the customer, and that's what we'd like to see happen here.

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

Mr. McNaughton.

Mr. Monte McNaughton: I wondered if you could just explain how much influence the Premier's office had on you and on the committee and on the report.

Mr. Ed Clark: We obviously had dialogue, I would say, with the Premier and a core set of ministers in all our stuff. We were a non-partisan group, so we did cover the political range pretty widely here. We were attracted to this opportunity because, as citizens, we think Ontario has an issue, and we were trying to find doable solutions.

There would be no point, though, throwing up a solution if the government said right from the get-go, "Well, I won't do that." I can give you an example. The Premier made it clear that she did not want beer in convenience stores. You can have a big debate about whether you should have beer in convenience stores or not, and there's a range of different views on that topic. But what would be the point of us saying—we'd get little kicks out of giving a recommendation that she wasn't going to do.

So we were all the time having a real dialogue of where we were and where she was and seeing whether in fact we would end up—and that was a continuous process.

Mr. Monte McNaughton: In your final report you wrote, regarding Hydro One Brampton, that, "The council believes that the province should not conduct an open auction or procurement process...." I had asked of someone, prior to your coming today, this same question: Do you think it's an acceptable practice for the government not to have an open auction?

Mr. Ed Clark: We started with a predilection to have an open auction. We did consult with all of the major players who would have participated in that open auction. We asked them what kind of prices they were thinking of, and we obviously had some of our consultants look over all those numbers and say, "Where do you think the right price range is?"

We had said from the start that we would have two criteria: What was the price and what would it do for consolidation? Because we're deeply worried that Ontario has to move more rapidly towards consolidation. We were heading, right to the end, down a process of having an auction until what the group did—which is fairly typical; not atypical in the private sector—was to say, "What if I give you a pre-emptive bid? Why don't I give you above the price range that you've been hearing about in price and I can show you that we are the most exciting consolidation? We're going to win on both sides here." We said, "This is too good," in the sense that it represents the consolidation play that we really thought was very important, and at a price that was clearly acceptable to us.

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

CANADIAN MANUFACTURERS AND EXPORTERS

The Chair (Ms. Soo Wong): The next presenter is Canadian Manufacturers and Exporters: Terry Adamo. Good afternoon. As you probably heard, you have five minutes for your presentation followed by three minutes of questioning. This round of questioning will begin with the government side. Can you please begin by introducing yourself and the position you hold with the Canadian Manufacturers and Exporters?

Mr. Paul Clipsham: Sure. Thank you. My name is Paul Clipsham. I'm director of policy and programs with Canadian Manufacturers and Exporters. I'm very pleased to be here to present on Bill 91, the budget measures bill.

CME is Canada's leading trade and industry association, and the voice of Canadian manufacturing and global business in Canada. Our membership accounts for an estimated 82% of Canada's total manufacturing production and 90% of exports.

Manufacturing adds more total value in the Ontario economy than it does in any other province. Every dollar of manufacturing output generates billions of dollars in indirect impacts elsewhere in the province. No other sector generates as much secondary economic activity.

The manufacturing sector in Ontario has underperformed the national average since the early 2000s; however, there are emerging signs of recovery. Ontario manufacturers made strong gains in the first half of 2014, and monthly sales have finally surpassed their pre-recession-level peaks.

The manufacturing and exporting sector continues to be the largest sector, with approximately $287 billion in annual shipments and nearly 750,000 direct jobs. Manufacturing and exporting is on the cutting edge of Ontario innovation. Manufacturing also accounts for about 54% of all private sector research and development, and 80% of all new products commercialized in Ontario. Manufacturing's success is Ontario's prosperity.

CME is generally supportive of the budget measures bill. We are particularly pleased to see the inclusion of the extension of the accelerated capital cost allowance for manufacturing and processing equipment. This will help manufacturers to retain more of their cash to continue to make investments in more productive assets. The government has also recognized that the ACCA alone is not sufficient to spur the necessary investment to ensure manufacturers continue to compete in global markets. An additional $200 million for the Jobs and Prosperity Fund will enable the government to continue to make strategic investments to grow the economy.

CME believes that the biggest bang for the buck can be realized by investments in the manufacturing sector. For this reason, CME continues to recommend that the government recapitalize the Smart program, which was first established in 2008, to support investments in productivity, energy management, ICT adoption and environmental improvements.

The budget also featured significant investments in infrastructure, which CME believes are a key component of the manufacturing strategy for Ontario. Upgrading Ontario's infrastructure will improve the movement of goods and services, therefore improving productivity and economic growth.

While CME was encouraged by the attention paid to apprenticeship and skills development in the budget, we were concerned about the reduction in the Apprenticeship Training Tax Credit, which was an important incentive for those employers who are currently sponsoring apprentices.

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While CME also supports efforts to increase retirement income security for Ontarians, we remain concerned about the current Ontario Retirement Pension Plan framework, which will add mandatory costs to those businesses that are creating jobs and investing in Ontario's manufacturing sector. In pursuing the ORPP approach, it will be important to look at offsets for companies to avoid impacts on wages, jobs and the broader economy. The definition of what constitutes a comparable plan under the program should also be expanded to include other forms of employer-sponsored pension plans, including RRSP contributions and defined contribution programs.

I'd like to thank you for your time today, and I welcome any questions at this time.

The Chair (Ms. Soo Wong): That's great. Thank you very much. I think this round of questions is Mr. Milczyn.

Mr. Peter Z. Milczyn: Thank you, Mr. Clipsham, for your presentation today. You touched on a number of key issues in Bill 91, the budget bill. You spoke about the supports the government is putting into ensuring the skills of Ontarians support manufacturing. Could you speak a little bit more about how you think the ongoing investment in the Jobs and Prosperity Fund is going to help manufacturers?

Mr. Paul Clipsham: Yes. Certainly with respect to the skills issue, our members continue to tell us that skills are a top priority for them. In fact, in our most recent annual issues survey, 56% of respondents said that they were experiencing immediate skills shortages, so certainly any efforts to help with training and development are appreciated. The Canada-Ontario Job Grant is a great example of that. The Apprenticeship Training Tax Credit, which I mentioned, is also an important piece.

The Jobs and Prosperity Fund, I think, is a great opportunity to try to bring in some new investment, hopefully in manufacturing, and also to try to grow those existing companies. I think that's an important piece too, to look at manufacturers that have been here and continue to invest in Ontario, and to recognize that.

Mr. Peter Z. Milczyn: You also touched on infrastructure and some of the other programs the government is doing to support R&D, ICT and so on. Could you maybe speak to the importance of continuing the Southwestern and Eastern Ontario Development Funds that help support businesses across the province?

Mr. Paul Clipsham: Yes. I think the current lower-dollar environment has some potential real benefits for manufacturers in terms of making us more competitive in export markets, particularly the United States, but it also has a tendency to make investments in equipment, innovation and R&D more expensive, because a lot of those are coming from the US or Europe. Any type of incentives or initiatives to help continue to drive investment during a lower-dollar period are really helpful to manufacturers.

I think that would be a key message: that this is a good time to be investing in manufacturing, because there is opportunity, but there are also challenges in terms of making those investments.

