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Mercredi 18 novembre 2015

**Standing Committee on
Estimates**

Ministry of Economic
Development, Employment
and Infrastructure

**Comité permanent des
budgets des dépenses**

Ministère du Développement
économique, de l'Emploi
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON ESTIMATES

COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Wednesday 18 November 2015

Mercredi 18 novembre 2015

The committee met at 1600 in room 151.

MINISTRY OF ECONOMIC DEVELOPMENT, EMPLOYMENT AND INFRASTRUCTURE

The Chair (Ms. Cheri DiNovo): Good afternoon, members. We are here to resume consideration of the estimates of the Ministry of Economic Development, Employment and Infrastructure/Ministry of Research and Innovation. There is a total of four hours and six minutes remaining.

Before we resume consideration of the estimates, Minister, do you have any answers to outstanding questions from yesterday that you would like to be distributed by the Clerk?

Hon. Brad Duguid: I don't believe that we do, but I'll ask the deputy if he has anything that he has put together overnight.

Mr. Giles Gherson: We have some clarifications to some of the questions. Perhaps I could read them into the record, and then if we have something to distribute, we could do that.

The Chair (Ms. Cheri DiNovo): Sure. Do you want to read them into the record, then?

Mr. Giles Gherson: Sure, I'll do that.

The Chair (Ms. Cheri DiNovo): Do you want to just announce your name into the microphone?

Mr. Giles Gherson: Yes. I'm Giles Gherson, deputy minister, economic development.

There was a question around the Navistar investment, and I think there was some question as to what took place there. The answer was that there was a commitment, as the minister stated, to Navistar back in 2004, so it went back a number of years. It was a total project investment of \$268.8 million. The federal government also made a commitment to that project. Navistar did shut its plant later, and there was a settlement. We can't disclose that settlement, but there was a settlement. I think there was a question as to whether there had been a settlement in that case, and the answer is that there was.

There was a question as to how many other investments we have clawed back. This would go over the last five years and a whole series of different business support funds. As you know, the Jobs and Prosperity Fund is the latest of a series. There was, previous to that, the Next Generation of Jobs Fund, and prior to that, there was the

Strategic Jobs and Investment Fund. Each of those funds—not including the Jobs and Prosperity Fund—but the Eastern Ontario Development Fund has had seven repayments over time, amounting to about \$420,000. It's not a lot, given the size of the fund. The Next Generation of Jobs Fund has had four repayments, for a total of \$1.22 million. The Southwestern Ontario Development Fund has had two repayments, for a total of \$210,000. The Strategic Jobs and Investment Fund has had three repayments, for a total of \$2.53 million. That's the total.

The Chair (Ms. Cheri DiNovo): Is that it?

Mr. Giles Gherson: That's it. It amounts to about \$4.5 million out of several hundred million dollars invested.

The Chair (Ms. Cheri DiNovo): Are there any other answers, or are you done?

Mr. Giles Gherson: There was a question about the footprint reduction for government-owned realty in Toronto, and the answer is that we've reached about 41% of the goal to reduce a million square feet, so that's about 410,000 square feet as of April 1 of this year. We've reached 90% of the goal outside the GTA. So that's 266,000 square feet that have been reduced outside the GTA.

The last question, I think, that we did not provide an answer to was about how much funding we have provided through the EODF. The answer is, during 2014-15, we've announced support to six projects, with a total investment of \$3.4 million. Since the fund was established in 2008, the government has invested more than \$70 million in over 145 projects, leveraging a total investment of approximately \$700 million. These investments have created over 3,000 jobs. That was the total.

The Chair (Ms. Cheri DiNovo): Thank you, Deputy. Now we go to the third party for 20 minutes. Mr. Natyshak.

Mr. Taras Natyshak: Thank you, Minister, for being here again today, and to Deputy Minister Gherson, thank you very much. Thanks for the clarification as well on those outstanding questions.

I'm going to ask specifically about the Infrastructure Ontario file as it relates to the Auditor General's report on AFP. So IO and the lands corporation have roughly a \$68-million operating expense, and I just want to understand a little bit more about what IO does. What percentage of infrastructure projects under Infrastructure Ontario use the AFP model or approach?

Hon. Brad Duguid: Sure. The deputy will be able to share with you more precise numbers on that.

We have looked at that. I've seen those numbers, and if I recall, we do tens of thousands of projects virtually every year and the amount that are AFP are a very small proportion of that at the end of the day, but they tend to be the bigger projects. Right? We do a lot of smaller projects across the province. A lot of municipal projects and things like that aren't suited to an AFP process.

I think one of the helpful recommendations in the Auditor General's report was really asking IO to take another look at how you analyze what projects are more appropriate under the AFP process and which are not. Are we weeding those out in a logical, rational, consistent way? IO has taken a close look at that and determined that there continue to be times when the AFP process is appropriate, but there are times when it's not the best mechanism. There's no really great incentive for IO to do one or the other, but we want to make sure that they're making their decisions based on what's in the public interest.

The deputy may have those numbers by now.

Mr. Giles Gherson: I'm just checking for those numbers. What the minister said is the case—until this year, until actually fairly recently, and the Auditor General's report played a role in this—in terms of the threshold for looking at AFP projects, which was \$50 million and the degree of complexity that was looked at as well. This year, that's changed to \$100 million, but it's also fair to say that as the portfolio shifts from structures, like hospitals, courthouses, detention centres, those kinds of things, towards transportation, that being transit, more highways, those kinds of things, those are much larger projects and so you could imagine that the opportunity to consider AFP will be larger. It doesn't mean to say in all these cases it will be AFP, but there's an inclination to look very seriously at AFP for very large projects because of the transfer of risk and the fact that most of those AFP projects are designed, built, financed and maintained, maintenance being an important part of the transfer of risk. What it means is, you've got a fixed price for the 40-year contract, for the 40-year term of that structure where the maintenance will be kept by the contractor, not on the public purse. That's probably the biggest incentive to using AFP for large, complex projects.

I think you probably heard that often there's a degree of innovation that's built into those projects by the contractor that wasn't necessarily looked for in the RFP. Contractors then say, "Well, if we're going to be responsible for the maintenance of these structures, how do we build resilience into the structure so that we don't have to pay so much for maintenance?" So that's why you're getting that shift.

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Mr. Taras Natyshak: Sorry; I'm just going to stop you because I've got a whole list of questions here.

You touched on the innovation side. In 2014, Infrastructure Ontario was said to be adding an innovation adjustment of up to 13.3% of the base cost of public

sector delivery. Have you gone through that exercise? Have you implemented a 13.3% adjustment based on innovation? Can you explain where that came from and can you tell us how you measure that?

The Auditor General said that this adjustment makes the assumption that private sector bidders are containing costs through value-added innovations. She rightfully points out that these could be due to a number of other factors, such as overly generous budget estimates and changing market conditions. In that context, through the AG's comments, can you make comment on the 13.3% innovation adjustment?

Mr. Giles Gherson: IO has looked very hard at the innovation adjustment over the past year. IO was asked, really, by the Auditor General to take a close look at it and to review it and to see whether it was warranted. She had some questions around the data. So in the last year, IO has gone back and published a report fairly recently—and, I believe, given it to the Auditor General—to substantiate the adjustment. In fact, my recollection is that the adjustment was somewhat larger than the adjustment that was cited last year.

