QP BRIEFING

March 26, 2018

Click links below to view article:

1). YOUR QUESTION PERIOD BRIEFING: THE LIBERAL LAUGH-TRACK EDITION

By: Jessica Smith Cross

It is therefore time for Question Period.

To sum up: The Liberals laughed at the very idea of PC Leader Doug Ford while PC MPPs parroted Ford's idiosyncratic talking points and the NDP continued to drill into the issue of dental care.

The main event: The PCs' parliamentary leader Vic Fedeli kicked things off questioning the government about the Auditor General's warning that she might issue an adverse opinion — a historic first — on the government's public accounts because, quoth Bonnie Lysyk, the Independent Electricity System Operator's accounting is "bogus."

The dispute is related to the government's Fair Hydro Plan, which gave Premier Kathleen Wynne an opening to respond that Ontario families needed real and immediate relief on their electricity bills, and so the government provided it. Ernst and Young, KPMG and Deloitte all approve of the accounting, she added, even though the province's auditor general does not.

Fedeli then turned to the coming budget and when he uttered the words "Doug Ford" he was promptly drowned out by laughing Liberals, who apparently found the very mention of the new PC leader's name hilarious. The question, however, was if the government would "scrap the carbon-tax cash grab." It bears repeating that Ontario does not have a carbon tax, but does have a cap-and-trade system. And Fedeli knows it — he's a member of the party that pledged to replace cap-and-trade with a carbon tax mere weeks ago. Ford, however, has repeatedly referred to cap-and-trade as a carbon tax and that now appears to be spreading.

Other major issues:

In health:

The NDP hammered away at the government on dental care. It's the party's new big policy promise, and they've devoted nearly all of their Question Period time to it since announcing it just over a week ago. MPPs brought stories of families struggling to afford their dental care and accused the government of doing nothing to help them over its 15 years in power.

But Wynne responded that it's the NDP that's come lately to the issue: "I understand that the third party has recently discovered this issue," retorted Wynne, and added NDP Leader Andrea Horwath never brought up dental care as an issue in their discussions.

Wynne and Health Minister Helena Jaczek both said there's more to come from the government on the dental care file.

In finance:

PC MPP Todd Smith dubbed the Sunshine list as "the list of Ontario's richest political insiders," which is the exact thing Ford called it last week. Smith alleged that because Hydro One has been sold off, there's "a secret list of Hydro One millionaires" who "sit around the boardroom table and give themselves raises," said Smith, parroting Ford verbatim.

PC MPP Randy Pettapiece wanted to know if the government has a secret plan to kill horse-racing in Ajax by moving the slots to Pickering. Rural Affairs Minister Jeff Leal responded that he'd just announced on Friday the government has a new agreement will provide up to $105 million a year for the horse-racing industry for nearly two decades.

In transportation:

PC MPP Michael Harris asked about former Metrolinx CEO Bruce McCuaig's compensation as detailed on the Sunshine list — McCuaig made $486,000 in 2017, more than $100,000 more than he did in 2016, despite leaving Metrolinx only four months into the year. Treasury Board Secretary Eleanor McMahon wouldn't comment on McCuaig's compensation, but shot back that under the Ford administration at city hall, the number of city employees on the Sunshine list doubled in number — and the Ontario PCs have a "double standard" for criticizing the list.

Best comeback:

"The first thing I should let the opposition know is this is a publicly traded company, meaning that the list of Hydro One's executive compensation can be found online. You'd think a party that has a leader that's a self-proclaimed so-called businessman should know that very well." - Energy Minister Glenn Thibeault, responding to Smith's allegation that Hydro One millionaires are giving themselves secret raises.

Best heckle:

"Giddy-up! Giddy-up!" -numerous Liberal MPPs, after Leal responded to a question about horse-racing with vigour.

2). Province to pour $300 million into special ed as report skewers 'flawed' funding formula

By: Christopher Reynolds

The province plans to hire 2,000 new teachers and education workers by way of a $300-million investment in special education funding over the next three years, the government announced Monday.

The announcement arrived the same morning as a scathing think-tank report on education funding, and met with derision from opposition lawmakers skeptical of "11th-hour" rollouts in the run-up to the June 7 election.

The massive cash upgrade will go toward hiring educational assistants for high-needs students, specialists such as speech language pathologists, guidance counselors in elementary schools and about 400 new mental health workers.