Mr. Peter Z. Milczyn: So the extended capital cost allowance is going to have a big impact on retooling industry and preparing it for innovation and new manufacturing?

Mr. Paul Clipsham: Absolutely. It allows companies to write off their older equipment more quickly, which frees up cash to then reinvest in more productive, more efficient technologies. It's a really good incentive to help to do that.

The other thing that was key was that we had been looking for a more permanent—it has always been done in a very short window, but it's often difficult to plan on a short-term two-or-three-year time horizon, so the fact that the government is looking at a 10-year window for that is also really important. That will allow a lot of companies that otherwise, for one reason or another, weren't able to take advantage of that to now build that into their capital expenditure planning. That's something that's also important.

The Chair (Ms. Soo Wong): Okay. That's great. Mr. McNaughton?

Mr. Monte McNaughton: Thank you very much for your presentation. I know you do a lot of work talking to the government about the issues that are of concern to manufacturers and exporters.

I wondered if you could touch briefly on hydro prices. I know it's a big concern to a lot of manufacturers. I represent a riding in southwestern Ontario that has been extremely hard-hit in the last 10 years. The concerns about expensive energy are still the number one thing that I hear from my constituents and local manufacturers.

Mr. Paul Clipsham: Yes. There have been some initiatives recently to help companies to better manage their electricity, particularly the larger, more energy-intensive companies, which I think are positive, but there are still a whole lot of companies that are paying relatively quite high electricity rates when you look at it on a North American basis. Certainly, we're competing with those other jurisdictions for those manufacturing investments.

In a lot of the round tables, the meetings and the surveying that we're doing, electricity rates continue to come up as a key determining factor and one that, in Ontario, is still relatively high. Certainly, that's something that we didn't see in the budget. We had hoped to see something more definitive to help provide electricity rate relief for manufacturers. There was the northern rate rebate, which we support, but obviously those who are not in the north are not benefiting from that incentive. So more incentive on the electricity side would be welcome.

Mr. Monte McNaughton: Great. Thanks.

The Chair (Ms. Soo Wong): You have two more minutes.

Mr. Monte McNaughton: That's okay. That's it. Thanks.

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

Ms. Catherine Fife: Thank you very much for coming in. You're on the record as saying that energy still continues to be a real cost and a challenge for manufacturers in these tight economic conditions. I think my colleague has raised the concern around the sell-off of Hydro One. The math just doesn't add up on this deal, as far as we're concerned, especially when you remove the oversight around the high cost of energy.

Do you want to weigh in on this in a very succinct way, on the sell-off of Hydro One?

Mr. Paul Clipsham: Yes. CME has not taken an official position on it. I think—

Ms. Catherine Fife: You have 48 hours, you know.

Mr. Paul Clipsham: I think that there are some mechanisms that I think the previous speaker talked about that are in place to manage some of the risks that could come with it. There are other private entities, for example, that still have their rates determined by the Ontario Energy Board and there's no real appreciable difference. There's also an argument that 100 years ago, we had a public power model that was low-cost—power for everyone—that is no longer entirely in place, so—

Ms. Catherine Fife: I think it is a competitive edge, though, right? Hydro rates are a competitive edge, and it's a deterrent for manufacturing in the province of Ontario.

Mr. Paul Clipsham: Yes, and the other thing to keep in mind is that other jurisdictions, particularly south of the border, are offering fairly aggressive incentives, too, in terms of power rates, much to the frustration of our Ontario manufacturers. It is an area where there's still work to be done.

Ms. Catherine Fife: You also mentioned the apprenticeship—and thank you for raising it, because I think that the reductions in the training tax credit came as a surprise for a lot of people. There's a reduction of $30 million in 2015, $70 million in 2016-17 and $95 million in 2017-18. Can you talk about what kind of deterrent that is, to actually encourage the apprenticeship learning opportunities?

Mr. Paul Clipsham: The reality is that we need to get more employers to take on apprentices, and for a variety of reasons, there are barriers to doing that for employers, but the apprenticeship tax credit is something that helps to offset those costs for those good employers that are taking those apprentices. The fact that there's a reduction there is a concern, and I think it's a disincentive to taking on apprentices.

We've looked at other models that are working successfully, like a consortia approach, where you would get a group of companies, and we've employed that successfully in Hamilton. So there are other models to encourage apprentices, and I think the government is looking at some of those. But certainly the incentive is still important.

Ms. Catherine Fife: So the tax credit is sometimes a tipping point to open the door to apprenticeships, and I think we need to actually ensure that the businesses in Ontario, the manufacturers, understand that we want them to be part of the solution. But they also have to see that the government wants to partner with them, don't you think?

Mr. Paul Clipsham: Yes, absolutely. The apprenticeship system is really important. I mentioned that the skills issue is still very large in Ontario, and so anything we can do for industry and government to partner to increase the number of people entering the skilled trades and taking on apprentices, I think, is welcome.

The Chair (Ms. Soo Wong): Mr. Clipsham, thank you very much for your presentation. Thank you for being here today.

Mr. Paul Clipsham: Thank you.

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CAA SOUTH CENTRAL ONTARIO

The Chair (Ms. Soo Wong): The next presenter is CAA South Central Ontario. I think Mr. Silverstein is here. Good afternoon. As you probably know, you have five minutes for your presentation, followed by three minutes of questions from each of the caucuses. This round of questions will begin with the official opposition party. You may begin at any time. Please identify yourself and your position with CAA for the purposes of Hansard. Thank you.

Mr. Elliott Silverstein: Thank you. Madam Chair and members of the standing committee, my name is Elliott Silverstein, and I'm manager of government relations with CAA South Central Ontario.

Currently, CAA serves nearly six million members through nine clubs across Canada. CAA South Central Ontario is the largest club in the federation and among the three clubs operating in Ontario. We currently serve 2.3 million members across the province. Our membership numbers prove that no other organization is more in touch with motorists.

Advocacy is the origin of our existence. Today, CAA continues to advocate on behalf of its members and the motoring public at the provincial and municipal levels of government. Our advocacy work focuses on transportation infrastructure, mobility, traffic safety and consumer protection.

We focus on issues that affect our members and the motoring public, and do our best to help people understand these issues. Our members are not just motorists; they are cyclists and our members use public transportation systems. They understand the importance of integrated transportation systems, regardless of the mode that they choose.

In last year's budget, the government introduced a dedicated funding plan to build a transportation network in this province. CAA has long called for dedicated and sustainable funding to help address transportation infrastructure needs, including roads, bridges, highways and transit projects across Ontario. We're pleased to see infrastructure defined as a key priority in this year's budget. We are encouraged by the steps taken to address congestion and help enhance transit and road infrastructure across the province.

This year, the original figure in 2014 of $29 billion to be committed over a 10-year span for infrastructure was increased by $2.5 billion to be still divided between the greater Toronto and Hamilton area for transit and the remainder of the province for roads, bridges, transit and other infrastructure.

We continue to advocate for dedicated funding through the provincial gas tax in part through our Worst Roads campaign, which we'll actually be unveiling later this week, highlighting provincial and regional lists in that particular area. The government's commitment of seven and a half cents from the tax collected on every litre of gas sold for transit and infrastructure is a good start. CAA wants to ensure that the $31.5-billion commitment remains the same regardless of any variations in the amount of HST that is collected.

