Media Event: Minister Sousa on Q3 Finances

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MEDIA EVENT: MINISTER SOUSA ON Q3 FINANCES
February 21, 2017

Time / Location:
9:30 a.m. / MaRS Main Atrium, First Floor, 101 College Street, Toronto.

Speakers:
Ministers Sousa and Duguid; MPP Vic Fedeli scrummed afterwards

Media Attendance:
Print – 4
TV – 9
Radio – 1

Media Outlets:
Benzie – Star; Jeffords – Sun; Smith Cross – QP Briefing; Crawley - CBC Radio/TV; Lamoureux - Radio Canada TV; Lewkowicz – Newstalk 1010; Rath - CHCH Television; Tumelty - City TV; Morissette – TFO; Wong – CP24; Smith – QP Today

Statement by Minister Charles Sousa:
Good morning everyone. I'm pleased to be here together with my colleagues Minister of Economic Development and Growth, Brad Duguid, and Minister of Research, Innovation and Science resume, Reza Moridi, to release and announce Ontario's third quarter financial results. I thank you all for coming this morning to MaRS – the world's largest innovation hub supporting new technologies and creating jobs of the future; a team of forward looking people that believe in a bold vision ignored the criticisms of those who would rather have us tear this down, instead of building it up – they stuck to a plan. And today MaRS is a tremendous operating a financial success having just repaid its loans three years earlier. Of course key to MaRS success are the companies and organizations within it that drive innovation. And I'm pleased to be joined on stage this morning by a few individuals who represent some of the very companies helping MaRS be a global leader. Rebecca Yu is the head of Johnson Johnson innovation's JLABS - the first JLABS incubator outside the U.S. Aaron Zifkin is Airbnb's director of operations for the Americas. Paul Parisi, is general manager of Pay-Pal – and Pay-Pal processed their first mobile payment in Canada over a decade ago. And Jeff Kent senior vice president operations for Highland Therapeutics. These are just a few of companies residing here making MaRS a world leader in research and innovation and our government is proud to have made strategic investments here and elsewhere. Investments that are providing tremendous benefits to Ontarians and to Ontario's economy. It's just one of many strategic investments we've been making while continuing on our path to balance the budget by 2017-18.

And our plan is working – despite uncertain global environment, Ontario's economy continues to grow ahead of others. In Q3 the province's real GDP grew by point seven percent. This growth was led by business exports, consumer spending, and real estate investments. Q3 results re-affirms another strong year for Ontario. Over the first three quarters of 2016. Ontario's real GDP growth outpaced that of all G-7 countries. This growth was strong and was supported and it provided for steady employment gains. Seventy six thousand four hundred net new jobs were added in 2016. Continuing the upward trend since the global recession. In fact as of January 2017, the unemployment rate improved to 6.7 percent. That's better than the national average for the twenty-second consecutive month. And other key economic indicators also advanced in 2016, including stronger business sector activity such as manufacturing sales and wholesale trade that grew faster than the other provinces. And on the consumer side there were greater gains in retail sales and in the housing market. However, we recognize that not all regions of Ontario have experienced this economic growth equally, and as such we are focusing on ensuring everyone is able to benefit from and contribute to this improved growth. Overall, these positive economic factors – more business succeeding, more people working, consumer confidence improving and exports rising – have had a positive effect on Ontario's finances ahead of plan. A growing economy contributes to higher revenues. And as such, total revenues now projected to be $133.1 billion. That's an improvement of $2.5 billion compared to the 2016 budget's initial estimate.

This increased growth, This increased growth in Ontario's economy combined with our government strong fiscal management is enabling us to afford and make the necessary investments that will benefit all of Ontario. Investment like helping people with their hydro bills by rebating the provincial portion of HST off their bill. And greater investments in hospitals to reduce wait times and support better care for patients and our families. This means Q3 outlook for program expenses is now $123.3 billion – an increase of $1.1 billion compared to the 2016 budget projection. However, given lower borrowings than projected, interest on debt for 2016-17 is forecasted to be $400 million lower than forecast in the 2016 budget. Furthermore Q3 also reflects the pension asset export advisory panel's recommendations to recognize net pension assets for our two major jointly sponsored plans. And this was, as you know, initially presented in the 2016 budget almost a year ago. Notwithstanding that, we still beat our targets. In fact, it is the eighth year in a row that we are projecting to beat our deficit target on our way to a balanced budget in 2017-18. Given stronger economic growth and being mindful of spending, we achieved a lower deficit at $1.9 billion in 2016. That's an improvement of $2.4 billion compared to the 2016 budget. And we're still maintaining a reserve; a measure of prudence to protect against any unforeseen changes that may occur before year end. So the deficit now stands at $1.9 billion – the lowest since the recession. And Ontario's economic outlook remains consistent with a 2016 fall economic statement, where private sector economists expect Ontario to be one of Canada's fastest growing provinces over the next two years. I'm pleased to provide this update. To provide an update to our fiscal plan; to our firm – our stronger fiscal position ahead of the next major update, when I table the 2017 Ontario budget – a balanced budget. Thank you everyone. And I'm happy to take questions.

