F-21 F-21

ISSN 1180-4386

Legislative Assembly
of Ontario

First Session, 41st Parliament

Assemblée législative
de l'Ontario

Première session, 41e législature

Official Report of Debates (Hansard)

Journal des débats (Hansard)

Thursday 21 May 2015

Jeudi 21 mai 2015

Standing Committee on Finance and Economic Affairs

Comité permanent des finances et des affaires économiques

Building Ontario Up Act
(Budget Measures), 2015

Loi de 2015 pour favoriser
l'essor de l'Ontario
(mesures budgétaires)

Chair: Soo Wong
Clerk: Katch Koch

Présidente : Soo Wong
Greffier : Katch Koch

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

http://www.ontla.on.ca/

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

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

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

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Thursday 21 May 2015

Jeudi 21 mai 2015

The committee met at 0900 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. By the order of the House, we are here today to resume consideration of Bill 91, An Act to implement Budget measures and to enact and amend various Acts. As committee members are aware, witnesses will be given five minutes for their presentation, followed by nine minutes of questioning from the committee or three minutes from each caucus. Do we have any questions before we begin?

BROCK UNIVERSITY

The Chair (Ms. Soo Wong): Seeing none, I believe our first witness today is coming to us by teleconference. Mr. Livingston, are you here on the line?

Dr. Jack Lightstone: Jack Lightstone, by the way.

The Chair (Ms. Soo Wong): Yes. Good morning, Mr. Lightstone; sorry. My name is Soo Wong. I'm the Chair of the Standing Committee on Finance and Economic Affairs. I'm going to introduce the members of the committee so that you have an idea who we are: from the government side are Laura Albanese, Bob Delaney, Ann Hoggarth, Peter Milczyn and Shafiq Qaadri; from the opposition, Vic Fedeli and Monte McNaughton; and from the third party is Jennifer French.

Mr. Lightstone, you have five minutes for your presentation, and you may begin any time. Please identify yourself when you begin. I believe this round of questioning will begin with—I'm just going to tell you so you know which party is starting—the third party. Mr. Lightstone, you may begin.

Dr. Jack Lightstone: Thank you very much, Madam Chair. My name is Jack Lightstone. I'm the president and vice-chancellor of Brock University. I'm grateful for the opportunity to comment on the budget bill and specifically to comment on paragraph 3, page 100 of Building Ontario Up, the Ontario budget 2015, presented by the Honourable Charles Sousa, Minister of Finance.

In paragraph 3 of page 100, what is proposed in the budget is the allocation of an investment of $10 million over two years to expand Brock University's Goodman School of Business by providing funds which the university will more than match in order to renovate, upgrade and build additions onto the current facilities of the Goodman School of Business. I want to say how important this investment is for Brock University and for the Goodman school, but also for the Niagara region and for Ontario generally.

If you permit me, I will say a bit about the Goodman school. The Goodman school has been one of the fastest-growing business schools in Ontario among Ontario's universities. It was founded at the very end of the 1980s and early 1990s. At the time, in 1991, when it entered into its current facility, it had under 1,000 students; today it has 3,500 students. At the time, it represented about 10% of the enrolment of Brock University; today it's getting close to representing 20% of the enrolment of Brock University. The school is AACSB-accredited, the international Association to Advance Collegiate Schools of Business, the most important accreditation body for business schools around the world. Of the thousands of business schools around the world, there are only about 450 that have this accreditation. We were the third business school in Ontario to receive this accreditation, after Queen's and the University of Toronto.

The Brock business school, the Goodman School of Business, is the largest business co-op education program in all of Canada. It attained that status two years ago. We are very heavily invested in co-op. The investment that is proposed in the budget, which is a $10-million investment, would result in an expansion costing in the range of $24 million. We will provide the other funds. It will greatly, greatly improve the learning conditions for our students and allow us to continue to expand the business school.

Our strategic mandate agreement with the government indicates that the business school is one of those areas at Brock which represents a strength of the university and is an area that the government identified as an area of potential growth, but also recognizes that without expanding and improving the facilities at the school, that growth potential would not be able to be realized.

I have already mentioned that the business school is the largest business co-op education operation in Canada. It also has one of the most prestigious programs in accounting in Canada and was the first university in Ontario to have its accounting program accredited under the brand new standards of the CPA. We are expecting a major expansion of the accounting program and this too will be facilitated by the investment that the government is proposing to make in this budget.

I will stop there and be happy to answer any questions.

The Chair (Ms. Soo Wong): Thank you very much. I'm going to turn to Ms. French for the first questions.

Ms. Jennifer K. French: Thank you, and thank you very much, Mr. Lightstone. I appreciate your comments this morning. It sounds like the program is doing quite well. Congratulations on that. Certainly my colleague from the Niagara region has been impressed with the work that you do.

I have a question, actually, that takes us in a bit of a different direction, but while you're talking about the learning conditions of the students, I'm sure that you also have a vested interest in their success and that you would have thoughts on that.

The government is actually changing the Apprenticeship Training Tax Credit. I'm not sure if you're familiar with the details, but they are decreasing the general rate by 10 percentage points, reducing the eligibility period from 48 months to 36 months, and shrinking the annual maximum tax credit by 50%. Do you think that a tax credit reduction like this will boost employment opportunities for those students who would be looking to join Ontario's workforce?

Dr. Jack Lightstone: I must say that I don't have the competence to comment on that. As you know, the universities are really not involved in managing the apprenticeships in the province. The colleges are more directly involved, and even there, there are all sorts of other agencies that are involved in the apprenticeship world. So I must plead ignorance on being able to offer an informed judgment; my apologies.

Ms. Jennifer K. French: No, no; that's a fair point.

My next question for you is this: After your students complete a program such as this and are stepping out into the working world, can you tell me a bit about what that looks like for them?

Dr. Jack Lightstone: Absolutely. As you know, the Ontario government keeps yearly statistics on the employability and employment success of graduates of Ontario universities. I think the more important figure is how many people have full-time gainful employment after two years or within the two-year period and whether they are working at jobs to which they believe their education is relevant.

The statistics for Brock University are the following: About 93.5%, close to 94%, of our graduates have gainful full-time employment within a two-year period of their graduation—those are the latest stats—and over 80% respond that their areas of study are either highly or somewhat relevant to the jobs that they have received.

In the business school, that figure is much higher. It's closer to 97% or 98% employment. For those students in the co-op program, it is close to 99%.

So Brock students are doing very well getting jobs. I think we are doing a very good job—no pun intended—at preparing them for the job market and giving them skills that will see them through the many twists and turns that are likely to take place in the job world and the career world, in the world in which we live now. The business school is particularly, I think, successful at this, and I think co-op plays a large role in the extraordinary success of the business school in this regard. It is well known that co-op programs have much higher employment rates for students upon graduation and that over 80% of graduates of co-op programs will get employment with one of the employers with whom they had a co-op placement during the period of their education.

The Chair (Ms. Soo Wong): Mr. Lightstone, I'm going to need to stop you there and turn to the government side, because it's three minutes per caucus. I'm going to Ms. Albanese for the first question from the government side.

Mrs. Laura Albanese: Thank you, Madam Chair, and thank you for your presentation, Mr. Lightstone, and for talking to our committee.

I also want to congratulate you on the success of the school and wanted to learn more about how the commitment contained in the budget of this $10 million and the expansion and renovation of the Brock Goodman School of Business will affect the students in the wider Brock community. I know you mentioned that it will improve learning conditions, but I was wondering if you could give us a little more detail on the difference that will make.

0910

Dr. Jack Lightstone: Absolutely. Thank you. First of all, let me say that Brock, because it has grown so rapidly over the past while—Brock University as a whole, in terms of enrolment, has grown by 72% over the past 14 years, which is almost half again greater an expansion as the average for Ontario universities over that same period. So we are very cramped, and therefore our growth—even though we've had quite substantial largesse over the years in being able to expand our facilities, both through our donors and governments, we have not been able to keep pace with the expansion of our enrolment.

Interruption.

Dr. Jack Lightstone: Should I just ignore that beeping?

The Chair (Ms. Soo Wong): Just keep going.

Mrs. Laura Albanese: Yes, please. You can continue.

Dr. Jack Lightstone: Thank you. What this will do for the business school in particular is it will allow us to expand the facility of the business school by a whole 50%. In other words, the facility for the business students and their faculty and staff will be half again as large as it is now, and modernized. What we will be doing is taking a business school facility that was built for 1,000 students and currently houses and serves 3,500 students and increasing it by 50%, which will greatly help the business school but will also take off space pressures elsewhere in the university because right now the business school, of course, with its 3,500 students, is taking up space that, outside of the business school facility, might be reassigned to others.

Mrs. Laura Albanese: I also wanted to ask you—I know that the time will be limited—if you have been hearing anything about the recent changes to OSAP and in general about the Ontario 30%-off tuition grant. Are there any comments that you've been hearing on those two items?

Dr. Jack Lightstone: Yes, I certainly would like to comment on that. I would say that in my experience and as I look around the country, Ontario has the best financial support for students who need that support of any province in Canada. I commend the government for this and I commend all parties for their continued support of relieving the financial burden on students. I think that at this point I would venture to say that there should be no barrier to any qualified student in Ontario to pursue university education because I think there is such a superb financial safety net for those students who might not otherwise be able to afford university education.

The Chair (Ms. Soo Wong): Mr. Lightstone, I need to stop you here. I'm going to go to Mr. Fedeli.

Mr. Victor Fedeli: Thank you very much. My question will be about the bachelor of education program. What was your intake in each of the last three years? Would you know that offhand?

Dr. Jack Lightstone: I'm sorry; I do not know it offhand. We have one of the larger bachelor of education programs in the province. Of course, because of the surplus of qualified teachers in relationship to the available employment opportunities—

Mr. Victor Fedeli: One moment. Did something change in the sound? I can't hear him anymore.

Dr. Jack Lightstone: I'm sorry; I hear you.

Mr. Victor Fedeli: Can you carry on?

Dr. Jack Lightstone: I think one of the things that has been happening, of course, as a result of the surplus of qualified teachers—as you all know, the number of students that each faculty of education in the province may take on has been cut in half and the program too, however, has been improved. There will now be a two-year teacher certification program in addition to the bachelor's requirements—the four-year degree.

Mr. Victor Fedeli: What was your reduction? Do you know offhand?

Dr. Jack Lightstone: I'm sorry; I don't have that statistic in front of me. Had I known I would be asked the question, I could easily have gotten it.

Mr. Victor Fedeli: Would it have affected your first-year enrolment in general bachelor of arts programs?

Dr. Jack Lightstone: Yes, because students are getting the message that getting into education programs is more difficult and that the jobs are not what they might have expected them to be, and so they're steering themselves away to other disciplines.

Mr. Victor Fedeli: Would you have any idea of the number of BA entrants that were reduced?

Dr. Jack Lightstone: Again, I have those statistics at the office but not with me.

Mr. Victor Fedeli: Can we ask that they be sent to us?

Dr. Jack Lightstone: Certainly.

Mr. Victor Fedeli: Thank you.

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

Mr. Monte McNaughton: Thank you very much, Mr. Lightstone. I just wondered if you could talk a bit about some of the overall staff reductions at Brock University, if there have been any with the faculty.

Dr. Jack Lightstone: On the faculty or on the staff side?

Mr. Monte McNaughton: Sorry; on the faculty side.

Dr. Jack Lightstone: There have been no staff reductions on the faculty side.

Mr. Monte McNaughton: Okay. What about on the staff side?

Dr. Jack Lightstone: On the staff side, last year, in order to balance our budget, we eliminated close to 80 positions. However, more than half of those positions were eliminated by natural attrition, and less than half resulted in layoffs.

Mr. Monte McNaughton: Was it just due to the fact of changes in the funding? What was the reasoning?

Dr. Jack Lightstone: As you may well be aware, the universities in Ontario have all been facing financial challenges for a number of reasons, despite the tuition increases and enrolment growth that has provided extra funding, both through tuition and from government grants. So there have been enormous pressures in the aftermath of the great recession. There have been difficulties with pensions, as you know, around the province, and all of this has added to the budgetary load of the universities. We have an obligation to be accountable to everyone, including the Ontario public, to not run in the red, and so—

The Chair (Ms. Soo Wong): Mr. Lightstone, I need to stop you. Thank you very much for joining us this morning for the hearings. I just want to remind you that any written submission you want to share with the committee has to be submitted by Monday, May 25, by 9:45 a.m. Okay?

Dr. Jack Lightstone: The 25th?

The Chair (Ms. Soo Wong): This coming Monday by 9:45 a.m.

Dr. Jack Lightstone: Okay. Thank you.

The Chair (Ms. Soo Wong): Thank you very much. Have a good day.

ADVOCIS

The Chair (Ms. Soo Wong): The next presenter is Advocis, the Financial Advisors Association of Canada. Good morning. Welcome. As you heard, you have five minutes for your presentation, followed by three minutes of questioning. This round of questions will begin with the government side. I have so many names here. I'm going to let you introduce yourself for the sake of Hansard.

Mr. Greg Pollock: Thank you. Good morning. Thank you for the opportunity to appear before you today. My name is Greg Pollock, president and CEO of Advocis, the Financial Advisors Association of Canada. With me is Ed Skwarek, our vice-president of regulatory and public affairs for Advocis.

Advocis members are professional financial advisers and planners, providing comprehensive financial advice to Canadians through all stages of their lives, including estate and retirement planning, wealth management, insurance strategies, tax planning, employee benefits, critical illness and disability insurance. Our members voluntarily adhere to a code of professional conduct and meet annual continuing education requirements. In addition, many of our members have continued their professional training and also hold specialist designations such as the CLU and the CFP.

Advocis supports initiatives by the Ontario government that will build Ontario up and assist all Ontarians in saving, building wealth and preparing for life events.

We are especially pleased with the government's commitment in its budget to look more closely at two key priorities that will assist in modernizing the financial services landscape in Ontario. I am referring to the government's creation of an expert panel to review the mandate of FSCO, the Financial Services Commission of Ontario, and related regulatory entities to ensure that all stakeholders, including consumers, benefit from an efficient regulatory environment.

The vast majority of our members are currently licensed as life insurance advisers through FSCO. Many of the problems identified in the Auditor General's recent report regarding FSCO's mandate can be eradicated very simply through this comprehensive review.

We are equally encouraged by the government's desire to review more tailored regulation of financial advisers through the appointment of a second expert committee. In fact, Advocis's Raising the Professional Bar consultation document provides the basis for what can be a very effective solution in ensuring that all Ontarians have access to consistently high-quality professional financial advice.

Interruption.

The Chair (Ms. Soo Wong): Please continue.

0920

Mr. Greg Pollock: We believe that expert panels have been established to look more closely at these issues and to properly identify regulatory gaps or problems that need to be addressed. This is the first step in developing any solution. Certainly, hard questions will need to be asked and answered, and Advocis is looking forward to working with the government through these consultations, as well as other stakeholders, to ensure that any changes will benefit consumers.

Without question, the world of finance is changing at an accelerating rate, and there is an absolute immediate need that we all ensure that Ontario take a leadership role in developing a new paradigm.

Advocis believes that product convergence between the various financial sectors is a direct market response to the demographic shift associated with an aging population and consumer trends in the marketplace. We believe that the market can very effectively provide solutions to consumer needs and wants, and when working harmoniously with government regulation and programs, the net outcome to Ontarians can be greater than the sum of the co-operative market-government solutions.

Financial advisers do not provide advice in a vacuum and they, too, are evolving and adapting to the changing environment around them and the needs of their clients. Accordingly, a very clear and continuing trend is towards dual-licensed advisers: advisers who are licensed by the government to provide advice in both the insurance and securities sectors. This cross-sector or holistic approach to the provision of advice means that the industry and government must determine if the existing regulatory alignment is appropriate.

Our sense is that change is needed—change that will recognize the critically important role that professional financial advisers play in the life of Ontarians. But change must not be made for change's sake alone. It must be well reasoned. It must set aside stakeholder self-interest, and we must focus on resolving the identified problems, as well as position Ontario as a global leader in ensuring that Ontarians have choice and access to professional financial advice.

The more prepared individual Ontarians are for their future financial needs, the less reliant they will be on government. This will allow the government to focus their precious resources on things such as health and education and growing the Ontario economy. In brief, it will assist government in achieving its clearly identified objective of building Ontario up.

Change must not come at the cost of limiting access to professional financial advice, nor must it result in additional regulation or layering of regulation. Duplication is not the solution. Accordingly, we believe that these two consultations must not just tweak the existing model but must recognize that the time has come for significant reform within the oversight of the provision of financial advice within the financial services sector.

In conclusion, today there are millions of Ontarians benefiting from advice provided by professional financial advisers. We believe that reform must recognize the value of this advice as one key element in the tool kit that will ensure Ontarians are properly positioned for a prosperous future.

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

Ms. Ann Hoggarth: Good morning. Thank you for your submission. I just wanted to say that we welcomed you here last week at Queen's Park. It was wonderful to meet with a group of your members, including someone from Barrie. I just want to say that I immediately checked with my financial planner to make sure that they belong to your group, and they do.

Mr. Greg Pollock: Very good.

Ms. Ann Hoggarth: I would not have known that not everyone did if I had not had that meeting. I'm very pleased that that person is a member of your group.

I, too, believe that there need to be rules and regulations, as other professions are guided. It's for the safety of everyone—both sides.

Our government understands that financial and investment decisions confronting individuals are becoming increasingly important and complex. As a result, access to informed professional financial advice is important in order to ensure that investment decisions best serve an individual's financial goals and risk appetite. However, currently in Ontario no comprehensive regulatory oversight is in place to regulate the activities of those individuals, as you stated, on the strength of one of many available designations or certifications. They offer financial advice and planning services to the general public, and a lot of that public would be like me, who did not know that those guidelines were in place and those restrictions.

In light of this potential regulatory gap, the government committed to investigate the merits and the possible options for proceeding with more tailored regulation. I do understand that you've had multiple meetings with Minister Sousa about this.

Mr. Greg Pollock: Yes.

Ms. Ann Hoggarth: Can you speak to how regulating financial planners may benefit the financial planning sector in Ontario as well as individual customers?

Mr. Greg Pollock: Sure. Let me just maybe clarify a point here for everyone: Often the terms "financial advice" and "financial planning" are used interchangeably. There are a number of specialists within the financial advisory industry; there are estate and tax planners, financial planners, insurance advisers, investment advisers and so forth. Financial planning is one specialty within the overall financial advice industry. One thing we've been very clear on is, if we're going to improve professional standards for financial planners, we also need to improve professional standards for all financial advisers. We want to capture everyone so when you're in front of someone, you know that they are captured by that professionalism that we're speaking of here.

The Chair (Ms. Soo Wong): Mr. Pollock, I need to stop here so that we can get to opposition questions.

Mr. Greg Pollock: Thank you.

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

Mr. Victor Fedeli: Good morning. When David and the gang were here last week, we met, and they talked about the professions model. Do you want to take a minute and just chat about that?

Mr. Greg Pollock: Sure. I'm going to ask Ed to make a comment on it. We did include a document there which is really just an outline of our proposal from a couple of years ago. Do you want to give some of the highlights?

Mr. Victor Fedeli: Literally one minute.

Mr. Ed Skwarek: Okay. The concept of the professions model is holistic. We want to capture everybody regardless of who they're licensed with, whether it's on the insurance side or the security side. We also want to impose what is currently voluntary: adherence to a code of ethics and conduct, to continuing education and to the continuing education being completely directed to ensuring that that standard of financial advisers is brought up.

Greg already alluded to the idea of specializations within financial advice. Indeed, that's what the continuing education can do: help educate the financial adviser about new products and new ways of dealing with clients and also how to develop specializations that will meet the needs of their particular clients as they grow.

Mr. Victor Fedeli: I found it fascinating—I think I would have fallen into the same category as virtually everybody in Ontario who did not understand that anybody can call themselves a financial planner. I can put a business card out this morning and have "Victor Fedeli, Financial Planner," and there's no regulator; there's nothing anybody can do about that—other than the fact that I would make a heck of a good financial planner. It was astounding to me that we're not there. You need to be certified to be a doctor or a nurse—all these other positions—but a financial planner, something that we hold so dear, and we put so much faith in the people, and there's no regulation.

Mr. Greg Pollock: What we're licensing today—just to be clear for everyone—is the ability to sell product. Individuals do have some knowledge and expertise in those products. There's absolutely no doubt about that. The consuming public should have some confidence with respect to that. But it's broader than that. There's lifelong financial advice that one requires; we outline it in this document in a very summary kind of format. It's really that lifelong advice from cradle to grave that these financial advisers are providing that's going to make the difference between success and non-success when it comes to wealth.

Mr. Victor Fedeli: I agree. Look, I think it's all about protecting the consumer at the end. I think they can sleep soundly in Ontario today, but there is always that lingering doubt, and we need to fix that.

Mr. Greg Pollock: That's our point. Thank you.

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

Ms. Jennifer K. French: Hello, and welcome to Queen's Park. As my colleagues around the room have said, it was a great last week when we had the chance to connect with some of your members and better understand the important work that you do, especially when it comes to saving wealth and being prepared for an uncertain future.

I would like to comment on the expert committee. It does follow on the government's previous commitment to investigate the merits of proceeding with more tailored regulations of financial planners, introduced first in the 2013 fall economic statement and then reiterated in the

2014 statement. Do you have any insight as to why it has perhaps taken this long?

0930

Mr. Greg Pollock: I don't have any specific insight, but I would say that it is a complex area. When you have FSCO overseeing the licensing of insurance advisers, you have IIROC and MFDA delegated by the Ontario Securities Commission to oversee the licensing and ongoing behaviour and performance of mutual funds salespeople and securities registrants, it is complex. I think it's getting all those parties to really understand what their role is in the overall process, and how can we integrate it more easily? I suspect that has been the challenge for the government.

Ms. Jennifer K. French: Thank you. Maybe to further that point—but to comment on something that you had said earlier regarding the dual-licence advisers, both the insurance and securities sector, you had said that that means that industry regulatory alignment is needed and it would need to be well reasoned, I think you said.

Mr. Greg Pollock: Right.

Ms. Jennifer K. French: You also said that it must focus on resolving identified problems. Could you expand on what some of those identified problems would be?

Mr. Greg Pollock: What we have found is that some of the regulators—and I won't be specific with respect to which ones—when they are out supervising, in effect, the licensees that they've licensed, some of the things that they're investigating and reviewing and so forth, in our mind, really don't speak to professionalism. It's all about these very, very specific rules—"Have you crossed this 't' and dotted that 'i'?"—as opposed to really stepping back and really using good, professional judgment when it comes to the carriage of this individual's investments and looking at their future financial needs. That role of professionalism, in our view, is not what's being addressed today. It's more about, "Have you filled out this form correctly?", and if you have, tick, you're done, and you must be good to go. Well, no; it's much more than that. It's much more than that.

The Chair (Ms. Soo Wong): Ms. French, just one more minute.

Ms. Jennifer K. French: Thank you.

I don't know whether you said you're looking forward to or you're hoping to continue to work with the government during consultation. What would you like that to look like?

Mr. Greg Pollock: I would hope that, during the process, there will be extensive opportunity for consultation, particularly from the financial adviser community. What we often find is that people will say, "There has been consultation with the industry." Often, the industry has been the manufacturing companies or the insurance companies and the fund companies and so forth, or it might be the dealers themselves who really are the members of IIROC and the members of the MFDA. But the advisers themselves, the 40,000 independent advisers here in Ontario, often don't have that voice to really bring forward their, I guess, experience of being across the table with clients eyeball to eyeball. We want to bring that forward and talk about that.

The Chair (Ms. Soo Wong): Mr. Pollock, thank you very much for your presentation. We thank both of you for being here.

INTERACTIVE ONTARIO

The Chair (Ms. Soo Wong): The next group before us is Interactive Ontario: Christa Dickenson. Good morning.

Ms. Christa Dickenson: Good morning.

The Chair (Ms. Soo Wong): Ms. Dickenson, as you've heard, you have five minutes for your presentation, followed by three minutes of questions from each caucus. This round will begin with the official opposition party. You may begin any time. Please begin by identifying yourself and your position with your organization.

Ms. Christa Dickenson: Thank you, Ms. Chair. Good morning and thank you for the opportunity to be here and address this committee. It's a pleasure for Interactive Ontario.

My name is Christa Dickenson and I'm the executive director of Interactive Ontario. I'm going to begin by providing some background information on our industry, Interactive Ontario, and then I'll spend the remainder of my time focusing on the measures that were contained in the Ontario budget.

Interactive Ontario, for those of you who do not know, is a not-for-profit, non-partisan trade association, representing in Ontario all of its interactive visual media industry. Most often when people hear the term "interactive digital media," they equate it to video gaming. Gaming is where, indeed, our industry began and evolved and it is an important part of our sector, with tremendous leaders who compete around the world. But in Ontario, IDM is much more than just that. Two thirds of our industry is actually comprised of different types of IDM, including e-learning, mobile app development, augmented reality, virtual reality, transmedia, and so much more to come in the future.

Over 10 years ago, our industry was in its infancy, with just a handful of companies. Thanks to the measures by provincial governments of all stripes, our industry has grown considerably.

Consider this: For instance, our industry employs 17,000 full-time-equivalent employees in highly skilled and highly paying jobs. Many of these jobs are aimed at young people who have the latest skill in IDM development. Our industry now generates over $1 billion for our provincial economy, and Ontario interactive digital media developers are exporting products to the tune of $1.25 billion worldwide. Today, our organization, Interactive Ontario, represents over 300 member companies.

In recent years, Ontario has become a world leader, an innovator, in the IDM space, with developers winning numerous international awards as well as commissions. While we have brilliant talent, this would not be possible without the support of the OIDMTC and support of progressive policies from the provincial government.

A lot of people think that our companies are based exclusively in Toronto. We do have a large amount in Toronto, but we spread the span of the province, from Ottawa, Sudbury, Kitchener-Waterloo, Hamilton, Niagara, St. Catharines.

Among the handouts you've received is something that I would really like to talk about, which is to bring to life what it is that our industry does do, so I've brought with us one example. It is entitled Painted Land: In Search of the Group of Seven. It is a project that was created by one of our member companies here called Digital Howard. It delivers a dramatic, first-person video-based interactive flight over the lakes and treetops of Group of Seven country: Algoma, Ontario. As they travel on a monorail-style loop through autumn-leaved canyons and lakes, viewers can step off at any time during that flight at any point to explore any of 20 of the paintings that the Group of Seven created and actually see where they're hung, virtually, and be able to see the paintings in context.

Painted Land digital is the digital companion to a feature-length documentary of the same title, created for TV Ontario, CBC and the CTS.

Let's talk a little bit about the budget. The Ontario budget introduced a variety of changes to the tax credit policies for Ontario creative service industries, including the Ontario IDM sector, in an effort to achieve savings as well as balance our budget.

Over the last several months, we, Interactive Ontario, and our industry at large have worked with the province to find ways to achieve these savings and to ensure that, at the same time, our IDM industry is able to grow.

I'm pleased to say that Interactive Ontario supports the measures contained in the 2015 Ontario budget, which will ensure that core Ontario IDM companies are able to grow, to continue to invest, to hire more young people, and to make Ontario an innovation centre that can compete on the world stage.

The budget measures will also achieve significant savings for this province. We support the government's decision to narrow the eligibility of the tax credit to bona fide IDM creators.

We as well support the province's decision to renew and double the interactive digital media fund. We support the changes to the 90% rule, which was incredibly cumbersome in the OIDMTC, which will create better certainty and speed up the processing of the credit for our developers. These are all important measures that will achieve savings and concentrate support for our bona fide IDM creators.

Can we go a bit further? We think so, and we will continue to work with our province to eliminate some of these barriers that inhibit innovation and collaboration.

While the industry has achieved much, as I said, we can get bigger, we can get stronger and hire more people if we can remove those remaining barriers in the tax credit that prevent Ontario companies from collaborating amongst themselves. When we work together, we are stronger. To that end, I'd like to thank all the officials who worked with us during these last several months from the Ministry of Tourism, Culture and Sport, the Ministry of Finance and the Treasury Board.

With that, I'd be pleased to take any of your questions.