In particular, as we look across this province, we see that gasoline prices are lower in comparison to one year ago. Prior to today's presentation, I reviewed CAA's gas price monitor and found that the current provincial average for gasoline is $1.09. Comparatively, one year ago, the average price was $1.36, and over the past 12 months the highest price on average was $1.41, last June.

This data shows us that there is a reduction of about 25 cents per litre on average since this time last year. With the funding formula relying on the collection of HST to provide funding over the next 10 years, we're seeing less HST being collected per litre at the pumps based on current retail prices. While it is likely the gas prices will return to previous levels over time, there is a current shortfall in the HST collected compared to various points over the past year.

CAA believes that commitments made in both the 2014 and 2015 budgets provide a foundation for numerous improvements to Ontario's transportation infrastructure network. While market conditions have lowered gas prices, it is imperative that commitments to dedicated funding continue as originally projected, regardless of any reductions in HST collected.

Lastly, the provincial budget announced changes enabling auto insurance companies to provide winter tire discounts to policyholders. For several years, CAA's insurance division has been offering this discount to policyholders. We believe the announcement is an important step to enhance safety by providing an incentive to acquire winter tires, should a motorist deem it necessary for their vehicle. Thank you.

The Chair (Ms. Soo Wong): Thank you very much. Mr. McNaughton, do you want to begin the questioning?

Mr. Monte McNaughton: Thank you very much for your presentation, and thanks to CAA for the service that they provide to the people of Ontario.

Just maybe for clarification for me, and maybe to the others on the committee: You're advocating for the province to make up the difference in the gas tax revenue because of the price of a litre of fuel?

Mr. Elliott Silverstein: What we're advocating for is that the original amount of $29 billion, which has now increased to $31.5 billion—we want to ensure, regardless of any fluctuations in HST, whether increase or decrease, that the commitment to the $31 billion remains static, so that if the gas prices were to drop again by 20 cents or 25 cents, as we saw last year, the shortfall of the funds would not be impacting the overall transportation fund.

Mr. Monte McNaughton: Has CAA, in the past or currently, taken a position on how the province of Ontario should fund their infrastructure projects?

Mr. Elliott Silverstein: We've been partnering with the government for many years on trying to enhance it, to really talk about the areas. We want to ensure that dedicated funding is the critical aspect.

In terms of where the revenue comes from, we haven't been involved in those discussions, but what we are saying is that funds that are collected through gas and diesel sales should go back into road infrastructure projects. We've been pleased to see those steps moving forward thus far and certainly hope to see more of that in the future.

Mr. Monte McNaughton: Thanks.

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

Ms. Catherine Fife: It's nice to see you, Elliott.

CAA has been a huge advocate for strategic infrastructure investment in transit in particular—even cycling, which I don't think is well known.

We're here to talk about the budget bill, and Bill 91 is predicated, of course, on the sale of Hydro One. But it does not say specifically that any revenue or proceeds from the asset optimization program go into the Trillium Trust or that it's even spent on infrastructure. I think a lot of people are thinking there's going to be a quick cash grab here, and it's going to go to infrastructure or transit, but there are no mechanisms within this bill that actually guarantee that the bonus from those assets actually gets to where it's supposed to go. Do you have any concerns about that, and can you voice them here at this committee?

Mr. Elliott Silverstein: I think that the government is working on a variety of initiatives, and while we haven't weighed in on anything related to the sale of assets, we certainly want to ensure that transportation and road infrastructure for all types of transportation uses is fundamental. I think that as we look at those initiatives, we do want to see the funds coming forward—at least a portion—towards infrastructure. We do know that there has been a strong commitment towards infrastructure.

While I can't speak to the specifics of what the bill actually suggests in terms of how it's allocated in terms of funds, we would certainly advocate that revenue continue to be coming forward not just in the current initiative but more in the future as well.

Ms. Catherine Fife: Once this deal happens, though, we lose oversight over it. That's the deal, right? That's what we're being sold—this $9 billion, if you believe that they can actually get that price for Hydro One. We have almost a billion dollars in revenue coming from Hydro One a year towards education, health care and infrastructure. That's guaranteed income. Once it's sold, it's done.

CAA has been watching where the dollars have been going for a long time. Do you have any concerns about no clear mechanism whatsoever for these funds to actually go towards infrastructure or transit?

Mr. Elliott Silverstein: From our perspective, as we look at the transportation and infrastructure component, I think that what we've been trying to do for a number of years is really talk about the transparency, and dedicated funding provides that transparency. While I'm not well versed on the specifics around the Hydro One and other asset sales, certainly from our perspective, we believe that the greater clarity you have in where funds are coming from and where they're going provides greater consumer confidence and greater public confidence in how funds are being used. I think from our perspective, the greater clarity that there is, the better it will be for all.

Ms. Catherine Fife: So then this bill needs to be improved.

The Chair (Ms. Soo Wong): The next round is Ms. Hoggarth.

Ms. Ann Hoggarth: The 2015 budget contains a provision, as we've talked about, that provides an incentive for Ontario drivers to use snow tires. I know my daughters are very excited about this. They're already scouting out where to buy their snow tires. Can you tell us a little more about this incentive and how it will keep Ontario drivers safer?

Mr. Elliott Silverstein: From CAA's perspective, we've actually had this in place for a number of years with our policyholders. For those who have four matching winter tires and have them equipped in the wintertime—

Ms. Ann Hoggarth: They have to match?

Mr. Elliott Silverstein: They should.

Certainly, if they have winter tires in place meeting certain criteria, obviously defined by FSCO, the Financial Services Commission of Ontario, then the policyholder would be entitled to a reduction on their auto insurance premium.

I think it's an important step because some will determine, based on their travel and their commute and where they reside, that they would want snow tires. It is a costly investment, and certainly for some, it can be cost-prohibitive. So a discount in some ways provides a bit of an opportunity to enhance safety across Ontario's roads so that you're making it safe for yourself, as well as safe for others.

1440

Ms. Ann Hoggarth: Great. Can you tell us how the government's investments in infrastructure will positively impact drivers on our roads and actually should be good for your organization as well?

Mr. Elliott Silverstein: I think the movement forward with infrastructure is not just for motorists; it's for all road users. Our members, as I mentioned at the outset, are transit users or cyclists, and they're motorists as well. Certainly, I think that the steps being taken provide the initial steps to really try and ensure that there's a dedicated network, that there's an integrated network, and that we're going to have a stronger road network, a stronger transportation network across the province, building it out. Certainly, we are hoping to see that it builds out further and further across Ontario so that Ontarians from east to west are able to reap the benefits.

The Chair (Ms. Soo Wong): Thank you, Mr. Silverstein.

ONTARIO REHAB ALLIANCE

The Chair (Ms. Soo Wong): The next presenter is the Ontario Rehab Alliance, and I believe it's Laurie Davis, the executive director. Welcome.

As you've probably heard, Ms. Davis, you have five minutes for your presentation, followed by three minutes of questioning. This round of questions will begin with the third party. Can you introduce yourself and your colleague for the purposes of Hansard, plus your position with the alliance? Thank you.