<u>Media Questions:</u>
Q. Smith Cross: (inaudible) NDP's motion to remove that moratorium on (inaudible)

Sousa: I'm sorry I'm having a hard time hearing – is this regarding the electricity?

Q. Smith Cross: Yeah – (inaudible)

Sousa: So right now we are taking steps – and there are a number of steps that we are gonna proceed with in regard in regards to mitigating electricity prices. And it's much broader than what's being proposed. So we want to make certain that we take (inaudible) approach. So there's issues around delivery charges, which is part of that recommendation, but there's also issues that we're doing around global adjustment. We wanted to make certain that we take a full view before we make a decision.

Q. Smith Cross: (inaudible)

Sousa: Yeah, we'll be discussing that in the house as we proceed forward.

Q. Crawley: You say that (inaudible) three years (inaudible) will resonate with the deficit (inaudible)

Sousa: We've actually taken a number of – of measures of prudence throughout those years, and certainly as we proceed to make those estimates going forward we look at independent economists who provide their forecasts. We actually take that average and taper it down by half a point. So we take some caution in our projections going forward and we have built prudence into the system every year. We continue to take prudence in this budget to the tune of a billion dollars still so as to make certain that we don't overestimate. I think that's more of a problem than underestimating our position. So, we want to take that caution.

Q. Crawley: (inaudible) are you actually (inaudible).

Sousa: Every, every budget that we put forward does build prudence into the plan, and we actually highlight very openly as to what that is. And, of course, the growth in the economy and – and the projections wouldn't be achieved had we not made the necessary investments – strategic investments – to stimulate that growth. I mean, many would call for us to do across-the-board cuts immediately; putting in harm's way that economic viability. And we chose not to do it that way. We chose to take a balanced approach over a prolonged period of time to achieve that balance. And, in fact, we never pulled back from it, where some other jurisdictions didn't meet their respective targets when they made those estimates. We chose to be a bit more prudent yes.

Q. Crawley: (inaudible)

Sousa: I'm actually, you know, we're looking at a balanced budget in this coming budget; next year as well and the year after that.

Q. Lewkowicz: (inaudible)

Sousa: So there will be a number of the things that we'll going to discuss. We want to make certain that while we proceed forward on any mitigation for electricity prices, that we recognize the investments that have been made and how to afford them on an ongoing basis. Keep in mind that when we inherited the electricity grid, it was in need of repair. We invested billions – over 30 to 50 billion dollars more – in new transmission and new power plants to provide greater integrity into that system. Now that costs money. And enabling us to afford it is one of the things that we're going to try to mitigate as we proceed. But now other jurisdictions around North America are going to play catch up. We have decarbonized our electricity system. We've gotten rid of dirty coal, enabling us now to take advantage under the cap-and-trade system to foster some of those improvements, so we are going to take an appropriate step in a balanced way to ensure that the people of Ontario benefit from those investments over a long period of time.

Q. Smith: (inaudible)

Sousa: Well you've just proved my point from the previous question. We've taken prudence in our measures as we – as we make our estimates. And when it came to housing, it was above and beyond because of the activity that we preceded. But going forward, we take a measured approach to – to achieve that balanced budget. (Inaudible) after all a reflection of the great demand of individuals and companies seeking to come to Ontario. It's a reflection of our growth in our economy and – and the desire to invest here. We have become the top destination for foreign direct investment year over year. (Inaudible) one of the top jurisdictions in North America, and that has had an impact on our real estate. Keep in mind that other parts of the world, including the United States, real estate investment and real estate prices fell dramatically during the recession. In Ontario, it did not. And it did not because we took the necessary steps to continue to invest in our – in our communities. So going forward we'll continue to take a measured approach. We're not going to overestimate what that activity will be – again to be mindful that we want to ensure that we balance the budget. We also want to ensure that there's affordability in the system for homeowners, especially first time buyers. And it's one of the reasons why in the last economic statement we doubled the land – the rebate, the grant for first-time homebuyers to $4,000, enabling them to benefit somewhat from housing. That allows them on average to buy home for say 400,000 without paying any land transfer tax.