0940

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

Mr. Monte McNaughton: Thank you very much. I wondered if you could explain to the committee the exact changes in this tax credit for the industry and exactly what the amount of the cut actually is.

Ms. Christa Dickenson: I can't speak for finance as to the exact dollar amount of the tax credit, but I certainly can speak to the changes within eligibility, which is where it primarily was. It was a tax credit that was about inform, entertain and educate. They've removed the "inform" piece; that speaks to a lot of websites, in effect. Ten years ago, if you thought of IDM, it was a website. That's part of the answer, and there's much more.

Mr. Monte McNaughton: Obviously, there are some losers in this decision. Could you explain why, essentially, you're supportive, and why some others may be opposed to these changes?

Ms. Christa Dickenson: I think it's a really, really difficult delineation to make, because IDM is constantly evolving. That's where there is such complexity. We want to make sure that associations that are IDM creators were eligible and they remain eligible for the most part.

Mr. Victor Fedeli: Thank you very much. We heard from Julie Allen of Fuel Industries in Ottawa when the pre-budget committee went, and she warned us about this. Why would you think it would be important to narrow that funding, when your members—inclusive of all of them—are not supportive of that?

Ms. Christa Dickenson: At the end of the day, there are quite a number of outliers—and that's the term that's been used generally—that were accessing this tax credit, and that's why we keep on really emphasizing "bona fide IDM creators." People outside of that were accessing the tax credit because the language was out of date.

Mr. Victor Fedeli: Isn't that how they become bona fide members, by starting off small and growing into it?

Ms. Christa Dickenson: No. It's not a matter of the size of the company as it is what type of company. Are you there to inform, entertain and educate? Now, companies that are eligible are entertaining and educating under the age of 12.

Mr. Victor Fedeli: So "inform, entertain and educate" is now "entertain and educate"?

Ms. Christa Dickenson: "Educate under the age of 12."

Mr. Victor Fedeli: Educate—

Ms. Christa Dickenson: Under the age of 12.

Mr. Victor Fedeli: Under the age of 12.

Ms. Christa Dickenson: In effect, it was trying to eliminate companies that are potentially doing some virtual IDM for corporations, for their employees, versus really fostering the growth of a cultural sector, and one that is growing at a rate of 17% compounding year over year.

Mr. Victor Fedeli: So the one that does the informing is the one that's removed?

Ms. Christa Dickenson: Correct.

Mr. Victor Fedeli: And you're fine with that?

Ms. Christa Dickenson: For the most part. It's very hard, but we really do feel that in the conversation we landed at a good spot.

The Chair (Ms. Soo Wong): Ms. Dickenson, I need to turn to Ms. French for the next round of questioning.

Ms. French?

Ms. Jennifer K. French: Thank you and welcome to Queen's Park. We're pleased to have you and your voice in this. It's interesting; you talk about the industry beginning in gaming. My brother is in the gaming industry. My father used to say it wouldn't go anywhere; my father is wrong—only in this, though.

I would like to comment on a few of your points. I think it's interesting—to my colleague's point about "entertain and educate" with limits: Coming out of education, of course, "inform and educate" would be where I would imagine we would want to go. When you talk about brilliant talent and working with progressive government initiatives or progressive policies, and about the growth of the industry and who would have guessed that video games, back in the day, could lead to such a vast industry now, what do you mean by "bona fide IDM creators"? What does it take to get there, and how, if we limit the ability for an outlier to become the new mainstream, to become the next big thing—could you walk me through that, please?

Ms. Christa Dickenson: Yes. We have a lot of web developers, graphic designers and coders that are all coming out of our fantastic academic institutions here in Ontario—big applause there. What we're making sure is that companies such as a florist or a pharma or a funeral home are not accessing this credit when they are already a very well established company that doesn't necessarily require the support.

We really are a growth industry, and the ICT sector is an area where, at the end of the day, internationally it's one of the top six areas that's constantly being focused as the area to focus on as far as import and exports and trade.

The Chair (Ms. Soo Wong): Ms. French, you have one more minute.

Ms. Jennifer K. French: Thank you. In your note, you said, "hire more people if we can remove the remaining barriers in the tax credit that prevent Ontario companies from working together." In what way does the tax credit prevent companies from working together?

Ms. Christa Dickenson: Ms. French, right now it's an Ontario labour-based credit. We're happy about that. However, the 80%-25% rule replaced the 90%, which is—

Ms. Jennifer K. French: You said "cumbersome."

Ms. Christa Dickenson: The 90% rule was very cumbersome as it was "created by"—however, it excludes co-production. So if you have French Productions and I have Dickenson Productions, we can't work together on a project, like if I was coding and you were doing the animation. That is unfortunate and that is an area where we would like to see some changes in the future.

The Chair (Ms. Soo Wong): Ms. Dickenson, I'm going to go to the government side. Mr. Delaney or Mrs. Albanese?

Mrs. Laura Albanese: First of all, thank you for presenting to our committee today—

Ms. Christa Dickenson: You're welcome.

Mrs. Laura Albanese: —and for your very thorough presentation.

I also thank you for stating that you have been supportive of the changes that our government has brought forward. I'm pleased to hear that you were able to work to reach a good agreement and a solution thus far, although more work needs to be done.

I was wondering if you could, in general, speak a little more about the positive impacts that this enhanced fund will have on the industry here in Ontario.

Ms. Christa Dickenson: The IDM fund?

Mrs. Laura Albanese: Yes.

Ms. Christa Dickenson: The wonderful thing about the IDM fund is that it really is a solution for unique and new creations to tap into funds that are needed to foster that growth and innovation. The IDM fund in the past had not been truly funded and was being pulled from the OMDC reserves, so now this is a commitment that the IDM fund is renewed. Not only that, but the commitment has been doubled, from $3 million to $6 million, in this fiscal, with the next fiscal being $10 million and the understanding that it will continue at that rate. That is a great measure of understanding our importance and where our industry is going, so it was good to see. Thank you.

Mrs. Laura Albanese: You did mention that, following the fall economic statement, your organization has worked closely with the ministry and with the staff, so I'm just wondering if you feel that the concerns were heard enough. I know you mentioned that you would see some further work done on co-production. I'm just wondering if it was a satisfactory experience.

Ms. Christa Dickenson: You know what? Absolutely. I must say that I think our industry really understood and accepted the fact that there is a significant deficit that this province needs to address. So there's a reality that we have to work collaboratively together. The dialogue was very healthy.

Without going into the minutiae of it, it is one of the most complicated tax credits; therefore, the administrative burden is so great that it has a backlog of over a year and a half to just understand if you've been assessed and accepted before you even see the tax credit, receiving those dollars. Therefore, to be able to work together to alleviate that is a huge success story, and it cannot be undermined.

Mrs. Laura Albanese: Thank you very much.

The Chair (Ms. Soo Wong): Thank you, Ms. Dickenson, for your presentation.

0950

MR. VERDON VAILLANCOURT

The Chair (Ms. Soo Wong): The next presenter before us is Verdon Vaillancourt. Thank you. Welcome, sir. Good morning.

Mr. Verdon Vaillancourt: Good morning.

The Chair (Ms. Soo Wong): As you heard, you have five minutes for your presentation, Mr. Vaillancourt, followed by three minutes of questioning from each caucus. I believe this round is beginning with the official third party. You may begin any time with introducing yourself for the purpose of Hansard.

Mr. Verdon Vaillancourt: Okay, thank you. Hi; my name is Verdon Vaillancourt. Just speaking as a private citizen from northern Ontario. I want to express a few concerns about the budget on the table.

I guess, first, with apologies to my very worthy local representative, Mr. Fedeli, I am a long-time Liberal supporter. Sorry, Vic.

Mr. Victor Fedeli: We can all be forgiven one mistake.

Mr. Verdon Vaillancourt: Which is why it kind of surprised me to see a budget being brought forth that really seemed quite conservative in nature. I'm not going to speak to every aspect of that—

Interjection.

Mr. Verdon Vaillancourt: Yes, I'm sure that's quite good for Vic. I won't speak to every aspect of the conservative elements of that budget, but I will speak to a few. I think I'll preface it a bit—even in your own preface to the budget it's acknowledged that the Ontario economy is doing fine right now. It's really in pretty good shape. Corporate profit margins are at a 27-year high. So there should be no reason for a serious lack of money. I don't want to bring up the topic of why the government doesn't have enough money, other than to mention it probably has to do with corporate taxation. That's another issue.

What I do want to talk about, though, is privatization. You won't hear that word in the budget, but it is there and it's cloaked in other terms, terms such as "unlocking the value of provincial assets"; "broadening ownership," when in fact the opposite of that is happening: the narrowing of ownership. If Hydro One were to be sold, it would be put in the hands of a few private individuals or corporations instead of the hands of every citizen of Ontario.

As a northerner, I live the results of previous privatization every day, particularly in the winter. We've seen what has happened to the condition of northern roads since the MTO no longer looks after them and that has gone into private hands. I drive Highway 11 north, north of North Bay, every day to get home from work. Almost without doubt, if we have snow, the highway is closed. There are accidents on a weekly basis—numerous deaths and numerous injuries. That's well known. Privatization, most of us up there believe, is a direct cause of that.

Another example, I think, of privatization: As grateful as we are in Nipissing for our new hospital, which was an early P3 experiment, it was only open a couple of years before major layoffs started to occur and beds started to close. It didn't really make a lot of sense. I believe we actually have probably fewer beds then we had at the previous two old hospitals. So I don't think it's a model that really worked. I do understand that it was an effective way to get the project off the ground in times when public monies were tough. I'm not convinced it was a good long-term solution.

The privatization I'm really concerned about at the moment, though, is Hydro One. I live in a rural lot. Hydro is my only option for heat other than a wood furnace, and seeing how I don't have fire hall protection, a wood furnace isn't a good idea. My hydro bills are already very extreme. I have a modest country home and my hydro bills for December, January, February and March were all over $600. I don't mind paying a little more; I understand that Ontario's hydro rates are quite high and some of that has to do with green energy initiatives. I'm willing to pay my share of that for future generations.

I'm concerned that the privatizing of Hydro One is going to make that situation even worse. I believe, with 60% of it becoming private, their only possible motive is to increase profit. That's why people are in business. I do understand that too, but I think any revenues from such an important public infrastructure should belong to the people of the province, go back to the budget of the province and should not go into private hands for private profit. I don't see how that will possibly improve the rates that we pay in Ontario. It's not the mandate of most boards to minimize profits; I think it's quite the opposite.

Selling it, I think, for a short-term gain, is short-sighted. I really don't think it's a solution. The amount of money, I believe, that's being talked about in the sales of that is $6 billion, I think, which certainly, to me, is an awful lot of money. To the size of the Ontario budget, though, and the infrastructure needs moving ahead, particularly southern Ontario transit, that's not a lot of money. It's not even really going to have a major impact.

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

Mr. Verdon Vaillancourt: I will wrap up. I thank you for the opportunity to speak. I'm a little impassioned; I'm a little nervous.

I am speaking here for myself and on behalf of my neighbours and co-workers. We've talked about this. We all feel the same way. I believe two thirds of people in Ontario who have been polled have said that this is a bad idea, so I do hope that you will reconsider the privatization of such an essential bit of public infrastructure as Hydro One.

The Chair (Ms. Soo Wong): Thank you. You're doing just fine.

Ms. French, do you want to begin the questioning?

Ms. Jennifer K. French: Mr. Vaillancourt, we welcome you to Queen's Park. Thank you for making the trek and, certainly, thank you for bringing your voice to this. As you said, you might be a little impassioned and a little nervous; well, I think it's fair to be totally fired up over this, and more than a little nervous. As you said, you think two thirds are opposed to the sell-off of Hydro One. In Oshawa, where I hail from, we just did a recent poll, and it's 89% opposed to the sale.

To some of your points: As you had said, where you live, on a rural lot, you're limited in options—hydro is the only option. Could you tell us why you think that privatizing Hydro One would affect your rates, and what you could imagine they would be if you're already looking at over $600 a month in the winter?

Mr. Verdon Vaillancourt: Just in the very nature of private corporations, they exist to maximize profit, so I don't see how it could possibly have a positive impact on my rates or my neighbours' rates.

I spent much of my life self-employed, so I understand the need for business to make money. I don't have an issue with that. This is public infrastructure, though. I think that's an entirely different beast, and I think that, as government is different from business, the priorities are more than just maximizing profit. Government also has a social responsibility, and I believe that Hydro One has a social responsibility while it is a public corporation. I believe that when it's a majority-controlled private entity, it will not have the same mandate. That's just the nature of the business.

Ms. Jennifer K. French: And as you said, the revenues should belong to the people of Ontario.

We're hearing so much about the sell-off of Hydro One as the only way to pay for infrastructure. I will point out that in the Great Depression, we didn't sell off hydro. We were in worse shape then, and we were able to make decisions at that time. What are your thoughts on the fact that Bill 91 doesn't actually require that Hydro One proceeds, or any of the revenue from the sell-off, go into the Trillium Trust or be spent on infrastructure, that there's no guarantee? What are your thoughts on that?

Mr. Verdon Vaillancourt: I'll paraphrase a little. To my understanding, on a per capita basis, there's more money in Ontario now than there ever has been. During times in Ontario when we had considerably less money per person than we have now, we built the 400. We built all the major infrastructure in the province.

Public transit in southern Ontario is absolutely crucial and critical. I do believe that. It's a way of moving ahead and distancing from our carbon-based economy. We need better public transit—agreed. As a northerner, I don't even mind contributing to that, but I don't think the sale of Hydro One is the way to go. I don't think it's going to do enough money to really do that.

I think that if we need to raise more monies, then we should consider minor increments in corporate tax structure, perhaps, which are at an all-time low. I've got a couple of numbers that I don't want to quote, but I believe we have some of the lowest corporate tax rates in the G7, in the G20. I think there's room to move there that would raise considerably more money.

The Chair (Ms. Soo Wong): Ms. French, one minute.

Ms. Jennifer K. French: With the sell-off of Hydro One, I think that would result in 3% toward the infrastructure projects. The government, I'm sure, will correct me if I said that wrong. How much of that proposed infrastructure do you expect to see up north where you are?

Mr. Verdon Vaillancourt: None.

Ms. Jennifer K. French: Okay.

The Chair (Ms. Soo Wong): Mr. Vaillancourt, I'm sorry. I have to go to the government side. Dr. Qaadri?

Mr. Shafiq Qaadri: Thank you very much, Mr. Vaillaincourt, first of all, on behalf of the members of the committee on the government side and also on behalf of the government in general.

At the outset, I would urge you to continue to listen to but not be won over by your local MPP. We always want to have to hear what the opposition has to say and then move forward from there.

1000

I can't resist but just to interject for a moment: Our colleague from the third party Ms. French, when she said that we did not need to build infrastructure after the Great Depression. I'd just respectfully remind her that the country actually went to war to alleviate the issue of the Great Depression.

You've had a number of interactions in the public sphere. I would commend you—for example, I believe you commented on a Fraser Institute report against their support of burning coal. So I can see that you have an environmental sensitivity, a sensitivity that we in the government share.

Mr. Verdon Vaillancourt: Yes.

Mr. Shafiq Qaadri: I understand that you are a programmer analyst at Nipissing University.

Mr. Verdon Vaillancourt: That is correct.

Mr. Shafiq Qaadri: I'm sure that you can appreciate what the government is doing in terms of its funding not only for universities in general but, for example, the 30% tuition decrease you're hearing probably endlessly today and certainly yesterday during our committee hearings about the support of the digital media space and I'm sure some of those collateral benefits will accrue to you in your own field.

We take what you have said with respect. You're very measured and thoughtful and sensitive, especially since it's all in the family, and will take it with advisement. We have to say, though, that there are a number of deficits. There is a financial deficit, as you've cited.

You have spoken very well about the corporate success or lower corporate tax rates, and of course that's a deliberate initiative of the government. As you'll know, Ontario, for the second year in a row, continues to be the leading attracter of foreign direct investment across North America, and that's probably a pretty astonishing thing to say—not just Canada but North America, meaning beyond New York, beyond Michigan, beyond

California. This is a very significant achievement. It's now approaching something in the order of about $7 billion, and I think you can appreciate very well with your academic-type background that that benefit spills over into many, many different fields, including helping us to address what's not only—

The Chair (Ms. Soo Wong): Dr. Qaadri, I'm very sorry, but we have to stop there. I'm going to go to Mr. Fedeli.

Mr. Shafiq Qaadri: Thank you.

Mr. Verdon Vaillancourt: Could I just respond to that very briefly?

The Chair (Ms. Soo Wong): Very briefly.

Mr. Verdon Vaillancourt: I fully appreciate the attraction of foreign money and investors coming to the province on business. I do believe, though, that they should help to pay for the infrastructure that is bringing them there in the first place, just as I do.

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

Mr. Victor Fedeli: Mr. Vaillancourt, thank you very much for being here. You say you live in the country. What area, just so I have a better idea—

Mr. Verdon Vaillancourt: Cooks Mill Road up near where the psychiatric hospital used to be.

Mr. Victor Fedeli: Yes, yes.

Interjection.

Mr. Victor Fedeli: Yes. Well, it's too far out of the way, as you would know.

Speaking of Cooks Mill Road, you first opened up talking about winter road maintenance. Look, I have to agree. I think it's been awful. I stood in the Legislature back in 2012 when we got back from the winter break and talked about how something had changed. It just felt different. I didn't feel safe on the road.

Mr. Verdon Vaillancourt: Yes.

Mr. Victor Fedeli: Did you feel that?

Mr. Verdon Vaillancourt: Absolutely.

Mr. Victor Fedeli: It wasn't just in our minds; we felt different. I asked for a coroner's inquest because we had, as you remember, 10 deaths in our area in eight days, all from people under the age of 20, from eight years old to 19, actually—10 deaths.

The Auditor General, just a couple of weeks ago, came out and talked to us, and she clarified, to be quite frank, that it wasn't the privatization aspect; it was a major change in 2009 that was done by the government to save $36 million. That's when the difference came. They took the local jurisdiction over what was happening with the roads. They took that away in 2009 to save this $36 million and let the contractors sort of govern themselves—

Mr. Verdon Vaillancourt: Oversight is the issue, yes.

Mr. Victor Fedeli: It was. You're absolutely right, Mr. Vaillancourt. Oversight was the issue.

So, to your point about privatization, in this particular case I think it's been working reasonably well for the first nine years, but it really just fell apart when the government changed the way the oversight was done and knowingly—knowingly—they would get the reports from the field officer saying, "This isn't working." You and I drove those northern roads. Try to drive to Marten River, and you know exactly what I'm talking about. It was an awful consequence.

I just wanted to clarify that little point—

Mr. Verdon Vaillancourt: I appreciate that.

Mr. Victor Fedeli: —that it was not my verdict. It was the Auditor General who came out and gave us that report.

Mr. Verdon Vaillancourt: I think it's easier to oversee your own employees than it is to oversee somebody else's employees.

Mr. Victor Fedeli: With respect to Hydro One, I also want to make a clarification. I know that the government talks a lot about using this Hydro One sale for infrastructure or transit. It's a shell game, Mr. Vaillancourt. It is a shell game. In the 2014 budget the same $130 billion was announced, and there was no requirement of this $9 billion from a hydro sale. At that time they talked about only needing $3.1 billion, spread over four years, to make that $130 billion work. This is all about ostensibly putting the hydro sale money into transit, but taking the transit money that's already there out and using that to bail themselves out. That's the impression we're getting from the Auditor General and the other people who are performing the oversight.

Mr. Verdon Vaillancourt: I think also that there's a lot of overseeing of Hydro One right now that will all be gone if it becomes a private corporation.

Mr. Victor Fedeli: You're absolutely correct. I brought that to the Legislature on the 28th and 29th of April. I brought that, and now those eight governing officers have collected and written a collective letter—

The Chair (Ms. Soo Wong): Mr. Fedeli, I'm very sorry; I have to stop you here.

Thank you, Mr. Vaillancourt, for being here.

CONSULTING ENGINEERS OF ONTARIO

The Chair (Ms. Soo Wong): Our next presenter is the Consulting Engineers of Ontario. I believe there is a delegation: Mr. Barry Steinberg and Mr. David Zurawel. Thank you. The Clerk is coming around with the written submission to us.

Good morning. Welcome. As you heard, sir, you have five minutes for your presentation, followed by three minutes of questioning from each caucus. This round of questions will begin with the government side. You may begin any time. Please identify yourself for the purpose of Hansard.

Mr. Barry Steinberg: Good morning. Thank you very much. My name is Barry Steinberg and I represent the Consulting Engineers of Ontario. Good morning, Madam Chair and members of the committee. Thank you for the opportunity to speak to you this morning as you consider this year's budget, Bill 91, the Building Ontario Up Act, 2015.

Once again, for those of you who don't know me, I'm Barry Steinberg, chief executive officer of Consulting Engineers of Ontario, more commonly known as CEO; and yes, that makes me CEO of CEO.

The committee's deliberations on this year's budget act are important for a number of reasons. Most significantly, it represents a multi-year commitment to rebuild Ontario's prosperity. Where 2014's budget emphasized investment commitments to take in hand the economic and social dilemma perpetuated by Ontario's infrastructure deficit, this year's financial plan focuses on implementing those commitments.

Ladies and gentlemen, while important debates will be had about how Ontario is going to finance and, even more importantly, deliver the proposed 10-year, $130-billion infrastructure plan, I think we can all agree on the urgency of the problem confronting our communities, our economy and our future prosperity.

Ontario is being stifled by the infrastructure that is deteriorating right in front of us. We have gridlock on our roads and highways. Our transit systems don't have the capacity to serve as viable alternatives. Our water and waste water systems are suffering the neglect of deferred maintenance, and this is after the province has already invested $100 billion since 2003.

CEO maintains that to successfully tackle the infrastructure deficit, government must now focus on developing the plan to maximize the value and potential of its commitments. Ontario must expand its use of dedicated revenues for specific classes of infrastructure assets. We were pleased to see that the government recently unlocked an additional $2.6 billion from public assets to invest in transit and transportation infrastructure, allocating these funds to the Trillium Trust. It is CEO's position that dedicated funding envelopes should also be created for water and waste water and other infrastructure priorities.

To complement these dedicated funds and to unlock greater value for taxpayers, CEO maintains that the province needs to follow Metrolinx's example and commit to piloting the best practice procurement model of qualifications-based selection for critical engineering services. I'm happy to entertain questions on QBS.

1010

Finally, and equally important, Ontario must also try to cement an infrastructure planning and investment partnership with municipal and federal levels of government. I'm on record as having called for the federal government to come to the table. By taking these steps, the province can gain greater value from its infrastructure investments and achieve its prosperity objectives.

Thank you again for the opportunity to speak to you this morning, and I'd be pleased to take any questions you have for me.

The Chair (Ms. Soo Wong): Thank you very much, Mr. Steinberg. I'm going to get Mr. Milczyn to begin the first round of questioning.

Mr. Peter Z. Milczyn: Thank you, Mr. Steinberg. It's always a pleasure to have you and the engineers here at Queen's Park.

One of the comments that you made really struck me as getting to the heart of the purpose of much of what's in this budget. You spoke about how infrastructure spending is helping to rebuild Ontario's prosperity. Could you maybe speak a little bit to the situation we had 10 or 15 years ago in terms of infrastructure investments versus what the plan and the actual spending is now, and what the impact of that is, both on your profession but, more importantly, for Ontario?

Mr. Barry Steinberg: I don't think that there's any doubt that infrastructure spending is at a higher level than it was 10 or 15 years ago. As I said in my presentation, I commend the government for helping to do that. I think that infrastructure spending will help to improve our economy in a number of different ways. First of all, roads and highways move goods, and that stimulates economic activity and growth. We believe that we need to get single-destination cars off the road by using better transit. Transit, as an example, in the city of Toronto, in my opinion, is 75 years behind. I've long thought that that was pathetic and it's about time that that change is made. I've also stood up, on record, on television, on radio and said that the federal government needs to come to the table.

By creating infrastructure projects that are in the best interests of our economy and the best interests of the people of Ontario, we are creating jobs—maybe not all permanent jobs, but we are creating jobs that weren't there nonetheless. Those jobs create a tax base. That tax base makes a further contribution. But we need to understand, as I've said before, that we have to have dedicated revenue streams to help us finance our infrastructure deficit.

The Chair (Ms. Soo Wong): Mr. Steinberg, I need to turn to the opposition side for the second round of questions. Mr. McNaughton?

Mr. Monte McNaughton: Thank you, Barry, very much for your presentation. I see David at the back of the room too. Welcome, today, to the committee hearings.

I wanted to just ask a couple of questions. In your presentation—and this goes to what you just said as your last statement, that Ontario must expand its use of dedicated revenues for specific classes of infrastructure assets. Could you explain that statement exactly? Are you talking specifically about water and waste water, or all infrastructure projects?

Mr. Barry Steinberg: I used water and waste water and other assets as examples in my presentation. We can see that there has been a move towards helping transportation and transit, and we certainly appreciate that. As an example, depending on where you are in Ontario, 20% to 40% of the water being pumped to homes and businesses in this province is being lost through leaking pipes. We're losing the water. We're deteriorating other infrastructure assets by leaking water, and just think of the amount of energy that is used to pump that water to the place where it's leaking. That energy is lost.

Mr. Monte McNaughton: So you'd like to see dedicated revenues for specific infrastructure projects, I guess, or needs.

Mr. Barry Steinberg: Yes. At this point in time we don't believe that a lot of these revenue-generating approaches should go into general revenues. We believe that they should go into dedicated revenue streams.

Mr. Monte McNaughton: Secondly, I wondered if you could expand on what you're advocating for as far as the province of Ontario following Metrolinx's example and committing to piloting the best practice procurement model.

Mr. Barry Steinberg: This is an implementation issue. When we spoke to the committee prior to the budget, I mentioned that, and I mentioned it in a little more detail.

The best practice in the selection of engineering or architectural services—design services—is called QBS, or qualifications-based selection, and it focuses on the qualifications of the proponents. It focuses on their ability to do the work and their ability to be innovative in the true sense of the word, not the "innovative" that is in some ways modified by some of the approaches that we use today. It focuses on selecting, through a scoring system, the best firm, if you will, to do the jobs, and then on entering into a partnership with them to create the scope of work that best serves the people of this province, to ensure that the engineering is done correctly. If it is, then the construction costs, the maintenance costs and the operating costs of that asset will decline.

Mr. Monte McNaughton: And the province isn't doing that today?

Mr. Barry Steinberg: There are some places that it's being done, but it's not the province itself, no.

The Chair (Ms. Soo Wong): Mr. Steinberg, I'm going to turn to Ms. French for the last round of questioning. Ms. French?

Ms. Jennifer K. French: Thank you very much, Mr. Steinberg, for joining us today at Queen's Park.

Mr. Barry Steinberg: My pleasure.

Ms. Jennifer K. French: I appreciate hearing your comments on this, and clearly your expertise, so thank you for bringing that to us today.

I have a few questions. What are your thoughts on the fact that in Bill 91, it isn't guaranteed—it doesn't require that Hydro One proceeds, or any of the revenue from the sell-off, go into the Trillium Trust, or that it even be spent on infrastructure. The exact words are "make the proceeds of any such disposition available to be appropriated for any government of Ontario purpose," so not limited to infrastructure. What are your thoughts on that? Do you have concerns?

Mr. Barry Steinberg: I understand what you're saying. It's my understanding that the Premier has committed that $2.6 billion from the sale will be going to the Trillium Trust for transit and transportation. In terms of the actual wording in Bill 91, if I had a choice, it would be more—

Ms. Jennifer K. French: Ironclad?

Mr. Barry Steinberg: Pardon me?

Ms. Jennifer K. French: Sorry; I shouldn't—

Mr. Barry Steinberg: It would be more specific. But we would naturally take any Premier or minister at their word.

Ms. Jennifer K. French: I'm glad that you feel that you can be in a position to do that. In my role, I have to push.

Mr. Barry Steinberg: I appreciate that, but I have no choice.

The Chair (Ms. Soo Wong): Ms. French: one minute.

Ms. Jennifer K. French: Okay. In the pre-budget consultations, you promoted the use of alternative financing and procurement. Do you think that the government has properly acknowledged the issues raised in the Auditor General's report on alternative financing and procurement? And, if so, how has the government addressed these issues?