Ms. Laurie Davis: Yes, of course. Good afternoon. I'm Laurie Davis, executive director with the Ontario Rehab Alliance. With me is Nick Gurevich, the founder of our association and past president.

The Ontario Rehab Alliance is profoundly disappointed and worried by Bill 91 and the accompanying announcement of changes to standard auto insurance benefits. We believe that the proposed changes are a very bad accident waiting to happen.

Our members employ thousands of health care professionals who see first-hand the impact of accidents on the lives of their clients. While we understand the pressure this government is under to reduce premiums, we worry about the future well-being of 65,000 Ontarians who are injured in motor vehicle crashes every year. We regretfully believe that the latest policy direction will have a devastating effect on the most severely injured and their families.

We will undoubtedly see fellow Ontarians, whose horrific crashes result in quadriplegia, severe brain injuries and amputations, live the rest of their lives with little or no dignity. The future of their children, wives, husbands or parents will be forever changed as they have to rededicate their lives to being full-time caregivers in light of these deep cuts to the benefits.

Fact: All Ontario taxpayers, our exhausted social safety net and unpaid caregivers will pay a high price for minimally lower car insurance premiums for drivers because of this giveaway to profitable insurers.

Fact: No-fault benefits have been consistently eroded over the past 25 years and are not indexed, so have not kept up with inflation, yet this budget proposes to index the tort threshold to make it increasingly difficult for accident victims to sue the at-fault party.

Despite their contractual obligation to the insured, insurers have been on the receiving end of a long series of concessions from government that have allowed them to erode the so-called protection that they provide to accident victims.

Fiction: Auto insurance is not profitable and insurers need to reduce claims costs.

Fact: A recent study conducted by Professors Lazar and Prisman from York University's Schulich School of Business shows that most auto insurance companies of Ontario have done very well in the past years. In fact, from 2001 to 2011, on average, many had returns on equity of 9.7%, far in excess of what should have been allowed by the regulators, which was somewhere around 7.3% over this period. The excess returns over the anticipated allowable percentage of ROE for this group were even larger in more recent years: 14.9% versus 6% as the allowable percentage in 2012, and 17.5% versus 5.8% in 2013. These are the years following the big slash, before the one now proposed. Based on these figures, another cut is not necessary and will further erode the already inadequate coverage provided by medical and rehabilitation benefits.

Fiction: We have the richest auto accident benefits of any province, and these changes will level the playing field.

Fact: On a weighted average basis, we have the poorest. This is largely because almost 80% of injuries are minor and benefits to minor injuries are capped at $3,500 in Ontario.

Fiction: Auto insurance claims are high because of fraud.

Fact: Ontario government officials admit offline to us that most fraud left the system after the last big slash in 2010. Hundreds of audits of licensed health care providers conducted by FSCO in the past months have found no evidence of fraud.

What happens when the injured don't get the appropriate medical and rehabilitation support they thought they were insured for? Fact: They go without. Our publicly funded health care system no longer provides much rehabilitation after shortened hospital stays, and home care provides even less.

Slashing insurer responsibilities to provide support will lead to:

Fact: More physician and emergency room visits by those who have no access to the right kind of care.

Fact: More people struggling to survive on ODSP, Ontario Works and food banks.

Fact: Caregiver burnout, family breakdown, addictions and incarcerations.

The Chair (Ms. Soo Wong): Ms. Davis, can you wrap up?

Ms. Laurie Davis: Please don't let this happen. Take a stand to protect those who rely on you to regulate auto insurance in the public's interest. Do not make us all pay for increased insurer profitability. Thank you.

The Chair (Ms. Soo Wong): Okay. Ms. Fife, do you want to begin the questioning?

Ms. Catherine Fife: Thank you very much to both of you for coming here today. Give us some sense: How shocked were you at this 50% reduction in benefits for a segment of Ontario's most vulnerable population, those who find themselves a victim of catastrophic injury? Did this blindside you—

Ms. Laurie Davis: We were absolutely blindsided by it—completely. There was no consultation.

Mr. Nick Gurevich: Yes. We were expecting some sort of a change to the definition of what "catastrophic" means, but there was no discussion about actually changing the cap that is in place right now. In coming here, before this presentation, I took about 15 minutes to Google the topic—and Laurie gave you a sense of the numbers. A 15-minute Google exercise reveals that the average returns on equity for the top five insurance companies, in 2013, were about 15%, and in 2014, they were about 14.5%—slightly under but still quite substantial. To contrast that, a study that is published by the

US treasury department shows that, on average, the return for the last five years for P&C companies in the United States was 7%. That's half, and that's the comparison that should be looked at.

Now, we understand that it's good to reduce premiums. There's no question about it. That's great for drivers, but it can't come at the expense of the most severely injured or the most catastrophically injured—

Ms. Catherine Fife: Absolutely, and we haven't seen the reduction in premiums, quite honestly. They're not there.

Mr. Nick Gurevich: Correct—especially when a peer group in the States earns half of the return. So should the pain not be borne by insurance companies first and by the vulnerable victim second?

Ms. Catherine Fife: Sure. Don't you see that this would be just a download actually to the social and health care system? If the home care piece is not there—you mentioned the unpaid caregivers. Society is going to bear the brunt of this regardless, instead of the insurance operators, who have already been paid these premiums.

Ms. Laurie Davis: Exactly. It is sort of a zero-sum game, and insurers are the third payer, after the public sector, which, for the most part, is just paying these days for shortened hospital stays and home care which has been quickly evaporated and, in terms of rehabilitation, is almost non-existent.

Ms. Catherine Fife: You called this a giveaway. Can you just extrapolate on that a little bit, Laurie?

The Chair (Ms. Soo Wong): Ms. Davis, can you please be brief in your response to Ms. Fife?

Ms. Laurie Davis: Yes. We think that insurers have already collected premiums for accident benefits, and they will continue to do so. But it's going to be the seriously and catastrophically injured victims and all of us who try to support our increasingly exhausted social safety net who are in a sense buying that premium reduction.

Ms. Catherine Fife: Thank you.

The Chair (Ms. Soo Wong): All right. Ms. Albanese.

Mrs. Laura Albanese: Thank you for your presentation to the committee today.

I want to start by saying that I'm acutely aware of the effects that a car accident can have on an individual and their loved ones and family. My husband was involved in more than one serious car accident—not catastrophic but nonetheless very serious. He was always a passenger; he wasn't driving. However, we have, as a family, felt the pain on the road to a challenging recovery.

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I'm also interested in auto insurance because of the riding that I represent: I do get many people in my riding, especially seniors, who will complain about the rates, so I'm aware of all of that.

As you mentioned, I also know that it's a hard balancing act for the government to try to be generous, to continue to have a balanced approach with generosity in the system, and at the same time try to reduce the rates for drivers, as we have committed to do and as residents of Ontario are asking us to do. Sometimes we have to make hard decisions, and we'll take into consideration everything that you're bringing to the table.

At the same time, I do know that Ontario, as you mentioned as well, is, I think, the only Canadian jurisdiction that has a private auto insurance system that provides coverage for catastrophic impairment. My understanding is that you would still be able to sue if you were involved in an accident. And there is still the option to purchase enhanced benefits. From the data that I have received from the ministry, I am told that over 90%—I think up to 99%—of people in Ontario, the consumers, do choose to purchase more than what is offered.