Q. Smith Cross: (inaudible)

Sousa: Winter disconnections? Let's be clear. Any time I deal with a budget or with policy, it's important for us to have good ideas no matter where they come from. And I welcome that. I welcome that in the preparation of the budget. I welcome that when Vic Fedeli asked me questions in the House in regards to those things. We want every side of the House to work collaboratively to put forward what's in the best interests of people of Ontario, and we always welcome ideas from across the aisle or anywhere throughout Ontario to proceed forward. We'll make the determination in the House though.

Q. Tumelty: (inaudible)

Sousa: It's a great question. and it's one of the reasons I have two of my colleagues here with me. We have the minister of innovation, sciences, and research, which is going to be a big part of the budget going forward, talking about the new economy and the new technologies in which Ontario is leading. And leading in a way to be competitive against the United States, and requiring the United States to look at Ontario as an important market for them – which they already are. And of course we got the minister of Economic Development and Growth who I'm going to call to the podium right now to answer that very question.

Duguid: Take a break Charles. Well, I mean, first and foremost Jamie, we're in a position of strength here in Ontario, and Minister Sousa indicated that look, we have the lowest unemployment rate we've seen in about eight years. We're leading the G7 in growth, which means we're – we're growing faster than the United States, the U.K., Germany, France, Italy, and – trying to think if I left one out there, I don't know if I did or didn't. So that means we're growing at a very fast pace and we've created 700,000 net new jobs since the global recession. That's a position of strength. Whatever happened south of the border, we're going to be in good shape to deal with it. We're also investing, as we have, in this building here today, in the new economy. And that's so important because we're – we're doing everything we can to ensure that Ontario is going to be competitive in the new economy. That means being a global leader in innovation; that means doubling down on investments like we made here with MaRS in the face of incredible opposition, of rhetoric, fake news, if you want to call it that, about the state of this building. We knew that we were onto a good thing here. We knew that if we made the investments here – and Reza was part of that decision-making as well – that it would pay off. So those investments that we've made, whether it be in clean tech – and (inaudible) is here and she'll tell you they were good investments – whether it be in – in bio science; whether it be in autonomous vehicles; whether it be in any of those disruptive technologies, we're looking forward to the next budget because you're going to see us taking that next step forward to ensure Ontario continues to lead globally in creating an innovation hub here that can compete with anyone in the world, regardless of what happens south of the border.

Q. Tumelty: (inaudible)

Duguid: Well Jamie the best way to cushion Ontario from whatever happens down there is to keep us growing, to keep us leading the G7 in growth because that means no matter what happens down there we're going to be in a position of strength. So yes, there's a little bit of uncertainty right now south of the border, although there are signs – and most of the signs have been positive. Our prime minister's recent trip down there – very positive. (Inaudible) was there with him and she'll tell you that – that we were getting the right signals from the administration. But we can't take anything for granted. We're going to do our bit to work with our counterparts south of the border, in particular the Premier is reaching out to governors. We're reaching out to our counterparts south of the border to ensure that they are aware that there are 11 million jobs in the U.S., American jobs, that depend on that unfettered border. And we're going to ensure that our counterparts in those Great Lakes states in particular are making the case to the new administration. But so far the signals have been positive. And, as I said, as long as we're in a position of strength we'll continue to grow here and be globally competitive, and we won't be naive about the risks, but we'll be ready to handle them.

Q. Jeffords: (inaudible)

Duguid: Well let me give you an example of the kind of rhetoric that we faced when Reza, Charles, and I were – were going through this challenge. The leader of the opposition called this a money pit. It's – it's the exact opposite. This is a building that is creating all kinds of billions of dollars of economic opportunities. Tens of thousands of jobs are being created from the work that's going on here. When you make comments like that, that's a false comment. That misleads people into thinking that – that there's things going on here that were negative when we continued to stay strong to the vision of MaRS because we knew that we have to make these investments in the face of political rhetoric to ensure that we put the welfare of the people of this province, our efforts to build that new generation economy so that our kids and grandkids are going to have a bright future here, ahead of partisan politics, and it wasn't easy. My colleagues will tell you we were under a lot of assault from the opposition on this but we stood strong. We stuck to the investment. We doubled down on it because we knew it was a good investment. It was fully secured and the result is we're now in a building with – with two office towers chock full of innovative companies, chock full of innovative entities that are leading our new generation economy.