"It will help eliminate wait-lists for special needs assessments — clearing up that backlog and relieving some of that anxiety that I talked about for parents and for kids," Premier Kathleen Wynne said.

The Canadian Centre for Policy Alternatives stated in a 17-page report that Ontario's education funding formula has not changed substantially since the Mike Harris government implemented it in 1997.

"By design, it was intended to squeeze funding for the system and to centralize control at the provincial level. It was based on the politics of division, pitting the educational needs of students and the need for infrastructure upgrades of schools against financial compensation of teachers and the power of local school boards," states the paper, authored by Hugh Mackenzie.

It lambastes a "flawed," "one-size-fits-all" approach to cash for schools. "You see it in the water fountains that aren't working, you see it in … unmonitored lunch hours, you see it in parent volunteers having to be depended on at recess," Erika Shaker, director of research and outreach for the centre, told QP Briefing.

Shaker conceded the formula had seen "some tinkering" since the Harris years, along with the introduction of full-day kindergarten, lower caps on class sizes and more funding for special needs.

"That's all well and good, but the problem is if you don't actually deal with the underlying structural problems in how these programs and how these children's needs are being funded … then we're always going to be behind the eight-ball," she said.

Wynne rejected the suggestion the funding formula hasn't been significantly revised in the last 15 years.

"Not only have we changed the amount of money that goes into education every year, we've actually changed the way that money flows," she told reporters. "We have changed the way funding flows to rural and northern schools. We have changed the way that funding flows to our middle schools, our high schools."

Education Minister Indira Naidoo-Harris said the special-ed funding fits into an “inclusive, fair” system, and dismissed suggestions of top-down control.

“We take our advice from school boards, so we essentially move the capital forward that they request.”

The province has poured $18 billion into school construction and renovation alone since 2003 to deal with a now $16-billion repair backlog across Ontario. The government currently spends more than $24 billion per year on education – more than $12,000 per pupil, placing it fifth among provinces in per-student spending.

Still, the Liberals have taken heat on the funding formula.

“I think that this is a little rich for the government to be rolling in here with 70 days to go until the election and announcing billions of dollars,” said PC MPP Todd Smith, who called the announcement an “11th-hour” move.

“It’s a little ridiculous. It’s too late, it’s too late.”

NDP Leader Andrea Horwath said the premier’s “promises mean nothing, now.”

“For years, Wynne has used a broken funding formula to short-change all students, under-resource classrooms, close down schools and allow many more to fall into disrepair,” Horwath said. “On Monday, she tried to convince Ontarians that, this time, if she were re-elected, for the next four years she’d be different than she was for the last four.”

The government announced a $219-million top-up to fund teachers and education workers last year, as many invested more in special education than the province had allotted.

Shaker highlighted the education ministry’s “incorrect” focus on equality rather than inequity, an outlook hinging on the idea “that all boards have the same underlying needs and costs, which is just not true,” she said, calling for a ground-up, needs-based approach to funding.

“It’s not just a course correction; it’s a whole new starting point,” she said.

3). AUDITOR GENERAL SLAMS IESO ACCOUNTING AS 'BOGUS,' WARNS SHE MIGHT ISSUE ADVERSE OPINION ON PROVINCE'S BOOKS

By: Jessica Smith Cross

Auditor General Bonnie Lysyk is accusing a Crown corporation of using "bogus" accounting practices that she contends were put in place to help the Ontario government avoid running a deficit this year, and of giving her office "a lot of non-truths" when she decided to audit its books.

Lysyk has completed a special audit of the Independent Electricity System Operator (IESO), which she says was triggered by the Crown corporation's decision to retroactively adopt a different accounting standard, rate-regulated accounting, last year.

That decision, Lysyk contends, "set the stage" for the government to implement the Fair Hydro Plan, a complex financial scheme that allows the borrowing of billions of dollars to subsidize Ontarians' hydro bills in an election year, without that debt showing up on the province's books.

While Minister of Energy Glenn Thibeault has repeatedly said the plan was intentionally structured to keep the borrowing off the tax base because it applies to ratepayers, Lysyk argues the accounting practices used are inappropriate, as it was the government, not an independent electricity rate regulator, that made the decision to temporarily lower Ontarians' electricity bills by taking on debt.

Lysyk told the public accounts committee last week that the accounting problem arose because the private auditing firm KPMG was retained by the IESO to advise on the Fair Hydro Plan, and to be its third-party auditor.