Ms. Laurie Davis: Less than 2%, actually; 1.4%.

Mrs. Laura Albanese: Really? I have, "More than 99% of consumers purchase more than the mandatory minimum"—

Mr. Nick Gurevich: Maybe third-party liability.

Ms. Laurie Davis: For third-party liability, but for accident benefits it's about 1.4%.

Mrs. Laura Albanese: Okay.

I guess the other thing I would say is that the government is committed to ensuring that the savings would not go to insurance companies but that they would be passed on to consumers, any savings that would be achieved.

At the same time, I would be interested in a comment from you on how Ontario compares to other provinces for providing catastrophic impairment coverage.

Mr. Nick Gurevich: You are—

The Chair (Ms. Soo Wong): Could you answer very briefly? Because I want to finish this presentation.

Mr. Nick Gurevich: Yes, I'll try that. No other province has a catastrophic determination; you are right about that. Yet no other province has as low minor injury coverage as we do. That's why Laurie mentioned that on a weighted average basis we are, in fact, the lowest provider of coverage, because between 75% and 80% fall into that category.

Lastly, I'm sorry to hear about your husband's experience, and it is very noteworthy for you to know that with the current reductions, although the driver can buy up an option, the passenger will not be covered by that option and will suffer from lower benefits available to them, whether they're a passenger, a cyclist or a pedestrian.

The Chair (Ms. Soo Wong): Okay. Mr. McNaughton?

Mr. Monte McNaughton: I just wondered if, for the committee, you could let us know the reductions in the benefits, prior to the reductions and then where we're at currently, just to put some numbers to it.

Ms. Laurie Davis: Yes, of course. The numbers proposed currently, or some of the proposals, would combine rehabilitation for serious injuries with attendant care benefits, which are currently two separate pots of money. The new combined total would be $65,000, which is a reduction of 25% from the current amount.

Mr. Nick Gurevich: It's not an increase, as it actually says in the budget.

Ms. Laurie Davis: Yes. We envied them their writer.

Rehabilitation for serious injuries and attendant care benefits for catastrophic injuries are now proposed to be combined at $1,000—

Mr. Nick Gurevich: One million dollars.

Ms. Laurie Davis: One million dollars; thank you—as opposed to the two separate pots of $2 million, as they currently are.

Mr. Monte McNaughton: Would you say that this is a fallout from a couple of years ago, the debate we had at Queen's Park between the NDP and the Liberals to reduce insurance rates by 15%? Is this one of the repercussions from that?

Ms. Laurie Davis: That seems likely. I mean, we don't really have a position one way or another on the reduction of premiums. We understand the rationale. We certainly think insurance companies can afford to reduce premiums without this additional giveaway.

Mr. Monte McNaughton: Thanks.

The Chair (Ms. Soo Wong): Thank you very much for your presentation.

COLLEGES ONTARIO

The Chair (Ms. Soo Wong): The next group coming before us is Colleges Ontario, Ms. Linda Franklin. Good afternoon, Linda.

Ms. Linda Franklin: Good afternoon. How are you?

The Chair (Ms. Soo Wong): Good, thank you. Welcome back.

Ms. Linda Franklin: Thank you very much.

The Chair (Ms. Soo Wong): As you know, you have five minutes for your presentation, followed by three minutes of questioning from each caucus. This round of questions will begin from the Liberal side. All right?

Ms. Linda Franklin: Great. Thank you. I'll speak really quickly.

Madam Chair and members of the committee, thank you for the opportunity to speak to you today.

Let me start by commending the government's announcement to invest $55 million in new funding for apprenticeship, their reaffirmation of deferred maintenance funding to repair and upgrade the aging college infrastructure, and improved student assistance. All of these budget announcements support the government's commitment to invest in people's skills and training, and investing in infrastructure. These are two, in our view, of the key pillars of creating a more prosperous province.

About 90% of the apprenticeship in-class training is delivered at colleges, and we really must ensure that our apprentices are learning a trade using the equipment that employers utilize today. I know that for all three parties apprenticeship has been an important and abiding concern, and so this is a huge plus. The increased in-class fees will be implemented over two years, as you know, and that almost restores us to 2008-09 levels. So it feels like we have a ways to go, but it is a huge step in the right direction.

Funding apprenticeship training, as you know, is an urgent issue in colleges. Some of them were subsidizing apprenticeship training and others were cancelling programs in key areas. This will help reverse that trend and make sure that we have the right folks in the right jobs at the right time.

There's more that has to be done on the apprenticeship front and we're working with the government now, looking at structural reform, helping more students get into apprenticeship, helping it become more transparent, helping it feel more like post-secondary education—and all of that is to come.

The increased funding for deferred maintenance first announced in 2014 is also critical, and it's urgent, in our view, that these funds flow as quickly as possible so some of the most urgent considerations can be addressed immediately. Thank you for all of that—important contributions, I think, to the future of our province.

One issue that I would like to raise with you today, which I think the president of Georgian raised earlier in the day, is the issue of the overall financial sustainability of the system. It's a particularly pressing issue facing a number of our rural and northern colleges.

The government has realized that there's a need to address the financial sustainability of our sector, particularly as our demographics change. It's committed to reviewing the funding formula of the universities and the colleges. The university funding formula review is going on now. It's expected to take a year or two, and so ours will come up probably about two years from now.

One of the key issues facing this review for both colleges and universities is how to ensure that funding increases, which have traditionally been tied to enrolment increases, address sustainability issues that arise as we see our demographics change. You've seen those demographic changes roll over the primary and secondary school system. They're starting to hit our colleges and universities now, and yet we have funding formulas that rely almost entirely on increasing enrolment.

In our smaller and especially rural and northern communities, populations are not increasing at a rate that they are in the highly urbanized centres. This reality is having a profound effect on post-secondary funding. At the same time, of course, chasing enrolment for the sake of revenue is not necessarily in the best interests of our institutions, our students or our communities in the coming year.

This financial sustainability issue is a particular challenge, given current and future demographic realities and the economies of scale in some of our smaller institutions. The government recognized this a couple of years ago with the College Financial Health and Sustainability Grant. This was a two-year grant, the purpose of which was to provide bridge funding for a limited number of colleges facing financial issues until we could review our funding formula and find a new method of ensuring sustainability for smaller institutions without huge enrolment increases. The funding was project-based, and it allowed a lot of institutions which were not predicting enrolment increases to develop plans to improve their fiscal sustainability. A lot of projects were started, many of them are finished, and some of them are still under way, but all of them are making a difference.

1500

The grant, however, has now ended, in some cases well before our colleges could completely reorganize how they operated, and the college funding review will not take place until a year or two from now. So we're left with a gap of a couple of years before we really have a solution to the problem that these colleges face. It's leaving some of our colleges in a really tough financial situation. It requires them to take some pretty extreme measures to make sure they can provide a safe and effective educational environment. We are cancelling programs, relying more on part-time staff, and terminating some other staff, and in addition, urgent maintenance requirements and programs to support at-risk students are being paid for out of operating funds.

There are also colleges that have had to liquidate equipment and land to keep themselves in the black.

The Chair (Ms. Soo Wong): Linda, could you wrap up your presentation?