The questions that were raised about whether in fact there were inflated numbers, so that the adjustment in a sense masked an inflated number, were dealt with, I think, by IO at public accounts this year, where they showed that there was a significant amount of competition in each of these projects and that the competition was bringing the price down. They were able to demonstrate—and have demonstrated, I believe, to the Auditor General—that the average price has come down. When you look at the price of winning bids, they tend to be about 70% of the average bid. So you've got quite a few bidders on these projects and you've got international bidders, usually, as well as—

Mr. Taras Natyshak: Can you say that again? The winning bid tends to be 70%—

Mr. Giles Gherson: Seventy per cent of the average bid.

Mr. Taras Natyshak: Seventy per cent of the average.

Mr. Giles Gherson: Which is to say, then, that you're choosing a low bid, obviously. But that's what you would get in a highly competitive process. I think the answer to the question raised by the Auditor General is that there is a lot of competition on these very large projects. As a result, that does bring down the price and then you get the adjustment for innovation.

Mr. Taras Natyshak: You're bringing me all over the map here in terms of my line of questioning. You're messing up my line of questioning.

Mr. Giles Gherson: I apologize, sir.

Hon. Brad Duguid: He's giving you way too much information.

Mr. Taras Natyshak: You really are.

Low bidder: You mentioned it. According to the AG's report, a number of Infrastructure Ontario projects were awarded to the lowest bidder, as you just mentioned, but had met only the minimum technical design requirements. Those submissions that were passed over had

significantly exceeded the project's minimum technical design requirements. So are you getting what you pay for in terms of technical design, and are you getting the minimum standards when you head towards a low bid? Does that warrant the 13.3% adjustment when you know, at the end, you're not actually getting the highest standards? Could you comment on that? In practice, is there more emphasis placed on cost at the end of the day rather than the quality, and then what is the way in between those two components?

Mr. Giles Gherson: I don't think there's any evidence to show that, beyond the allegation that you've just made—

Mr. Taras Natyshak: It's not an allegation; it was a report—

Mr. Giles Gherson: Okay—beyond the statement that these are only just meeting technical requirements. Technical requirements are pretty high. But I think the real answer to the question is in the innovation component. As I stated earlier, the fact that these projects are designed, financed, built and maintained—again, with the emphasis on “maintained”—over the 40-year life of the project puts a real premium on the durability of the project, of the structure, because if that's not done, it's not going to be the government or the public owner that is going to be required to pay for flaws in design or poor structure or lack of technical merit; it's going to be the contractor. It will come out of the contractor's pocket. So the contractor has a built-in incentive to meet the highest standards; otherwise, they'll pay to remediate any weakness.

That really is the virtue of the AFP process. It gives the government, or the public—the taxpayer—a guarantee of price, which you don't get with traditional build. With traditional build, the risk is all on the taxpayer if there are deficiencies or weaknesses or maintenance concerns.

Mr. Taras Natyshak: To the point of risk, in some cases a risk cost that a project's value-for-money assessment assumes that would have been transferred to the private sector contractor was not actually transferred. Private sector contractors were paid millions for risks they didn't actually assume, in some of these cases. For example, costs associated with permit approvals are considered to be a responsibility of the AFP contractor; however, the AG discovered that these costs are shared between the contractor and the province according to AFP agreements. Has that specific problem, in terms of the risk, associated or shared, been fixed? Have you made consideration for that, and are there any other inconsistencies that follow that same trend?

Mr. Giles Gherson: I think the significant risk—the lion's share of the risk—that's been transferred to the contractor is the 40-year life cycle maintenance risk. We all know that buildings require significant maintenance over time, as do other structures—roads—and if the contractor is going to pay for all of that, it's a bit like an insurance policy. This is all being paid for up front. That's the risk that's being transferred, and it's difficult to

know at this point in time—the point you just made—how much accuracy it actually would have, because most of these projects are still fairly new.

We'll only really know in 40 years' time what the answer to your question is. But I will come back—the minister will come back—and offer you the answer. But to be honest, without being frivolous about it, it is difficult to know. It's like any insurance policy: You look at the risk, you assess the risk based on what you know about past performance in public infrastructure, you make a calculation as to who is going to assume that and you pay a price for that.

Hon. Brad Duguid: I'd add to that to say that an AFP is not always the best way to go, but on some of these projects it is. In particular, when there is that maintenance risk down the road, there's a built-in incentive. If the person building the building, or whatever they are building, has a stake in the long-term maintenance of it, they're less likely to take shortcuts. They're less likely to do things that might look fine cosmetically and get your approval and your payment and then out the door they go, and they're more likely to take the time to think about the implementation and the construction and the material they're using and all of that stuff. They're much more likely to be innovative, in terms of how they build the building and the materials they use, than they would if it was just a straight contract. Generally, a contractor would do as much as they need to do to comply with their contract, and at the same time do as little as they need to do to make that happen so they can save dollars.

Mr. Taras Natyshak: I understand the premise; I understand the concept. And you would hope that it works as described. However, we have a glaring example where it didn't, in terms of trying to assure quality in the build, in the Windsor-Essex Parkway, right? “Girdergate,” if you recall. That's what we called it: girdergate. You probably didn't call it girdergate as the government.

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Hon. Brad Duguid: I've heard the term. I never knew what a girder was until that happened.

Mr. Taras Natyshak: You didn't know what a girder was. You do now?

Hon. Brad Duguid: I thought it was something you put around your waist.

Mr. Taras Natyshak: That's a garter, right?

Hon. Brad Duguid: Yes, that's a garter.

The Chair (Ms. Cheri DiNovo): Just to let you know, Mr. Natyshak, you have about five minutes left.

Mr. Taras Natyshak: Thank you, Chair.

Where did this go? I think we're off-track here.

Hon. Brad Duguid: I don't know.

Mr. Taras Natyshak: Minister, the girders were built in a substandard fashion using a technique that was not approved by any of the overseers, any of the parameters within the contract, and ultimately had to be removed, replaced—yes, at the cost of the contractor, but there were delays. I think it added about a six- or eight-month delay in the project overall, which means delays to

businesses that are around that area, which means delays to trade, especially at an international border.

Somewhere along the line, even though the premise is on a 30-year design, build, maintain and finance project, there are contractors that are ultimately feeling the pressure. These are subcontractors that are feeling the pressure from the conglomerates to get it done as fast as possible, and because they're parties to a massive agreement that forces them to cut as many costs as they can, they ultimately do, and we have projects that are vital to our economic prosperity that are potentially substandard. Girdergate was one of them.

Thankfully, whistleblowers informed the government and others that this was happening and we were able to catch it, but it's one glaring example. How many others exist, really, under the concrete, under the ground, where we won't find out until 30 years from now, or even sooner, that that's happening?

Hon. Brad Duguid: Well, I would suggest—not having been in the role when that particular matter was going through—that that was one of the more troubling procurements that we've probably had in recent years. I truly believe you would have gotten the same result under a traditional procurement, more than likely. However, the difference is that under a traditional procurement, taxpayers would have been left holding the bag in all likelihood, whereas under the AFP, the risk, or the costs, shifted to the proponent—

Mr. Taras Natyshak: But we paid a premium for that risk under the project. That's under the agreement.

Hon. Brad Duguid: No question—

Mr. Taras Natyshak: So we still assume that risk anyway, because it happened.