Mr. Barry Steinberg: Well, I must go on record as saying this in a very neutral way: I think the government has come out as simply not agreeing with what the Auditor General said. I think they've used an approach to explain what they think are the facts.

CEO has been involved with Infrastructure Ontario in a number of ways, discussing the AFP process. I think that there are a number of assets, in particular hospitals, that would not have been delivered had it not been for the AFP process, and we acknowledge that.

However, we have gone on record as saying that alternative financing and procurement is not a panacea. It is not perfect. It does present problems for us; they're related to a number of areas. So while I can't speak specifically about the Auditor General's report, because it has been disputed by the government, I would say that we are always working together with Infrastructure Ontario to ensure that the process works in the best interests of the people of Ontario.

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

Mr. Barry Steinberg: Thank you very much. My pleasure.

ONTARIO TRIAL LAWYERS ASSOCIATION

The Chair (Ms. Soo Wong): The next group before us is the Ontario Trial Lawyers Association. Good morning. I think we have a delegation here.

I'm not going to introduce all of you because I only have two names here, so I'm going to let you introduce yourself.

1020

As you heard earlier, your presentation will be five minutes, followed by three minutes of questioning from each caucus. I believe this round of questioning will begin with the official opposition party.

When you begin, can you please identify yourself for the purposes of Hansard?

Ms. Maia Bent: Thank you very much. My name is Maia Bent and I am the incoming president of the Ontario Trial Lawyers Association. I'm here today with

Claire Wilkinson, the incoming vice-president, and John Karapita.

The group that I represent is a group of 1,600 volunteers who speak on behalf of Ontarians who are killed or injured on Ontario roads. We are here today to comment on the provisions with respect to auto insurance.

The budget legislation deals with changes to the Insurance Act in schedule 17. However, the budget papers also make reference to further restrictions to accident benefits, the definition of "catastrophic impairment," and other changes as well.

I want to focus my comments on why the government felt that it was necessary to put these changes in place, largely without any consultation with the stakeholders, other than with the insurance industry. It is quite clear that the government felt that this was necessary in order to achieve the 15% premium reduction that it has promised to achieve by August 2015.

Our message is that the government proposed these changes largely on information that has now been proven to be faulty. At the time, the government did not have the benefit of research that was released just last month. We are asking this committee, and the legislation, to review the facts before proceeding at all.

What we did as an organization was we commissioned independent research by two well-known and respected academics, Dr. Fred Lazar and Dr. Eli Prisman, from the Schulich School of Business at York University. Drs. Lazar and Prisman had previously done work for the Financial Services Commission of Ontario, so they are government-certified academic, independent experts.

Their study, which used the industry's own data, found that consumers had overpaid between $3 billion and $4 billion in premiums between 2001 and 2013. The scales tipped even further in the wrong direction after the 2010 cuts, and they found that in 2013, consumers overpaid by $840 million. They concluded that insurance companies have been allowed to make too much money for too long. In 2013, the average profitability was 7.5%. Who in this economy makes 17—sorry, that was 17.5%.

Lazar and Prisman said that insurers have had a free ride in Ontario for over 20 years, and that insurance companies are profiting at the expense of victims. They also conclude that even those companies that claim to have lost money in that period seem to have defied the laws of economics. Economic theory is quite clear that unprofitable businesses leave the marketplace, but in fact, this is not what is happening. The industry is flooded with new capital, and share prices are rising. They postulated that, because insurers are legally allowed to move money around nationally and internationally between various lines of insurance, this shell game can result in paper losses, but if you drill down, the reality is very different.

The overriding conclusion of these professors is that insurer profits are too high and we do not have a claims cost problem in Ontario, contrary to what the insurers would have you believe.

What does this research tell us? This tells us that the government objective of reducing auto premiums by 15% is achievable without any cuts to the auto product at all.

The policy decision in the budget is going to harm the most seriously injured citizens of Ontario: the people with spinal cord injuries, the people with brain injuries. These people are going to be left without the necessary benefits that they need to get on with their lives.

If profits were at an acceptable level, we would all be paying less for premiums. With this budget, the government is not standing up to the companies that are making record profits at the expense of the taxpayers.

I want to address very briefly some of the myths that we are hearing from the government with respect to this issue. One of the myths that we are hearing is that Ontario has the richest system of benefits in Canada. This is false. If you look at both the tort and the accident benefits sides of the equation and not just look at very tiny pieces of the Insurance Act in isolation, Ontario is far from the most generous system in the world. Some 80% of people in Ontario only have $3,500—

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

Ms. Maia Bent: Yes—$3,500 in coverage, and there are other areas in which they are by far the worst.

The last myth I would like to address is that Ontario claims costs are too high. In fact, the numbers that you are hearing actually include insurer administrative costs, the cost to send them to unnecessary medical examinations. The insurance industry's own data shows that over half of what is being spent is insurance company costs to send people to medical examiners to deny them benefits. This money is not going to the victims—

The Chair (Ms. Soo Wong): Okay, I'm going to stop you there. Mr. Fedeli, do you want to begin the round of questions—oh, Mr. McNaughton.

Mr. Monte McNaughton: Great. Thank you very much, and thanks for your presentation. We had a trial lawyer yesterday who spoke as well and raised some of the same concerns. It's something that I'm hearing quite often now, even back in my riding.

I just wanted to ask you on the consultation process with the government this time versus, say, back in 2010 when there were changes made: Were you consulted? Were victims consulted this time around?

Ms. Maia Bent: We were not consulted in a meaningful way. I can tell you that we understand that these changes have been in the works since last fall. We have had a few meetings with the minister. At no time did they tell us that these changes, as they're currently being drafted, were contemplated. We were not asked to comment in a meaningful way on anything substantive. We were asked to come, we gave our thoughts, but we were never consulted with the specifics of the legislation and given an opportunity to respond to that. That never happened.

Mr. Monte McNaughton: And would you say that the changes brought forward are a repercussion of the political deal that was struck at Queen's Park here to reduce auto insurance rates by 15%? Is that a fallout?

Ms. Maia Bent: I would be speculating, because of course I don't have that information. But we cannot understand why this is happening, except to achieve that political promise. Our message is that it's not necessary to make these cuts in order to achieve that political promise. There is enough profit in the system that you don't have to take it off the backs of Ontario taxpayers.

You should be asking the insurance industry, first of all, to clean their own house, because they are allowed to get, by the government, a guaranteed amount of profit. They can spend as much as they like and then the taxpayers have to give them a certain amount of profit over and above that. But even looking at that, there is enough fat in the system that you don't have to take it away from the most vulnerable.

Mr. Monte McNaughton: Thank you. I think Mr. Fedeli has a question.

The Chair (Ms. Soo Wong): One more minute.

Mr. Victor Fedeli: Thank you very much. Well, that is what happens when you make a deal before you have a plan, right? I always call that "ready, fire, aim," and that's exactly what has happened in this particular case.

I understand, and you can correct me, that there are really four cuts to the benefits, the one that combines the—attendant care used to be separate at $35,000 and the standard accident benefit used to be $50,000, and now they're combined and lowered collectively to $65,000. Is that one of the cuts?

Ms. Maia Bent: Correct.

Mr. Victor Fedeli: I understand the second cut is that they now include attendant care in the million-dollar catastrophic benefit.

Ms. Maia Bent: Yes, there used to be a million dollars for—

Mr. Victor Fedeli: And it used to be a stand-alone.

Ms. Maia Bent: Yes. There used to be a million dollars for attendant care and a million dollars for medical rehab. Now it's reduced by a million dollars.

Mr. Victor Fedeli: And the standard deductible for comprehensive is cut from $500 to $300. Is that one of the four cuts as well?

Ms. Maia Bent: There are actually other problems. More benefits have been taken away. The deductible has been increased for inflation, whereas—so the deductions that people receive have been increased for inflation, but the benefits are not being increased for inflation.

The Chair (Ms. Soo Wong): Okay, Ms. Bent. I have to go to Ms. French for the next round of questioning. Ms. French?

Ms. Jennifer K. French: Thank you. If you want to finish that thought before I ask my question?

Ms. Maia Bent: That's fine.

Ms. Jennifer K. French: Thank you for coming to Queen's Park and bringing your voice.

1030

Ms. Maia Bent: Thanks for inviting us.

Ms. Jennifer K. French: The government, as we know, is cutting 50% of benefits for a segment of, as you said, Ontario's most vulnerable population: individuals with catastrophic injuries. They're also reducing the duration period in which accident victims can receive medical and rehab benefits by 50%. I'm interested in hearing what you have been hearing from this vulnerable population, from the victims.

Ms. Maia Bent: This is not a new problem. These benefits have been eroded over and over again. Every time these changes are made, we are the people who see the fallout because we work with the people who have had the accidents, and we work with their families. They are suffering. They are having a very, very hard time making their lives work.

They have paid for this product; this is not charity. They have paid for this product for their entire driving lives, and when they actually turn to collect, it's not there. What is happening is, it is being downloaded to the public purse. These people are having to go on ODSP. It's going to OHIP. We're having to fall on other kinds of social services because the auto product is not there for them.

The Chair (Ms. Soo Wong): Ms. French, one more minute.

Ms. Jennifer K. French: Okay. The government is proposing to redefine the term "catastrophic impairment." What would this mean for accident victims?

Ms. Maia Bent: The change that's being proposed to the definition of "catastrophic" is just one more blow to people who have been hurt. Right now, it is very, very difficult to fit into that definition. Only a very small number of people every year get into that category, and everybody else is left with a real pittance of benefits. Those people are the most hurt and the people who need it the most. If you are saying that even fewer people can even get into that category, then you're throwing seriously, seriously hurt people into the other category of people who are getting virtually nothing. The changes that are being proposed are going to actually narrow quite considerably the people who can get into that category. It's going to be a real problem for those people and their families.

The Chair (Ms. Soo Wong): I'm going to turn to the government side. Ms. Albanese.

Mrs. Laura Albanese: Thank you for presenting this morning to the committee.

Ms. Maia Bent: Thank you for asking us.

Mrs. Laura Albanese: I do appreciate, as do my colleagues, hearing your point of view. Yes, it's true that the government is trying to implement a fair and affordable system for all of Ontario's drivers. We've been trying to decrease the rates. That's what we hear that Ontarians want, even in my community, and I'm sure that colleagues on all sides will say that we hear from our constituents that they would like these rates to become lower. The government is putting a lot of effort into that, first by passing Bill 15 and now with new reforms that are being considered also in the budget that we have presented this year.

Ms. Maia Bent: And I think our point is that we also support rate reductions. I think every driver does. But you don't need to go about it this way; that's the point that we're trying to make. There is enough profit without having to turn to the most vulnerable and ask them to give up what little they have. You can turn to the insurance industry.

If you look at the data—and I do appreciate that you did not have this data at the time that these changes were drafted. We are optimistic that you could take a fresh look at the facts and actually determine whether or not this is something that you want to go ahead with because we accept that you are trying to give the taxpayers and the drivers of Ontario a break on their auto rates. You don't have to go about it in this way. This is the wrong way to do it, and we're asking you to rethink that.

Mrs. Laura Albanese: Thank you. I did have some questions about your recent report, specifically on the methodology that was used. It is my understanding that you estimate an overpayment of $840 million in 2013—

Ms. Maia Bent: Yes.

Mrs. Laura Albanese: —but with data that is not normally used to assess the industry profitability—

Ms. Maia Bent: No—

Mrs. Laura Albanese: My understanding is that at that time, there was a reduction in the rates of about 6% that then further decreased to 7% last fall. That would have resulted in consumers paying over $600 million less in premiums, and that's not really reflected in the study. That's one of the questions.

We're trying to continue to go forward with the reforms to help to reduce the fraud and to have, for example—

Ms. Maia Bent: If I could jump in.

Mrs. Laura Albanese: Yes.

Ms. Maia Bent: I'm sorry. I don't want to cut you off but I know time is very short, and if I could just address that one point.

Mrs. Laura Albanese: Yes.

Ms. Maia Bent: First of all, I must emphasize: These are not our experts. We commissioned an independent study. These are actually government experts. They have worked for the Financial Services Commission of Ontario—

Mrs. Laura Albanese: I appreciate—I'm just asking about that—

Ms. Maia Bent: With respect to their methodology, in fact, the methodology that was employed by Drs. Lazar and Prisman is industry-accepted accounting practices.

The KPMG study that the government commissioned did not use industry-accepted accounting practices. They used outlier methodology, which was very results-oriented. That is one of our main criticisms of the KPMG study: that, in fact, they skewed their data by using, I guess, not accepted methodology. Lazar and Prisman—

The Chair (Ms. Soo Wong): Ms. Bent, thank you very much for your presentation. I want to thank all your colleagues for being here today.

Ms. Maia Bent: Thank you.

The Chair (Ms. Soo Wong): I just want to make sure the committee knows we are trying to reach the next presenter but we're having difficulties.

MS. CORRINE HABER

MS. SONIA REATH

The Chair (Ms. Soo Wong): So I'm going to go to the next presenters. I believe they are here: Sonia Reath and Corrine Haber. I believe they're both coming up; I believe they're coming together. Thank you. Good morning.

Ms. Corrine Haber: Good morning.

The Chair (Ms. Soo Wong): As you heard earlier, we have five minutes for your presentation followed by three minutes of questioning. This round of questioning will begin with the official third party. You may begin any time; begin by identifying yourself.

Ms. Corrine Haber: Good morning, and thank you. My name is Corrine Haber.

Ms. Sonia Reath: I'm Sonia Reath. We both work at Cassellholme home for the aged and we both belong to CUPE Local 146. Thank you for allowing us to be here today.

We are here because we are worried about the plan to sell Hydro One. We wanted to speak to you when this committee came to North Bay, but you guys didn't want to come north so we came south.

When we found out that we had both been asked to speak, it made sense that we do this together.

We know there are a lot of things in this budget and a lot of things in Bill 91 besides Hydro One, but this issue is so big, it's what we're going to talk about today. The issue of selling Hydro One affects everyone in Ontario, from businesses, farmers and families.

Our Premier, Ms. Wynne, has promised that they will continue to control prices and make sure that the overseeing groups that protect the public stay in place, but we know that with Bill 91 the oversight from the Auditor General and the Ombudsman is removed. The Financial Accountability Officer will have no authority. There will be no salary cap or sunshine list reporting, and the freedom of information act is virtually gone from Hydro One. How will stopping all these controls that were set in place by our own government help anybody?

What about the hydro rates? We already know that hydro rates have gone up over 320% in the last 15 years. That is 10 times the rate of inflation right now. My community of North Bay has amongst the highest for-rental costs in the province. Many people can't even afford the current rates, let alone if it goes up.

If investors spend millions to buy shares in Hydro One, would they not expect to get a higher return for their money? And how are they going to do this but by pressuring the energy board to approve rate hikes? We've seen these rising rates for the last 20 years and we couldn't stop them when it was a public entity. How are we going to stop them when it's a private company?

We all know, also, that when prices and rates rise people have less to spend in the communities. The selling of Hydro One would mean even less money coming into the communities.

In this time, in North Bay, for example, our new hospital is closing beds and losing staff, schools are closing, health care is threatening cuts, our own university and college are both downsizing staff, and community events like festivals are not receiving financial help from the government. How are we supposed to be on board with the sale of Hydro One when it will mean our government will lose a reliable $300 million-plus every year?

1040

Ms. Corrine Haber: I'd like to mention about the government's promise to retain 40% ownership of Hydro One and retain control of Hydro One. But Bill 91 in schedule 9 clearly states that when the government's ownership share drops below 10% they will not be allowed to buy back additional shares to raise its holdings above the 10% mark. I hope one of you will be able to explain that to me, as I don't understand why the government would want the percentage of government ownership to drop below 10%. If you can't trust the promise that the government will keep a 40% ownership share on an ongoing basis, how can we trust that the rates won't increase or that we can find the money we need for public transit while we still pay down the billions of debt we already owe for hydro?

Although we want to be clear that we're not against investing in infrastructure and public transit, we just don't agree that the best way to pay for the assets we need is by selling the ones we have.

As I listened to a previous presenter, I have to quote him, Mr. Vaillancourt, a fellow northerner, where he mentioned he paid $600 a month for hydro during the winter months. You'd be hard pressed to get a modest one-bedroom apartment in North Bay for that same amount, and then, in many cases, hydro is on top of that.

About a year or so ago there was a television ad. You may have seen it. It was demonstrating the cost of hydro by a young woman standing in her living room in the dark. As she switched on the light, the building disappeared and she was outside. Even back then, she couldn't afford both. I fear for the future of people in this situation.

Another question—we were wondering: What's to stop Americans or any other non-Canadian from buying up shares and making it so Hydro One is largely owned by people who couldn't care less about Ontario? If Ms. Wynne is allowed to push this privatization of Hydro One through, what is the next asset on the chopping block? We want to ask this committee: Isn't it possible that when something looks too good to be true, it usually is? That's how we see this deal, how it sounds to us. We truly hope you will slow it down and reconsider. Just don't sell the electricity system that has belonged to the people of Ontario for the last 100 years and which we all depend on every day.

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

Ms. Jennifer K. French: Thank you very much, and welcome to Queen's Park. We appreciate hearing your passion on this issue. I'm afraid that I missed the name of the place that you—

Ms. Sonia Reath: Cassellholme home for the aged.

Ms. Jennifer K. French: Okay. I suspect that Cassellholme uses electricity.

Ms. Sonia Reath: Yes.

Ms. Jennifer K. French: Can you maybe tell us what kind of an effect—if the sell-off goes through and rates go up, what would that mean for a place like Cassellholme?

Ms. Sonia Reath: It would need more funding. If there's less funding for the government to come through, then I fear that it would be also privatized, which would mean loss of jobs.

Ms. Jennifer K. French: Okay, thank you. You make some excellent points with Bill 91. Obviously there's a lot of tricky wording deep within it. As you said, we're hearing promises like about the 40% ownership that the government would retain, but as you pointed out, deep in this piece of legislation it talks about, when it drops to 10% or below, they would be able to buy more back. It does beg the question: If the promise is to keep 40%, why is that in there? So thank you for raising that.

Also, I hope that the government will answer your question about what is to stop foreign investment, because as we know, if we end up having five, six or seven large companies around the province—it sounds like we're fattening a cow to get them ready to sell. So I'm looking forward to hearing their answer to you, and also about: What is the next asset on the chopping block?

So thank you for coming. Is there anything more that you would like to add, perhaps about some of your neighbours up north and what this would mean to them in terms of increased hydro rates as a result of the sell-off of Hydro One?

Ms. Corrine Haber: The rental rates in North Bay are huge in comparison to other northern Ontario cities, so if hydro is going up, either the rent is going up or people are out looking for different kinds of accommodations that are less than what I would recommend for anybody to live in.

Ms. Jennifer K. French: Okay. One other thing: As you said, as a revenue-generating asset that we currently have in Hydro One, and how that goes into health care, education and some of our various systems—what would you predict our health care system would look like if we stopped that flow?

Ms. Corrine Haber: Well, they're not providing enough funding for health care already, so we'd be in big trouble, for sure. Hydro is a necessity for everybody, and it just adds on to all of the other dilemmas that are out there.

The Chair (Ms. Soo Wong): Ms. French, you have one more minute.

Ms. Jennifer K. French: Okay. I also like the way that you said that you don't agree that the best way to pay for the assets that we need is by selling the assets that we have. Perhaps you could give the government some suggestions. What would be another asset that they could sell for a quick buck once we've sold off our revenue-generating assets?

Ms. Corrine Haber: I wouldn't want to give them any more ideas like that.

The Chair (Ms. Soo Wong): Thank you very much. I'm going to Mr. Delaney, or—okay, Dr. Qaadri.

Mr. Shafiq Qaadri: At the outset, Ms. Reath and Ms. Haber, thank you very much for your participation, your submission and your ideas. As a fellow health care practitioner, I know that you, as personal support care workers at Cassellholme in North Bay—I know the importance of the work that you do on a day-to-day basis. We even have a quotation from you, Ms. Haber—I think it appeared in the Sudbury Star—where you referred to feeding some of the elderly residents in your care, so I appreciate the sentiment that has brought you here.

There are a number of things to mention. I think I will let the hydro piece sit on its own, but I would simply like to perhaps mention some of the health care aspects, some of the things that you may be aware of as stewards of the health care system.

In addition, of course, to the hydro system, it's our responsibility to attempt to do the greatest good for the greatest number of people. You being personal support care workers, I think, can attest to the fact and the commitment, and the funding increases that the government has deployed in your sector.

Just as an example, to bring it to your attention, you will know specifically that in terms of personal support care workers, the government has, since the year 2008, hired 2,500 more personal support care workers across the province of Ontario. That's, by the way, in addition to about 5,600 physicians since 2003, which is an astonishing change to the landscape, and, I should also mention, 24,000 more nurses. All of us, whether it's physicians, personal support care workers or nursing individuals, will benefit from that kind of a commitment.

Now, some of the other aspects: I think you're well aware of the funding commitment that has just happened in regard to personal support care workers. The Premier—our government—appreciates what you do. That's why, as I understand it, there was a $4 immediate, instantaneous increase and a commitment to increase the rate to $16.50 by the year 2017.

All of these funds, these allocations, these commitments from the government of course ultimately are required to be funded. It's our responsibility, I think, to do an inventory, to see what assets are available, where the government can move to actually, as we say, maximize, unlock or, yes, sell off or regain the potential of these particular assets.

To your comment about foreign investors: That's something that will be determined elsewhere, but these monies are to be allocated to the province of Ontario, and I wouldn't be surprised if some of that cash would actually show up directly to Cassellholme, whether it's in some kind of infrastructure project, perhaps the local hospital or, by the way, to the salaries and benefits of the individuals who are employed there.

I would simply suggest, with respect—we certainly hear your concerns with regard to hydro and the control and the sell-off of assets, but that's just to perhaps share with you a little bit of the mindset of what the government is attempting to accomplish.

1050

The health care budget, as it stands right now, is $50.3 billion, which is an extraordinary commitment. It's the number one line item in the government's budget, overall. You and I both personally benefit from that, not only as patients but as practitioners. These are some of the things—

The Chair (Ms. Soo Wong): Dr. Qaadri, I need to stop you here. I'm going to the official opposition: Mr. Fedeli.

Mr. Victor Fedeli: Thank you very much. First off, Sonia and Corrine, I want to thank you for coming down, but I also want to thank you for the work that you do at Cassellholme. In my two terms as mayor of the city of North Bay, I would visit Cassellholme every year. I have to say, it's just an exemplary level of care. I know that when I did Mayors on Wheels for the VON, I didn't realize that you guys also took care of that aspect, so I want to start off with a massive thank you for the truly wonderful work that you do and for being here today. It's much appreciated.

You talked about hydro rates, and this committee has heard from a lot of people on hydro. On May 1, just a couple of weeks ago, peak hydro went up 15%, from 14 cents to 16.1 cents. That's a 15% increase in one day. On November 1, hydro will go up again 5% to 10%, and on January 1, it will go up 10%. That's a 30% to 35% increase in eight months. I want to give you an opportunity to comment and to chat a little bit more about that and how that affects the people at home.

Ms. Sonia Reath: There will be less disposable money for the communities. If people are trying to pay either rent or hydro—either/or, or both if they can—they're not going to be able to go out and spend it in the community.

Mr. Victor Fedeli: It's a good point. We talk about it as "heat or eat" or "food or fuel." Can you imagine that Ontario today has turned into a place where you have to make that decision, whether to heat your home or to eat food? I personally can't imagine that.

We're all from Callander and North Bay. We remember the company Reichhold Chemical. When they left North Bay recently they were called Arclin; that was the new name for it. If you're an old-time North Bay person, you'll remember it as the Reichhold plant. That was one of the big industries in North Bay. The headline in the North Bay Nugget, the story, was all about how they left because of high energy prices. They didn't just leave North Bay; they left Ontario. We have to ask what happened to the people who used to work there as well. This is what's happening. This is exactly what's happening with hydro.

Do you have any personal stories from home that you'd like to share? We've got literally another minute, and I'd rather hear from you.

Ms. Corrine Haber: Well, I can certainly mention about the apartment where rent is, in actual fact—a very modest one-bedroom where rent is $600 a month. I know personally of someone who was looking at a one-bedroom because of the rent amount, and they couldn't afford one cent more. They were trying to get into this one-bedroom apartment. There was a couple and two small children in a one-bedroom apartment that had no bathtub; it had only a shower. That kind of living is not suitable for children, and it is a result of somebody who was living in a facility or a home that had separate costs for hydro and water and heat, and they just couldn't do it. That was their alternative.

Mr. Victor Fedeli: I appreciate that.

The Chair (Ms. Soo Wong): All right. Thank you very much, ladies, for being here today.

I just want to let the committee know that the staff have been trying for the last 20 minutes to reach our 10:30 witness, Deborah Charette, and have not been successful. We're going to keep trying.

I don't believe the witnesses coming forward from 11:15, Canada Film Capital, are here, so if it's okay with the committee, we will recess until 11:15, and hopefully we will be successful reaching the 10:30 witness. We will keep trying.

Mr. Shafiq Qaadri: What's happening to the 11:45?

The Chair (Ms. Soo Wong): The 11:15, we're going to wait. There's nobody at 11:30, so it's 11:15 that we're trying to—

Mr. Shafiq Qaadri: Got it. And what about 11:45?

The Chair (Ms. Soo Wong): There's nothing there.

The staff just called to say that they still have not been successful in reaching the 10:30 witness, Deborah Charette, and the 11:15 witness is not here yet. So I'm going to recess the committee until 11:15. Is that good with everybody? We'll come back and see everybody at 11:15. Thanks.

The committee recessed from 1055 to 1115.

CANADA FILM CAPITAL

The Chair (Ms. Soo Wong): I'm going to resume the committee hearings. I believe the witness for 11:15 is here: Canada Film Capital. Welcome. Can you come on up? Good morning. Ms. Jennifer Liscio?

Ms. Jennifer Liscio: Liscio, yes.

The Chair (Ms. Soo Wong): Okay. I'm not sure if you heard. You'll be presenting for five minutes, followed by three minutes of questioning from each of the caucuses. This round of questions will begin on the government side.

Ms. Jennifer Liscio: Good morning, everyone. Thank you for your time.

My name is Jennifer Liscio. I'm the director of legal affairs and tax incentives at Canada Film Capital and Entertainment Partners Canada, which are two related companies. We provide payroll, accounting and tax incentive administration and financing services to the film and TV industry.

I am here today to voice our concern over the proposed changes to the Ontario film and TV tax credits that were put forth in Bill 91. By Ontario film and TV tax credits, I am referring, of course, to both the Ontario Production Services Tax Credit and the Ontario Computer Animation and Special Effects Tax Credit—OPSTC and OCASE, for short. A definition of these two tax credits has been provided in a handout for your reference. There's a third tax credit, the OFTTC; that's the domestic tax credit applied for by Ontario producers only.

With regard to Ontario tax credits for film and TV, it is no exaggeration to say that the approach taken in Bill 91 to implement the proposed rate cuts to these tax credits on an immediate basis threatens to destabilize the film and TV industry in Ontario. It is also no exaggeration to say that Ontario is at risk of undoing, virtually overnight, the trust it has built up for over 15 years as one of the world's most stable and reliable production jurisdictions.

Since the budget announcement last month, we have been inundated with calls from our clients—major US studios, foreign and domestic producers, and visual effects and animation houses—all expressing their shock and disbelief at the proposed changes and, in particular, over this immediate implementation date for the rate reductions. Our clients, the studios and producers who have now had a long-standing relationship and a mutually beneficial one with Ontario, are facing budget and financing shortfalls because of this unexpected and immediate rate reduction. We know that key decision-makers are already looking elsewhere to shoot upcoming productions and to award their visual effects work. We don't believe Ontario intentionally wanted to harm its reputation as being a reliable and stable production jurisdiction, but we think this would be an unintended consequence of the proposed changes in Bill 91.