Ms. Linda Franklin: Absolutely. We believe that this issue is a temporary one but it's a critical one. Frankly, we don't want to find ourselves with students finding that programs that they were interested in attending have been cancelled, leaving them with no option. Most college students don't travel outside of their local community, so if the local college doesn't have the program they need, they're looking at no program.

Our request is simply that you reinstate the College Financial Health and Sustainability Grant for the next two years, until we have a chance to review the funding formula and find a solution in a demographically challenged environment to some of these challenges facing our smallest and rural and northern institutions.

Thank you very much, Madam Chair.

The Chair (Ms. Soo Wong): Thank you very much.

Mr. Baker, you may begin.

Mr. Yvan Baker: Thank you so much, Ms. Franklin, for being here today. I want to thank you and everyone you represent—the colleges you represent—for the work that you're doing. We've had this conversation on a number of occasions. As someone who's taught part-time at a university but understands the tight linkage between post-secondary education and favourable and positive outcomes for graduates, I really appreciate the work that you're doing.

On a personal note, I thank you for your input today but also for your Fuelling Prosperity plan. What was of particular interest to me was how you thought about addressing the issue of youth unemployment and matching training with labour markets.

Ms. Linda Franklin: Absolutely.

Mr. Yvan Baker: If I may, I'd just like to ask a couple of quick questions. One was around the most recent changes to OSAP that were announced. I would just like to hear your feedback on that and what you've been hearing about that.

Ms. Linda Franklin: It's absolutely critical, I think. It's funny, Yvan: When we poll students and ask them, "Why are you reluctant to attend post-secondary?"—we did a huge study of this a few years ago—up at the top are always financial considerations. In many cases, you look at it and you say, "Well, it's not that expensive. How can you not manage this?" But the truth of the matter is, particularly in the college system, a lot of students are coming from environments where their parents had no money. They were potentially very indebted and they saw that growing up, so for them, the spectre of graduating with debt, even if it's not a lot of debt, is quite horrifying to them.

The extent to which we can make sure that we provide the safety net they need—and make sure that, particularly in a challenging economic environment, if they can't get a good summer job, they can still afford to attend, and they don't feel that when they graduate, the burden is so overwhelming that they can't manage it—is going to be critical to make sure that every member of our society has equal access to post-secondary education. It's a huge help.

Mr. Yvan Baker: Okay, great. Can you talk a little bit about what you have been hearing from colleges about the work to improve student mobility, particularly through the expansion of credit transfer opportunities?

Ms. Linda Franklin: Sure. I think there has been a lot of really good work done there. A few years ago, ONCAT, the agency that facilitates transferability, didn't exist. When we talk to folks in BC, they say, "We understand why this is happening in BC. We started in the 1960s with a culture that supported transferability and enhanced transferability between colleges and universities." In Ontario, we were always meant to be travelling down two parallel but different tracks, so culturally we don't have that same sense of marriage.

In the last few years, the work that's been done has sort of pushed the institutions together, incented them in all sorts of ways, and we're starting to see results.

The challenge now is we've got all the low-hanging fruit. It's going to get tougher from now on—institutions that are less interested in co-operating programs that are less easily married—but we've made real strides and will continue to make strides. Our goal is to keep working on college-to-university transfers, but also to think about how apprentices, if they chose to, could become PhDs in electrical engineering. What's the pathway for that, if they choose to?

How do we make sure that the pathways from college to college are as easy as they can be? We now have business programs where, if you take them at any college, you can transfer to any other college and not lose a single course, so we'll be doing that too.

The Chair (Ms. Soo Wong): Linda, I need to stop you there. I need to go to Mr. McNaughton for the questions.

Ms. Linda Franklin: Sure.

Mr. Monte McNaughton: You touched on it in your remarks, but what are some of the steps that colleges will take before this two-year review actually takes place? What kind of front-line cuts will people see?

Ms. Linda Franklin: Part of the challenge for us is that the colleges are already really careful stewards of money. We already have joint pension plans, joint bargaining and lots of combined work, so a lot of the things that you would think naturally we would do were done years ago. We work well together.

Now we've come to a place of very tough decision-making. One of our colleges had to sell off a helicopter in their flight training programming to pay for some programming. We have colleges who are not replacing staff who are retiring, which you would probably expect. But in addition, of course, we're using more part-time workers because they don't carry the same benefit costs to us.

A lot of the northern colleges now are trying to work together to streamline their programming, but that may well mean that there are hundreds of kilometres of distance between somebody's ability to take a business program in the north and the next college over that offers it. So there's lots of amalgamation going on. There is a lot of back office amalgamation. But more than that, we're selling equipment, we're selling land, and we're doing all sorts of things that would have been unimaginable a few years ago, frankly, just to keep the lights on until we can figure out the sustainability piece, which I think everybody recognizes is a huge challenge.

Mr. Monte McNaughton: What kind of shortfall will there be between now and the review?

Ms. Linda Franklin: The sustainability grant provided about half a million dollars per college. It's certainly in and of itself not enough. But, for example, it's the difference between Northern College being $800,000 in debt or $300,000 or $400,000, which they can probably bridge. That's the magnitude. It doesn't feel like big numbers, but it makes a huge difference in smaller communities.

Mr. Monte McNaughton: I understand that, across the college system, there is a change in pensions for part-time employees.

Ms. Linda Franklin: Right.

Mr. Monte McNaughton: When did that take effect?

Ms. Linda Franklin: It has been a few years now, but the big difference in the last few years has been just awareness building. The pension plan has been, rightly so, building awareness around the fact that if you're part-time staff, you have a right to be part of the pension plan. So the last three years has seen a real shift in part-time interest in the pension plan, which is causing—

Mr. Monte McNaughton: Are those pensions defined contribution?

Ms. Linda Franklin: Yes.

Mr. Monte McNaughton: Okay.

Ms. Linda Franklin: Sorry, they're defined benefit.

Mr. Monte McNaughton: They're defined benefit.

Ms. Linda Franklin: Yes, including our part-time.

Mr. Monte McNaughton: So they are more expensive. Wow. Thanks.

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

Ms. Catherine Fife: Thank you very much, Linda. In your presentation, you talk about apprenticeships. You talk about the importance of students learning their trade on the same equipment that employers are utilizing, and you mention that Ontario's apprenticeship programs are some of the lowest-funded in Canada. You say that colleges are subsidizing apprenticeship training by diverting funding from other areas. That's been the theme of your presentation, that you've been doing as much as you can.

Ms. Linda Franklin: Right.

Ms. Catherine Fife: Then, of course, you talk about the importance of tradespersons to the overall economic status of this province. But you didn't mention the impact of the reduction in the apprenticeship training tax credit. I see that as part of the equation as well, because the private sector has been willing to come to the table and partner with colleges and partner with programs.

Ms. Linda Franklin: Right.

Ms. Catherine Fife: So there was a reduction of $30 million in 2015, a reduction of $70 million in 2016 and a reduction of $95 million. Can you talk about the impact of that reduction in the training tax credit for businesses to open the doors for apprenticeships?

Ms. Linda Franklin: To be honest, we can't talk with any real authority about that, because I think the business community is still trying to get their heads around exactly what that means. I think it took them by surprise. We were in the budget lock-up with other business folks, and they weren't anticipating it, so it was a bit of a surprise to them. I know the chamber is working on a response now.