Hon. Brad Duguid: Well, no. The cost of taxpayers footing the bill would have been much greater than the premium that we would have paid for that risk. This is a case where—

Mr. Taras Natyshak: Tough to say.

Hon. Brad Duguid: There's no question you pay a premium for the risk, and that's—

Mr. Taras Natyshak: Well, if I was the Minister of Infrastructure at that time I certainly would have made sure that there were oversight and accountability measures built into the project. Should it have been a traditional procurement project, we would have had ministry officials and technical standards folks on site, ready to provide the oversight to make sure that it was done within the standards and to the quality that the province of Ontario would want. AFPs allow you to sort of stand on the sidelines and hope that the conglomerates are doing it to the best of their abilities.

Hon. Brad Duguid: But you've got to keep in mind that the traditional procurement process that you seem to be so much in favour of—and there are projects where that's best; in fact, the majority of our projects are done the traditional way. Globally, only one out of 10 of those projects come in on budget—one out of 10, globally, according to a recent University of Oxford report. Our AFP—

Mr. Taras Natyshak: On traditional methods?

Hon. Brad Duguid: On traditional methods.

Mr. Taras Natyshak: How many of our traditional procurement methods come in on-budget?

Hon. Brad Duguid: About 71%, which is better than globally.

Mr. Taras Natyshak: That's seven out of 10.

Hon. Brad Duguid: But how many of our AFP projects were completed on-budget? Some 98%. It's a big difference: 98% on AFP projects, compared to 71% on traditional. We do procurement well here, and when IO was at public accounts, I think there were views on all sides that we're fortunate to have a professional organization. We've professionalized procurement, which I think helps, and we are seen as a model globally. But there's no question that the AFP model has some advantages when it comes to getting projects done on time and on budget.

It's still early. Thus far, our track record has been very good. That doesn't mean there's not room for improvement. It doesn't mean that every project should be done by AFP—

The Chair (Ms. Cheri DiNovo): I'm afraid the time is up, Mr. Natyshak.

Hon. Brad Duguid: That was a good exchange. Thank you.

The Chair (Ms. Cheri DiNovo): We are going to move now to the government side: Mr. Balkissoon.

Mr. Bas Balkissoon: Thank you, Mr. Minister and Deputy. I'm glad to have you here.

Minister, yourself, the Premier and several of my caucus colleagues had the opportunity to travel to China and meet with business leaders and other leaders in China to promote Ontario and trade interests with that particular country.

Can you give us a little bit of an update and insight as to what you did there, and what you were able to accomplish that will assist Ontario in moving forward when it comes to jobs and business as a whole?

Hon. Brad Duguid: Absolutely, and I thank you for the question. If I appear a little groggy, I am back from 19 days on the road: eight days in Japan and another 10 or 11 days, I guess, in China, the last part of it being with the Premier and the Premier's mission to China.

I'm pleased to be able to report that the results of that mission came out to about \$2.5 billion in contracts and agreements signed—over 100 contracts signed. By comparison, the Premier's initial trip to China was just over \$1 billion signed in contracts. In all, an estimate has been given to me of around 1,700 jobs that ultimately have the potential to arise from these investments.

I want to say that that's great news. There's no question that it's an indication that the mission was successful and an indication that we should continue to do that kind of outreach. But at the same time—and I've said this before—it's not like these missions are like a game show where you need to always come back with a certain amount of money, and you better come back with more the next trip than you did the trip before. It's great

when that happens. It's great when the investment dollars can be counted up in the agreements. It may well be that on the next trip, there's more in investment agreements, but it may well be that on the next trip, we focus on some different things.

Part of the trip is sowing seeds of relationships and opportunities. So you want to make sure that we don't put ourselves as a government, and subsequent governments, in a box where you have to come home with a certain dollar figure. You're always going to likely come home with some opportunities like that, but there may well be other reasons to do these trade missions beyond just the dollars you bring home.

An example would be the work that I had the privilege of doing in Japan with Ray Tanguay, our special adviser on auto. That mission was really designed to meet with high-level officials in auto and some aerospace and reassure them of Ontario's competitiveness and talk about the perception of low-wage jurisdictions like Mexico—and Ontario, and advise them of just how competitive we are, that it's not just about a low-wage and a low-standard environment; that there are other things, when you look at the big picture, that you have to consider.

For instance, in Ontario, we have a health care system that provides a tremendous benefit to businesses. I think Ray Tanguay—and I might have the figure not exactly right, but I think it's around a \$500-per-vehicle cost advantage because of our health care system alone, compared to the United States and the system that they have and the cost to businesses down there. That's a significant cost advantage. I think, in the past, we haven't included the all-in costs, and sometimes, auto companies and supply chain companies haven't considered those costs.

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The availability of talent is another area where our competitiveness now is almost second to none, when it comes to technologies around the auto sector: the connected car, the driverless vehicles, lightweighting of vehicles, fuel cell technology, sensor development, artificial intelligence development. We're fast becoming a global player in all of these areas, and when you combine that with our expertise in auto, it's a tremendous place to manufacture cars; in particular, higher-end vehicles—which is more becoming our sweet spot—that require a greater level of ingenuity, creativity, innovation as they come through the line.

Most of the Japan trip was spent meeting with presidents, CEOs and chairmen. Fortunately, we had audiences, by and large, with a level of folks that high; with not only Toyota and Honda, but Subaru, where I had an opportunity to try out one of their automated cars and the sensors and actually experience it for myself—a little bit of an unnerving experience, but it worked, thankfully—and then a whole series of auto supply chain companies, many actively doing business in Ontario and some looking to do business in Ontario.

Then we hit up a number of aerospace companies, many of which are moving to our fast-growing aerospace

sector here in this province—that is another really good economic success story for us—and preaching very much the same types of messages.

So that mission was more to reassure companies that are invested here or are planning to invest here of our competitiveness, and reassure them that their decisions are good decisions to be here and, if anything, they should be looking to expand. It wasn't a mission where we were trying to sign as many agreements as we could and bring back as much new investment as we could, although we certainly will always welcome that.

The China trip, on the other hand, was an opportunity to bring a very significant number of stakeholders with us: post-secondary stakeholders, research and innovation stakeholders, private sector stakeholders, some start-ups, and utilize our ability to open doors for them, both with government officials in China—which is an important part of doing business there—as well as potential partners, either institutional or private sector partners, in China, for them to match up with. That's where we saw that great deal of success, the \$2.5 billion in opportunities.

I don't know, Mr. Balkissoon, if you have other follow-up questions now, but I've got a lot more I can add to that and—

Mr. Bas Balkissoon: No, keep on going.

Hon. Brad Duguid: Okay. I just wanted to make sure you didn't have a supplementary that you wanted to ask me.

I'm going to share with you examples of some of the specific agreements that we made. Often, we talk in generalities and big figures like \$2.5 billion, but there was a great diversity of companies that came with us: a number of clean tech companies—and I'll talk about some of the successes they've had. These are Ontario companies. Many of them started up through our work with the clean energy act and are now going global. It's really exciting to see.

We had a door company—pretty simple technology—that sells all kinds of doors, getting all kinds of business in China, which is great to see as well. I'm not sure where the science and tech alignment came for them, but we're happy to open doors. It's business and jobs and revenue here in Ontario, so that was interesting to see.