"The other thing I wanted to mention in terms of an update is that IESO normally has an audit fee of $86,500 a year on their audit. For the year January to December 2017, KPMG has billed nearly $600,000 to the organization," said Lysyk.

Part of that cost was to handle the auditor general and her audit: Lysyk said $230,000 of it was to answer her office's questions.

"It's ridiculous; we think it's ridiculous," Lysyk told the committee. "But, anyway, just on this aspect of the fair hydro plan, KPMG has generated about half a million dollars."

"We think this accounting is bogus," she continued.

In the course of her audit, she identified four problems: A lack of co-operation with her office from the IESO management and board; the inappropriate use of rate-regulated accounting; an understatement of the IESO's liabilities in regards to its unfunded benefit plan; and the IESO's failure to disclose that its participation in the province's Fair Hydro Plan has obligated it to pay its carrying costs on debt associated with the plan ahead of the province's power generators.

"If the accounting is not corrected, we will have to consider the impact of this on our Independent Auditor's Opinion on the province's consolidated financial statements," Lysyk wrote in a letter to the committee containing her report on the IESO special audit. "The impact at a minimum will result in a qualified audit opinion, but has the potential to result in a first-time adverse opinion on the province of Ontario's consolidated financial statements."

An adverse opinion, Lysyk wrote, means the province's public accounts do not fairly present its financial position.

"Therefore, the fact that we have to contemplate the possibility of having to issue an adverse opinion on the province's consolidated financial statements is a serious matter."

The IESO disputes nearly all of what Lysyk has said.

Terry Young, vice president of policy, engagement and innovation, told QP Briefing in an interview that the ISEO went out of its way to co-operate with the Auditor General's office: holding more than 40 meetings with her staff, responding to over 225 requests for information, arranging for seven staff members to work on IESO's premises while they were conducting the audit, and giving the auditors direct access to personnel.

But Lysyk put it differently: the IESO responded to some of her office's questions with "non-truths" and failed to inform her office of the timing of an important board meeting.

"We also comment that during our work, management of IESO and the board would not co-operate with us, in the sense that they continually say they're co-operating, but they stalled on giving us information... They basically treated, I think, my audit team like we were subservient to KPMG. In terms of the law in the Ontario, that would be the reverse."

She specifically cited IESO's refusal to sign the management representation letter that states the Crown corporation has provided her office with all of the relevant information for the audit: Young said that's because it misrepresents the relationship between the AG's office and the ISEO, as it is KPMG, not the AG, that is its third-party auditor.

However, Young said he couldn't say why the AG sees things differently on the issue of co-operation.

Young also denied there that the IESO adopted rate-regulated accounting in order to help the province keep the Fair Hydro Plan debt off its books, saying it was a decision the IESO had been seriously considering. He denied there is a problem with having KPMG serving in dual roles, as both an adviser on the Fair Hydro Plan and the IESO's third-party auditor.

In a statement, KPMG said, "the concerns expressed by the AGO result from a difference of opinion in the application of professional judgement," and said it made every effort to be responsive to the Auditor General's requests.

4). GOVERNMENT LAUNCHES NEXT PHASE OF DIGITAL FRAMEWORK

By: David Hains

The government wants you to enter the matrix – of stakeholder feedback forms.

The minister responsible for digital government launched a new phase in its Open Government Partnership Plan, and asked experts what Ontario's action plan should look like.

Eleanor McMahon spoke to the OpenON conference of open data and civic tech advocates in downtown Toronto, outlining the pillars that have guided the government's digital initiatives so far: open dialogue, open information and open data.

"These three pillars work together to support an open, transparent and ultimately more accountable government," said McMahon in remarks that kicked off the day-long conference.

The minister, who also serves as the treasury board president, explained that stakeholders could submit their requests or expectations for the next phase of Ontario's open government plan throughout the day, or by tweeting @OpenGovON, or by visiting the companion website.

"We want to bring in even more voices, and more perspectives, to this important provincial conversation. I encourage you to get involved in this process."

Speaking with QP Briefing, McMahon touted the government's record on making government more open and transparent with digital initiatives, and pointed to the new and improved Sunshine List website, the hiring of deputy minister for digital government Hillary Hartley and over 2,300 open data sets as evidence of the progress made.