I do think, generally speaking, though, we have a huge challenge in encouraging business to take on apprentices. Anything that damages that or undermines it is a challenge. We have, I think, one of the lowest rates of this. We have businesses that take apprentices on for part of the time and can't complete. However we deal with this issue, we certainly have a lot of work to do just around the encouragement of employers taking on apprentices and a better partnership amongst us all to make sure these students get the training that they need.

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

The Chair (Ms. Soo Wong): Thank you very much, Linda, for your presentation.

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CEMENT ASSOCIATION OF CANADA

The Chair (Ms. Soo Wong): The next group coming forward is the Cement Association of Canada: Mr. David Black. Good afternoon, David. Welcome. You know you have five minutes for your presentation, followed by three minutes of questioning from each caucus. This round will begin with Mr. McNaughton. Can you please identify yourself as well as your colleague for the purpose of the Hansard?

Mr. David Black: Actually, my colleague is going to start.

The Chair (Ms. Soo Wong): That's great. Thank you.

Mr. Steve Morrissey: Madam Chair, thank you. My name is Steve Morrissey. I'm the executive vice-president of the Cement Association of Canada. Of course, you know my colleague David Black. He's our Ontario director and our director for Atlantic Canada.

I wanted to start off to say that our industry provides the domestic, reliable supply of cement and concrete that's required for all of the transit projects and the infrastructure announcements. Everything that we think of in the built environment is somewhat dependent upon our materials, and we want to be part of the solution in moving forward with these infrastructure investments.

Our members in Ontario—some of you know them very well—are Lafarge, Holcim Canada, Essroc Italcementi, Federal White and St Marys Cement.

Our industry in Ontario generates over $6 billion in economic activity and supports the $37-billion construction industry in Ontario. We directly and indirectly employ over 16,000 Ontarians.

There are a few issues I want to talk about today, with my colleague. First of all, infrastructure spending: We congratulate the government on their recent 10-year announcement. The billions of dollars invested in infrastructure are having a noticeable effect on the average age of the province's infrastructure and on the lives of the people of Ontario. These investments are helping transform the province while also enhancing competitiveness, which is crucial in Ontario today. We also applaud the government's decision to expand the Moving Ontario Forward plan to $31.5 billion. The investments in public transit, such as the GO Transit expansion, which is helping to connect communities in Toronto and Kitchener-Waterloo and Ottawa, and many other public transit investments are helping us to move within our communities.

One of the things that I wanted to talk about today which is very important is that the province has decided it's going to commit billions of dollars into infrastructure, and we have to avoid the traditional problems that governments of all jurisdictions have: They look at the initial costs of a project and they go ahead with it. Now we have a massive infrastructure deficit, and that's largely because all governments, not just the Ontario government, haven't looked at maximizing the decisions in building the infrastructure. There are tools that can be used now, which we've advocated for, that can improve infrastructure decision-making. These are life cycle cost assessment tools and life cycle assessment tools.

The demand for provincial funding still outweighs the money that's available. We believe the government should build on its use of asset management planning by also requiring that life cycle assessments and life cycle cost assessments are made when infrastructure spending decisions are made.

Life cycle cost assessment is a great tool for understanding not only construction costs, but also the long-term maintenance costs of an infrastructure project. LCCA analysis simply asks the ministry, department or municipality to do the math by evaluating all infrastructure spending funding requests. This is the way to ensure that the public gets the best bang for its buck.

For instance, when the government invests in a road project, they should look at the 30-year costs of the project. In the case of an asphalt road, it will need to be repaved every five to seven years, while a concrete road will be virtually maintenance-free for its first 20 years, with very little additional maintenance needed until year 30—and of course, no potholes.

Life cycle assessment is another tool which is slightly different, but it's also aimed at ensuring that infrastructure investments deliver maximum economic, social and environmental value, because it takes into account all phases of a project's life cycle: the use phase, the initial build and, of course, the end of life. LCA ensures that the financial as well as environmental, greenhouse gas and other costs are factored into the infrastructure investment decisions. Of course, as the province moves forward to look for GHG reductions in the building sector, LCA tools are going to be critical.

Now I'd like to turn it over to Dave.

Mr. David Black: Thanks a lot, Steve.

Thank you for all the investments, like Steve said. The one thing we had hoped the government would move forward on is to signal in the budget that they're going to be working with industry to try and reduce the cost of industrial energy. We, along with many other organizations, from the Ontario Federation of Agriculture to the Canadian Manufacturers and Exporters, made presentations to this committee as part of your pre-budget consultations.

Industrial energy rates are high, and we look forward to working with this committee and the government over the next 12 months to try and find a way to reduce these rates in a fiscally sustainable way that helps Ontario achieve the principles of the long-term energy plan. Ontario's cement companies are doing their part to reduce energy usage and energy costs. For example, the St. Marys Cement plant in Bowmanville, Ontario, made investments over the last decade that have reduced their energy consumption by 10,800 megawatts—that's just what they've reduced and been able to save through those investments. We're looking forward to working with the committee to try and find a way to reduce the cost of industrial energy and keep Ontario's cement companies and Ontario business competitive.

The last issue I'd like to touch on is climate change. There are some very good reasons, environmental and economic, to tackle greenhouse gas emissions now and with some sense of urgency. We believe Ontario is on the right track with this plan to introduce a cap-and-trade system for greenhouse gas emissions. We're supportive of Premier Wynne and Minister Murray's efforts. Our environment and our economy simply need a price on carbon. A well-designed cap-and-trade system will lead to reduced emissions and a more economically competitive Ontario. Globally, the cement industry is recognized as an energy-intensive trade-exposed sector, so it's important to design a pricing system that is protective of the competitive imbalances in terms of exports and imports from markets where there's no equivalent cap-and-trade system while ensuring a level playing field to ensure the ongoing competitiveness of the entire industry.

The Chair (Ms. Soo Wong): Can you wrap up, please?

Mr. David Black: Yes, very shortly.

If we don't ensure a level playing field, we may have what happened in BC when they implemented the carbon tax. Before the carbon tax, 6% of cement imported into the province was from foreign sources; after the carbon tax, that went up to over 40%, which led to leakage for those emissions to Asia and to the United States. That's why we need to get a balanced system in place.

One last point is, while carbon pricing is an important aspect of it, it's not the only solution to climate change. As the discussion paper that the government put out points out, buildings and transportation make up the lion's share of greenhouse gas emissions in the province. We'll need to think about new approaches to how we build, power and plan our communities.

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

Mr. David Black: Okay.

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

Mr. Monte McNaughton: Yes, just a few questions—thanks for your presentation. You were talking about industrial energy rates, and then you were talking a little bit further about the cap-and-trade system and the carbon tax in BC. What percentage of concrete in Ontario is foreign concrete?

Mr. Steve Morrissey: Very, very little concrete is now. We're lucky that Ontario has an industry that has historically exported up to 50% of the production in Ontario. That has been reduced, but there are very, very few imports that come into Ontario now.

Mr. Monte McNaughton: So is there a threat with energy costs continuing to rise that we'll see more foreign concrete in Ontario?