One of the more interesting agreements was one with JD.com. JD.com is like the Alibaba 2 in China, probably the second-biggest online purchasing company, a multi-billion dollar company. We signed a \$100-million agreement with JD.com to purchase Canadian produce and provide business services to Canadian enterprises in the Chinese e-commerce market. That opportunity began when Minister Leal travelled to China some time ago, met with those officials and opened the door to our agricultural companies to get into this huge market that comes online.

Our opportunity there is not so much to find partnerships with JD.com or bring them here—we've got plenty of ways to market our goods here in North America and they're welcome to come here if they choose—but the

real idea is to help ensure that Canadian companies are aware that they have access to the largest growing middle-class market in the world. What a great opportunity for our farmers and our agriculture community to get access to some of that market. I'm not the agriculture guy in our government, but markets for ginseng, which has very much replaced a lot of the tobacco industry—Minister Crack knows about ginseng.

Interjection.

Hon. Brad Duguid: No, he doesn't, but he knows about the tobacco industry that has seen, obviously, less production. Ginseng is one of the products that has replaced that. Everything from that to our icewines, which sell really well over at JD.com, and I would suggest Ontario wines in general—I would encourage Ontario wineries to look at that market, because Ontario products have a reputation of being among the safest and best-quality products in the world, particularly our agricultural products. At a time when, in certain parts of the world, including China, finding those good-quality food products is not always easy, it's a great opportunity. So that was one really interesting agreement.

There was an \$80-million agreement with China Telecom Group Best Tone Information Co. to import food and Canadian nutritional products to China. The Chinese company will also provide financial services to Wing On and jointly develop a Chinese e-commerce market with Wing On and again, JD.com, which was another good agreement.

There was another agreement with Cross-Border City Americo Wholesale to purchase \$50 million in Canadian produce over the next three years and open 30 new stores in 2016 with an Ontario produce exhibition booth in every store—again, good news for our agriculture community. Even though we focused on clean tech and science and technology, there were a lot of other sectors that we were able to help out.

CITIC Capital announced a \$100-million investment towards Paradise, which is a new proposed attraction and residential development in Niagara Falls. This development is led by China-based GR Investment company, which has purchased 484 acres of property in the Niagara region. The Niagara region is an area that has had challenges since the global recession. Its economy has been in transition. This is great news for the Niagara region. It will bring about, ultimately, brand new attractions there, which are always welcome, but also a very significant high-end residential development there that's going to be a big boost to the local economy. We expect tens of thousands of jobs could ultimately be created by this development over time.

One of the more exciting investments was Hydrogenics, which signed four certified integrator agreements to supply fuel cell technology for integration into zero-emission public transport buses in China. In aggregate, the company anticipates a market opportunity of up to \$100 million in revenue over a three- to five-year period with about \$10 million likely to flow in the first year.

This is exciting because this is yet another clean tech company that's developed here in Ontario that's now

getting access to a huge market. All over the world now, fuel cell technology is being looked at, and the bus market is an incredibly fast-growing market for this fuel cell technology. I think it's still at the baby stages in terms of its potential, but companies like Toyota are very much looking at fuel cell technology, in particular fuel cell hybrids with electric, as being really the future, and certainly the future in terms of the next 10 or 20 years or so.

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This is great: to have an Ontario company that has developed technology that's, out there marketing it and signing \$100-million-type contracts. It's great news for Ontario and for our clean tech sector.

The Chair (Ms. Cheri DiNovo): Mr. Balkissoon, you have about five minutes left.

Mr. Bas Balkissoon: Okay.

Hon. Brad Duguid: Do you want me to continue?

Mr. Bas Balkissoon: If you could touch on some of the education stuff. I'll tell you, I just got back from Regina, and reading in the newspaper there—their university, the largest population of foreign students is from China. They are actually looking at competing with other provinces. I want to know if we're in the sector at all or not.

Hon. Brad Duguid: We had a number of post-secondary institutions, as always, that attended with us. They're developing very strong ties. In fact, they're also finding opportunities to attract revenues as they market what we do probably better than anybody else in the world, and that's educate our young people here in Ontario. There were a number of types of partnerships like that.

A few interesting ones that probably didn't make the news but were very interesting: One was the Ontario Science Centre, which deals with young people and has a number of partnerships across our educational sector. They signed a \$450,000 agreement to receive exhibits and educational program consulting from the Ontario Science Centre to a Chinese group called Star Group. So they will now be marketing their expertise over in China and finding a revenue source to support an organization that—frankly, the Ontario Science Centre has been around a long time, and I think there's an effort being made to revitalize it for our young people.

The Hospital for Sick Children—one of the more exciting opportunities—formed, with a number of stakeholders, an agreement with Tianjin Economic Development Area International Cardiovascular Hospital. It's an \$8.7-million agreement to work together to enhance pediatric cardiovascular and cardiology practices. Basically, SickKids will now be getting revenues by marketing the incredible expertise that they've developed and research they've done with Chinese hospitals. In essence, our capability in health care will not only provide a revenue source for our hospital, which is important, but also be able to ensure that kids in China are stronger and healthier, which is fantastic. That may be our Premier's favourite agreement that we signed.

You asked specifically about university agreements. Most of the universities that were over there with us already have pre-existing agreements. Many of them were signing additions to that. Seneca College was over there. David Agnew was there with Seneca College. Ryerson was over there. University of Toronto: I'm not sure if they were on this. Yes, actually they were over there as well. Western University—the list goes on and on. They signed a number of agreements. In fact, all of our universities together signed an agreement with the organization that develops all of Chinese universities to create better collaboration. That's kind of what they tend to work on: collaboration on research and on student exchange, which is really good.

Mr. Balkissoon is quite right: A great opportunity for Ontario continues to be attracting some of the best and brightest students from around the world. China probably provides us with the majority of our foreign students, which benefits our universities, provides more vibrancy and diversity on our campuses and allows us to attract some of the brightest young minds from around the world to make permanent connections here in this province. Some stay, which is always good for us when they do; some go back home but maintain their ties here. Ultimately, it's amazing when you're meeting with Chinese businesspeople and government officials now, how many of them actually went to school here, or their kids are going to school here, and they feel a connection that they wouldn't otherwise feel. In fact, I can tell you there are some significant investments that we've received primarily because the businessperson making the decisions either has their kids here or wants their kids to be educated here—

The Chair (Ms. Cheri DiNovo): I'm afraid your time is up, Mr. Balkissoon.

Hon. Brad Duguid: It's a huge competitive advantage.

I thank you for those questions.

The Chair (Ms. Cheri DiNovo): We will now move on to Mr. Smith, official opposition: 20 minutes.

Mr. Todd Smith: Good afternoon, Minister. Yesterday, when the proceedings ended, we were talking about the Eastern Ontario Development Fund and the fact that that fund is now a \$20-million fund. So far, according to public accounts, just over \$6 million of that has been allocated. Actually, those are estimates that the ministry has indicated: that the EODF will spend just over \$6 million in eastern Ontario.

I'm just wondering what happens to that money that doesn't get spent. If there's \$20 million set aside and you're only spending \$6 million, what happens to that other \$14 million or so?

Hon. Brad Duguid: I'll stand corrected by the deputy, but my understanding would be that we're not permitted to carry the money or stack it, year over year, in the fund. The surplus would be considered under-spending and would be considered surplus spending within the overall budget. It doesn't stay within the ministry budget at the point, either. It's surplus to the government, overall. That's correct?

Mr. Giles Gherson: That's correct.