For these reasons, we are strongly urging the adoption of a grandfathering approach with respect to the tax credit changes. We've seen that when changes are implemented elsewhere, in every jurisdiction around the world, they have always ensured that committed projects would not be affected. This approach is what our industry expects of Ontario. To cite a recent Canadian example, as you may know, in June 2014, Quebec announced it was reducing its film tax credit rates, but it made sure that any project that was sufficiently advanced by the budget date would be grandfathered under the pre-existing rates. We contend that if Ontario has to choose to reduce its tax credits, it really should adopt a similar approach.

We support the definition of "sufficiently advanced" that has been developed by FilmOntario in co-operation with the Ministry of Culture in response to Bill 91's changes. We've provided a copy again for your reference. I know some of you may have received it on a previous occasion. We think if this approach isn't adopted and the immediate effective date is allowed to stand, Ontario's reputation as a stable, reliable and fair tax credit jurisdiction is going to be permanently damaged.

We know this because we are well positioned to assess the impact of changes to film and television tax credit programs. Canada Film Capital is the leading provider in Canada of tax incentive administration and financing. We've provided our services to over 1,000 productions, with more than $2 billion in tax incentives under our administration since 1997. In the meantime, CFC's sister company, Entertainment Partners Canada, which is the leading provider of payroll services to the film and TV industry, has serviced thousands of productions in Ontario alone and paid salaries and wages to tens of thousands of Ontario taxpayers.

Just to give you an idea of the current numbers and the number of productions that are potentially affected by Bill 91, Canada Film Capital alone is currently servicing 30 film and TV projects that have committed to Ontario and that will be negatively impacted if Ontario does not alter this immediate implementation date. Of the 30 projects, four are feature films, 11 are TV series, and 15 of them chose Ontario for visual effects and post-production work. As you can see, they're very diverse in nature. Of these 30 projects that CFC alone is servicing, 14 are projects being produced by major studios, with 16 being by independents. Again, there's a diversity across the board of foreign and domestic, independent and major studio productions.

1120

Of course, there are many other productions that Canada Film Capital is not servicing and that are also counting on the tax rates that were in effect when they selected Ontario as the place to do business and the place to hire thousands of Ontario-based workers and suppliers, all of them being taxpayers.

Our recommendation, therefore, is that Bill 91 be amended so that projects which were sufficiently advanced by the budget date be grandfathered under the pre-existing rates. Doing so will be the first step in restoring Ontario's reputation as a stable and reliable production destination.

The Chair (Ms. Soo Wong): Okay. Thank you very much. We need to wrap up.

Ms. Jennifer Liscio: Okay. Can I make one or two more very brief points?

The Chair (Ms. Soo Wong): Yes.

Ms. Jennifer Liscio: I'd also like to address the rate reductions themselves. I've provided a handout which gives a comparative analysis of Ontario pre- and post-budget rates compared to both Quebec and British Columbia, as well as mentioning a couple of other jurisdictions around the world, of which Ontario is a direct competitor, the UK and California being two of the notable ones, and I would appreciate any questions you may have about those other jurisdictions.

We'd also like to raise concerns over two other adverse changes that we feel are not necessary to implement Ontario's budget measures, those being the tethering of the OCASE claim to an OPSTC or OFTTC claim and also the introduction of a 25% labour threshold. We feel that these are just unnecessary hurdles that producers and visual effects houses and studios will have to cross that serve no purpose to the industry.

To conclude: There's no question that Ontario's screen-based industry has been extremely successful, particularly since the 2009 introduction of the spend credit, but we must ensure it continues to be successful. In 2014, just to cite one more fact and figure, EP Canada alone paid film and TV workers for over 1.3 million workdays, which is the equivalent of over 5,000 full-time jobs, compared to 2008, when they paid about 485,000 workdays, which was equivalent to much fewer jobs. That's a 171% increase—

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

Ms. Jennifer Liscio: Okay. Thank you.

The Chair (Ms. Soo Wong): Over to Mr. Milczyn.

Mr. Peter Z. Milczyn: Thank you, Ms. Liscio, for your presentation this morning. I also appreciate that in your handout you've actually given us something substantial in terms of looking at addressing the grandfathering issue. That, I find very helpful and interesting.

In Ontario, and I know in Toronto in particular, we have enjoyed about, I believe, four record years of film and TV production, each year surpassing the previous year's, and that was in a climate where, for a period of time, the Canadian dollar was at par or even slightly above par. Even with the proposed go-forward changes, setting aside the grandfathering issue—

Ms. Jennifer Liscio: Of course.

Mr. Peter Z. Milczyn: —and the benefits of a lower dollar and some of the changes to the film credits for the special effects area, will Ontario not continue to be a very favourable location for film and TV production financially, as well as all of the other attributes of a very well-developed workforce and talent pool?

Ms. Jennifer Liscio: Yes, absolutely. Thank you. Those are very good points, and yes, Ontario has been a very successful production jurisdiction. It will likely continue to be fairly successful in its own right for all those reasons.

Of course, we're looking at a globally competitive landscape. By that, I mean that there are other jurisdictions around the world—not only within Canada—that have all those things and more. Certainly Ontario has managed with what it has produced in its tax credit programs to attract production that it otherwise wouldn't have, but we do feel that with the rate reductions in particular, some of the production that would be attracted to Ontario previously would not necessarily come here. We have California introducing a much larger pool of funds with which to maintain production in the state rather than have it leave. We have the UK, which has increased its tax credit recently, and of course we have Quebec, which is now clearly a good 10% above Ontario in terms of the dollar value of their tax credits alone.

While Ontario will likely remain within the competitive field, its competitiveness will certainly be placed at a disadvantage. To cite one anecdotal example, we know of one client in particular, a major US studio, that would likely not have been able to budget successfully for Ontario had the rate reductions been in place when it chose to come here. So that would have been at least one loss of a very large feature film for Ontario, just to give you that example.

Mr. Peter Z. Milczyn: My understanding of the industry is that there are a lot of factors that go into play in choosing where to locate a location. Obviously if you want to film a movie in a Mediterranean locale, you're not maybe so likely to come to Toronto or Ontario. If you want to film New York City or some major North American—

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

I'm going to go to the opposition party. Mr. Fedeli?

Mr. Victor Fedeli: Thank you very much, Chair.

You mentioned that these changes to the tax credit are undoing the trust that has built up over 15 years. Is this film industry—can it be characterized as a gypsy business? Is that a fair wording?

Ms. Jennifer Liscio: And by gypsy, do you mean nomadic?

Mr. Victor Fedeli: Transient; it can go where the dollars are. Actually that's the word used by Film-Ontario. They sent me a letter calling it a gypsy business.

Ms. Jennifer Liscio: I don't agree with that statement. I don't believe that's the case. We have a very, very strong infrastructure in Ontario for film and TV. We have very strong domestic productions that are very successful around the world. Certainly the technology and visual effects that Ontario has to offer have been very attractive to productions that would otherwise not come to Ontario to do any type of production work, along with the productions that do choose Ontario as a jurisdiction not only to double for New York or Chicago but, in the case of Pacific Rim, to cite a very well-known example, that was all done in the water. Toronto somehow, with the sound stages and the high-class visual effects that we have to offer, doubled for the Pacific Ocean for an entire movie. So it goes to show that Ontario has the diversity and the breadth and the depth of experience that certainly is attractive to productions that are looking around the world for their next film shoot, but not necessarily that they're going to leave virtually the instant a tax credit program is cut.

Mr. Victor Fedeli: So what's the value to the industry, then, of the tax credit?

Ms. Jennifer Liscio: In what sense?

Mr. Victor Fedeli: Financially. What's the actual end number for them?

Ms. Jennifer Liscio: In terms of tax credits? It's a little bit difficult. If I could turn to the handout just to cite some comparative examples: Pre-budget, pre-tax credit rates put Ontario on par with Quebec and much higher than BC. It's now lower than Quebec in terms of actual dollars and cents. It's certainly lower than the UK. So both Quebec and UK are spend-based credits, much like Ontario. However, their spend base, their qualifying base, is much larger.

With regard to BC, although there is a slight advantage in terms of, again, dollars and cents between BC's tax credit and Ontario's tax credit, Ontario being at the advantage, there are other qualitative advantages that BC would have, such as its proximity to LA, the fact that talent prefers to stay closer to home and the fact that it has a nicer climate.

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

Mr. Monte McNaughton: Just for a quick—I want to get your feedback because a couple of presenters yesterday—you covered the grandfathering perfectly. We heard that loud and clear; I hope the government has. Secondly, a couple suggested yesterday about the direction that Manitoba has gone, where they've guaranteed a tax credit until 2019. What do you think about the Ontario government issuing a statement saying, "We're going to guarantee this specific rate"—whatever it is—"to a specific year to add some stability to the industry"?

Ms. Jennifer Liscio: That would certainly be a welcome introduction. However, I believe it was in 2009—I apologize if I don't have the exact dates correct. But I believe that right around the introduction of this spend-based credit, Ontario also chose to remove the sunset clause so that tax credits for film and TV would be perpetually available and it would just be a matter of deciding exactly where they would land in terms of numbers.

The Chair (Ms. Soo Wong): Okay. I'm going to turn to Ms. French.

Ms. Jennifer K. French: Hi. Thank you very much for joining us at Queen's Park. Certainly it's an industry that a lot of people are interested in and fascinated by and we would like to—except for some of the traffic downtown occasionally—see grow and do well.

I have some specific questions. What would be the immediate percentage drop-off of film and television production in the province from the cut?

Ms. Jennifer Liscio: It's a very, very difficult number to quantify. Based on some of the analysis that we have been doing in conjunction with FilmOntario and in their great work with the Ministries of Finance and Culture so far, we estimate a drop of 10%. So any type of grandfathering or any type of decision to leave the rates as is, pre-budget, would, we would imagine, be offset by that reduction in volume.

Ms. Jennifer K. French: And how much in lost revenue could that represent?

Ms. Jennifer Liscio: That, again, is very, very difficult to say. Without using any hard numbers, it really would be impossible to quantify. But let's say it would certainly affect not only the direct industry, but any ancillary industries. So we're looking at travel and tourism and things that fall outside of the hard production dollars that are being brought into the province.

I'm sorry that I can't provide you with a more specific figure on that.

Ms. Jennifer K. French: No, that's fine. Actually, as my colleague is introducing some lingo that he's hearing, the term "burning the jurisdiction" was one that I had come across. Can you tell us maybe a little bit more about the reputational harm to the film jurisdiction and what is burning the jurisdiction? Is that relevant?

Ms. Jennifer Liscio: I think that with any rate reduction, the message is sent to the rest of the world that

Ontario is no longer the stable, reliable centre for production that it has been able to rely on. Up until this budget announcement, there were no rate reductions. In fact, it was simply increases or favourable changes to tax credit programs that further served—as we can see just from the numbers alone, in 2008 to 2014, the increase in volume is remarkable. I would suggest that simply by reversing that trend, the reputational harm and the reversal in the stability and in this sort of idea that Ontario is a place you can guarantee that they won't change anything, they'll be good for production and you can count on it for the long term—that is certainly going to be threatened.

Ms. Jennifer K. French: Thank you. What would it take for a jurisdiction to recover? The grandfathering doesn't—

Ms. Jennifer Liscio: The grandfathering is certainly the first place to start. I think that Ontario is at risk of being viewed as a bait-and-switch jurisdiction: We promise one thing and then we deliver another when you finally arrive here with your large-scale productions and your visual effects work. That kind of reputation doesn't bode well.

I think Ontario may have the unfortunate—people may conclude that it will be lumped in with states like Louisiana and New Mexico, where they're very, very popular production destinations, but they have certainly seen their numbers suffer because of the changes they have been forced to make, capping their funds, capping their tax credits. They are also above-the-line paying out jurisdictions, so it's not as sustainable, whereas Ontario has always made sure that its credits have been very sustainable and are based on labour in the province and spend in the province.

Ms. Jennifer K. French: Thank you.

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

I believe the staff tried to contact the 10:30 witness and unfortunately still have not been successful, right? Okay. I don't see any more witnesses here until 1:15, so we're going to recess until 1:15 this afternoon. Is that okay with everybody? All right, thank you.

The committee recessed from 1134 to 1315.

The Chair (Ms. Soo Wong): We are going to resume the committee hearings this afternoon.

WILLIAM F. WHITE INTERNATIONAL INC.

The Chair (Ms. Soo Wong): I believe we have the witness here before us: William White International Inc. Mr. Bronfman and I believe Mr. Hardy are both here joining us.

Mr. Bronfman, Mr. Hardy, we have five minutes for your presentation, followed by three minutes of questioning from each caucus. This round of questioning will begin with the official opposition.

You may begin any time. When you do begin, please identify yourself for the sake of Hansard. Thank you.

Mr. Paul Bronfman: Okay. Thank you. My name is Paul Bronfman, and I'm with my colleague David Hardy. I am chairman and CEO of Comweb Group and William F. White International. I'm also chairman of Pinewood Toronto Studios and a shareholder of Pinewood Toronto. I'm also the father of three great kids. I'm a board member of FilmOntario. I'm also a board member of the Canadian Media Production Association. I'm also a board member of the OMDC, the Ontario Media Development Corp. I am also a board member of the Academy of Canadian Cinema and Television. So I'm very flattered and honoured by my colleagues to be on all these industry boards. It just goes with the age.

In 2009, the world's economies were awash in debt and desperation. We all remember how crazy that was. We opened Film Port, Toronto's first purpose-built studio complex. Basically, we were insolvent by mid-2009. It was a white elephant. Our company, William F. White, and our whole industry were coming off our worst year in many, many years. The global competition was continuing to siphon work out of Ontario, and the Americans in particular caught on real quick with the tax-credit schemes that we created. The Canadian dollar sat in the mid-80-cent range. That was not the deciding factor for service production in Ontario.

Then, in June 2009, the whole playing field changed. Quebec transformed its tax credit into an all-spend 25%. One week later, in the infinite wisdom of our Ontario government, they matched it with a 25% Ontario Production Services Tax Credit. Pinewood Shepperton signed on to manage Film Port; we changed the name to Pinewood Toronto Studios. We brought in three new shareholders. I am the only surviving shareholder of the original group of Film Port. I am under psychiatric care; that is true.

Between June 2009 and April 22, 2015, Ontario production volume steadily increased year over year, despite a dollar at par. Again, it questions the importance of currency in the production location decision-making process. Ontario forged a reputation—

Interjection.

Mr. Paul Bronfman: I missed that, David. Your fingers are working faster than my mouth. I know that's hard to believe.

In Ontario, we forged a reputation for stability, certainty, no drama, no surprises and a world-class infrastructure.

White's revenues, thankfully, have more than doubled since June 2009 in Toronto. Its employee base—we've expanded by 130% in terms of new hires and we have spent in excess of $23 million in capital expenditures in Ontario. We are a private company, so we're privately financed. This is our money we put in there.

Pinewood Toronto Studios has been virtually full over the last two years, and it has established Ontario as a major US studio feature-film jurisdiction. It brought in incremental business that Toronto and Ontario were not able to attract.

Since April 23, 2015, the "B" day, our reputation is smashed up; it's in tatters. Unfortunately, years of stability, years of us going down and telling these folks we're stable, that tax credits aren't subject to the whims of any government, are destroyed. By far our most valuable commodity is our trust and our reputation, and that is squandered.

1320

Our plan for Pinewood Toronto: We were going to build a 100,000-square-foot production office facility and a 30,000-square-foot stage. Those are on permanent hold as a result of this. There is about $600 million in production volume from producers by the names of Guillermo del Toro and Callum Greene which is now in serious jeopardy. Alcon Entertainment—Blade Runner 2—have released their hold in Pinewood Toronto as of last week. I know that for a fact, because I'm the chairman of the company.

We at Pinewood, we at White, have downgraded. I just met with the bank yesterday. I had Arun from the Bank of Montreal in my office, and my CFO and I told him we're projecting revenues for the rest of the year to be down by 15% compared to what we gave him for the budget just in January. We are starting to ship gear to our other locations, including British Columbia and the rest of Canada. Pinewood Toronto does not have that luxury. You cannot disassemble bricks and mortar.

Going forward, there are two issues that I'm sure you guys—and gals; forgive my generic—have heard: the 14% cut to the production services tax credit and 10% to OCASE—and the tethering regarding OCASE—and the date of implementation.

Here's what we are strongly recommending, with all due respect, ladies and gentlemen:

—the maintenance of the status quo with the OPSTC and the OCASE credit. We, Ontario, have become one of the top five filming destinations in the world. The proposed cuts are already having the effect of eroding Ontario's competitive position in a highly transient global market; and

—that all current productions and those deemed sufficiently advanced be grandfathered to pre-April 23. Until recently, Ontario was the glowing example of how government and the private sector can work collaboratively to create, nurture and prosper in a mutually beneficial partnership. Please, let's not kill this golden goose.

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

Mr. Paul Bronfman: That's perfect timing. Thank you.

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

Mr. Victor Fedeli: Thank you very much. Mr. Bronfman, thank you for a very informative presentation. You called it a "highly transient" global industry. I appreciate those words very much.

Mr. Paul Bronfman: It can move around any time, anywhere.

Mr. Victor Fedeli: Exactly. Look, I stayed in a hotel last night. I live in North Bay. I came down here last night for these presentations today. Outside of my hotel room, a couple of blocks from here, there were at least 30 campers in a parking lot, all cordoned off, and about 30 or more production vehicles for a movie that was obviously taking place. I got up this morning and looked around, and it was just abuzz with action.

Mr. Paul Bronfman: Yes, well, thanks to the northern Ontario fund.

Mr. Victor Fedeli: No, this was here in Toronto.

Mr. Paul Bronfman: Okay, fair enough. I thought you meant when you got out in North Bay.

Mr. Victor Fedeli: Oh, I'm getting to the one in northern Ontario in a moment.

Mr. Paul Bronfman: Fair enough. We've got lots of trucks on the road.

Mr. Victor Fedeli: That was amazing to see.

I worry that the number that we're talking about in the industry that we'll lose is only the film number. That's the number that FilmOntario and others throw around. I'm thinking of that hotel and the restaurants and the after-hours and the jackets and other clothing that were bought by these crews.

Mr. Paul Bronfman: Flowers; anything. You name it; they buy it.

Mr. Victor Fedeli: What do you figure the spinoff number is? Is there such a number that the industry has quantified?

Mr. Paul Bronfman: You know, it depends on what study you read. It could be anywhere from four to eight; I don't really know. Nobody really knows, but it's significant. A good measure would probably be five or six times.

Mr. Victor Fedeli: Five or six times? Okay.

Mr. David Hardy: If I may—

Mr. Victor Fedeli: Please, quickly. We have three minutes.

Mr. David Hardy: The very fact that we're here underscores the conflict between finance and the industry in terms of what is an accurate spillover effect or multiplier effect—

Mr. Victor Fedeli: Unless it's a number, a big number, right? Let's take it to another—

Mr. Paul Bronfman: It's a huge number. That's why all these jurisdictions are going after film production, because it makes economic sense.

Mr. Victor Fedeli: Up in the north—you talked about the north—we had movies in Mattawa and all through the north: North Bay, Powassan—

Mr. Paul Bronfman: We've got an office in Sudbury now.

Mr. Victor Fedeli: In Sudbury, the young chap there is doing a great job—

Mr. Paul Bronfman: My son just shot a movie there for a month.

Mr. Victor Fedeli: You know, I talked to them yesterday. They told me they had plans for $30 million in movies this year, up from $23 million last year.

Mr. Paul Bronfman: It could be.

Mr. Victor Fedeli: That's a big number—all in, with all the other producers.

Mr. Paul Bronfman: It could be, yes.

Mr. Victor Fedeli: So there are other spinoffs as well. All this, I understand, by the way—this cut in the tax credit—is to save $10 million.

Mr. Paul Bronfman: That's it.

Mr. Victor Fedeli: Is that the number? Is this the number we're talking about?

Mr. Paul Bronfman: That's the number: $10 million this year, $25 million next year, $25 million the year after.

Mr. Victor Fedeli: If I can use a northern metaphor, talk about not being able to see the forest for the trees.

Mr. Paul Bronfman: It's micro.

Mr. Victor Fedeli: That's peanuts.

Mr. Paul Bronfman: It makes no sense whatsoever on any level. I don't understand.

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

Mr. Paul Bronfman: I'm sorry. It's an emotional issue.

The Chair (Ms. Soo Wong): I'm going to turn to the third party. Ms. French.

Ms. Jennifer K. French: We appreciate you bringing your voice and your passion to us.

Mr. Paul Bronfman: Thanks for listening, Jennifer.

Ms. Jennifer K. French: Absolutely. I would like to just have a better understanding of one of the things that you said. You were talking about a del Toro film and Blade Runner as examples, and that you know for a fact that they have, you used the term, "released" their hold on Pinewood. Could you just clarify what that means before I ask some other questions?

Mr. Paul Bronfman: It's sort of first-come, first-served. Alcon were in there for Blade Runner 2. They had their name on a list, so they get first call on the stages and the production offices. As soon as they release that, the next person in line gets that call. So they've released their hold, and now it's going to somebody else. That $100-million movie will never come back to Toronto.

Ms. Jennifer K. French: Okay. So your feeling is, "Please don't kill this golden goose," as you said.

Mr. Paul Bronfman: Not for the amount of micro-money we're talking about. I think somebody is really not seeing the big picture, with all due respect.

Ms. Jennifer K. French: Can you project—

Mr. Paul Bronfman: We're not lining our pockets with gold here. Some people think that in the film industry we're a bunch of fat cats. We're not. These are working people. These are mostly working, blue-collar people—some white-collar. Nobody is getting fat and rich here.

Ms. Jennifer K. French: So if these large productions go elsewhere, what would we be left with? You talked about trust earlier. What would be the reputational harm? What do you prefer to see? As we heard earlier, the industry will continue, but what could it look like?

Mr. Paul Bronfman: It will be smaller. The American shows will be less, and we'll be more dependent on Canadian production, which is great, but the Canadian producers do not take the depth and breadth of inventory and stages and volume of labour that the Americans do. We need that American work to provide world-class infrastructure for the Canadian producers to make the shows that sell internationally; it's just that simple. Nothing has changed in all the years that I've been in the business, which is a while.

Ms. Jennifer K. French: What would be the takeaway you would like the government to get from this conversation, if they were to leave this room and make a change?

Mr. Paul Bronfman: If they were to leave this room, for goodness' sake, grandfather the people who have already been here. Don't penalize them, and don't bait-and-switch them—they've already committed to Toronto—and please reconsider this tax cut. The dollar exchange rate goes up and down, but that tax cut—it seems small; the number seems small, "Ah, it's 25 to 21½." But it's huge when you're talking about 14% of a production budget, and we've got Atlanta breathing down our throats, we've got New York breathing down our throats, we've got the new California tax credit. This could not come at a worse time.

The Chair (Ms. Soo Wong): I'm going to go to Mr. Milczyn for the last round of questioning.

Mr. Paul Bronfman: Hello again.

Mr. Peter Z. Milczyn: Hi. Nice to see you again. Just for the record, I want to say that this is one of the premier businesses in my community of Etobicoke–Lakeshore. I love to have you there, and you've been there for 25 or 30 years.

Mr. Paul Bronfman: Longer—forever.

Mr. Peter Z. Milczyn: I've had the pleasure of visiting your facilities and some of your colleagues in the business in the riding, so I understand how many people you employ: carpenters, caterers etc.

Mr. Paul Bronfman: Well, producers employ those. We employ technicians, drivers, mechanics and customer service people. I don't mean to correct you, but—

Mr. Peter Z. Milczyn: Yes, and I was thinking about the industry.

1330

Mr. Paul Bronfman: Right, the industry, exactly.

Mr. Peter Z. Milczyn: But I stand corrected about your operation.

You mentioned in your remarks how, even when the dollar was at par or above par, the industry here was growing by leaps and bounds. It's a lot about the talent pool we have, the infrastructure we have—also about the tax credit, but the tax credit is one element of it. My question, though, is: Setting aside the grandfathering issue, which I think we've all heard loud and clear about, on a go-forward basis, given all of the talent and the infrastructure and the investment that has already been made here, Toronto, Ontario will still be a very welcoming and attractive location for film and TV production?

Mr. Paul Bronfman: It will, except it's not going to be nearly as welcoming now, because our trust factor is gone, and it's going to take a long time to rebuild it. We don't have to be as good as Atlanta, for example. Atlanta is the number one jurisdiction right now. They've been the most aggressive with tax credits. But Atlanta could not hold a candle to our depth and breadth of infrastructure, talent, locations, our crews, actors, everything else. They have to import a lot.

But we have to be close, and 25% is where we need to be, and OCASE, the same thing. I don't think it was overly generous; I think it was levelling the playing field.

Mr. David Hardy: Just to that point, though, Peter, every jurisdiction with which Toronto and Ontario compete is expanding its infrastructure, and we will see a contraction of our infrastructure with the tax credit reduction, certainly in the manner in which it was implemented or has been proposed to be implemented.

Atlanta is building stages; London, UK is building stages. They're building stages all over the UK. Hollywood is not building new stages, but they're empty. They don't have feature films shooting in any of their major studio complexes, so they've got lots of inventory, as does Chicago. One of our colleagues, Jim Mirkopoulos, also operates in Chicago, and they're expanding.

So where we are contracting—or will be contracting—they will be expanding, and that will harm us, long term.

The Chair (Ms. Soo Wong): Okay. Mr. Hardy and Mr. Bronfman, thank you very much for coming.

Mr. Paul Bronfman: Thank you for seeing us.

The Chair (Ms. Soo Wong): Thank you. All right, have a good afternoon.

Mr. Paul Bronfman: I was going to take some free coffee, but I guess I don't have time.

The Chair (Ms. Soo Wong): Help yourself, and water, if you want.

Interjections.

The Chair (Ms. Soo Wong): Yes, exactly. Help yourself.

Thank you for coming before the committee.

OPSEU, LIQUOR BOARD EMPLOYEES DIVISION

The Chair (Ms. Soo Wong): The next presenter is the Liquor Board Employees Division. Come on down. Welcome. You can sit anywhere there. The Clerk is going to pick up any handouts you want to submit to us.

Good afternoon. As you've probably heard, you have five minutes for your presentation, followed by three minutes of questioning from each caucus. This round of questioning will begin with the official third party. When you begin, can you identify yourself for the purpose of Hansard, please?

Ms. Denise Davis: Good afternoon. My name is Denise Davis, and I'm the chair of the Liquor Board Employees Division of the Ontario Public Service Employees Union, OPSEU. With me today I have Rick Woodall, who is a member on our divisional executive, and Randy Robinson, political economist for OPSEU. Thank you very much for having us. I've never been here to one of these meetings before.

On behalf of the 7,000 OPSEU members who work at the LCBO, we want to present the views on the changes proposed in the 2015 budget with respect to liquor retailing. The biggest change relates to the government's plans to allow six-packs of beer to be sold in up to 450 grocery stores. If enacted, it will be the largest expansion of liquor retailing in Ontario history. It will be a major policy change that will have far-reaching effects on the health, safety and well-being of Ontarians for many decades to come.

Clearly, this change is being rushed through without proper study and without proper consultation. As far as we can see, the government hasn't listened to anyone with actual expertise around alcohol policy.

Alcohol is not just another consumer product. It is a controlled substance, and for good reason. Alcohol consumption is linked to liver cirrhosis, many cancers, high blood pressure and stroke. It is linked to harm from violence including homicide, suicide and traffic accidents. It is the cause of fetal alcohol syndrome, a lifelong developmental disability. It is linked to family problems, financial hardship and lost productivity in the workplace.

In 2013-14, OPSEU members at the LCBO challenged 11.4 million people who appeared underage or intoxicated, and we refused service to more than 400,000 of them.

As working people who come face to face with the effects of alcohol every day, my members are shocked at the government's devil-may-care attitude with respect to beer sales.

Personally I was dismayed when, on the day the Premier announced her plan to sell off $9 billion in public assets at Hydro One, she stood in front of a backdrop that was all about beer in grocery stores. It seems to me that the Liberals' handling of beer has more to do with creating political cover than it has to do with serious social policy. Beer is popular—we get that—but alcohol is no joke, and it shouldn't be treated as one.