But OpenON contained hints at how Ontario could do more. While McMahon cited the government allocating $5 million to fund ideas from the public in Wednesday's budget as an example, the keynote speaker who followed her, Sanjay Pradhan, the CEO of the Open Government Partnership, raved about how Paris, France used €500 million in its budget in the same way. One questioner asked Pradhan whether he could urge the Canadian government to get its act together and make postal codes, which can be used for geo-specific applications, open data; Canada Post considers the data intellectual property, and has gone to court to preserve that stance. The Ontario government has also been criticized for its deal with Teranet Inc., which more than tripled the cost to search who owns what in the province.

The minister told QP Briefing she's open to hearing where there's room for improvement.

"If today there are examples, like access to information, then that's exactly what today is about," she said following question period. "I know that my officials are commited to problem-solving and listening to what people have to say," she continued. "Where the criticism is warranted we're going to move to close those gaps."

But McMahon cautioned that for all the promise of open data, security and privacy need to be considered. "I think it needs to be balanced with protecting people's safety and interest too." Those concerns were underlined at the conference, as a number of the questions for Pradhan focused on how to weigh competing transparency and security interests, especially in the wake of the Cambridge Analytica scandal that has rocked Facebook over the past week.

"We're going to hear what people have to say and we're going to continue to drive it forward. This is a huge priority for our government, said McMahon," adding that she'd like to see the initiatives be more "public and prominent" so that Ontarians can understand the different and evolving ways they can access the government.

5). Spurned Hamilton-area PC candidate to face off again against past winner amid criminal probe

By: Christopher Reynolds

A spurned nomination candidate who launched a lawsuit against the Progressive Conservative party is back in the running for a Hamilton-area riding contest, set to square off once more against a former Tory favourite in the controversial, re-opened nomination where a criminal probe is ongoing.

The party's nominations committee "set aside" the result in Hamilton West—Ancaster—Dundas shortly after Doug Ford won the party leadership on March 10. That came just over nine months after then-leader Patrick Brown nixed two would-be candidates' appeals of the outcome and dubbed Ben Levitt the victor there.

Runner-up Vikram Singh told QP Briefing Monday he is throwing his hat back in the ring, despite earlier complaints of ballot-box stuffing and bogus memberships included in his lawsuit last summer. Singh dropped the suit in January.

"Those are issues in the past, and we have to look forward in a positive way for ensuring that Ontario's interests are put first," Singh said. "I have full confidence in the party, and believe they will make a decision to bring clarity and for the best interest of Ontario."

A separate, ongoing fraud investigation into the race continues.

Singh's renewed shot at the nomination comes two months after a statement Jan. 24 — coincidentally, the same night Brown held his infamous press conference — when Singh attested to his faith in the process that led to his defeat.

"On the evidence that has been provided to me, I now accept that PC Party officials, staff and volunteers were dedicated to achieving the fairest result for the Hamilton community, and can no longer maintain that there was any untoward behaviour on their part," Singh said in a joint statement with Brown.

Singh as well as Levitt will again have to pass the party vetting process. The PC nominations committee is meeting today to discuss upcoming riding contests.

"We've got to deal with this stuff real quick," said a senior party official.

The source noted Levitt was a preferred candidate the last go-round. "We've encouraged him to run. We went to great pains to ensure that this didn't reflect poorly on him," the official said, referring to allegations of voter irregularities from the May 7 meeting at Ancaster High School.

The road to a nomination could be bumpier for Singh. "He taped his conversation with Walied Soliman and used it as leverage — even though Walied Soliman has fallen into disfavor by association with Patrick Brown," the source said.

That is a reference to Singh surreptitiously taping a conversation in late May with the Brown's former campaign chair, a transcript the PCs then spent several hundred thousand dollars to seal off from public viewing, according to court records.

"Did he burn his bridges permanently by taping a party official’s conversation?" the source asked.

Levitt's campaign manager Dan Muys confirmed Levitt is making a run.

"This is my home. I can and will win this riding for the PCs on June 7," Levitt told QP Briefing in statement.

"In fact, in the months since winning the last nomination, my team and I have proven that we have the energy, community support, volunteer strength and political street smarts to run a winning PC campaign for HWAD [Hamilton West—Ancaster—Dundas]."

QP Briefing could not confirm whether third- and fourth-place nomination candidates Jeff Peller and Jobson Easow will make another bid.