Mr. Todd Smith: Would the \$14 million be used for something else? It doesn't carry over year after year.

Hon. Brad Duguid: No, it doesn't carry over year after year.

Mr. Todd Smith: Do you have any idea of where we're at this year? Does it look like there are going to be some successful companies coming up that will use some of that remaining \$14 million?

Hon. Brad Duguid: It's too soon to tell because applications come in throughout the year. Some are larger than others. It's too soon to speculate on where we'd be at. I can give you a general idea in terms of the flow because I do sign these as we go. The Eastern Ontario Development Fund remains at a fairly stable flow, but I'm not anticipating that it will spend its full budget this year at this stage. You never know.

The Southwestern Ontario Development Fund has had a very strong response this year. I think that probably comes, in part, by a continued uptick in terms of the auto sector. A lot of the companies that I've seen coming forward—I'm just speaking more or less anecdotally in terms of the applications that I've seen—are supply-chain companies within the auto sector in southwestern Ontario, which is great news. I anticipate the Southwestern Ontario Development Fund being very close to its budget and potentially hitting what we budgeted for.

The deputy may have better information than that, but I think that gives you a rough idea as to where the funds are at.

Mr. Todd Smith: Yesterday, I asked if we could get a list of the successful applicants for the EODF. Do we have that list yet?

Mr. Giles Gherson: Yes, we do.

Mr. Todd Smith: Has it been circulated?

Mr. Giles Gherson: No, it hasn't been circulated yet.

Mr. Todd Smith: Okay. I'll look forward to getting that after. Thank you very much.

The most recent edition of Stats Canada's labour force survey shows that since September of last year, Ontario has lost almost 34,000 employees in Ontario. What do you make of that stat?

Hon. Brad Duguid: Well, the fact of the matter is that Ontario, since the recession, has gained 560,000 net new jobs. There's no question about that whatsoever. In fact, I can certainly share with you the job numbers that we've seen over the last 12 months. There are a number of different ways of presenting that. Last month alone, I think we were up significantly, about 30,000 jobs. We're certainly well up over the last 12 months in Ontario. Ontario is leading the country in growth; we continue to. We've seen our unemployment rate continue to drop.

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All that being said, we're not satisfied. There are still too many Ontarians looking for work, and we're going to continue to relentlessly pursue investment and relentlessly pursue opportunities to grow our economy. Our goal, as I've said in the past, is to make Ontario the easiest place in the world to do business. By comparison

to others, we've done well, but this government will not be satisfied until we see even more growth in our economy.

Mr. Todd Smith: It sounds good when you say those things, but what I'm hearing from the business community and what I'm hearing from the manufacturing sector is something entirely different: that Ontario is the most over-regulated jurisdiction. It has the highest energy prices, especially electricity costs, in North America. They're teetering on survival when they see things coming like cap and trade. They also see things like the ORPP coming down the pipe.

There's a lot of hesitation and pessimism out there amongst the businesses and the manufacturers that I talk to. I feel sorry for you because you're the economic development minister, but it seems like things are continuously being heaped in front of you that are going to make it more difficult for you in trying to attract new businesses to Ontario. Would you not agree?

Hon. Brad Duguid: Well, I appreciate your sympathy, but I don't think there has ever been a better time, to be frank, to be involved in economic development in Ontario. We've been in a continual trend of growth, which is where you want to be. Business confidence has grown considerably and continues to be—small business confidence, in CFIB surveys and others, has continued to be high, higher than it has been in the past. There's no question there are some initiatives that we've brought forward—like the Ontario pension plan, something necessary to ensure, as Ontarians grow older and as our population ages, that people don't retire in a state of poverty.

There's no question that it's a challenge for our business community, but it's one that our business stakeholders have worked very closely on to ensure that we do everything we can to mitigate that challenge. The key is to ensure that we aggressively continue to look at other offsets to any potential costs that that may bring, offsets like having the lowest effective corporate tax rate in North America, offsets like the accelerated capital depreciation, and other offsets as well that we've worked on and are continuing to aggressively pursue in terms of reducing regulatory burden, which you've mentioned earlier.

That's an area where I would say we've made some good progress. About 80,000 regulatory burdens have been reduced. That's good news. We've had round tables with businesses where we've tackled a number of important items that are of concern to them and that have been seen as a global best practice in terms of attracting and reducing regulatory burden.

And it's not Ontario—governments in general in North America are traditionally highly regulated governments. Generations of regulations have built up over the years.

Mr. Todd Smith: And Ontario seems to have the reputation as being the most over-regulated of them all, so that's not a good thing.

Hon. Brad Duguid: I think it depends on the sector you're in. But as Minister of Economic Development, I can tell you that we are passionately determined to make this the easiest province in the world in which to do business. We'll do that in a way that doesn't endanger—we've got to remember that regulations are necessary when it comes to health, safety, fairness, doing business, regulating workplaces and things like that.

What we want to do away with is unnecessary regulation, duplicative regulations or regulations that are not harmonized with other provinces, federal governments or international governments.

There is plenty of work to be done when it comes to, in particular, the work between governments.

Mr. Todd Smith: Thanks. Okay, let's just change gears here in the second half of my round of questions. We're going to focus on the MaRS building.

Hon. Brad Duguid: Excellent.

Mr. Todd Smith: I know you had some good news there, but let's get to the bottom of that as well.

Back in the 2014 general election, it was revealed that your government had decided to bail out the American investment company Alexandria Real Estate, the MaRS phase 2 developer responsible for finding tenants and running the building. This funding came on top of \$224 million, which was appropriated to the greater MaRS umbrella corporation in 2011, as well as \$3.61 million to service the company's debt, and \$16.2 million originally paid for the property.

There have been some recent announcements. There was one that I believe you made today or yesterday regarding a 3D company that's moving in there—Facebook, Johnson and Johnson. After announcing that Johnson and Johnson was financially enticed to take up residency in MaRS phase 2, you also mentioned that the building was now 70% full and would be at full capacity by the spring.

What other companies besides the ones that I've mentioned are located in the MaRS building?

Hon. Brad Duguid: I have that list somewhere here. I'm just waiting for it.

Interjection.

Hon. Brad Duguid: No, I have it here. I'll be happy to share that with you, the entire list of folks in there.

Mr. Todd Smith: That would be great. The Clerk can get that? Thanks.

Hon. Brad Duguid: But I can also tell you today that, yes, we landed Autodesk, a fantastic company, in MaRS. I was privileged to make that announcement today.

I think today I indicated beyond any shadow of a doubt that the MaRS tower 2 is now an unqualified success story. The fact of the matter is, with this investment, I believe, it's now 84% tenanted, well on the way to reaching our goal of being fully tenanted, we expect, by early next year, something that many said would not happen. It has happened.

But the beauty is that we didn't take shortcuts. We could have easily attracted any kind of office development and put it in there. The beauty is that the mix of

these tenants is exactly the mix that the MaRS vision had set out to create. That's a mix of institutional research organizations—which are absolutely crucial; that's where the researchers are—along with organizations like the cancer institute, University of Toronto, Ryerson and, just as importantly, a number of really exciting private sector tenants, Autodesk being the last one to sign in up until now but one of the more exciting ones, because they specialize in areas like supercomputing, 3D printing, areas of the Internet of Things. These are the areas where our economy has some great strengths. These are the types of tenants that we wanted to attract.

So I'm very pleased with today's announcement and where we're at with MaRS.