Mr. Steve Morrissey: There's a very real threat of that. The reality is that in jurisdictions around Ontario, there is enough excess capacity to manufacture cement that it could be imported from Quebec into Ontario or from Michigan into Ontario. That hasn't happened now for a number of reasons. But at some point, if the cost curve becomes too high, then our companies which own companies in other jurisdictions will simply allocate their production to the jurisdictions which have the lowest cost.

Mr. Monte McNaughton: What is the association's solution to the expensive energy cost in Ontario? What was the recommendation?

Mr. Steve Morrissey: We're part of a number of coalitions that look at this. Using some of the energy that has been exported from Ontario at a relatively high cost—we can run 24 hours a day or at nighttime or whatever. We can take energy whenever we get it. Reallocation of that import/export energy scenario is something which should be looked at for large industrial users.

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Mr. Monte McNaughton: Great. Thank you.

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

Ms. Catherine Fife: Thank you very much. Just building on your pre-budget deputation that you gave to us, the president said that the impact of high electricity rates in Ontario will often mean that the "Ontario division of a multinational firm doesn't win the new product line or the new R&D investment." At that time the plan to privatize or sell off 60% of Hydro One was not on the table. Specifically around rates and around the unknown aspect of rates going forward, how will that impact future investment, R&D investment or actually securing product lines?

Mr. Steve Morrissey: That's a very good question, and I can use, maybe, the climate change file as a comparison. Business likes certainty. They need to know what they're going to pay in the medium term, short term and long term. If we now design a cap-and-trade system appropriately where we have certainty, then we reduce the fear from our headquarters in Geneva, Rome or wherever, so that they know what the price on carbon is going to be, what the impact is going to be here. It's the same thing with electricity. In the future, some of the impacts of what's been proposed are not certain for business. So providing that certainty is very important. When our bills go up 33% year over year, it's a very big problem.

The other issue is because some of the innovation and technology that's required to make us more energy efficient or to reduce GHGs or to use alternative fuel sources is also very electricity-intensive. With some of the solutions, we get the additional electricity costs on those, even though we're reducing other emissions.

Ms. Catherine Fife: Okay. You have raised the issue of life cycle cost assessment analysis many times.

Mr. Steve Morrissey: Yes.

Ms. Catherine Fife: This is just a progressive way to plan for infrastructure and the long-term costs: to build it right the first time. Do you want to comment on this?

Mr. Steve Morrissey: Yes. That's our motto: Build it right, build it once, build it to last. Sustainable construction—everybody wants to talk about sustainability today, and it's important. Essentially, every building that goes up now, its energy footprint is pretty much defined for the next 60 years. The government is promising to be progressive about looking at energy efficiency in buildings. We have to do this right away because we're putting up things now which are not as energy efficient as they should be. We're not using the tools that are out there to do that.

Ms. Catherine Fife: There was nothing in this budget around conservation as well. That's the smart investment, right: to incentivize the greening of future building so that you don't have to do it again down the line?

Mr. Steve Morrissey: That's right. That's something that is in the government's white paper on climate change; they're going to be looking for reductions in the building sector. It's critical. We're trying to squeeze reductions of GHGs, and we're getting to the point where there's not much juice left in what we're squeezing. So we have to look at—pardon the fruit reference—the low-hanging fruit again. What are we going to squeeze out of the building centre? You have to use the tools to do that.

The Chair (Ms. Soo Wong): Okay, Mr. Morrissey.

Ms. Catherine Fife: Very good. Thank you very much.

The Chair (Ms. Soo Wong): I need to turn to Mr. Potts.

Mr. Arthur Potts: Thank you, Mr. Black and Mr. Morrissey, for your presentation. Clearly, the cement industry is the foundational industry for infrastructure investments.

Interjection.

Mr. Arthur Potts: Pardon my little pun. What I'd like you to do is maybe comment on how important this $31.5-billion infrastructure is to the industry and also to job creation and the economic impact it will have in the province of Ontario.

Mr. Steve Morrissey: Thank you very much. The provincial, federal and municipal governments—governments are the largest purchasers of construction materials by far, and you know it from the Pan Am Games and whatever. So if we don't have a domestic supply that's available for any construction material, then you become price takers. We're looking at that in BC. When the carbon tax was raised, the number of imports went very high, and the price was going up. So it's costing government more. Maybe it's $100 billion of investment, but when the cost of all your imports is going up, it reduces the value of those. Supporting industry—concrete, cement, steel, other things—in Ontario helps maximize those investments.

Mr. Arthur Potts: Great. I was also very interested in your life cycle cost assessment tool analysis, particularly in the way that we've been moving forward with infrastructure investments with the AFP model, where we put those risks to the constructor rather than the traditional program, so they can take a look at the long-term costs if they were holding it and returning it back to the government.

Maybe you could talk about using the AFP model and who will embrace an assessment tool, because in the long run it allows them to get the job upfront, because they can build in those long-term cost projections, particularly around using more cement in roadway construction.

Mr. Steve Morrissey: Yes. That's the point of one of our asks. These have to be mandated tools. If they're voluntary or they're suggested, then builders aren't going to adopt them and developers aren't going to adopt them because they are looking to make as much money from a project as they can. We have to make sure that, whether it's looking at the GHG, the life cycle—the GHG assessment in the buildings—those are mandated as part of tendering documents.

Mr. Arthur Potts: But if they were responsible for the longer-term maintenance, then they would recognize and bring those models—

Mr. Steve Morrissey: That's right, because it impacts their bottom line.

Mr. Arthur Potts: Absolutely.

I'm also very familiar with some of the work St Marys has done—Martin Vroegh and the initiative. So much of the energy there is associated with gas, not electricity. They have made some changes, but they're moving in other directions, too, with biomass. Maybe you can comment again on how your industry is trying to reduce greenhouse gas emissions and hazardous emissions that may be coming from coal and cement.

Mr. Steve Morrissey: Absolutely. The federal government and the province both announced 2030 targets for greenhouse gas reductions, and there are 2050 targets. The technology that exists to get us from our targets today—this is not just the cement industry, but across all sectors. It's technology that's going to get us there.

In the case of St Marys's, they're taking the CO_2 that comes out of the stack process, algae are eating that CO_2 gas, and as a by-product they're getting bio-sludges and diesel fuel that can be created, plus the algae that in turn can be burned back in the kiln process. This is the kind of sustainability that we're working towards. There's only so much we can do about the fundamental chemistry of limestone, but we can do things, and we need government there to help support that technology. That's a great role for government to play.

The Chair (Ms. Soo Wong): Okay, Mr. Morrissey. Thank you, and thank you, Mr. Black, both of you, for being here today.

Mr. Arthur Potts: I have so much more to ask.

The Chair (Ms. Soo Wong): That's it. Three minutes, right? Three minutes per caucus.

Thank you very much, both of you, for being here today and for your presentation.

Before I adjourn the committee, just a couple of housekeeping things: We will not be starting until 10:15 tomorrow morning. I just wanted people to know we're not starting at 9 o'clock. The first witness will be here at 10:15.

Is that it, Mr. Clerk? That's it. All right. So I'm going to recess the committee until 10:15 tomorrow.

The committee adjourned at 1528.

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