Q. Crawley: (Inaudible)

Duguid: Well let me – let me – let me be clear. My – my comment was based at the opposition not at our news media at all. You reported on the facts as you knew them at the time. So, so let's be very clear about that. And you know me, I don't go after the media on any occasion. Even when you come after me I don't come back at you because I recognize you're just doing your job so. You're good. Mike.

Sousa: Listen everybody, thank you very much for attending. Thank you to the people of MaRS who had held true to their values in making this happen. And thank you to the private sector who ultimately are the ones that provide the jobs and are filling the spaces here as well. Thank you everybody. Have a great day.

<u>Questions for MPP Fedeli:</u>
(Joined in progress) Which part? The Duguid or the Sousa part? Because they were both (inaudible)

Q. Wong: (inaudible)

Well look, there’s a couple of comments that the minister made that we really have to challenge. I've corrected him in the Legislature in the past and I'll correct him again today. He said we were the top foreign – foreign direct investment destination in North America. That's not true. We used to be at one time, when Ontario was in better position, but we've fallen to number four. So we continue to need to correct the minister when he throws out these – these tidbits. They're not accurate. Same with Brad Duguid when he talked about the fact that we're growing faster than the U.S. Overall that may be – there may be some truth to it. But the fact is there are many of the U.S. states that are growing far faster than Ontario. So everything they said, we need to take with a grain of salt. But I think the Ontario Chamber summed it up two weeks ago when they told us that business confidence under this government had fallen from 48 per cent in 2013, tumbled down to 24 per cent this year, and in fact their document used to be called Emerging Stronger. They've actually – year after year it was called Emerging Stronger. They actually changed the name to just the Ontario Economic Report this year because we are no longer – or have been emerging stronger.

Q. Lamoureux: But it seems we're going to reach balance next year. Is this good news?

It's easy to report a artificial balance when you're selling Hydro One at $2 billion and putting that purely into revenue; when you're selling the LCBO warehouse; when you're selling the OPG headquarters, all one-time revenue. That's as the FAO has told us – the Financial Accountability Officer – we will artificially, possibly, balance this year. But the real deficit is – is – is there. It's baked in and it will grow for the next five years according to the Financial Accountability Officer, who's an independent officer of this Legislature.

Q. Rath: What do you make of them beating their projections eight years in a row? I mean, that just doesn’t make sense.

Well, no, none of it makes sense. Look, when you have an economy with business that has lost confidence and you continue to raise taxes such as service fees – look, to register a vehicle and drive in Ontario, that has gone up. The service fee for that has gone up $500 million in four years. So this is where they're getting the revenue from – from that and from the housing market as well. It’s all increased service fees and one-time revenue.

Q. Smith Cross: Do you have an opinion on the issue of who deserves credit for banning winter disconnections in Ontario?

Look, who deserves the credit? Let's just get it done. That's really – you know I've got families in my home town who are suffering. It's the number-one issue in my office. When you've got 60,000 people who've been – who've had their hydro cut off, 567,000 who are in arrears, it tells you something's wrong with the hydro system. So look, yes let's fix this issue immediately because nobody deserves to be cold and have their power shut off in the winter. But it's really the end result of a problem that people now have to choose – because of the bungling of the hydro system, they to choose whether to heat or eat. And that's just not the Ontario we grew up in.

Q. Smith Cross: Do you think the government was playing politics on that issue?

Oh absolutely. Look, they buried what could have been done at the snap of a finger. First of all, they could do it by ministerial directive. The auditor general told us they did 93 directives against the ministry's advice. At least do something that the people want. And if you're not going to do that, they buried it in an omnibus bill, you know, with every other little bell and whistle. Pull it out. Do it, get it done today. We can do it today.

Q. Jeffords: Vic, what's your reaction to Minister Duguid using the term 'fake news' to describe the way the Tories would characterize the MaRS building?

So look, go back to that day – I was here that day the Auditor General herself called this a high-risk bailout. So let's start with that premise. The reason they're – they're doing it here is because the end – the end day it turned out fine for them. But at the time, they did a secret deal to bail out a U.S. real-estate firm and put that onus on the taxpayer. It was a huge gamble. And as the Auditor called it, a high-risk bailout. The fact that they brought in outside investors is what they should have done in the beginning. But they didn't want anybody to know. It took a whistleblower to bring the whole shady business in the secret deal here. It took a whistleblower to bring that out in 2014. It's not about MaRS. The work they do here in this building is phenomenal and to their credit. It's all about the shady real-estate deal that the Liberals did on the side. They – even they bungled this file.

N.B.: Comments captured are not verbatim quotes

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