Mr. Todd Smith: I know that last year, when there was a lot of controversy around MaRS, you said that there would be swing space or temporary space, and that public sector workers could move into some of the MaRS phase 2 project. How much of MaRS 2 is actually being occupied by public sector employees?

Hon. Brad Duguid: Actually, I didn't say that when I was before committee last time. That was one of the options that had been presented and subsequently rejected. So, no, MaRS was never used as swing space for public sector workers. MaRS is now going to be fully tenanted with the exact tenants that we tried to attract.

Mr. Todd Smith: So no public sector employees are located at MaRS?

Hon. Brad Duguid: There are no ministry employees, but MaRS has—it depends on whether you want to consider the broader public sector. If you want to consider the broader public sector, I guess I would compare it to Boston's bioscience cluster, which is the best by far in the world, something we certainly would aspire to. Ontario does well in bioscience; we're probably ranked in the top three in North America, which is important. But just like in Boston, you would have Harvard, MIT; you would have organizations that have researchers who are publicly funded—research organizations and things like that.

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If you want to call them public sector workers, I suppose it's broader public sector; there would be employees from those organizations who would be located at MaRS. But we're not moving in ministries or anything like that.

Mr. Todd Smith: Okay. So Facebook—

The Chair (Ms. Cheri DiNovo): Mr. Smith, you have about five minutes left.

Mr. Todd Smith: Five minutes? Thank you.

Facebook announced in July, I believe, that they're moving in. They're not moving in until early 2016 is what I am understanding. Is that true?

Hon. Brad Duguid: I don't have the specifics of each of the individual leases and their exact timing, but there's a fair amount of work that goes into most of these tenants, because this isn't like just locating an office somewhere. Often lab space has to be built—

Mr. Todd Smith: So who builds that? Does the government build that? Does the company build it?

Hon. Brad Duguid: No, the government doesn't have any involvement in terms of building or the leases. We appointed an independent supervisor to oversee the leasing and tenancies, to ensure that the public interest was protected, because as you know, it's a fully protected loan, but we have a stake in this.

Those leases are between MaRS and their tenants, and there's a considerable amount of work that goes into that because often, it's building a lab. Some of them can move in in six months; some of them have a good 12 months of work that's done as they're putting their operations together, so it will take some time.

Mr. Todd Smith: So did the government offer Facebook or Johnson and Johnson money to move in, or was there some kind of carrot that was dangled or incentive that was given to these companies to move into MaRS?

Hon. Brad Duguid: No, the government has never offered any of these companies, that I'm aware of any incentives to move into MaRS. What we have done with JLABS, for instance—we've been trying to recruit them for some time now to locate in Ontario. It's a fantastic coup, because what JLABS does is it opens up to many of our start-up bioscience companies an opportunity to get incredible lab space, incredible mentoring and incredible start-up funding, but then access to the multinational Johnson and Johnson, which also opens up opportunities for these start-ups to get access to the entire global sector.

Our efforts were to get JLABS into Ontario. JLABS wisely chose MaRS as the best place for them to locate. Much to the same extent, there was actually no government support for recruiting Autodesk here. We'd been in discussions with them for some time, and Autodesk located here on their own. But JLABS is a company that we've been trying to get for some time, and an organization that we've been trying to get for some time.

Mr. Todd Smith: A report in the Toronto Star said that Queen's Park spent \$19.4 million to lure JLABS into the MaRS building. What would that \$19 million be?

Hon. Brad Duguid: What our government supports are designed to do is to ensure that as we get into negotiations to bring companies here, we don't lead with saying, "We're going to provide you with an incentive to get here." We work with them, we market Ontario—our pros, our competitiveness, our lowest effective corporate tax rate, our very generous tax credits for research and development that both federal and provincial governments provide, our talent base—we market that.

Then as we get into those discussions, we often determine, as in the case of JLABS, that there is a competing jurisdiction also competing with us, offering them in this case significantly more in incentives than we were coming to the table with. That's when we would look at, "Well, if we're going to win this business, we're going to have to step up and provide some business supports." That's when we look to the—

Mr. Todd Smith: Just before we run out of time, can we get the rental agreements? Is that possible, to get the rental agreements forwarded to the committee?

Hon. Brad Duguid: No, and I don't have them either. They're between MaRS and the tenants.

Mr. Todd Smith: But clearly government money has gone into attracting these companies to MaRS.

Hon. Brad Duguid: It's no different than the government business supports that go into attracting investments in Ford, attracting investments in bringing Ubisoft here, attracting investments in bringing Cisco here. We'll continue to try to do that.

Whether they decide to settle at MaRS or somewhere else—we encourage innovation companies to settle at MaRS, but I can tell you, with the level of tenancy uptake now, there is no real opportunity for tenants. Very soon, the door will shut—

The Chair (Ms. Cheri DiNovo): You can stop there, Minister. I'm afraid your time is up, Mr. Smith.

We move to the third party. Mr. Natyshak.

Mr. Taras Natyshak: Thank you, Chair. It's still 20-minute rotations here?

The Chair (Ms. Cheri DiNovo): Yes.

Mr. Taras Natyshak: Thank you. Back to AFPs, calculating value-for-money assessments: Since 2006, Infrastructure Ontario has conducted over 200 VFMs for next to all infrastructure projects. All of the value-for-money assessments concluded that the delivery of projects would be cheaper under the AFP approach than with the public sector. Can you tell me how that calculation is made? What's the methodology of the value-for-money audits, and have you changed any of the methodology?

Hon. Brad Duguid: That may be the subject of volumes of work. I'm not sure that it can be described at a committee. I'll let the deputy take a crack at it. That's a difficult question—

Mr. Taras Natyshak: It just strikes me as interesting that 200 value-for-money audits were done and 100% of those value-for-money audits came to the same conclusion: that all of those projects are cheaper under the AFP model. Is there a bias inherent in the methodology? It's like flipping a coin 200 times, Minister, and coming up heads every time. It's almost improbable.

Hon. Brad Duguid: Not if every decision that is made in terms of procurement is made in a thoughtful way—

Mr. Taras Natyshak: Thoughtful is one thing. You have a strict methodology in place. We can put thought into things, as sapient human beings, and come out with different conclusions. You have a methodology that's giving you the same outcome every time, time and time again, over 200 times. How is that possible?

Hon. Brad Duguid: Infrastructure Ontario has indicated, through the Auditor General's report, that they're open to scrutinizing the methods of evaluation that they do, and they've gone through a great deal of work to ensure that. Their evaluation is considered to be the best in the world. Remember, this is a fairly new way of doing projects, so we're at the pioneering cutting edge of this. They're always trying to refine their analysis as they're doing it.

That's the answer I would look for: that pretty close to 100% of the time—my expectation to IO is that they get it right. When they make a decision to go to an AFP, I would hope that's the right decision. If not, why are they

doing it? So if an analysis shows that 100% of the time when they're doing an AFP, they should be doing it, I would say that's probably good news. That would be my expectation: that 100% of the time when they make those decisions, they're making the right call.

Deputy, you may have more to add on the analysis itself.

Mr. Taras Natyshak: I'd like to know, specifically, where did that methodology come from?

Mr. Giles Gherson: There was third-party analysis. IO has hired, on several occasions, different third-party consultants to review—

Mr. Taras Natyshak: Specifically, which ones? Do you know offhand?