Our current alcohol retail system is a wise compromise between the extremes that came before it: the unregulated free market and Prohibition. And the current system works. To take one example, Ontario has the lowest rate of police-reported impaired driving of any province. The rate in both Alberta and BC, where they have privatized or nearly privatized systems, is more than three times higher.

Our liquor control system is based on three pillars: using prices to limit consumption, challenging underage and intoxicated customers, and limiting the number of retail outlets. By expanding the number of outlets that sell alcohol and treating it as a food rather than a drug, the province is encouraging Ontarians to drink more, and we will all pay for it.

I want to make one last point. At the LCBO, we know that the revenues we collect go to pay for hospitals, schools and all the public services Ontarians enjoy. But we also know that government doesn't really make money from alcohol. According to the latest available data, the provincial government spends more on remediating the effects of alcohol consumption than it receives in alcohol revenues, whether through dividends or taxes. So the theory put forward by Ed Clark and others that government can make money by selling more beer is simply wrong.

Policy around alcohol should be developed in consultation with alcohol policy experts, not bankers, not grocers and not public relations strategists for the Liberal Party. Until this government is ready to have a serious, open and transparent discussion about alcohol policy, expanding beer sales into grocery stores must be put on hold.

We'd be pleased to take your questions now.

The Chair (Ms. Soo Wong): Thank you very much. I'm going to turn to Ms. French to begin the questioning.

Ms. Jennifer K. French: Thank you, and welcome to Queen's Park. As you said, it's your first visit here, so we're pleased to have you.

Just to continue on a point that you were making there: The Clark panel spent $7 million on consultants related to its recommendations, but to your knowledge, did they consult any experts on alcohol policy?

Mr. Randy Robinson: I can answer that. We know that groups like the Centre for Addiction and Mental Health did make presentation, but what we can glean from what the Clark panel recommended is that they didn't actually accept any of those recommendations.

The literature on alcohol is very clear that when you increase the number of outlets, you increase consumption, and when you increase consumption, you increase social harm. There's nobody in the field of alcohol policy who would say, "Well, we have a system that's working extremely well right now. We have the second-lowest alcohol consumption in the country, among provinces. We have a low rate of impaired driving. Let's expand alcohol sales by increasing the number of outlets." No group would say that, so as far as who they consulted with, we don't know in detail, but we do know they didn't pay any attention to what they said.

1340

Ms. Jennifer K. French: Thank you. And I'll ask you to briefly expand. You had mentioned in your notes that our liquor control system is based on three pillars. To your knowledge of the government's plan, have they addressed all three pillars sufficiently?

Mr. Randy Robinson: As far as we're aware, they're not planning on making any changes to pricing policy, and they are talking about developing ways and using training to prevent underage and intoxicated people from buying beer. They are doing that. But the main change, the one that actually is a change, is with increasing the number of outlets; and not just increasing the number of outlets, but increasing the kind of outlets that are there.

One of the successes of our current system is that going and buying alcohol, whether it's beer at the Beer Store, or beer, wine or spirits at the LCBO, is a special trip. I think we all agree that if we had beer coming out of our kitchen tap, we might just have a little six-ounce glass with breakfast from time to time, and that's what happens when you increase the number of outlets that are available. If my 10-year-old has to walk past eight different kinds of beer on the way to buy milk at the grocery store, then something is definitely changed in the system.

Ms. Jennifer K. French: Quick question: Why would the government, do you think, privatize entities such as the LCBO and, to your point earlier, Hydro One, especially when it doesn't have a mandate to do so? Just to switch gears for—

Ms. Denise Davis: I'm confused also. I know our system works great. We have a great track record where all of our employees are committed, all the LCBO employees are committed, to the social responsibility of the sales of alcohol in communities, keeping the roads safe, and the dividends and the taxes that contribute to Ontario go towards infrastructure, schools and hospitals. I myself am confused on that also.

Ms. Jennifer K. French: Me too.

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

Ms. Jennifer K. French: Thank you.

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

Mrs. Laura Albanese: Thank you, Madam Chair. Thank you for being here today and for presenting to our committee. I also want to thank you for the work that you do every day. You mentioned that the OPSEU members at the LCBO challenged 11.4 million people who appeared underage, so that's commendable.

I wanted to address your concerns. I do understand that this is the largest shakeup, as we have said, in the system in Ontario in the last 90 years. However, I do believe that we're not abandoning, we're trying to adhere to the principles of social responsibility that we've always had, and we're committed to continuing that—one, because the new location will have the same set hours as the LCBO. They will also be in a designated section of a store. They will not be with the food or other items that one can purchase in the store. All staff selling alcohol will be properly certified and trained. That is done so that the standards of social responsibility continue to be met by the government. Also, I believe that all the purchases will be done through the LCBO, so they will not be done directly, for the new locations.

I wanted to quote, and I wanted to have your comments on this. I do have a quote from MADD; you know the advocacy work that they've being doing for years. They are well-respected in the system. I know they've said publicly, "We are pleased that the council has listened to our concerns throughout this process. Given the good relationship to date, we have confidence in the council's continued commitment to work with MADD to ensure that beer is introduced to grocery stores in a socially responsible way."

Mr. Rick Woodall: If I could answer that, after that was publicized, MADD came out and indicated that whoever reported that has taken some comments out of structure, and about two weeks ago they re-released that, stating that they do agree with selling wine and beer in grocery stores, as long as it's under the supervision of the LCBO. So they have come out and redefined that statement.

Another thing about social responsibility is, we're the liquor control board; we can control liquor. That's our guardianship. When you put it in a retail environment—the LCBO is on record stating that even in the agency stores that we have, the people aren't as well-trained as we are. They are slipping a little in the social responsibility aspect, plus they're selling cigarettes and they're selling food and they're selling bread, as well as beer. They can't concentrate on just that one aspect, so they're going to have stuff slip by. They're not going to challenge everybody. There are going to be second-party purchases. We're trained to watch for that.

Mrs. Laura Albanese: So if this is in a designated section of the store—

The Chair (Ms. Soo Wong): Ms. Albanese, I need to stop you. I'm so sorry.

Mr. McNaughton.

Mr. Monte McNaughton: Thank you very much for presenting today. Obviously, I am going to disagree with you. I think the government didn't go far enough on liberalizing beer and wine sales in Ontario. To me, you're defending the status quo. I think the public in Ontario is way ahead of politicians on this change.

I want to ask a direct question: Why do you think that your employees are the only ones who can serve liquor in Ontario safely?

Mr. Randy Robinson: Well, the system seems to be working pretty well right now. As I said, we are the second-lowest consuming province in the country. We have very low rates of impaired driving. We have all kinds of reasons to think that the system works.

The big issue with this is not that a person who comes off the street and becomes employed by the LCBO suddenly becomes a superhero. It is possible to learn the trade. It's the structure around the trade that makes the big difference, and one of the things about the structure now is that there are a limited number of outlets. You can go to the Canadian Centre on Substance Abuse, you can go to the Canadian Public Health Association, and you can see what their stats say. They say that when there are more outlets, there is more consumption. When there's more consumption, there's more social harm, and that's what we're trying to prevent here. Nobody would say, "Let's develop a policy that creates more car accidents," and yet that's exactly what we're talking about here.

Mr. Monte McNaughton: Again, I think the public is way ahead of politicians on this issue in Ontario, and I think that protecting what has been in place for a hundred years is the reason why the public is much, much further ahead.

I want to talk to you a bit about the agency store program. It's something that I've advocated—I think the government could look as a potential change to expand agency stores in urban Ontario. They have a very rigorous training program. I believe there are about 250 of them now in Ontario. I don't think the current government has expanded them since they've come to office. Why are you opposed to having more agency stores in Ontario?

Ms. Denise Davis: We've got statistics and figures about the agency stores in this province. Many years ago, their purpose was to service communities in the areas that had a long distance to drive, like a two- or three-hour distance, to get their products. We could understand that. But the government is missing the boat when they're not looking at the top 20 agency stores in the province and the amount of money that they're making each year. It used to be about $1 million. One of the stores, Mount Albert, is bringing in $5 million a year. Their contract is up right now, and I'm just wondering if they're going to allow them to continue that way. Or are we going to put a full-fledged LCBO-run store in that area, where you'd have more variety—

Mr. Monte McNaughton: But the operator makes 10%.

Ms. Denise Davis: Yes.

Mr. Monte McNaughton: It's not a huge margin.

Ms. Denise Davis: That was not the intention of the agency stores at that time.

Mr. Monte McNaughton: But they've never changed the percentage that the agency stores earn since 2002 or 2003.

Ms. Denise Davis: No, they haven't. But the sales have increased. That proved that you could have a legitimate LCBO store with far more selection and product consultants in that area to help the customers there. I think that it's something that the government has missed looking at.

I just want to tell you what it's like. I have an agency store in Bethany, and we have adults going in there to buy their liquor, and not far away from that area are children—I relate it to penny candy as maybe we all knew it at one time—just in there to buy a bag of chips or something little, but eight feet away you have all these adults buying liquor. It just doesn't sit well. I don't think that children and liquor in the same area, kind of mixed together—

Mr. Monte McNaughton: But that's an argument that was made 100 years ago.

1350

The Chair (Ms. Soo Wong): I'm going to stop you there. Thank you, Ms. Davis, Mr. Robinson and Mr. Woodall, for your presentation and your written submission.

MR. DAVID LANGILLE

The Chair (Ms. Soo Wong): The next group coming before us is York University: Mr. David Langille. Good afternoon, Mr. Langille. If you have a written submission, the Clerk is just coming around to pick it up from you.

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. You may begin any time. Please identify yourself when you start. Thank you.

Mr. David Langille: My name is David Langille, and I teach in the department of social sciences at York

University. Pardon me, I have bronchitis. I hope I can keep my voice.

I teach a course called The Future of Work to 400 undergraduate students at York. I focus on the fact that 80% of new jobs are precarious, which means that the hopes and dreams of my students and their parents who sent them to university to get a good job that will guarantee them a middle-class income are flying out the window. Instead, they're facing rising inequality, which means a few good jobs for my U of T students, but most young people in the province will have to work for low wages with insecure hours and few benefits.

But I try and restore their hopes. I point out that this is still a rich province that's generating enormous wealth, although there are serious problems with how that wealth is being shared. I review the history of economic development in this province, where our wealth comes from and how we can better share that wealth. Ontario became an industrial powerhouse by taking advantage of our rich natural resources, the most important of which was water and hydro—water power.

How did we get the money to develop our hydro infrastructure? Private investors tried but were not up to the job, so we created a public utility. In May 1906, the Hydro-Electric Power Commission of Ontario was started as a strange hybrid of a government department, a crown corporation and a municipal co-operative. But it evolved to become one of the largest fully integrated electricity corporations in North America. Every schoolchild in the province was taught to be proud of Sir Adam Beck and Ontario Hydro. As we grew up, we learned that the competitive advantage of Ontario manufacturing depended on low-cost power from Ontario Hydro.

It's interesting to note that, at the same time, we needed to invest in transit infrastructure, and some of the same private investors that tried to develop our hydro power were also investing in streetcar lines here in Toronto. I point to Sir Henry Pellatt, who made his fortune through investments in hydroelectricity and urban transit. Casa Loma stands as a reminder of how not to finance electricity or public transit. I'm afraid that with this decision, the bankers of Bay Street will be building more castles in Rosedale and on the Bridle Path.

Instead, we learn that virtually nobody can borrow money cheaper than the province of Ontario, thanks to our rich assets of people and resources. So we paid for the development of our hydro system by floating provincial bonds, and the people of Ontario all got an equitable share of our hydro assets. Bay Street or Wall Street financiers could buy the bonds, but not the assets. It made no sense then and it makes no sense today to be transferring our shares to the bankers of Bay Street. The last thing we need today is another form of public-private partnership that ensures private profit at public expense. We can pay off our debts over decades, but not if we sell the store.

To sum up, I want to make the point that Ontario Hydro was one of the oldest and most venerable crown corporations in Canada. It's our collective heritage. Don't just keep it for sentimental reasons. It's public for a purpose: to share ownership of our resource wealth, to share the costs of infrastructure development, and to share the profits from that development. It's so precious that even Mike Harris did not privatize it. Just a few months ago, our Premier acknowledged that our power system was precious and refused to put it on the block. Why suddenly did she agree to the sell-off? Why the sudden sellout?

It points to a pattern of cronyism and clientelism, where the interests of the business community become confused with the business of government. There's rot—

Interruption.

Mr. David Langille: Was that selective or—

Interjections.

Mr. David Langille: All right.

This deal is transparently wrong. Such a blatant sell-off of provincial assets; so simple to explain the shallow economics and the obvious injustice. It's clear-cut rotten. And I'm afraid this is going to make a great message for door-to-door canvassing: "You're feeling powerless? That's because the Liberals sold our power system."

The Chair (Ms. Soo Wong): Thank you for your presentation. I believe this round is beginning with Dr. Qaadri.

Mr. Shafiq Qaadri: At the outset, Professor Langille, I would welcome you. Thank you for teaching the course The Future of Work to the many students at York University. I have to say, though, I will probably defer consideration of the Ontario Hydro issues that you've raised. I'd invite you to consult the record of this particular committee as we've had approximately the same arguments and approximately the same replies offered multiple times.

I would—perhaps breaking with tradition, perhaps as the very first time from a committee that a member of the committee actually raises a toast to a presenter, because I think we really should be celebrating the extraordinary announcement that was made this very morning of the combined York University-Seneca College Markham campus that is basically unfolding before us.

You teach a course, you said, The Future of Work. I would perhaps like to speak a little bit about the future of York University, and you as an academic, especially as a sociologist, likely a Marxist—I think I heard a little bit of Marxist tones there, but that's okay—as a sociologist, you yourself will know that the future of work involves, of course, higher education, the higher the better. The fact that the government is committing what is likely going to be tens of millions of dollars—of course, the ultimate financing is still to be determined—to create a campus that's going to teach 4,000 new students in Markham is an extraordinary feat. I would have hoped that you might have slipped in—we thought that ad, the audiovisual intrusion, was probably the audio from that announcement.

Let me quote, for example, an individual to whom you report, Dr. Mamdouh Shoukri, the president and vice-chancellor of York University. He said, this morning in fact, "We are delighted that Premier Kathleen Wynne and the Ontario government have recognized the strong merits of building a university campus in York region. Today's announcement acknowledges York University's considerable strengths in supporting Ontario's vibrant knowledge economy and its position as a global innovation leader."

That's the infrastructure, one small drop of the infrastructure, that will accrue to the people, and by the way to your students, and a legacy of the province of Ontario with the sale that we're considering.

I thank you for your presence.

The Chair (Ms. Soo Wong): Okay, so I'm going to go to Mr. McNaughton.

Mr. David Langille: Oh, can I—

The Chair (Ms. Soo Wong): Oh, you want a response? Okay.

Mr. David Langille: Is it true, Mr. Qaadri, that Ontario contributes the least per capita for post-secondary education of any province in Canada? And is it true, therefore, that our students have faced the highest tuition fees of any province in Canada?

Mr. Shafiq Qaadri: As an academic, you and I both can deal with statistics. I can tell you, for example, that 124,000 more students are enrolled since we took office. That changes the landscape. That's horizons and opportunities of an extraordinary measure, and, as a sociologist, you and I can both pull the papers that prove our points.

The Chair (Ms. Soo Wong): Okay, I'm going to stop there. I'm going to turn to Mr. McNaughton. Do you want to begin the questioning?

Mr. Monte McNaughton: Thank you very much for your presentation. I wondered if you had any comment or any thoughts on the fact that we've heard from a couple of presenters that have explained that there's about a $35-billion debt within Ontario's electricity system today, and any sale of the Hydro One asset is supposed to go by law to that debt. Now, the government of course is saying that they're going to use the money for infrastructure projects. I just wondered if you could comment on that fact, that that money from the sale is supposed to go this $35-billion debt. Any opinion on that?

Mr. David Langille: I'm not so afraid of long-term debt as you seem to be. We've accumulated large debts in the past, both as a province and as a country, and we've paid them off over time. But when you sell the store—it just doesn't make economic sense to me that an asset that's bringing in a billion a year in revenues—why would we want to dispose of that?

1400

Mr. Monte McNaughton: Do you have any opinion on what is likely to happen to electricity rates with the sale of Hydro One?

Mr. David Langille: I'm not so confident as the Premier seems to be in our capacities to regulate. I notice that when a company goes before any regulatory commission, they say, "Hey, we've got to make a profit." Then, once you factor that in, I don't think that there will be savings by privatizing.

I don't see how this makes economic sense. One you factor in the cost of the profit that any enterprise has to make if they're investing—I wouldn't invest if I couldn't make a decent return. What is a decent return? Once you factor that in, then the economics fly out the window.

Mr. Monte McNaughton: Thank you.

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

Ms. Jennifer K. French: Welcome, Mr. Langille, to Queen's Park, and thank you for your presentation. I appreciate, from the academic standpoint, a bit of the history lesson in Sir Adam Beck. I've asked the government what they're planning to do with the statue after the sell-off, but I don't have that answer yet. We'll maybe see what it's worth.

You had made a comment in here about when the interests of the business community become confused with the business of government. It's interesting: We had a town hall locally in Oshawa, and had members from the business community, in addition to voices from labour in the community, and various individuals, who all are opposing the sell-off of Hydro One. Businesses are concerned that, with any increase to electricity rates, they're going to be further challenged.

As you are teaching a course on the future of work—and as you had mentioned, much of the work available is precarious—how do you think rising costs of electricity are going to affect the employment landscape for your students?

Mr. David Langille: I made the point that, historically, the competitive advantage of industry, particularly manufacturing industry in this province, was derived from low-cost electricity. That's what gave us the advantage and encouraged businesses to invest, because they thought they could do—they were more competitive here in Ontario than just south of the border or in other provinces.

I'm worried that we're going to squander that asset and that we're going to lose our capacity. Already, we're watching hydro rates—the electricity rates—go up, and any further addition—once you factor in the profits for private interests, then I think you're going drive electricity rates through the roof and further undermine the job prospects for people here in Ontario.

Ms. Jennifer K. French: I know that you've done extensive work around poverty reduction. Can you comment on how the sale of Hydro One, and the increases in energy prices, would affect low-income individuals, who already are having a difficult time keeping the lights on and keeping themselves heated?

Mr. David Langille: I think it's going to exacerbate inequality, which is one of the biggest problems we face right now.

Once you factor in the profits for the finance capitalists that are going to invest—they need the return on their investment, and once you factor that in, you're going to have, as I say, a few people building castles and many people continuing to experience precarious work. The problem is going to get worse.

Ms. Jennifer K. French: As my colleagues say, what do you think people should choose: to heat or to eat?

Mr. David Langille: That's a hard choice that I don't want to have to make.

Ms. Jennifer K. French: I'm sure that many people in Ontario wouldn't want to have to make that choice either. Thank you.

Mr. David Langille: Thank you.

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

CITY OF BRAMPTON

The Chair (Ms. Soo Wong): The next presenter: Her Worship Mayor Jeffrey. Good afternoon, Your Worship. Welcome back.

Mr. Shafiq Qaadri: Where's your chain?

Ms. Linda Jeffrey: I don't carry the chain.

The Chair (Ms. Soo Wong): Madam Mayor, you know you have five minutes for your presentation, followed by three minutes of questioning. This round of questioning will begin with the official opposition party. You may begin any time. Thank you.

Ms. Linda Jeffrey: Thank you, Chair. Good afternoon, everybody, and thank you for the opportunity to address the committee today.

Brampton is the fourth-largest city in Ontario, and it's a fast-growing, young, diverse and well-educated community. As part of the 2011 census, our population sits close to 600,000 people. We have the second-highest growth rate among Canada's 50 largest cities, and our projected growth at build-out in 2031 will be near the one-million mark.

Investment in Brampton makes good sense for the province, and I was pleased to see what I did in this year's budget. I believe a very strong transit network is the price of admission for a world-class city. In order to attract investment and reach our full potential, we need to work together with our partners in the provincial government and our neighbours in the greater Toronto-Hamilton area.

Shortly after I was elected last fall, I met with the mayors of Guelph, Kitchener, Waterloo and Waterloo's regional chair to speak about our shared goal of better connectivity. Today I brought you a video which captures what we believe will be the positive impact of one of this budget's investments on our region.

The Chair (Ms. Soo Wong): Thank you. That was really fast and concise.

Ms. Linda Jeffrey: No, no. I have a video here, actually.

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

Ms. Linda Jeffrey: I brought a show-and-tell.

The Chair (Ms. Soo Wong): Oh, a show-and-tell.

Video presentation.

Ms. Linda Jeffrey: So that's the video we've been using. Two-way, all-day GO rail service is vital and an integral part of our regionally integrated transit system. We believe the positive outcomes of this investment will create 40,000 new jobs; connect 13,000 companies; 3,000 innovation start-ups; $4 billion of potential construction investment; $344 million saved in commuter environmental costs; $2.5 million per year cost-savings in reduced CO_2 emissions; reduce greenhouse gas emissions by 58 million metric tonnes; and $547 million in additional personal income tax.

We know that transit has the power to transform and strengthen communities, and two-way, all-day GO rail service, coupled with the province's commitment to fully fund the Hurontario LRT line, which will run from Mississauga to Brampton, are two integrally important components of our long-term future transit and transportation infrastructure plans. Our residents and our businesses are now better poised to capitalize on the seamlessly integrated rapid transit infrastructure system. Simply put, these two investments in transit infrastructure will connect people to jobs in Brampton and the GTHA.

However, transit is not the only answer. Goods and people need to work and move along our roads in cars and trucks, and the 410 widening and the addition of the HOV lanes will help alleviate the impact gridlock has on businesses and residents in Brampton and the GTHA.

High-order transit investments on our highways, our roads and other infrastructure will trigger economic growth and jobs, improve quality of life, and will act as a catalyst for further investment to Brampton.

I know that the provincial government had a lot of competing demands in this budget. I'm just grateful that they decided to invest in Peel region and, most particularly, in the centre of the universe, Brampton.

Thank you. I'm happy to take your questions.

1410

The Chair (Ms. Soo Wong): Thank you. I'm going to turn to Mr. McNaughton to begin this round.

Mr. Monte McNaughton: Thank you very much. Congratulations on last fall's victory. I never actually had an opportunity to ask you a question during question period, so this is a—

Ms. Linda Jeffrey: Now you do.

Mr. Monte McNaughton: Yes. Just to—really, a couple of simple questions. Did you say the population of Brampton today is 600,000?

Ms. Linda Jeffrey: We're very close to it.

Mr. Monte McNaughton: And do you have any projections going forward on how quickly it's growing?

Ms. Linda Jeffrey: I think there's about 23,000 people that come to our city every day, and I think the projections actually have us over a million by 2031. I think it's something in the water. We have lots of babies and lots of people moving to Brampton.

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

I just wanted to ask you what forms of revenue—we know, obviously, the Hydro One sale is in the budget. What other revenue tools, as the Premier likes to call them, do you support?

Ms. Linda Jeffrey: I think that's the conversation that we're beginning to have with the Premier. I sit with the large urban mayors and we've been talking about revenue tools. I don't think the large urban mayors have landed on a solution, but I've encouraged them to have some intestinal fortitude to have those conversations about revenue tools, and I think collectively we will come back with a solution. The Premier has agreed to have those conversations with us, probably later on this year. We've had a number of meetings already, but at this point we haven't landed on one tool that we collectively recommend.

Mr. Monte McNaughton: I'm assuming there will be several.

Ms. Linda Jeffrey: I think that we're looking at everything right now. I think that certainly we've been the beneficiary of having a good working relationship with the province and the federal government with regard to funding large infrastructure projects. In our case, probably—actually, as I was leaving municipal government and coming to the province, we got an investment of $95 million from the federal government, from the province, and the municipality put in their own $95 million to put in the Züm bus service that really has transformed our city. We're actually doubling and almost tripling our capacity in our buses, it's so successful.

So, I think you need your own revenue tools, but you also need partners that come to the table.

Mr. Monte McNaughton: Great. Your question period training prepared you very well. Thank you very much.

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

Ms. Jennifer K. French: Welcome back to Queen's Park. We're glad to have you here. It's interesting; I learned something new. I thought Oshawa was the centre of the universe.

Actually, I'm interested—you had mentioned, in terms of Brampton's growth, that it has the second-highest growth rate. I'm just curious: Where is the highest?

Ms. Linda Jeffrey: I'm not sure, but I would say Peel is competing with itself. Probably Mississauga has been growing, but I think we're kind of outstripping them right now. People choose to go where they think there's opportunity, and certainly they're starting to come to Brampton.

Certainly in the last six months, things have changed dramatically. With these announcements, these budget announcements, they've—I was with a business the other day, and he said, 'I feel like Brampton's hit a reset button," because the announcements have been so well-received and a lot of people are looking to invest more heavily, or choosing to come to Brampton.

Ms. Jennifer K. French: I used to attend elementary school in Brampton near Chinguacousy Park and things have changed significantly since then.

I have a question for you, actually, about the sale of Hydro One. Some Brampton councillors, I understand, will be putting forth a motion similar to the one that's before the Toronto city council, asking that the sale of Hydro One be stopped. What are your thoughts on this?

Ms. Linda Jeffrey: That's news to me. I was a member of council when the former Conservative government initiated the sale of utilities. At the time, I remember feeling that it was a very difficult decision for our community. But it turned out to be one of the better decisions, actually, because in our case we ended up with $262 million in a reserve. The city of Brampton had never had a reserve. And I would argue that you'd have difficulty finding a resident in Brampton that noticed anything in their service changed when Hydro One purchased Brampton Hydro. So for us, it hasn't been a big change. Certainly we were consulted by the province at a very high level about the sale, and I haven't seen any change in the service level. We're very satisfied with Hydro One's performance in Brampton.

Ms. Jennifer K. French: Thank you for that. To my colleague's point about having a discussion about revenue tools—as you've said, you challenged them to have the intestinal fortitude to have some of those important conversations: Would you support the idea of revenue streams that are ongoing, as opposed to a sort of one-time, quick cash grab?

Ms. Linda Jeffrey: I think it's always important to have a reliable, predictable source of funding, and I think that certainly the province has looked at many revenue tools in the past. The fact is that I think municipalities across Ontario have had a very open, productive relationship with the province about those conversations. The mayors of almost all the large urban and certainly small urban communities have been able to meet with either the Minister of Municipal Affairs and Housing and/or the Premier on a regular basis over the last six months. We've had some very productive conversations, and I feel confident that we will arrive at a place that we can all live with.

The Chair (Ms. Soo Wong): Okay. I'm going to turn to the government side. Mrs. Albanese?

Mrs. Laura Albanese: Welcome back to Queen's Park, here as the mayor of Brampton. So congratulations on behalf of all of us, all your former colleagues.

Mr. Shafiq Qaadri: Can we use the video?

Ms. Jennifer K. French: Yes, right.

Ms. Linda Jeffrey: Yes, you can.

Mrs. Laura Albanese: I enjoyed very much the video on the innovation corridor, even, I would say, specifically because they recognize the Kitchener corridor. Part of it is formerly known as the Georgetown South corridor, and that corridor passes through my riding of York South–Weston. So the two-way, all-day GO—I would add, an electrified GO system—would be very important to all the ridings in all the towns and the cities that are along the way, and if it's to sustain jobs and growth, that's even better.

I wanted to ask you if you had anything to add, other than what you've said.

Ms. Linda Jeffrey: You know, this group of mayors came to see me in my former life when I was a minister, and I remember feeling jealous about what a great presentation they had done. Something else that they had done is that they had gone to all the businesses in the surrounding area and asked them to say what difference all-day, two-way GO would make to them. Would they hire more people because they wouldn't have to worry about the parking issues?

They really did a very good job, and I was jealous that Brampton wasn't part of it. So shortly after I became mayor, they came to see me and I said, "You had me at hello." I wanted to be part of the conversation and I really believe in it. I think that cities can't work in silos. We need communities to work together. There's a scarce number of dollars and we need to work with all our neighbours, all levels of government, to make sure that the transit investments that are made go further. Our businesses don't see regional boundaries. Our residents don't. We need to make sure that transit goes seamlessly across all our regions. We get the most bang for the buck if we do.

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

Ms. Linda Jeffrey: And I've just had a note that Halton region is number one—Milton.