Mr. Giles Gherson: I can't tell you offhand—

Mr. Taras Natyshak: How many?

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Mr. Giles Gherson: I think that it has been several.

As I said earlier, subsequent to the Auditor General's report, they've done another review of the value-for-money methodology. In fact, what came out of it was—and this was another third-party review—a refinement of the innovation factor, which we were talking about earlier, because before, I think, it was less refined—the analysis—as to what the innovation factor should be. So what happened was, this past year, a third-party consultant—

Mr. Taras Natyshak: Which one?

Mr. Giles Gherson: —I can't tell you offhand, but I could get you that—reviewed the data for IO projects and—

Mr. Taras Natyshak: Can I just stop you for a second? Chair?

The Chair (Ms. Cheri DiNovo): Yes?

Mr. Taras Natyshak: My colleagues across the way are having a very intimate conversation, but I can hear it from over here. If they could just keep it down a little bit, for the sake of—

The Chair (Ms. Cheri DiNovo): No problem. If members could please keep it down.

Mr. Taras Natyshak: Thank you.

Mr. Giles Gherson: So what came out of that review was a refinement of the innovation factor, which had been considered—and as the minister said, we're into territory that is relatively innovative in the sense that you've got jurisdictions coming from literally all over world now, and a number of US states, to review and understand how IO does alternative financing and procurement, because it is viewed as highly successful around the world. What IO is doing is pushing the analysis, and part of this was at the behest of the Auditor General, to better document the innovation component of the value-for-money calculation.

In that, what they discovered was that, when you actually looked at these projects, as I was relating to you earlier—in the projects that they've looked at, they've been able to show that the contractor substantially included innovations that weren't originally thought of in the original RFP. So they've documented those, and those

innovations reduced costs and are expected to increase durability. We know why—because, as we said earlier, the contractor's going to be responsible for the maintenance of the structure, so has built in these innovations. That was the refinement that has come forward this year as a result of the Auditor General's report, and it is a documented improvement in the analysis.

Mr. Taras Natyshak: Are you planning to continue to refine the value-for-money assessment and the methodology around it? Is there any—

Mr. Giles Gherson: I don't doubt that that work will continue.

I want to come back, if I could, to a question that you raised earlier. I didn't have the answer for you.

Mr. Taras Natyshak: Just briefly, because I've got a couple more good ones I'd like to pitch to you.

Mr. Giles Gherson: Sure.

Mr. Taras Natyshak: Go ahead.

Mr. Giles Gherson: You were asking how many AFP projects had been delivered, and the answer is 80, out of several thousand projects in total, so the minister said. We have got 5,000 projects in total. The vast majority are traditional because they are, relatively speaking, smaller.

Mr. Taras Natyshak: Okay, I'm going to switch gears to a different line item here: "Formal process for managing IP rights." Through the AG's audit: IO had not implemented or developed a formal process for managing the intellectual property rights acquired in exchange for the bid fees paid to unsuccessful bidders. So the question is: Do we pay all unsuccessful bidders, and how do you determine who gets paid and who doesn't?

Hon. Brad Duguid: It's a practice for pretty near all governments that deal with procurement professionally to ensure that you continue to have a lot of competition for your bids. So the practice, generally across the board, is that you ensure that there is a method in place where your unsuccessful bidders don't come up with huge deficits in terms of losses just by bidding in your jurisdiction.

In terms of the specifics—

Interjection.

Mr. Taras Natyshak: Maybe if I can—I'll throw out my other questions. It might prompt you to clarify. How is the amount paid that we pay unsuccessful bidders determined? How much have we paid them to date? And what conditions are in place to ensure that a company doesn't just simply bid to be able to get a payout?

Hon. Brad Duguid: Well, they can't make money off it, but—go ahead, Deputy.

Mr. Giles Gherson: I'm going to go from memory, and I would be more than happy to provide you with additional information. This is actually something that IO is changing now, the structure of paying for intellectual property by unsuccessful bidders, but it's only the top—it would be the two unsuccessful bidders. It wouldn't be all of the bidders who would receive compensation.

Mr. Taras Natyshak: So there are consolation prizes.

Mr. Giles Gherson: Well, I think it had been said earlier. The cost of submitting a bid—remember, these are very large, complex projects, for the most part, so

you're talking about a very significant expense by bidders.

Mr. Taras Natyshak: Do you know the value of what we've paid out, to date?

Mr. Giles Gherson: I can't give you that—

Mr. Taras Natyshak: What's the reform that you're making?

Mr. Giles Gherson: The reform is being made. It's not by the ministry; it's by IO. They'd be better placed, honestly, to tell you this. It's in the approach to the compensation. The current structure has been to have the compensation coming out of the winning bid, from the winning bidder, to the second and third bidders, the unsuccessful bidders. It would now come out of IO, I believe. I think it would essentially come out of a fund from IO.

To be honest with you, I'm sketchy on the precise details of this, but I will endeavour—

Mr. Taras Natyshak: For clarification, the current process is that the winning bidder—a portion of that bid then goes to the payment on intellectual property—

Mr. Giles Gherson: For intellectual property.

Mr. Taras Natyshak: Then, essentially, the answer to my other question, if I'm not mistaken, of how much has been paid out is that none of it would have been paid out, because the bid—where would that money come from, other than from IO?

Hon. Brad Duguid: The current process, IO indicated, in some ways jacks up the cost. In order to get the cost out of the project, they wanted to go a different route, and that's what they have recommended by some of the changes they've made.

The tradition used to be that a bidder would also, within the cost of their bid, include the cost of providing some level of offset—it's not always 100% offset—for the other bidders.

The challenge, I think, that IO looked at—again, it has been a while since I've looked at their recommendation. Again, we don't approve the recommendation. But IO's assessment is that there would be savings involved if it were done in a different way, if it wasn't included in the cost of the project.

I don't know if that emerged out of their work with the Auditor General, or whether that emerged out of just their ongoing scrutiny of the work they do and trying to find ways to bring down the costs, in every way possible, of infrastructure projects.

Mr. Taras Natyshak: I'm going to move forward. The AG brought up that Infrastructure Ontario's monthly construction status report for each project was missing required information, like the approved budget and the number of change orders processed to date.

Who uses the monthly report, and is it used for decision-making? If so, what kind of decision-making, and would that be of all sorts: funding etc.?

Hon. Brad Duguid: I think you're getting into the weeds here a little bit. We would have to look to Infrastructure Ontario to get that level of detail. They were

just before public accounts, where those kinds of questions were asked.

Mr. Taras Natyshak: Have they updated you, obviously, on that specific recommendation through the AG's report—

Hon. Brad Duguid: I can't say that they have, but the deputy—

Mr. Giles Gherson: We can certainly find the particulars, to answer your question. But what we can say today is that IO has fulfilled all of the requests of the Auditor General.

Mr. Taras Natyshak: That answers all of these questions, then.

Mr. Giles Gherson: That's good.

Mr. Taras Natyshak: No, not exactly. It has all been done. Everything the AG recommended, you're saying essentially, all of those recommendations have been—

Hon. Brad Duguid: The moment the Auditor General's report came out, we didn't take issue with the recommendations. I did take some very vigorous issue with the way one particular part of the report was communicated because it was communicated in a way that did not include all the information.

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Mr. Taras Natyshak: Which particular part?

Hon. Brad Duguid: That's when the Auditor General talked about the costs of AFP programs and failed to include the benefits, which meant that she was only telling one side of the story with regard to that. We had anticipated—in fact, we had been assured—that that's not how it would have been communicated, but it was communicated that way, unfortunately.

Mr. Taras Natyshak: Well, let's get into that discussion, then. The benefit, through the perspective of the government, is that there is a transfer of risk. That's the biggest net benefit that the government sees through AFP projects.

The Auditor General clearly articulated and highlighted the questions around that transfer of risk: Is it actually at the same level attributed by the government? Are you putting the value of that risk at what it actually is, or is it a lump sum that you're attributing to projects that inflate the value of what they are? That will be—

The Chair (Ms. Cheri DiNovo): Mr. Natyshak, you have just under five minutes.

Mr. Taras Natyshak: Five minutes.

That will be the ongoing debate until there's more clarity built into AFP, and transparency built into the value-for-money process. There's a lot of opaqueness built into that. We don't know exactly what that methodology is; we need to know it. We don't know how it was contrived; we'd like to see that.

Hon. Brad Duguid: Actually, you do. That has been presented, and there was a detailed analysis that went into it. The figure that Infrastructure Ontario very clearly put forward was that, in all, there were savings to taxpayers of \$14 billion as a result of these AFP projects. There were costs of \$6 billion, which was an accurate

figure that the Auditor General put forward, which means there's \$8 billion overall in savings to taxpayers.

Mr. Taras Natyshak: Where is that data coming from?

Hon. Brad Duguid: That's information that came through the analysis of Infrastructure Ontario—

Mr. Taras Natyshak: That was the report entitled Track Record—

Hon. Brad Duguid: Yes.

Mr. Taras Natyshak: —and it was a report by Hanscomb.

Hon. Brad Duguid: No, hang on—

Mr. Taras Natyshak: It was financed through IO, which brings me to one last question—

Hon. Brad Duguid: No, let me add to that, because—

Mr. Taras Natyshak: Okay, but you know my next question.

Hon. Brad Duguid: I don't, but I'll leave time for it.

Mr. Taras Natyshak: Thank you.

Hon. Brad Duguid: The analysis done by Infrastructure Ontario has been backed up—and the fact that the Auditor General's reporting of this was a one-sided way to report it was backed up—by experts across the entire industry. In fact, we could not find an expert that did not take the position that IO had.

That being said, IO will continue to scrutinize the way they analyze the risk, because it's never an exact science. We have about the best analytical ability we can at the moment—it's the best in the world—but we'll continue to look for better ways to do that analysis.

Mr. Taras Natyshak: On the issue of the analysis, Infrastructure Ontario commissioned its own report, its own analysis of the AFP process. It's called the Track Record report, by Hanscomb.

Should you not be concerned that an analysis done by Infrastructure Ontario on its own performance might have an inherent bias built into it, rather than a third-party, independent, non-prejudiced Auditor General who reviews quite frankly the data?

Hon. Brad Duguid: There's no reason that Infrastructure Ontario would be more incented to do an AFP project than they would a traditional procurement project. There's no inherent incentive for them to do that. They analyze the projects as best they can, and look at what the best method is to get the best value for taxpayers, based on the project that's in front of them. So, no, I wouldn't be concerned about that. In fact, I have confidence that IO's analysis is as good as any analysis you're going to find anywhere in the world.

That doesn't mean it's perfect. It doesn't mean that there are not opportunities to improve it, because as I said earlier, a lot of what they're analyzing is stuff that's being analyzed, frankly, for the first time, which means that there could be opportunities to improve the integrity of that analysis. IO has indicated that they would continue to strive to do that, to look to global best practices.

The challenge is that most of the time, we are the global best practice. So it's a little hard for us to find other jurisdictions that are doing it better because, as the

deputy said, most of those jurisdictions today are coming here and asking us how we're doing it.

It's an area that I think requires continual effort to ensure best practices, and Infrastructure Ontario has said that during the public accounts and will continue to try to do their very best.

The Chair (Ms. Cheri DiNovo): I'm afraid, Mr. Natyshak, your time is up.

We now move to the government side. Mr. Milczyn.

Hon. Brad Duguid: Madam Chair, if I may, unfortunately I've been drinking coffee while here, and I'm just wondering if I could get a quick break?

The Chair (Ms. Cheri DiNovo): We can. Is it all right with the committee if we take a quick break? Sounds like it's a yes.

We'll be back, then, in five minutes.

The committee recessed from 1726 to 1732.

The Chair (Ms. Cheri DiNovo): Okay, everybody. Let us reconvene. Thank you.

We are now starting on the government side with Mr. Milczyn.

Mr. Peter Z. Milczyn: Thank you, Minister. It has been fascinating to listen here, in the last couple of days, on everything in your portfolio. You sound like the busiest man in government.

You and I normally talk about infrastructure and the tremendous progress we're making on that file, but today I'm actually going to ask you some questions about the economic development and employment side of your portfolio.

I've been here long enough now to almost have memorized your speech about the impact of the recession of 2008-09, how many jobs were lost in Ontario and the tremendous rebound in employment and jobs that we've seen since then—the strongest rebound of any other economy in North America, with over 500,000 net new jobs and 60,000 in manufacturing.

I'm hearing from other members about different issues in their communities. Every community is different and there are successes and failures in every community. But I just wanted to touch upon three in my riding, and maybe put that in context of the bigger issues that you're dealing with.

In my riding I have a very strong manufacturing base. Three companies in particular stand out. Blanco, which is a German company that makes kitchen sinks, has been in

Toronto and Ontario for about 20 years. Their plant in Etobicoke–Lakeshore is their main manufacturing plant for the North American market. They bring in leading-edge technology from Europe, new patents. They make their investments in Etobicoke–Lakeshore in the plant and increasing employment to export throughout North America. They're not located in Mexico or in one of the low-wage states in the US; they're in Ontario and I understand that's because they appreciate the level of education and expertise amongst employees here.

Literally next door to them, a very different kind of company: Lush cosmetics. It's a UK-based company. They located their main North American manufacturing plant in Etobicoke–Lakeshore not too many years ago. They actually source a lot of Ontario produce—fresh food—as ingredients to go into the cosmetics that they manufacture there and distribute throughout North America. At their company, employment is growing.

A very different type of manufacturing facility in my riding is the only manufacturing plant of one of the Big Three auto manufacturers left in the city of Toronto: the Fiat Chrysler plant in Etobicoke–Lakeshore, a 73-year-old plant. It is one of what they term their world-class manufacturing facilities, which means they are at the top of the food chain in the Fiat Chrysler company, doing high-pressure injection castings. This is a plant that, in 2012, had 200 employees; today, it has over 530. They've invested over \$27 million in leading-edge technology, and now they're one of the main suppliers, for their particular plants, to the Fiat Chrysler group throughout North America.

These are great success stories, and I think they are the result of a lot of the work that you're doing.

Minister, could you explain, in more detail, what our government has done—

Mr. Bas Balkissoon: Madam Chair?

The Chair (Ms. Cheri DiNovo): Yes, Mr. Balkissoon?

Mr. Bas Balkissoon: I'm wondering, because of the time—and by the time we get the vote conducted, there will be no time left to come back—if we would just move adjournment at the same time.

The Chair (Ms. Cheri DiNovo): Is it the will of the committee to move adjournment? Okay.

We are adjourned until Tuesday at 9 a.m.

The committee adjourned at 1736.

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