The Chair (Ms. Soo Wong): Okay. That's great. Thank you for being here and for the video presentation.

ELECTRICITY DISTRIBUTORS ASSOCIATION

The Chair (Ms. Soo Wong): The next presenter is the Electricity Distributors Association. I believe there's a delegation. The Clerk will pick up the handout for everybody. Gentlemen, you probably heard that there are five minutes for your presentation, followed by three minutes of questioning. This round of questioning will begin with the third party. You may begin any time. Please identify yourself for the purpose of Hansard.

Mr. Ray Tracey: Good afternoon, Madam Chair and members of the standing committee. My name is Ray Tracey, and I'm the chair of the Electricity Distributors Association, the EDA. Accompanying me today is the vice-chair of the EDA, Todd Wilcox, to my left, and our president and CEO of the EDA, Charlie Macaluso.

The EDA is the voice of Ontario's locally owned electricity distributors, or LDCs. We serve 75% of Ontario's electricity customers. I'm pleased to have this opportunity on behalf of the association to discuss Bill 91.

I'm here before you today to ask that section 48.1(7) of the Electricity Act, which is in schedule 9 of the bill, be amended so that Hydro One distribution assets may continue to be divested to Ontario's electricity distributors.

The amendment, which is in our written submission, would ensure that transactions similar to Hydro One Brampton—which is being sold to a group of existing and neighbouring electricity distributors—can occur throughout the province. This would ensure that Hydro One receives fair value for its assets while customers enjoy the benefits of being served by their local distributors, with lower delivery costs and a proven customer service track record.

1420

The EDA agrees with government that the proposed Brampton transaction would improve efficiencies, with continued safe and reliable electricity service to customers. The Brampton transaction serves as a conceptual model for further volunteer consolidation in the sector that we fully support.

The EDA's proposed amendment is not only consistent with the government's position on reallocation of Hydro One distribution assets and customers in Brampton, but also elsewhere, such as Ottawa, where the government acknowledged that it would be open to a process where Hydro One assets and customers would be divested to local distributors. Similar discussions have taken place in other communities, and it is also worth noting that in many instances, Hydro One customers are asking to be serviced by their locally owned LDC.

The EDA wants to work with government on the proposed amendment to ensure the IPO will not impede further opportunities to improve the distribution sector, and specifically the ability of LDCs to bring forward proposals to acquire Hydro One distribution assets.

The EDA believes that our amendment, which permits and encourages Hydro One assets to be made available to local and regional LDCs, is important to ensure that customers have the opportunities to receive better, locally delivered electricity throughout Ontario.

For example, the Ontario Energy Board's 2013 yearbook clearly shows that Hydro One's administrative costs are much higher than those of an average LDC. Typically, we think of administration costs going down with scale, not up. With regard to customer service, you will only need to look at the Ombudsman's 2014 investigation of Hydro One's billing practices to understand the seriousness of the customer service issues that exist today.

Finally, I would like to bring to your attention a potential issue around Ontario rural or remote electricity rate protection. With Hydro One becoming a private entity, a review of section 79 of the OEB Act should be undertaken to ensure municipal LDCs are not subsidizing the private sector.

To conclude, I argue—or strongly suggest may be better words—that the EDA's proposed amendment to clearly allow for Hydro One to divest its distribution assets to trusted entities with customers' interests in mind will provide value for the company and its shareholders. I also strongly recommend this amendment is necessary if this government wishes to realize its goal of encouraging voluntary LDC consolidation and finding efficiencies in the sector. I encourage you to consider the amendment as proposed in our written submission and give it due consideration in your deliberations.

Thank you for your time, and I would be happy here, along with my two colleagues, to answer any questions.

The Chair (Ms. Soo Wong): Thank you for your presentation. I'm going to start with Ms. French.

Ms. Jennifer K. French: Thank you, and welcome to Queen's Park.

Mr. Ray Tracey: Thank you.

Ms. Jennifer K. French: We appreciate having you here.

I have a few questions for you. I'm from Oshawa, and we appreciate paying comparably lower rates in Oshawa. A lot of our local community folks are concerned about what will happen with mergers and such, with consolidation, and what would happen to our rates as we watch this all unfold and take shape. So that's where I'm coming from.

You've said here in your submission that it's "important to ensure that customers have the opportunities to receive better, locally delivered electricity service throughout Ontario." Can you foresee, as this unfolds and down the road we have large consolidated entities, that perhaps foreign investors would be interested in having a piece of that, and maybe it would no longer be locally delivered service?

Mr. Ray Tracey: Our stand is simply that locally and regionally controlled entities have the best opportunity to deliver the best value to the customers. They're integrated with the communities. They have service delivery models that have been proven and have demonstrated efficiency. Our focus is to allow the LDCs that we represent through our association the ability, if the government is interested in divesting of its interest in Hydro One—that we have access to the Hydro One distribution customers.

The white paper was presented in—I forget the year; I apologize. Then we had a sector review report. Both papers considered a common principle: Shoulder to shoulder, locally and regionally controlled LDCs would be the most efficient. That's what we're asking for. If the government has an interest in divesting—and remember, the initial Clark recommendation said, divest of distribution—then we have an option on the table here for government, to work with you, to bring you that investment opportunity that you're looking for through divestiture, at the same time giving the customers an opportunity—demonstrate to them that typically, we represent 40% lower distribution rates.

Most of you are from regions that know that. We accept that the province has infrastructure issues, and we're here to endorse whatever measure is responsible for the taxpayers of Ontario. But in that process, there's an opportunity here, and we're that opportunity. Where the investment comes from and how we put this together, that's where the local stakeholders are very cognizant in their view of what that ownership structure—they work with what makes sense.

But clearly, the demonstration—we're a 100-year-plus industry that was revamped in 1999 to 2000, when we became private entities held by public owners. They've maintained the customer-first values. That's the value that we bring today: customers first. If you want to divest, we're here to support that.

The Chair (Ms. Soo Wong): Mr. Tracey, I have to stop you here because the three minutes are up.

Mr. Delaney.

Mr. Bob Delaney: Thank you for being here. I was following your description of the proposed merger between Enersource, Horizon, PowerStream and Hydro One Brampton, and I'm assuming, in listening to your narrative, that you're in favour of that?

Mr. Ray Tracey: Absolutely.

Mr. Bob Delaney: Okay. One of the things that I've had to do over the last several years is to attend AMO and ROMA, to sit down with a lot of our municipalities and talk with them about, among other things, their local distribution companies. So from where you're coming from, is there any reason that you have to believe that a willing merger between local distribution companies would not be supported?

Mr. Ray Tracey: Our amendment is just trying to address the fact that we don't want to give the messaging that—the fact that it states we will not substantially divest of the whole or a significant part of Hydro One, meaning that you won't divest of your distribution assets. Clearly, Clark had that initial indication but couldn't get there. We're here now saying that you made a different decision, and maybe we first signalled—98% of our industry was supporting the initial recommendations of the Clark panel. We were preparing ourselves. Now we're saying that as part of our amendment suggestion, we want to make sure that the signal, the message post-IPO is that having distribution be rationalized with local or regional LDCs that have 40% distribution rates, and you getting fair value for your assets, is the way to go.

Mr. Bob Delaney: Is there any reason that that couldn't be done right now?

Mr. Ray Tracey: Well, we have never had a willing seller from a provincial standpoint, and we never had that signalled to the Clark panel report. Yet the white paper and the distribution sector report both signalled, under different governments, that regional local utilities was the way to go.

Mr. Bob Delaney: Well, our message as a government to the municipalities when they've spoken with us is that such mergers were, are and remain possible, but they'll be done with willing participants, and such a merger wouldn't be forced on either the local distribution company or upon Hydro One. Would that sit with the expectations that you came in with?

Mr. Ray Tracey: Absolutely. What we just want to do is make sure that message is clear.

Mr. Bob Delaney: Thank you very much, Chair. I think we're done.

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

Mr. Monte McNaughton: I just wanted to ask you about the process surrounding Hydro One Brampton. I believe it was in the Ed Clark report where he recommended not having an open auction. I wondered if you're comfortable with that. It doesn't seem to be the way something is sold, I guess, in the private sector. Normally, things are put out to the open market and there are bidders.

1430

Mr. Ray Tracey: We're not here to advise or comment on the government's methodology and how they dispose of assets. What we're here to say is the willing participants in the divestiture of distribution assets are the municipal and regional LDCs.

I'm sure the province's care is as much about the customers that will be serviced in the future entity as about the price tag they're going to be paid. The important thing is that we are the natural acquirer of these assets. If we were looking at the customers—at the same time bringing that value back to government that they need to receive from these assets. That's where our focus is.

Mr. Monte McNaughton: But do you think that there is a concern for transparency when an asset isn't put out for open bidding or an open auction?

Mr. Ray Tracey: Again, we support the fact that—this, I think, we heard earlier. We want volunteerism, we want collaboration, and we want the customers at the heart of the decisions of transactions. That's what we support.

Mr. Monte McNaughton: Okay. Thanks.

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

The next group coming before us is the Ontario Craft Brewers. I believe it's Mr. John Hay, the president. No? Okay; I don't see them here.

ONTARIO REAL ESTATE ASSOCIATION

The Chair (Ms. Soo Wong): I'm going to call the next group: the Ontario Real Estate Association. Are they here? I think there's a delegation here.

Good afternoon, and welcome back. 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.

When you begin, can you please identify yourselves for the purpose of Hansard? Welcome.

Ms. Patricia Verge: Good afternoon, Madam Chair. Thank you to the members of the committee for allowing us to speak on Bill 91.

My name is Patricia Verge. I'm a broker with Royal LePage Team Realty in Ottawa and the president of the Ontario Real Estate Association. Joining me today is Ettore Cardarelli, chair of OREA's government relations committee, and Matthew Thornton, OREA's director of government relations.

By way of background, the Ontario Real Estate Association is one of the province's largest professional associations, with over 61,000 realtors in 41 real estate boards. We are here today to speak to you briefly about our views on the budget and highlight some concerns that we have for our members.

Overall, Ontario realtors were happy with budget 2015. This was in large part due to the government not moving forward with any additional revenue tools for municipalities and encouraging them to fund infrastructure through asset optimization.

Ontario realtors know that municipalities across Ontario are eager to acquire the same revenue tools as Toronto. As such, we are very concerned that the municipal land transfer tax is being considered as a potential revenue tool for municipalities. The municipal land transfer tax is an unfair tax that forces one segment of taxpayers to fund municipal services enjoyed by everyone. With housing affordability a growing concern for so many Ontarians, we urge the province to protect the dream of home ownership for future generations. As the province prepares to conduct a review of the Municipal Act, OREA strongly recommends that all MPPs oppose the spread of the municipal land transfer tax.

My colleague Ettore will now speak to you about our second concern, personal real estate corporations, or PRECs.

Mr. Ettore Cardarelli: Thank you, Pat. For a number of years, Ontario realtors have advocated for fair treatment when it comes to forming professional corporations—

Mr. Bob Delaney: Chair, a point of order.

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

Mr. Bob Delaney: Chair, I understand, in looking at the submission, that the subject matter being raised by the gentleman is not part of the budget bill. While he is welcome to raise it in a pre-budget submission, I suggest that it is out of order because it's not part of the budget bill.

The Chair (Ms. Soo Wong): Okay. I'm going to get a five-minute recess before we start.

The committee recessed from 1430 to 1437.

The Chair (Ms. Soo Wong): I'm going to resume the committee. Just checked with the Clerk: Sir, you have to stay focused on Bill 91. We just went through the bill; there's nothing mentioned—

Mr. Monte McNaughton: Point of order.

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

Mr. Monte McNaughton: Chair, yesterday you clearly said that the presenters could talk about what they wanted to talk about, but the members of the committee had to stick to Bill 91 in questioning. Clearly in here it says that they were disappointed not to see the government move forward on something in budget 2015, so they're clearly relating it to the budget.

I don't understand, for the life of me, why the government member would rudely interrupt a presenter and not allow them to at least get it on the record. This is part of the democratic process. This is the only time—and this is the third day, Chair—

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

Mr. Monte McNaughton: They clearly—

The Chair (Ms. Soo Wong): No. By order of the House, this hearing, for the last three days and Monday, must focus on Bill 91. That's by order of the House. Nowhere in the proposed Bill 91 does it talk about, as written and submitted to the committee, the municipal land transfer tax. The committee has to hear—your submission, both in writing and the verbal presentation, must pertain to Bill 91.

I assume, Mr. Delaney, you have no further questions for the point of order?

Mr. Bob Delaney: If that is your ruling, then that's fine.

The Chair (Ms. Soo Wong): Okay. Sir, can you please focus on Bill 91? If you look at Bill 91, if you can focus on whatever it is in Bill 91 that you have concerns about, you can share with us.

Mr. Ettore Cardarelli: Perhaps I can defer to my staff colleague for a moment.

Mr. Matthew Thornton: Madam Chair, we're making a recommendation for inclusion in the bill. Is that out of order? I'm a little bit confused—

The Chair (Ms. Soo Wong): It will be out of order because we are only discussing what is being proposed here in Bill 91, okay? In pre-budget consultations, you can ask whatever.

Mr. Matthew Thornton: We are addressing the bill, and the point we make in our presentation is that we're disappointed not to see it included in the budget bill.

1440

We also reference a corporate business legislation review that the government announced in the budget, and we're hopeful that they can proceed with what we're asking for—

The Chair (Ms. Soo Wong): You can talk about that.

Mr. Matthew Thornton: He references that in his presentation.

Mr. Ettore Cardarelli: That's really the essence, if I may.

We were disappointed not to see a move towards personal real estate corporations in budget 2015. However, we are hopeful that the government will look at personal real estate corporations when conducting its review of business legislation announced in the budget, and I think that is related to the budget. PRECs are an example of an innovative business tool that can create jobs and generate revenue for the province.

I'm going to skip just a few things for the sake of time.

Ontario realtors are not looking for special treatment here; they're just looking to get fairness under the law. In fact, the government has already moved to permit a number of professionals in Ontario to form professional corporations, namely, chartered accountants, architects, social workers, mortgage brokers, veterinarians and so on. They've all been granted the ability to form professional corporations. We're simply asking for the same rights as these other industries.

Finally, we're happy to note that the Tax Fairness for Realtors Act enjoys support from all three political parties here at Queen's Park. We've had that acknowledged by all of the parties.

Before I conclude, I would like to provide an update on an issue stemming from budget 2013, if that's okay. We're happy to hear that the government is moving towards proclamation of the amendments made to the Electronic Commerce Act that would permit the use of electronic signatures on real estate agreements of purchase and sale. While an official announcement has not been made, we are hopeful that the province will move to proclaim this important amendment for July 1 of this year.

We would like to acknowledge the MPPs who have supported this important change, including Attorney General Meilleur, who is responsible for the act, as well as Minister Naqvi and MPP Todd Smith, who first championed this issue back in 2012.

As Ontario realtors, we look forward to the amendment's proclamation very soon. With that, I will conclude my notes and be happy to take any questions. Thank you.

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

Mr. Peter Z. Milczyn: Thank you for your presentation. I note in here you urge the government not to introduce new taxes, which we are not doing as part of this budget. But as to your point, we are optimizing provincial assets to generate funds to have record investments in infrastructure—roads and bridges across the province; public transit in Toronto and the GTA in particular. I assume that's something your organization is supportive of.

Mr. Matthew Thornton: We don't have a position specifically on the issue of asset optimization. I think we were making the point that asset optimization is likely the reason why the province did move forward with those revenue tools. So, no formal position from us, although I think we were a little bit relieved to see that asset optimization was the direction, instead of new taxes.

Mr. Peter Z. Milczyn: Just this morning I received an email from your organization with the April statistics for residential sales in the city of Toronto: up 16.5% in April in terms of volume; prices up 10%; over $7 billion in sales—I assume that's about $350 million in commissions for your members.

I've noted just recently there was a study that our government's investments in public transit are going to have an impact on housing and housing prices, where it's located, and it's going to be positive in terms of encouraging people to buy homes—whether they be ground-related or condominium—near public transit, and that that's going to ensure the ongoing, really, positive trend in the real estate sector. Is that your experience as well, as realtors?

Mr. Matthew Thornton: I think investments in transit certainly do benefit communities and benefit home prices more generally.

With respect to the strength of the market, I think that indeed, the Toronto market has been very strong for quite some time now. I think what we're seeing in Toronto is an excess of demand and a very limited amount of supply, so there are a lot of buyers chasing a limited amount of properties out there. Certainly that's contributing to some of the increases in prices and things of that nature—multiple bids etc.

Bringing it back to the municipal land transfer tax, unfortunately the tax is one of those issues contributing to that problem. It is a barrier to people listing their home and selling if they know they're going to move in the GTA—

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

Mr. Monte McNaughton: Actually, I have no questions. Thanks for your presentation.

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

Ms. Jennifer K. French: Thank you. I appreciate you joining us here at Queen's Park. I appreciated your presentation. I'm sorry for what happened earlier, that you fell prey there to political strategy or bad manners, as the case may have been—

Mr. Bob Delaney: Chair, on a point of order: The member may no more impute motive in a committee than she can in the House.

Ms. Jennifer K. French: I withdraw.

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

Ms. Jennifer K. French: Back to your comments: The dream of home ownership for future generations is a very important dream and goal for many. When we're talking about the cost of owning a home, perhaps I could ask you about the cost of operating a home. I'm going to steer this into electricity.

Ms. Patricia Verge: Sure. We don't have an official position on that particular item, but I will tell you that we always support ways that home ownership can be more affordable, and costs are a very important part of that. Monthly costs for a family in taxes, condo fees and all the rest of it are very important because what they can spend on a house depends on them—if they're going to have huge bills every month.

Ms. Jennifer K. French: I see, and as you said earlier, you don't have an official position on the sell-off of Hydro One or, as you have said, the asset optimization, but that that was a preferred option to municipal land transfer tax. Is that a fair understanding of what you said? You support that over the land transfer tax, but you don't support it in and of itself?

Mr. Matthew Thornton: Just to clarify, we have no position in support of or against the issue of asset optimization. We were merely making the point that we are thankful to see the government move forward on that versus—

Ms. Jennifer K. French: So if it was going to be an either/or—

Mr. Matthew Thornton: Yes, I think that's an accurate way of describing it.

Ms. Jennifer K. French: So as a result of this sell-off of Hydro One, when we see an increase in rates, what kind of bearing is that going to have? What kind of impact is that going to have on home ownership?

Mr. Matthew Thornton: I can't comment on the impact that the optimization is going to have on hydro rates, but generally speaking, hydro rates are certainly a big carrying cost for homeowners. It's a big cost of home ownership. We know that some rates have been going up for owners over the last number of years and that is a concern more generally, but I can't comment on what the sale of Hydro One is going to do to rates more generally.

Ms. Jennifer K. French: Thank you.

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

Ms. Patricia Verge: Thank you so much.

The Chair (Ms. Soo Wong): I just want to let the committee know: The 2:30 scheduled from the Ontario Craft Brewers are coming on Monday. So they're not here this afternoon, but they will be back here on Monday afternoon.

OFFICE OF THE ONTARIO OMBUDSMAN

OFFICE OF THE AUDITOR GENERAL OF ONTARIO

The Chair (Ms. Soo Wong): I believe we are ahead of schedule. I see the Ombudsman is here, so the Office of the Ontario Ombudsman, Mr. Marin; and I believe Ms. Lysyk is here. Welcome.

Ms. Jennifer K. French: Can you repeat the order?

The Chair (Ms. Soo Wong): The Ontario Craft Brewers are coming back on Monday.

Ms. Jennifer K. French: The speaking order.

The Chair (Ms. Soo Wong): The speaking order will begin with—let me just check here—it will start with the official opposition party.

As you heard, you will be given five minutes for your presentation, followed by three minutes of questioning. This round of questioning will begin with the official opposition party.

You may begin anytime. Please identify yourself for the purpose of the Hansard.

Mr. André Marin: Thank you, Madam Chair. André Marin, the Ombudsman of Ontario. I'm joined as well by Bonnie Lysyk, the Auditor General of Ontario. I will go first, and Ms. Lysyk will also have a few words for the committee.

As a legislative officer entrusted with the responsibility that government administrators act fairly, responsibly and lawfully in their dealings with the public, I feel compelled to address Bill 91's proposal to eliminate the oversight of Hydro One by various accountability officers, including my office. In particular, I would like to see schedule 30, which would amend the Ombudsman Act, withdrawn in its entirety.

1450

As I understand it, the argument in favour of abandoning independent, external scrutiny of Hydro One by the legislative officers is that it is necessary in order to attract investors and that the corporation is partially privatized. It's also suggested that an in-house ombudsperson would ensure that customer concerns are addressed in the future.

Perhaps this argument might have been more persuasive if I had not just completed an extended investigation of Hydro One after receiving an unprecedented 10,565 complaints. I'll be issuing my final report on May 25, Monday morning, but I've already reported publicly on some of the horror stories that we have uncovered.

For instance, a Sudbury man was charged $23,775 for using more than 100,000 kilowatt hours at his cottage in

19 months, the amount of electricity that five full-time homes would normally require in two years. My office determined that Hydro One's new computer system had triggered a meter rollover, resulting in the large overcharge. It later corrected the bill and gave him a service credit of $402.

Then there was the London-area father of two children who was frantic about being threatened about having his electricity cut off in the coldest February on record for Ontario. Our staff confirmed with Hydro One that it never intended to disconnect his service. It was rather a tactic to get him to fork over some cash, which he did, after borrowing money to pay part of the balance and entering into a repayment plan.

Then there was the widow from Renfrew county who had set up preauthorized payments but suddenly found that $5,500 had been withdrawn from her account, triggering $89 in overdraft fees. Hydro One admitted it was a mistake but said processing a refund would take two weeks. Hydro One told us that the women's smart meter was not communicating properly and had been underestimating the power use of her property for two years. The overdraft and fees were eventually reversed. She also received a credit for $661 on her account and entered into a 48-month repayment plan.

It took months for Hydro One to admit that implementation of the new computerized billing system in 2003 triggered a host of billing problems. On March 11, 2015, it acknowledged that at least 78,000 people had been affected by billing issues. Throughout the province, tens of thousands of individuals were distraught by billing issues and received a flurry of estimated bills, a huge cache of bills, bills with highly inflated amounts and, in some cases, no bills at all for extended periods of time.

When they tried to get things straightened out, they were faced, very often, with rude, insensitive and singularly unhelpful responses from Hydro One and its outsourced call centre. To compound the situation, Hydro One continued to treat its customers with disrespect, disingenuously threatening to disconnect electricity in winter months despite its policy never to do so.

Since my investigation was launched, and the billing and customer service mess at Hydro One was exposed, the company has been frantically trying to rehabilitate its reputation.

Now, I have no doubt, having closely examined Hydro One's inner workings, that a company ombudsperson influenced by the prevailing internal culture would simply have swept this whole episode under the corporate rug. Without the prospect of external scrutiny, Hydro One's customers will be again at risk.

When a corporation provides a monopolistic service without appropriate accountability safeguards, its customers are vulnerable to the profit motive and are easily dismissed and disregarded.

Electricity is a vital service in Ontario. In some jurisdictions, it has been recognized that utility customers need protection beyond what regulatory agencies, the courts or internal customer advocates can offer.

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

Mr. André Marin: I have one final sentence: In jurisdictions around the world, ombudsmen are not only responsible for supervising public bodies but ensuring that private electricity, telephony, water, gas and mail providers treat their customers fairly.

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

Mr. Monte McNaughton: Thank you very much for that presentation and for being here at committee. You said that you had 10,565 complaints. I feel that probably 5,000 of those came from my riding. It's predominantly served—the customers there, the constituents—by Hydro One.

What does this mean to the people of Ontario, that there's going to be no oversight of a public utility that they're still going to own 40% of?

Mr. André Marin: Well, it's troublesome. As I indicated in my opening, all these things happened, and when we announced the investigation into Hydro One, we were all told by Hydro One officials: "Oh, it's water under the bridge. Things are still fixed." As I talk today, complaints are still trickling in—six, seven, eight. So it concerns me that, under this new era, there will be no place to turn to.

A good example of something similar having happened over the years is the example of Tarion, which used to be the Ontario new home warranty. It was devolved from the government. We lost jurisdiction. An internal ombudsman was created. I get calls or emails almost on a daily basis, asking us to speak out on the need for Tarion to be accountable to the outside. So I fear that this is another Tarion in the making.

Mr. Monte McNaughton: To me, regardless of political stripe, this reeks of political cover-up. Today the government announced—I am assuming, to pre-empt your presentation here at committee—that you're going to have oversight of school boards; I believe that was the announcement. Yet they're taking the oversight away from something where, obviously, there needs to be public oversight. Is it fair to say that they're taking this away from the office to prevent political risk?

Mr. André Marin: I can't comment on the political risk, but certainly they are taking Hydro One away from our oversight, which is unfortunate. I would think that if Commissioner Ed Clark had had the benefit of reading the report before writing his, I'm not so sure that he would have persisted in suggesting that we would not have oversight.

As I mentioned before, there's a trend around the world to put the classical ombudsman in various jurisdictions, to oversee the private sector utility business. But here in Ontario, we have a mental blockage: "It's going to the private sector. The Ombudsman of Ontario has no business."

It's like a fait accompli, whereas we are really, in Ontario, swimming against the fish.

Mr. Monte McNaughton: So it's fair to say that your one simple ask today would be, since 40% of this is still going to be owned by the public, that oversight should remain.

Mr. André Marin: Absolutely. I think, if you have an opportunity to see our report on Monday, you will see that these are the kinds of horror stories that—there's no way an internal ombudsman, buried in the innards of the corporation, would have been able to address these issues.

Again, when was the last time we heard a negative public report criticizing Tarion by the Tarion ombudsman? I don't remember seeing one at all. So I wouldn't expect an internal ombudsman at Hydro One to be able to handle these kinds of issues.

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

The Chair (Ms. Soo Wong): I'm going to Ms. French.

Ms. Jennifer K. French: Thank you both very much for being here. I'm looking forward to the report on Monday.

As you have said, you've received over 10,500 complaints—many of them, I guess, from MPP McNaughton's riding—the largest number that you have ever received about a single organization. In your opinion, do you think that the number of complaints from the public is likely to increase or decrease with the privatization of Hydro One?

Mr. André Marin: It's hard to predict, but certainly Hydro One needs to go through a cultural shock before it can recover, Madam Chair. We saw this in the OLG and MPAC. Our investigations led to that kind of cultural shock.

Now, will privatization lead to that cultural shock, or will fear from investors mean that the corporation continues to plod? I'd like to believe that, overnight—zap—all the problems will disappear as soon as it's privatized. But if you look at history, that's very unlikely to happen.

Ms. Jennifer K. French: Thank you. Eight independent officers of the House, including both of you, have banded together to express concern over reducing important oversight. What prompted you to take that immediate and unprecedented action?

Mr. André Marin: It was the brainchild of my colleague, and for which I'm extremely grateful. But we quickly realized that it was no-brainer as far as officers of Parliament were concerned. It's just that we've all had our experiences, particularly the Auditor General and myself, at Hydro One. We realized that this is not the kind of thing that is in the public interest, to get rid of our two offices, with the state that Hydro One is in right now.

1500

Ms. Bonnie Lysyk: I'm just not sure, in terms of time, whether I'll be able to read my intro on this—

The Chair (Ms. Soo Wong): No. Under the order of the House, every witness, whether it's a group, is only allowed five minutes for presentation.

Ms. Bonnie Lysyk: Okay.

Ms. Jennifer K. French: I can ask you a question on that, if you'd like to—

Ms. Bonnie Lysyk: Okay. You know what? With respect to the joint statement, I think the one thing to keep in mind is that Hydro will still be substantially owned by the public, the taxpayers/ratepayers. So the fact that there's an evolution in this process—it doesn't make sense to immediately remove oversight by the independent officers. There's a lot of ongoing work. We in fact are working on the power system planning audit. We have an audit of the transmission system of Hydro One going on, and we'll be doing a follow-up of smart meters.

Now, with the change, the follow-up on all those audits will never be conducted. There isn't anybody under the OSC or under the OEB that will be able to do that similar type of work.

So, at the end of the day, Hydro One will be consolidated within the public accounts of the province of Ontario and, for that reason, it makes sense to have oversight.

The other side is, when there are dramatic changes made to mandates of legislative officers, I personally think it's really important to have a very good discussion around the logic of excluding officers or changing their mandates—just as a protocol, I think.

Thank you.

The Chair (Ms. Soo Wong): Okay. I'm going to turn to the government side for the question. Mr. Delaney?

Mrs. Laura Albanese: Actually, I would like to start—

The Chair (Ms. Soo Wong): Oh, Ms. Albanese. Okay. Sorry.

Mrs. Laura Albanese: —if I may, Madam Chair.

I want to thank you both for being here today, for taking the time to speak to the committee.

As you are aware, to maintain the public trust throughout the initial public offering—so this is a question that I'm sort of asking both of you. You know that the former Auditor General of Canada, Denis Desautels, has agreed to serve as a special adviser to the Minister of Energy, to provide advice about the processes that are related to the engagement of financial advisers and of other service providers for the IPO.

Hydro One, as you pointed out, will be required to establish a dedicated ombudsman, similar to those who are found in other public companies. The former Auditor General of Canada will provide advice on how to establish the office of this dedicated ombudsman, to ensure that transparency, objectivity and accountability are followed.

In addition, the Ontario Energy Board would continue to protect the public interest, and the powers of the OEB would be enhanced, including the creation of a consumer advocacy role.

I'm just talking about all the different provisions that are there.

Ontario's proposal to go public with the shares of Hydro One is also preceded by a number of other examples of similar decisions that were taken at different levels of government. For example, Petro-Canada ceased to be a crown corporation, so the Auditor General Act of

Canada no longer applies to Petro-Canada. Another example is CN Rail. The Auditor General Act of Canada no longer applies to CN Rail, because it is no longer a crown corporation.

In regard to the complaints, the approach that we have taken to broaden the ownership is so that we have a company—a public company—that would operate, hopefully, efficiently and better serve the interests of the ratepayers and the customers of Hydro One.

So my question to you is, would you agree that a publicly traded company doesn't have the oversight of the Ombudsman, of the Auditor General, but instead has a different set of mechanisms of oversight for disclosure obligations?

Ms. Bonnie Lysyk: I would say that in the case of Hydro One, though, this is a very different animal in terms of the way the governance will be set up and the way the tranches of the sale of the shares will be handled. So, in essence, from an accounting perspective and from the public accounts perspective, Hydro One will be rolled into the consolidated statements of the public accounts.

The Chair (Ms. Soo Wong): I'm very sorry, Ms. Lysyk. Time's up. I'm going to go to the next witness before us. Thank you.

ENTERTAINMENT SOFTWARE ASSOCIATION OF CANADA

The Chair (Ms. Soo Wong): The next group coming before the committee is the Entertainment Software Association of Canada. Good afternoon. I'm going to let you settle in before I give you some instructions.

Mr. Hilchie, you have five minutes for your presentation, followed by three minutes of questioning from each caucus. This round of questioning will begin with the official third party. You may begin at any time for the five-minute presentation. When you begin, can you please identify yourself for the purpose of the Hansard.

Mr. Jayson Hilchie: Good afternoon. I'd like to thank the committee for inviting me this afternoon. My name is Jayson Hilchie, and I'm the president and CEO of the Entertainment Software Association of Canada, or ESAC. ESAC represents some of the largest and most innovative video game companies operating right across Canada. In Canada, our industry contributes $2.3 billion to the GDP and is growing at an impressive rate, outpacing growth in most other sectors of the economy.

Today, I'd like to talk briefly about the Ontario Interactive Digital Media Tax Credit, or the OIDMTC. This credit is vital to the long-term well-being of Ontario's video game industry. But first, just a few words on the current state of Ontario's video game sector. This sector has grown steadily over the past several years; it has diversified, with several start-ups now part of a thriving landscape. In no small way, this industry is reinventing the meaning of high-value manufacturing in the province of Ontario. The digital economy will make up a progressively larger portion of Ontario's economic output in the future, and Ontario's video game industry is at the centre of that transformation. To date, major video game blockbusters and critically acclaimed mobile games have been developed in Ontario. A thriving ecosystem needs to be maintained in order to create and transfer knowledge and expertise, and to foster synergies between companies and with other creative sectors.

With more than 100 companies and a highly talented and skilled workforce of almost 2,000 people already working in cities like Toronto, Ottawa, London, Kitchener and Waterloo, Ontario is establishing itself as a real player in the highly competitive global video game industry. In fact, with similar tax credits available in Newfoundland and Labrador, Nova Scotia, PEI, Quebec, Manitoba and British Columbia, and many more in other countries and jurisdictions around the world, there is fierce competition for attracting video game companies. The industry in Ontario spends approximately $134 million directly into the local economy and provides salaries of, on average, just over $72,000 to a workforce which is highly skilled, dynamic and generally young, having an average age of just 31 years old.

Starting in August 2013, our association—myself, primarily—began working with the Ontario government and other industry stakeholders to consult on ways to reduce the costs associated with the OIDMTC while preserving its core function as a job-creating measure for skilled Ontarians. We continue to believe that the OIDMTC should benefit both locally owned and multinational video game companies established in Ontario, which in turn benefits the greater provincial economy. In fact, research we conducted in 2013 shows us that the OIDMTC fully recovers its investment through the overall economic impact that the industry has on the province of Ontario. We're pleased with the measures that the government announced in its recent budget, which will tighten the eligibility of the credit while maintaining it at its current rate. Preserving this tool at its current rate will keep Ontario competitive and help provide some stability as companies make investment decisions in the future.

We were also pleased to see that the interactive digital media fund, or IDM fund, was revived and even bolstered in the years to come. This will principally benefit smaller companies in our industry and continue to spur innovation and new companies that could eventually become the next global players.

1510

Again, I'd like to thank the government for believing in this industry and recognizing its worth and continued potential. I'm also thankful to this committee for its invitation, and I'll gladly spend the rest of my time answering questions.

The Chair (Ms. Soo Wong): Thank you very much. I'm going to turn to Ms. French.

Ms. Jennifer K. French: Thank you, and welcome to Queen's Park. We appreciate your presentation today. As I mentioned earlier when we had a presenter, my brother is in the video game industry in San Francisco and he's no longer so young, so he has really watched it change and he has been a part of that change.

As you've said, it has grown and diversified as part of, I think you said, a thriving landscape. This is something that we had heard a little bit earlier about; you used the word "synergy"—collaborative efforts. Can you explain a little bit about how what we see in the budget—how those two things connect?

Mr. Jayson Hilchie: Synergies in regard to the collaboration with the government, or synergies—

Ms. Jennifer K. French: Not with the government but within the industry.

Mr. Jayson Hilchie: Within the industry.

Ms. Jennifer K. French: How would that would promote or help—

Mr. Jayson Hilchie: First of all, I represent the video game industry, so most of my comments will be related to how the tax credit changes impact the video game industry. Obviously, I realize that the tightening of the eligibility reduces the number of companies, I guess, outside of that that are going to qualify for it. But in terms of the video game industry, this credit was primarily created to support the attraction of the video game companies in our industry that were not native to Ontario, that were global players that could set up anywhere.

Obviously, because these exist in so many different jurisdictions, when provinces make commitments about these types of incentives, the more that they solidify their commitment to those, the greater the confidence is in the businesses to make investments. Companies like Ubisoft and Rockstar and Glu Mobile who are our members obviously see those types of decisions made and are able to plan more into the future.

I would suggest, and I would truly believe, that the changes made will help bolster the number of hires that will be made in the video game industry in the years to come.

Ms. Jennifer K. French: We've heard from some producers how the cuts to the Ontario Production Services Tax Credit and the Ontario Computer Animation and Special Effects Tax Credit will hurt their business. Can you explain further what impact the immediate implementation of these cuts could have on your members?

Mr. Jayson Hilchie: Sure. I think that on the fringes we certainly have some connections with film. Some of our members, Ubisoft included—it has a motion capture studio here in Ontario that the government helped support, that is well-known, that uses actors and film folks to capture motion acting, and then they animate those and they speak over the characters.

But in terms of the changes to the film production tax credit, I don't see a lot of initial impact on the video game industry per se, no.

Ms. Jennifer K. French: Good. Thank you.

The Chair (Ms. Soo Wong): Thank you very much. I'm going to turn to the government side. Ms. Hoggarth.

Ms. Ann Hoggarth: Good afternoon. Thanks for your presentation. I understand that the reduction of the development requirement from 90% to 80% will allow tax credits to be processed much faster. How will this benefit your company?

Mr. Jayson Hilchie: I sit on an OMDC committee on digital media, and currently, from my understanding, the backlog of tax credit applications in Ontario is close to two years. If you're a video game company and you submit a tax credit application in 2015, you're probably not going to get a cent from the Ontario government until 2017, at minimum. So it certainly creates a problem in regard to cash flow in companies when oftentimes the tax credits are used to pay for the next project.

But I think that the 80% rule is going to at least help the folks at OMDC who are processing these applications to spend less time determining whether or not a project is eligible, and then they can move it to the next step. I hope over time we'll see a reduction in processing times, and that will certainly benefit our industry.

Ms. Ann Hoggarth: As Martha would say, it's a good thing.

Mr. Jayson Hilchie: It's a good thing.

Ms. Ann Hoggarth: Also, can you talk about how the gaming industry has grown in the last decade and explain some of the contributors to this success?

Mr. Jayson Hilchie: Sure. The video game industry in Ontario is actually quite young; quite small when you consider that it employs roughly 2,000 people. British Columbia employs close to 6,000 people and Montreal is just over 9,000 people, in Quebec. What we see is a growing industry, but if you speak to some of the original founders of video game companies in Ontario such as Digital Extremes and the former Silicon Knights—those people were really the innovators in driving the video game industry from nothing here two decades ago. I speak with them quite often, and you can certainly hear from them how the employment numbers in Ontario have gone from tens to hundreds to now into the two thousands. Certainly with this tax credit, since it was created, you've seen a steady increase in the employment numbers here in Ontario.

Ms. Ann Hoggarth: I understand that Ontario will remain, because of these, the most competitive jurisdiction in the whole country?

Mr. Jayson Hilchie: It certainly has a competitive tax credit. I don't know if it's exactly the most competitive in Canada. Obviously, the percentage rate is only one aspect of a tax credit. Eligibility and things you can include as part of the salaries that are captured are all intricate in the various tax credits that exist. But it is certainly one of the most competitive tax credits in Canada for sure.

Ms. Ann Hoggarth: That's great. Thank you.

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

Mr. Monte McNaughton: Thank you very much. Your story is well known, I think, now in Ontario. A lot of people think that this industry is located only in Toronto, in the GTA, but I wondered if you could share some of the success stories throughout Ontario. I know in London there's a couple of companies that are really prospering there and some other companies across the province.

Mr. Jayson Hilchie: Yes. London is a good example because, obviously, it's home to Digital Extremes, which would be the largest independently owned video game company, though I think they were purchased last year. But they were, and I do believe still somewhat are, an Ontario-started and -owned company.

You've also got a couple of other medium to large companies like Big Blue Bubble and Big Viking Games. Also in Ottawa—I'm headed to Ottawa next Monday for the Ottawa International Game Conference—there is a burgeoning video game industry, with companies such as Magmic and Gigataur making games for Star Wars and Mattel. You've got a number of different jurisdictions. Even in St. Catharines, there used to be a large presence in the video game industry. I think the Hamilton area is now starting to make a little bit of a comeback. But I would say the bulk of the activity does happen in Toronto, as it does with every province and their major cities.

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

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

ONTARIO ROAD BUILDERS' ASSOCIATION

The Chair (Ms. Soo Wong): I believe the next presenter before us is the Ontario Road Builders' Association. Welcome. I know we're ahead of schedule, so we're pleased you could come join us. Ms. De Souza and Mr. Wilkinson, you have five minutes for your presentation, followed by three minutes of questioning. This round of questioning will begin from the government side. You may begin any time. When you begin, can you please identify yourselves for the purpose of Hansard?

Mr. Geoff Wilkinson: Thank you for having us. My name is Geoff Wilkinson, and I'm the executive director with the Ontario Road Builders' Association. With me today is Ashley De Souza, director of government relations with ORBA. We're pleased to be able to speak today regarding Bill 91, the Building Ontario Up Act.

Founded in 1927, the Ontario Road Builders' Association, or ORBA, is the voice of the transportation infrastructure sector in Ontario. ORBA represents approximately 200 union and non-union contractors and suppliers of construction products and equipment. Our members build the majority of provincial and municipal roads, bridges and transit infrastructure across the province, and we employ approximately 30,000 workers at peak season.

The objectives of ORBA's advocacy efforts are threefold: to promote infrastructure investments; to influence changing legislation and regulation that will have an impact on the business of member companies; and to promote fair, open, transparent and equitable procurement practices.

ORBA was pleased to see that dedicated funds for Moving Ontario Forward, Ontario's transit and transportation investment plan, would increase by $2.6 billion, for a total of $31.5 billion over 10 years. Transportation infrastructure is a critical public asset. It affects people's everyday lives and business competitiveness while also playing a key role in long-term economic growth and development. Poorly maintained infrastructure delivers a lower quality of services, costs more to repair and replace, and can increase risk to health and safety from potential failures.

1520

This budget bill proposes to maintain capital spending levels at provincial highways management at approximately $2.5 billion, which is something ORBA has long advocated for. Having consistent and reliable funding will allow our members to plan for the future and look at capacity, as individual companies ensure that we're looking to invest in the right areas. It also creates significant benefits to Ontario's economy as a whole. Recent studies show that for every $1.25 billion invested in highway construction, it's estimated that over 21,000 direct jobs are created, with $570 million of total employment income created. When including indirect employment created, those numbers increase to $1.3 billion in employment income and 47,000 person years of employment.

An area where we have been very pleased to see considerable progress this year is around early tender calls for MTO projects. Ontario has a short construction season. It has been said before that road builders need to do a year's worth of work in eight or nine months, and that's shortened to a measly six months in the North. That's why having tenders for projects called as early in the year as possible is so vitally important to ORBA members. A staple of ORBA's advocacy work with MTO every year is advocating for more early tender calls each and every year. This would mean putting out an increasingly higher percentage of tenders in the winter months of January to March. It would give contractors an opportunity to, at the very minimum, plan for a base level of work for the coming season. This would help to improve labour supply challenges, and on the flip side, it would help avoid issues that are created when members are challenged to try to finish projects before winter weather unexpectedly arrives. Utilizing more early tender calls can ensure public sector owners are maximizing the amount of projects out of the tender during the construction season, which can ultimately eliminate the inefficiencies in the delivery of projects, improve quality, and subsequently lower the cost of construction services for taxpayers.

We're very pleased and would like to congratulate the government on its commitment this year to releasing the most early tender calls to date: 72 tenders, at approximately $785 million. We hope to be able to build on this momentum in future years.

Lastly, while much has been done to help municipalities with their infrastructure needs, more still needs to be done. Municipalities are currently facing an infrastructure deficit of over $60 billion, of which $28 billion accounts for the infrastructure gap for roads and bridges alone. Municipalities own almost 50% of Ontario's public infrastructure, more than double the provincial and federal governments combined. We need commitments from all levels of government to ensure that substantive measures are being taken to eliminate the staggering infrastructure deficit currently facing municipalities, in order to place municipalities and Ontario at a competitive advantage. Thank you.

The Chair (Ms. Soo Wong): Thank you very much. I'm going to turn to Mr. Milczyn to start the questioning.

Mr. Peter Z. Milczyn: Thank you very much for your presentation today and for your ongoing partnership in Ontario in building the roads that residents and businesses all depend on on a daily basis.

In your submission, you mentioned the level of infrastructure funding. In your experience over the years, how does the current level of infrastructure spending by the province compare to what we had 10 or 15 years ago?

Mr. Geoff Wilkinson: We have experienced increases, I would say, over the past 10 years. We're at a level, I think, where government is understanding the importance of spending on transportation infrastructure, so that's a very positive thing for us and for the industry, and it's something that we can continue to build on. I think there's still more room, as we see from some of the things like municipal infrastructure deficits, where we still need to continue to invest.

Mr. Peter Z. Milczyn: On the issue of municipal infrastructure, our government has brought in some certainty for municipalities, especially smaller municipalities, in terms of the levels of funding for infrastructure—that they can expect half the money is formula-based on their population and the size of their assets, and the other half is application-based, depending on their needs. That's one of the things that we've done. Also, by having a 10-year infrastructure plan, that also, I assume, is one of the reasons why MTO is now in a better position to have early tender calls.

Is all of this building more certainty into the system helpful to your members, and helpful to your members in terms of delivering the services that we ask you to deliver to us?

Mr. Geoff Wilkinson: Yes, it's definitely very helpful. For our members to have those long-term plans, as well as the short-terms, is key to their businesses. When our businesses are looking for growth, they look towards those plans, both from the municipal perspective—

Mr. Peter Z. Milczyn: Just one final question I want to get in: You mentioned our level of funding and a municipal deficit. If the federal government were to match the provincial government in the level of spending, do you think that would go a long way in tackling the municipal infrastructure deficit?

Mr. Geoff Wilkinson: I think that would certainly help.

Mr. Peter Z. Milczyn: Thank you.

The Chair (Ms. Soo Wong): We turn to Mr. McNaughton.

Mr. Monte McNaughton: Just a couple of quick questions. I thought that was a good point you made on the early tender calls. It makes sense. I wonder if you could explain to me, just for interest's sake, when these early tender calls happen, does the government get guaranteed pricing at that point? Say your members' costs go up in the meantime, before they actually build the road. Is the government protected from a pricing standpoint? Does that make sense?

Mr. Ashley De Souza: I think when you look at early tender calls, where you see the efficiencies are—if you can get them out in Q1, you're able to get more work done in that same construction season. Where you're going to see added costs is if contracts are tendered out in Q2 and Q3, in July and August. Work now has to carry over into the next construction season. It becomes very difficult for contractors to be able to plan for next year when they haven't been able to finish projects done in the initial year. Meanwhile, they still have to look at all the carry-over costs of continuing that project into the next year as well.

So having more projects tendered, the earlier the better, helps industry prepare for the season, but also gives taxpayers in the province an opportunity to get lower prices, because you're seeing less overhead costs from the contractors in general.

Mr. Monte McNaughton: Right. Okay. That's how I thought it worked.

Lastly, I know you didn't touch on it, but I was just curious if you could explain what the province's road management database is like. Is there a database that's used by the province so that they know at all times when roads have been redone in the past and what needs to be done next?

Mr. Geoff Wilkinson: That's a very good question. I know that the MTO is actively working on those types of things. Without actually knowing the answer to it, we have not had any problems with the MTO with regards to their asset management and understanding what their assets are, so I would say when comparing the province itself to municipalities, they are much further ahead in understanding what assets they have, as well as the conditions of their assets. That's key as well.

Mr. Monte McNaughton: Yes. I ask because a number of stakeholders talked about that a few years ago, and I just wondered where the province was at with that, and municipalities as well. Thanks.

The Chair (Ms. Soo Wong): Thank you, Mr. Wilkinson. I'm going to Ms. French.

Ms. Jennifer K. French: Thank you for joining us today here at Queen's Park. As you had said at the beginning, the budget is supposedly building Ontario up, but really, it's your members who are building Ontario out, across and in every direction. So thank you for that.

You had made the comment about short-term plans and long-term plans, that your members need to be able to plan for the future. Of course, we recognize that our communities need to be able to plan for the future as well.

In terms of forward thinking or long-range planning, when we look down the road, we want there to be a road.

Can you make a comment, I guess, about the sell-off of Hydro One? One of the pieces of that is that we've heard a lot about transit and building infrastructure. I'll read to you something here. It says the purposes of the act are amended to include selling off parts of Hydro One "and making the proceeds of any such disposition available to be appropriated for any government of Ontario purpose." So it's not limited to infrastructure.

1530

What are your thoughts on the fact that Bill 91 doesn't require that the proceeds from the sale of Hydro One or any revenue from that sell-off has to go to infrastructure or the Trillium Trust?

Mr. Geoff Wilkinson: I think that's a challenging question for us to answer as road builders. We tend to be on the expense side of things as opposed to the revenue side of the equation there. I would say that we always look to government in terms of making the right decisions in terms of helping to ensure that infrastructure is always important, especially transportation infrastructure, and that that remains a priority.

Mr. Ashley De Souza: I think, when you look at the decisions of how expenditures are made, I'll leave that up to policy-makers to decide what the best course of action is. From our perspective, I think we can all agree that more needs to be done in terms of where we spend and how we spend—also spending wisely to make sure we're getting great value for taxpayers and ensuring that we're building quality products for the people of Ontario. I won't speculate in terms of the decision the policy-makers want to make in terms of how money is allocated.

We just continually impress upon government and all decision-makers that we want to see more investments and that we need to tackle this infrastructure deficit as soon as possible. It is crippling economies across the province. The more we can do right now, the better positioned Ontario and municipalities will be in terms of a competitive advantage.

Ms. Jennifer K. French: When you had used the term "dedicated" to transit, I flagged that because we're crossing our fingers that that is indeed going to be dedicated, because as we see in the bill there's no safeguard for that to happen.

You're aware of the state of our roads across the province; that's fair to say. A report recently came out about the state of our northern roads. Do you have any thoughts on the state of our northern roads and if we should be investing in infrastructure up there?

Mr. Geoff Wilkinson: Yes, I think it's a very fair comment. I think that we need to be investing right across Ontario. There's no areas, I think, that are immune from this challenge. I know that we have gone and met with mayors ourselves, including in northern Ontario, and we hear sometimes the challenge that they have around their uniqueness and in presenting themselves as being unique and requiring additional funds for that purpose. I think there are areas of the north that would fall within that category, and we have to remember that through our advocacy work.

Ms. Jennifer K. French: Thank you.

The Chair (Ms. Soo Wong): Thank you, Mr. Wilkinson and Mr. De Souza, for being here and for your submission.

REGISTERED NURSES' ASSOCIATION OF ONTARIO

The Chair (Ms. Soo Wong): The next group coming before us is the Registered Nurses' Association of Ontario. I believe the Clerk is coming around with the written submission as well. Welcome, Dr. Grinspun and Mr. Jarvi.

Ms. Doris Grinspun: Thank you very much for having us today.

The Chair (Ms. Soo Wong): I'm just going to do some preamble first. You have five minutes for your presentation, followed by three minutes of questioning from each caucus. This round of questions will begin with the official opposition party. You may begin any time. Can you please begin by introducing yourself for the purpose of Hansard.

Ms. Doris Grinspun: Good afternoon. My name is Doris Grinspun, and I'm the CEO of the Registered Nurses' Association of Ontario, RNAO. With me today is Kim Jarvi, RNAO's senior economist. We appreciate this opportunity to respond to Bill 91, the budget measures act. In the interest of maximizing time, I will deliver a condensed version of the speaking notes you have in your packages.

First, I will offer a few of our key responses to the budget itself. RNAO was pleased with the government enhancing access to care by removing barriers to nurse practitioners making direct referrals to specialists, announced during Nursing Week. We now urge the government to deliver on its promise to create 75 new nurse practitioner positions in long-term-care homes by specifying a long-overdue implementation plan. Simply said, seniors need that.

We are gravely concerned with the continuation of austerity budgeting. It puts access to care and patient safety at risk by opening the door to damaging practices. For example, shortfalls in government funding were used as the rationale for some hospitals deciding to engage in medical tourism. We applaud Minister Hoskins for sending a directive to stop marketing abroad and urge him and Premier Wynne to proceed with a legislative ban that prohibits this practice. It still exists and is on the website of one of our hospitals.

Budget cuts in the hospital sector have also led some hospital executives to engage in yet another cycle of misguided replacement of RNs with lower-cost providers. We urge the government to immediately call on hospital executives to stop the replacement of RNs, given the evidence shows unequivocally that the outcomes will be worse and the costs will be higher if we replace RNs.

We do support moving closer to the community and we have said so, but that must not happen at the expense of quality and safe care. In fact, in this regard, we reiterate RNAO's recommendation issued first in 2012 to commence a three-year devolution of CCAC functions to primary care and to the local health integrated networks, LHINs. This would create an administrative savings of over $200 million—in fact, quite a bit more than that today—that would be better spent on more hours of home care for Ontarians.

To get there, government should transfer care coordinators and health system navigation to primary care and bring primary care, home health care and public health into the LHIN umbrella to enable whole-system planning, funding and accountability. Add to such realignment the expansion of the RNs' scope of practice, including RN prescribing—which both the Premier and Minister Hoskins committed to moving forward this year—and we could unlock the system and truly put Ontarians' access to timely and quality care first. That's the recipe, not deleting RNs or privatizing the system.

Nurses know that good health outcomes depend not only on access to health care services but also healthy physical and social environments. When it comes to the social determinants of health, the budget was disappointing. Social assistance rates, already woefully inadequate, failed to keep pace with inflation. As part of its poverty reduction strategy, the government must adopt ambitious targets, timelines and investments, including funding social assistance at levels that reflect the real cost of living.

The budget measures bill itself sets the stage for the sale of Hydro One to address the government revenue problem. However, nurses fail to understand the logic of selling off revenue-generating assets to fill an ongoing revenue shortfall.

We have several concerns. First, the sale would create a new shareholder or stakeholder, with a powerful incentive to turn public energy policy to its own advantage—at a time when we also want to tackle climate change.

Second, the sale is almost certain to be a long-term net loss to government once buyers discount the value of that future revenue stream for risk, and then need a rate of return. When sale commissions are subtracted, what's left over for government will have less value than the asset itself.

Third, Bill 91 would deliver a huge loss in accountability as Hydro One would be exempt from virtually all normal scrutiny of public sector organizations. Therefore, RNAO calls on the government to maintain full, independent oversight of Hydro One and to halt the sale of public assets.

Before closing, nurses want to urge the Wynne government to abandon the austerity agenda. Ontario will have the second-lowest level of program spending over GDP of all provinces in Canada after Alberta. An examination of the budget figures shows that the bulk of the reductions in the deficit comes at the expense of program spending. Ontario could restore fiscal capacity and has taken a very important step by pricing carbon. It should follow that with other environmental user fees, and make polluters pay, not Ontarians, and it should make its tax revenue structure more equitable by relying on progressive income taxes.

In closing, we thank the standing committee for this opportunity, and we look forward to continuing our strong partnership to advance healthy public policy in the year ahead in Ontario.

The Chair (Ms. Soo Wong): Okay, I need to stop you here. I'm going to turn to Mr. McNaughton.

Mr. Monte McNaughton: Could you talk a bit about the number of nurses that are being let go across the province? It seems every time you open a newspaper, there's another city or town in Ontario where nurses are being laid off. I think the number in North Bay my colleague talked about was something like 94 full-time positions and something like 34 part-time. So how many nurses are actually being fired in Ontario today?

1540

Ms. Doris Grinspun: Let me tell you about two things: the number of nurses replaced, and I will speak specifically about RNs because RNs actually, the evidence shows, produce better health outcomes at a lower price at the end of the road; and also the issue of models of care delivery, which, this committee needs to understand, are both a dovetailing to a very toxic recipe.

We do have layoffs. We understand from our colleagues at ONA that it's about 400—it ranges between 300 to 400 in the province. Let me tell you that one is too many when it refers to RNs. The research shows conclusively that the number of hours of RN care results in higher health outcomes, better health outcomes and lower cost.

The other is models of care delivery. If you have a patient who is stable with predictable outcomes, give that patient to an RPN—the entire patient care. If the patient is not stable, which they shouldn't, in our hospitals, by the most—and in fact in the community, at the beginning, are not—give them to an RN until the RN deems that they can be transferred, but the entire patient care. When you chop patient care into pieces, which some organizations are doing, that's when you get the most mistakes and the worst health outcomes.

Mr. Monte McNaughton: You talked about the savings of the potential CCAC devolution if the government moved in that direction. Why do you think the government is so committed to this form within the health care system? Because I think everybody knows it's expensive.

Ms. Doris Grinspun: Thank you for asking the question. It's beyond my understanding, to tell you the truth, because, actually, they do fully have the support of the PCs and they fully have the support of the NDP. My understanding is that the minister is quite sympathetic, and so have been other members of today's government, to the ECCO model, which has said, since 2012, that we need to devolve CCACs in a staged approach so we don't create havoc.

The reality is that the Ontario Primary Care Council, which brings together the OMA, RNAO and all the primary care players in the field, has said that care coordination belongs in primary care, not in a store down at the corner. So if you move the care coordinators to primary care and then you move the health system planning to the LHINs—that's what they were supposed to be doing—then you actually not only don't lose the resources, but you have them in a better place and you save over $200 million in administrative and buildings etc. that will be better spent in hours of care.

Mr. Monte McNaughton: Thank you.

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

Ms. Jennifer K. French: Welcome to Queen's Park. We're glad to have you. I was glad to have breakfast with some of our local nurses and also some of our nursing students. It was a great opportunity to hear some of their concerns and clearly their expertise in the field. They had some concerns, especially the students I was speaking to. They were even having difficulties fulfilling their placements because there aren't enough full-time nurses to shadow, in some cases.

Anyway, to the point that my colleague made about layoffs and pink slips and whatnot, we know that hospital budgets have now been frozen for about four years. Do you think that the privatization and sell-off of Hydro One and the resulting increase in energy prices would mean more pink slips and more layoffs for front-line staff or front-line workers?

Mr. Kim Jarvi: Well, I would say—you're directing in several different—

Ms. Jennifer K. French: How do you think it might affect—

Mr. Kim Jarvi: —in several different ways. One thing is, you're sacrificing a pretty reliable stream of revenue for a much smaller revenue stream or a chunk of money that's not worth as much, and that, in the end, is going to affect your ability to hire nurses in the go-forward. So I think, number one, you've got a problem right there.

As to the effective cost on energy, it depends upon how much is privatized, but once you create a stakeholder that has an interest in playing with energy policy, all bets are off, I think.

Ms. Jennifer K. French: If we see an increase or when we see an increase in energy costs, what would that look like in our hospitals?

Ms. Doris Grinspun: Well, an overall increase in energy costs that is derived from privatization and not from doing anything good—increases in energy costs because we use more renewables that at the beginning may be costly but actually end up costing less in the end. As an investment that will improve the environment, one could understand. When you will have potential energy cost increases out of simply privatizing and putting it in the pockets of Bay Street, that's simply wrong. It's simply wrong for Ontarians as taxpayers—not only for nurses as having jobs, and for government to have the revenues to hire not only nurses, but teachers etc.

So the idea of privatizing a public asset, especially at a time when we're talking about climate change, makes no sense to us.

Ms. Jennifer K. French: So a decrease in predictable revenue— is that going to have any impact on patient care?

Ms. Doris Grinspun: It will have an impact on everything, including patient care, yes.

We are saying, if you want to have more revenue, do more progressive taxation. If you want to have more revenue, ask for money from polluters. If you want to save money, do—

The Chair (Ms. Soo Wong): Dr. Grinspun, I need to stop you there. I'm going to Dr. Qaadri.

Mr. Shafiq Qaadri: At the outset, I would like to welcome you once again before another committee, Dr. Grinspun—for your consultation not merely today, for your extremely thorough written presentation, and also, as you quite rightly cited, your ongoing partnership with the government of Ontario to foster better health care, of course vis-à-vis particularly the registered nurses.

I'd like to begin by simply quoting two very key major player stakeholders in the health care field.

This statement was made less than a week ago and is by one Dr. Doris Grinspun, who said: "We are pleased to see that many aspects of the government's plan are consistent with RNAO's visionary ECCO report, which includes significant changes to optimize home and community care. We encourage the government to stay on this path, and proceed with the necessary structural changes, including anchoring the system in primary care and placing more emphasis on health promotion and disease prevention. This will include leveraging poverty reduction strategies and health services."

With that, I would once again commend you on the thoroughness—I can see why you have a PhD, because you've touched not merely on what is perhaps your own mandate and remit representing the registered nurses of Ontario, but you've also touched on carbon pricing as well as Hydro One and accountability. Of course, those are probably issues that I'll leave for yet another committee meeting, which I'm sure you've signed up for already.

Having said that, I'd now like to quote I think very sincere words from the individual to whom I'm parliamentary assistant, and that is the Honourable Kathleen Wynne, Premier of Ontario. I think, as a physician, as you know—and as a registered nurse holding a doctorate yourself, you know that you have a friend not merely in the government of Ontario, but also in the Premier. Perhaps that's because her father is a doctor; I'm not sure. We'll have to confirm that later.

Interjection.

Mr. Shafiq Qaadri: Fair enough.

The Premier said—by the way, as you rightly cited, celebrating Nursing Week—"The commitment of nurses to patient care is commendable and it's inspiring.... As our government works to transform our health care system into one that is patient-centred and sustainable, nurses play a valuable role in helping us to provide that coordinated quality care."

As you also very well know, these are not merely words. This is not rhetoric. This is not merely for the press release. We have a number of numbers to cite with reference to that. For example, since we took office, as you rightly know, and as you pointed out in some of your documentation, we have something on the order of 24,000 more nurses—not all RNs—in the system since the year 2003.

With due respect to my colleagues from the PC side, you and I were both witnesses to the wonderful experience of—

The Chair (Ms. Soo Wong): Dr. Qaadri, I need to stop you there. Your time is up.

Ms. Doris Grinspun: Can I respond?

The Chair (Ms. Soo Wong): No, I'm so sorry. This is now done. Thank you, Dr. Grinspun, and thank you, Mr. Jarvi.

ONTARIO SOCIETY OF OCCUPATIONAL THERAPISTS

The Chair (Ms. Soo Wong): The next presenter is the Ontario Society of Occupational Therapists. The Clerk is coming around with a handout.

Good afternoon. Welcome. I'm pleased that you're here early. That's great. I'm not sure you heard: We will be asking you to do five minutes of presentation, followed by three minutes of questioning. This round of questioning will be beginning with the third party. When you begin, could you please identify yourself as well as your position with your organization for the purposes of Hansard. You may begin any time.

1550

Ms. Christie Brenchley: Thanks so much. We really want to thank you for the opportunity to present. My name is Christie Brenchley. I'm the executive director of the Ontario Society of Occupational Therapists. I'm accompanied by Karen Rucas, who is an occupational therapist who has worked in the auto insurance sector for the past 25 years, both as an insurer-examiner and as a treating occupational therapist. We're here to speak to the proposed Ontario budget and Bill 91 as they relate to amendments to the Insurance Act and changes to benefits in the province's auto insurance system.

Auto insurers report approximately 50,000 to 60,000 claims for personal injury every year. Occupational therapists for the most part work with the 20% of claimants who have serious injuries and the 1% who have catastrophic injuries, such as paraplegia and brain injuries. We actually see very few people with minor injuries, who make up the remaining 70% to 80% of injuries in Ontario. In short, OTs work with those people whose motor vehicle-related injuries absolutely impact their ability to manage their day-to-day living and employment skills.

We believe we can offer you perspectives on the needs of seriously injured claimants and the impacts that the proposed changes to the SABS will likely have. We believe that the proposed changes, if implemented, impose staggering negative implications for claimants and our publicly funded health care system.

Why? Because first, we believe that the proposed changes are introduced too soon after already significant reductions in benefit entitlement. Changes made in 2010 are just now having an impact on insurers' costs. Secondly, we believe that the proposed changes, building upon already reduced benefits, will so significantly restrict access to necessary rehabilitative and attendant care services for the seriously and catastrophically injured that they will have inadequate coverage to achieve meaningful rehabilitation potential and to meet their attendant care needs.

Ms. Karen Rucas: I'm going to start with attendant care, and I'll talk fast.

OTs are one of two professions identified in the SABS, the statutory accident benefits schedule, that determine a claimant's eligibility for the attendant care benefit, and we quantify their need. This benefit provides support for people objectively assessed to be unable to care for themselves after injury. OTs have witnessed a gradual demise of the attendant care benefit ever since 2010. I draw your attention to the table coverage highlighted in green; we talk about attendant care there.

In 2010, seriously injured claimants had their access to this benefit slashed from $72,000 to $36,000, a 50% reduction. We knew that this would impact those who were seriously injured and who might be facing multiple surgeries and/or waiting for catastrophic designation as they would soon run out of attendant care dollars. This is exactly what happened. These changes have been significant, and the insurance companies have been spared significant cost as a result.

Additionally, September 2010 cuts were made to the medical rehabilitation benefits, seen in your table in white. For those serious but non-cat injuries, these are the dollars that pay for someone to get physio, medications, home modifications, work modifications, and I can go on. These claimants saw benefit reductions from $100,000, established in 1996, slashed another 50% to $50,000. Again, we warned the government back in 2010 that folks would simply run out of funds and would have nowhere to turn for their therapies, and that's exactly what happened.

Further changes in 2010 removed entire benefits, like the housekeeping and home maintenance benefit and the caregiver benefit, in blue on your table, to all but the 1% of catastrophic claimants. This resulted in enormous savings for insurance companies as they now pay neither the benefit nor the cost of the insurers' examinations to determine the eligibility for the benefit. In fact, insurers boasted a 66% reduction in costs for examinations after 2010.

Government then introduced the minor injury guideline, which further reduced benefit access from $50,000 to $3,500 for those claimants who sustained soft tissue injuries, whether single or multiple. This minor injury guideline is found in no other province but Ontario and has led to massive savings for insurance companies for 70% to 80% of claimants who are served on this guideline.

Committee members, these are the significant changes in reductions in benefit payments that the system has already incurred. We purport that these represent significant savings to insurers, yet consumers are once again asked to absorb even more cutbacks as of the 2015 proposals. These proposals suggest that for serious but non-cat claimants, we're going to reduce their total medical, rehabilitation and attendant care benefits by yet another $21,000.

We can predict that consumers will be left with the decision to either pay for an attendant to look after them after an acute injury, or to preserve their medical and rehabilitation funds for therapy, but it will be difficult to do both.

If attendant care comes first and it's costly, the ability to treat with fewer dollars will lead to poorer outcomes, fewer people returning to work and more reliance on public services—

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

Ms. Karen Rucas: Pardon?

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

Ms. Karen Rucas: There were three other changes to the catastrophic. A million and a million is now reduced to a million. The tort has been linked to inflation so that it's harder to meet that tort threshold, yet none of the SABS benefits are linked to inflation.

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

Ms. Karen Rucas: Okay. Fine. No problem.

The Chair (Ms. Soo Wong): I'm going to ask Ms. French to start this round of questioning.

Ms. Jennifer K. French: Okay. Before I ask a question, was there anything you wanted to finish, briefly?

Ms. Christie Brenchley: I think we might just summarize that our point is really that at this stage, we've witnessed significant structural change in reduction in benefits and yet we find ourselves faced with more. We, as a society, as professionals working with seriously injured, can't support further deterioration of the benefit.

We urge the government to let the 2010 cuts truly work through the system to realize the kind of cost-saving potential that exists, and we want to ensure that the government has done all it can to ensure that every measure to reduce costs across the auto insurance system has been addressed and explored prior to drivers once again being the victim to take the hit for cost containment.

Ms. Karen Rucas: Thank you, Jennifer.

Ms. Jennifer K. French: A question for you: As we know, the government is cutting 50% of the benefits for a segment of the most vulnerable population, those with catastrophic injuries, reducing the duration period for which accident victims can receive medical and rehab benefits by 50%. It looks like the government is heavily leaning towards the cost-saving measures at the expense of not just consumer protection but protecting those who are most vulnerable. Do you have any insight as to why? Any thoughts?

Ms. Karen Rucas: Again, we've asked them to go to the other sectors. Perhaps look at the costs for storage. Look at the cost of repairing vehicles. Look at the cost for the tow truck drivers, because we know that there was a great deal of abuse there. They've come to this well time after time after time, and there's nothing left anymore.

Ms. Jennifer K. French: Is this a well that fights back particularly? Is this a well that is—

Ms. Karen Rucas: Obviously, we have a tougher time fighting back. We don't have the deep pockets that perhaps insurance companies do.

Ms. Jennifer K. French: The government is proposing redefining the term "catastrophic impairment." Judging by your faces—could you maybe talk to us about what this would mean for accident victims?

Ms. Karen Rucas: It means fewer people are going to get catastrophic impairment. Right off the top, they're getting rid of the Glasgow coma scale. Those are the people who are unconscious at the scene.

There are other more stringent measurement tools that they're going to be using, so fewer people are going to be—as it is, only 1% are catastrophic. So now even fewer than 1%—and, again, I don't understand why the insurers are tackling the most seriously injured.

In fact, I think what consumers think is that they actually have $1 million of coverage, but they don't. They're shocked when they find out—"It's $3,500? You mean, that's all I get?" Often, again, they run out of the $3,500. We're making these levels so arbitrary, and it's just not feasible anymore to provide them with the rehab they need and to get them back to work and get them back functioning. Instead, these people go on CPP or what have you.

Ms. Jennifer K. French: Thank you. Do I have any time left?

The Chair (Ms. Soo Wong): Just one minute.

Ms. Jennifer K. French: Okay. You had asked in here, can Ontario's publicly funded health care and social systems absorb the costs of care and supports that would be required? We just heard from the group before you that the sell-off of Hydro One and cutting off a predictable revenue stream—that probably the answer to that is no.

1600

Ms. Christie Brenchley: Good question. Whether the answer is no, regardless, Ontario's home care system, which would be the system for people who are unable to manage and who seek supports from the publicly funded system, is already not meeting needs. I think we have concerns in that occupational therapists work across all sectors of the health care system in the publicly funded system, and we worry about the impact of an increasing number of people needing supports from the public system.

Ms. Jennifer K. French: Thank you.

The Chair (Ms. Soo Wong): I need to stop you there. I'm going to turn to Ms. Albanese.

Mrs. Laura Albanese: Thank you, Madam Chair, and thank you for your presentation. We have heard similar concerns from a number of legal and health care groups, which we will take back. I'm also going to read attentively, not only your asks but also your points to ponder.

It's a tough balancing act for the government. We are trying to still have an efficient but generous system, and at the same time make those rates more affordable for drivers, as you know. It is very difficult to strike a balanced approach, but nonetheless we're trying and we're committed to do our best at doing that.

I am familiar with the work of occupational therapists. My husband, as I mentioned the other day, had more than one serious accident—not catastrophic, but serious nonetheless—and so I do understand the work that you do and what's entailed here. Thank you for your presentation.

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

Mr. Monte McNaughton: I wanted, as well, to thank you for your presentation. In particular, I think what's most helpful for the committee members is this chart here that you presented. There have been a number of presenters raising the exact same concerns that you have, and I sincerely hope that the government will take this back to the minister and rework this, because I feel like the little guy and the little lady are being victimized because of this.

I actually think that this is a repercussion of the political deal that the two parties made to reduce rates by 15%. It may be an unintended consequence; I'm not sure. With that, I just want to say thank you very much. We will urge the government to make a change on this.

Ms. Karen Rucas: Can I comment about the rates?

The Chair (Ms. Soo Wong): Yes.

Ms. Karen Rucas: It was surprising to me, after 2010. I asked my own insurer about my own rates between 2010 and 2015, and I thought, "Oh, okay. I should see something, even if it's 4%, 6%, 7%"—something. What did I see? Between 2010 and 2015, where nothing changed—I never got in an accident, no parking tickets; in fact, my cars are five years older—my overall increase was 2.7%. When I asked the superintendent about that, he said, "You've got to account for inflation."

Again, if we're trying to chop them down, after 2010 and the massive cuts, I can't even believe that my insurance didn't go down 1%. I'm just one of those little guys. I'm one of those consumers. If it's not going down after the 2010 cuts, these cuts will mean nothing, because they're even less substantive.

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

Ms. Christie Brenchley: Thank you very much for the opportunity.

Ms. Karen Rucas: Thank you very much.

UNIFOR

The Chair (Ms. Soo Wong): I believe our last witness is from Unifor. Are you here?

Ms. Katha Fortier: I'm here, but I'm just waiting for Jim Stanford, who should be arriving any moment now.

The Chair (Ms. Soo Wong): Okay. We're going to recess. We'll try 4:15 and see.

The committee recessed from 1605 to 1616.

The Chair (Ms. Soo Wong): I'm going to resume the committee hearing for Bill 91. I'm going to call the last presenter, Unifor, up to the front. We have Katha Fortier and Jim Stanford.

Welcome to the committee. You have five minutes for your presentation, followed by three minutes of questioning. This round of questions will begin with the government side. You may begin anytime. If you have any handouts, the Clerk will come around to pick them up. When you begin, please identify yourself for the purpose of the Hansard.

Ms. Katha Fortier: Good afternoon. My name is Katha Fortier. I'm the Ontario regional director for Unifor. With me is Jim Stanford, our Unifor economist; you may recognize him.

Unifor welcomes the opportunity to share our views with the committee regarding the proposed Ontario budget for 2015-16. Thank you very much for the invitation to appear.

Unifor is Canada's largest union, working primarily in the private sector of the economy. We represent over 305,000 members working in at least 20 different sectors of the economy, including resources, manufacturing, transportation and a range of public and private services. Over half of our members live and work in Ontario.

This budget is tabled at a hopeful moment in Ontario's economic history. After many years of difficult economic times, it seems that the province's economy is poised to enter a more expansive and positive phase. We welcome the recent positive signs. Several forecasts now expect Ontario to lead growth in Canada.

That being said, the recovery is still inconsistent and fragile, so it's crucial that the provincial government play a role in strengthening that expansion. This requires primary focus on supporting investment, job creation and spending power. Those are the engines that can help finally launch Ontario's economy into the full economic recovery we so badly need. In this regard, your proposed budget deserves mixed grades. There are some important measures that will indeed further support living standards and support job creation, but there are others which undermine these goals.

Let me start with the positive: The budget's emphasis on provincial support for infrastructure spending, estimated at $130 billion over the next decade, is appropriate and beneficial. Sustained major infrastructure spending generates a host of economic benefits, both short-term and long-term—in the short run, new jobs and incomes; in the long run, the resulting facilities contribute to our productivity and our quality of life.

We also welcome the commitment to the Jobs and Prosperity Fund and the intended use of public co-investments to leverage major private sector projects. Experience has shown that government must partner with the private sector in major keystone investments. There is a huge fiscal payback to government from strategic investments in auto, aerospace, forestry, ICT and other strategic, export-oriented high-value sectors of our economy.

Let me repeat our strong support for moving forward with the Ontario Retirement Pension Plan implementation. The insecurity facing future retirees is enormous, and a universal, transportable defined benefit plan is definitely the most efficient, fair and secure way to fill the pension gap. Expanding CPP is obviously preferable, and we remain optimistic—especially in light of the recent Alberta election—that this may be possible. Failing that, Ontario must move ahead. Employers have a moral and economic obligation to contribute to their well-being after retirement, and the CPP/ORPP model is a good way for this to occur.

I must mention some of the negative features of the proposed budget. First, in terms of the overall fiscal framework, your government continues to follow sustained austerity that is damaging to both Ontario's economic momentum and our quality of life. The continuing restrictions on allotted spending in health care are particularly worrisome. This includes total spending growth that lags far behind health care inflation and population growth, and hence translates into significant declines in real per capita spending. Nominal budget freezes for hospitals, extended over several years, will inevitably translate into cutbacks, poor service and ultimately privatization.

Despite all the exaggerated rhetoric about Ontario's debt problem, the reality is that your government has outperformed its official deficit targets several years running, and interest rates on provincial debt remain at historic lows. There is no debt crisis in Ontario. Your government should extend the timetable for final elimination of the deficit; stabilizing the debt ratio, not eliminating the deficit altogether, should be the ultimate goal.

You should adopt new revenue measures to contribute to the deficit reduction effort in coming years. Chief among these should be an increase in the corporate tax rate. Even Alberta is now planning to increase their rate to 12%—higher than Ontario's. There is no excuse for your government not to do the same. Your 2015-16 budget should be amended to include an immediate increase in the CIT rate to 12%, matching Alberta, and consider further increases in subsequent years.

We also express our strong opposition to the proposed sale of a majority interest in Hydro One. This sale is in no way necessary to pay for the important schedule of infrastructure investments. Ontario possesses ample fiscal capacity to raise funds for those investments through conventional means. The sale of this crucial public asset will place Ontario consumers and taxpayers at great risk in the future, a point that was made strongly last week by Ontario's eight legislative accountability officers. It will deprive future generations of Ontarians of assets that could be wielded to great economic and social benefit. It will generate a huge one-time windfall for the brokers on Bay Street who will handle the sell-off.

This is not our priority. It is clear that this proposal is at odds with the views of Ontarians. It was not featured in the government's election platform last year, and it should be abandoned.

Once again I thank you for your interest in our views, and welcome your questions and comments.

The Chair (Ms. Soo Wong): Okay. I'm going to turn to the government side. Ms. Hoggarth.

Ms. Ann Hoggarth: Thank you for your presentation. I know from your union that you have a very strong social justice agenda. I'm pleased to see that you are very busy taking care not only of your own members but of other people in Ontario, Canada and around the world. I thank you for that.

As a government, we hope to make things a little more balanced, too, for those people at the bottom of the economic stream. Of course, we have increased the minimum wage and given PSWs a raise, too, trying to do things to help out in that regard.

I see from your presentation that you approve of our support for the infrastructure spending. You also welcome the commitment to the Jobs and Prosperity Fund, and you expressed strong support for moving forward with the retirement pension plan. I know in my own family, no one other than myself, as a former teacher, has a pension plan in place, and I believe this is very important.

I also think that we are trying to take a balanced approach in regard to this budget. We do need to get fiscally in line. I know that some people would say that we could spend more, but at this time I think we want to make sure the economy is getting better all the time and remain with the balanced approach.

How are the things that you talked about going to help your members, the infrastructure, the Jobs and Prosperity Fund and moving forward with the pension plan? Could you tell me?

Ms. Katha Fortier: Well, I think all of them are basically very simple. The Jobs and Prosperity Fund, obviously, we're optimistic will create good jobs. That's really important to our union. There is far too much precarious work out there. It really is a challenge for young people—and, in fact, people of any age—to get a job with security so that they can purchase a house, buy a car, do all of the things that my generation certainly did. I bought my first house was I was 21, and I think the average first-time homeowner in Toronto is 37 right now. Those are astronomical when you think that people are probably entering long-term mortgage at those ages.

The pension plan I think is self-explanatory. My son is 27. I don't think he has much hope of working anywhere that will have a decent pension plan. The reality is, we know Ontarians aren't saving.

Infrastructure, I think, speaks for itself. Investing in infrastructure is really investing in our communities, investing in our people. It actually attracts good business to our province.

The Chair (Ms. Soo Wong): Ms. Fortier, I'm going to stop you. We're going to go to Ms. French.

Ms. Jennifer K. French: Welcome, both of you, to Queen's Park. We're pleased to have you here. I appreciate the balanced approach of your presentation. I'm just going to focus on some of the negative aspects of the budget, if that's okay.

You were talking about the sustained austerity agenda and what that would look like in the province. I'd actually like to zero in on the sell-off of Hydro One. You know that I'm from Oshawa, and of course we have GM. The cost of manufacturing—well, the cost of doing business everywhere is going up, but can you talk to us about what it would look like when electricity rates go up and how that would affect manufacturing in the province, or business in general?

Mr. Jim Stanford: Electricity is an important business input, of course. How much you spend on electricity depends a lot on the nature of the industry that you're engaged in. Some industries use a lot of electricity; some use not so much. In the case of Oshawa and auto manufacturing, electricity is a secondary input, so I think it would be exaggerated to say that higher electricity prices, in and of themselves, are really going to dramatically change the business case.

Our effort, shared by the provincial government, is to try to get General Motors to recommit to future investments and product allocations in Oshawa. The things that are going to be crucial in determining that are issues like an automotive strategy, the active use of the Jobs and Prosperity Fund, the union being able to reach an agreement with the company in terms of future products and so on. I would view electricity prices as secondary.

That being said, I think the uncertainty that would be created in the electricity pricing regime by the privatization—there's tremendous uncertainty regarding the governance structure of the company. It will be majority privately owned. To what extent that is going to change the operating mandate of the utility and how that is going to affect consumers, including major industrial users, I think is a major question mark. The history in Ontario is clearly that we, like some other provinces—Manitoba, British Columbia, Quebec—have been able to use publicly owned energy as a strategic asset to attract and retain key industrial investment, to use energy as a tool for diversification. I think that record is very much jeopardized by the sale of the company without any particularly compelling reason for why we have to sell it off.

Ms. Jennifer K. French: With it being, as you said, a huge one-time windfall, can you think of another way of generating revenue in a more ongoing capacity? You've mentioned a few in here, but to expand, what would be a suggestion for the government in terms of—

Mr. Jim Stanford: On the revenue side?

Ms. Jennifer K. French: Yes.

Mr. Jim Stanford: Well, there are a number of different proposals that have been thrown up. The one we've focused on here is the corporate income tax, because the change in the government in Alberta is quite surprising and, in a way, has shifted the landscape around corporate income taxes at the provincial level.

I recall a discussion that we had here in Ontario several years ago about whether to reduce the rate and the provincial financial minister at the time stressing, "We have to reduce the rate to keep up with Alberta," pointing out that companies were threatening to actually move their head offices to Alberta if Ontario didn't cut its rate to match. We could have some discussion about how realistic that fear was, but that was certainly the argument. Now the tables are suddenly turning and Alberta is increasing its rate to a level higher than Ontario's, even though Ontario and the key businesses that we look at have got a locational advantage that would be a centre of gravity in any regard.

I think that one is a no-brainer, frankly, and I suspect many members of the government probably privately agree and would recognize the little bit of income we could get from that. It's not going to be a night-and-day difference, just increasing it from 11.5% to 12%, but it still helps with the incredible, gritty task, at the grassroots level of our hospitals and schools, of trying to manage the austerity that they're facing.

Katha comes from the health care sector. She can attest personally, and from the people that she's worked with, how damaging it is to their capacity to deliver quality care to Ontarians when you face this budget freeze year after year after year. There are going to be real consequences from that austerity.

The Chair (Ms. Soo Wong): I'm going to stop you here. Thank you so much for your presentation. Thank you for being here.

Mr. Shafiq Qaadri: Madam Chair, just before you dismiss our witnesses, did the PC caucus not want to question the witnesses?

The Chair (Ms. Soo Wong): We cannot talk about people who are not here. Remember what the Speaker said, right?

Mr. Shafiq Qaadri: Pardon me?

The Chair (Ms. Soo Wong): Remember what the Speaker said? We cannot talk about people's attendance.

Thank you very much for your presentation.

Mr. Jim Stanford: All right; thank you.

The Chair (Ms. Soo Wong): Thank you for being here—and your written submission as well.

Seeing as this is the last witness for today, I'm going to be adjourning the committee until 2 p.m. on Monday, May 25, in committee room 1. We're not going to be here, okay? Thank you.

The committee adjourned at 1631.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Présidente
Ms. Soo Wong (Scarborough–Agincourt L)

Vice-Chair / Vice-Président
Mr. Peter Z. Milczyn (Etobicoke–Lakeshore L)

Mrs. Laura Albanese (York South–Weston / York-Sud–Weston L)
Mr. Yvan Baker (Etobicoke Centre / Etobicoke-Centre L)
Mr. Victor Fedeli (Nipissing PC)
Ms. Catherine Fife (Kitchener–Waterloo ND)
Ms. Ann Hoggarth (Barrie L)
Mr. Monte McNaughton (Lambton–Kent–Middlesex PC)
Mr. Peter Z. Milczyn (Etobicoke–Lakeshore L)
Ms. Daiene Vernile (Kitchener Centre / Kitchener-Centre L)
Ms. Soo Wong (Scarborough–Agincourt L)

Substitutions / Membres remplaçants
Mr. Bob Delaney (Mississauga–Streetsville L)
Ms. Jennifer K. French (Oshawa ND)
Mr. Shafiq Qaadri (Etobicoke North / Etobicoke-Nord L)

Clerk / Greffier
Mr. Katch Koch

Staff / Personnel
Ms. Anne Marzalik, research officer,
Research Services
Ms. Susan Viets, research officer,
Research Services

CONTENTS

Thursday 21 May 2015