QP Briefing: May 2, 2018

From:	"Law, Sally (CAB)" <sally.law@ontario.ca>
To:	"@CAB-QP Briefing" <cab-qpbriefing@msgov.gov.on.ca>
Date:	Wed, 02 May 2018 17:41:41 -0400
Attachments:	20180502 - QP Briefing.doc (168.96 kB)

QP BRIEFING

May 2, 2018

Click links below to view article:

Articles
1). Remembering Gord Brown: Your Question Period briefing
2). Liberal spending plan requires severe cutbacks and still balloons the debt, fiscal watchdog warns
3). Wynne proposes expansion of Greenbelt following Ford's flip-flop

Articles

1). Remembering Gord Brown: Your Question Period briefing

By: David Hains

The issue of the day:

An irate Vic Fedeli used information in the newly released FAO report to criticize the government's finances, arguing the deficit stands at $12 billion, and hasn't been balanced as the Liberals claim. In his lead question, Fedeli said of the government: "The only thing they've slayed is any shred of trust or credibility. The government told us one thing, when both legislative officers told us the truth, which happens to be a completely different picture.

"Speaker, why does this government think it can get away with presenting inaccurate numbers to the people of Ontario?"

Premier Kathleen Wynne defended the government's record by citing other findings in the FAO report, highlighting strong job numbers and laying out part of her re-election pitch, and saving her favourite buzzword for last. "The reality is, our economic growth has outpaced that of most countries in Europe and in North America. Our unemployment rate is at a 17-year low. We know that everyone has not benefited from that, and we have made a deliberate decision to

invest in the people of this province, to invest in their care."

Fedeli pressed again on the deficit, showing more emotion than he typically does during question period. "I want to know. We all want to know. The people want to know: Why did it take the Financial Accountability Officer this morning to come out and tell us?"

"We have consistently been open about our finances," the Premier responded. But then she shifted gears, shoehorning in a dig at PC Leader Doug Ford's flip-flop on the Greenbelt: "We have consistently supported the Greenbelt."

For more on the FAO report, read our article on the subject.

The other issues:

NDP health critic France Gélinas used the party's lead question to challenge the government on health care. She asked the government about hospital beds, saying: "On April 1, the funding for eight hospital beds at Guelph General Hospital ran out. The hospital says it still needs the beds. It is operating at 111 per cent occupancy. It is seeing 64,000 patients per year in an emergency room built for 45,000.

"Why is the Premier forcing the patients to be treated and admitted in the hallways at Guelph General Hospital?"

Health Minister Helena Jaczek responded: "As you know, through our 2018 budget, we are investing an additional $822 million in Ontario’s publicly funded hospitals. Overall, this is a very historic increase: 4.6 per cent. High-growth areas, obviously, are looked at with an eye to improving their situation."

NDP energy critic Peter Tabuns criticized the Fair Hydro Plan. "Will the Premier tell Ontarians the truth – that her hydro borrowing scheme drives bills up even further over the long term, not down?"

Energy Minister Glenn Thibeault responded: "We invested in the Fair Hydro Plan to make sure that we could reduce rates by 25 per cent for everyone across the province. They voted against that. And you know what, Mr. Speaker? They have no plan when it comes to actually reducing rates. What they want to do is eliminate the fair hydro plan. They want to raise rates by 25 per cent."

The New Democrats do hope to unravel the Fair Hydro Plan, but have also stated they aim to reduce hydro rates by 30 per cent.

Obviously a MegaMaze fan, backbench Liberal MPP Han Dong asked about developments at Ontario Place, a question that just happens to be about a site in his riding, and dovetails with a recent government announcement.

Daiene Vernile, the Minister of Tourism, Culture and Sport, responded: "This summer, Ontario Place is going to be hosting a music series every Thursday featuring emerging artists from every genre, including indie rock, folk, hip-hop and jazz. There are going to be family dance and music performances on Sunday afternoons. We’re also going to have outdoor activities such as beach volleyball and free skating on the outdoor synthetic rink."

It's not quite a log ride, but it's something.

PC MPP Randy Pettapiece questioned the government on the horse racing industry, a hot issue in parts of the province where it's a major economic driver and employer. Needless to say, the PCs aren't happy about what they see as a crisis for the industry.

"Why is this government playing politics with horse people’s livelihoods and pressuring them to sign on to a 19-year agreement in the final weeks before an election?"

Putting aside the fact that the phrase "horse people" is excellent and we should all be more centaur-like, Finance Minister Charles Sousa defended the government record, saying: "Mr. Speaker, the member opposite makes reference to the fact that we have now strengthened and sustained horse racing and breeding by putting in a $105-million 19-year agreement."

One might say that on this issue, Pettapiece is a neigh-sayer.

At the end of Question Period, PC MPP Steve Clark rose on a point of order.

"I would just like to ask for unanimous consent to have a moment of silence for my MP Gord Brown. Gord passed away this morning in Ottawa," he said, and many MPPs appeared shocked to hear the news. Brown, a PC MP for Leeds—Grenville—Thousand Islands and Rideau Lakes since 2004, was 58.

"He was an amazing MP. Mr. Speaker, we dreamed as young men to once serve in this legislature and in the House of Commons, and we realized that," said Clark, who was clearly hit hard.

"I want to express on behalf of the house our deepest sympathies to Gord's wife, Claudine, and his two sons, Chance and Tristan. We're going to miss him. I'm going to miss him. Mr. Speaker, he was like a brother to me. Eastern Ontario, the province and our country mourn the loss of Gord Brown."

The house unanimously approved the moment's silence, and Clark fought back tears. Lisa MacLeod reached into her desk to pass her neighbour a tissue. Afterwards, members of all parties embraced and consoled one another, putting partisanship aside from a moment to grieve and remember together.

[Top]

2). Liberal spending plan requires severe cutbacks and still ba warns

By: Jessica Smith Cross

The pre-election budget unveiled by Ontario's Liberal government includes so much new spending it will take years of severe restraint to return the books to balance — and even then, the fiscal plan would inflate the province's debt and drop it on the shoulders of younger Ontarians, according to a new report by the province's fiscal watchdog.

"The government's fiscal plan shifts the burden of paying for the budget's new spending programs from current taxpayers to younger Ontarians. The additional debt will also leave the province with less flexibility to respond to future crises, including recessions," said David West, chief economist with Ontario's Financial Accountability Office.

The FAO evaluated the 2018 budget tabled in March and found it introduced significant new spending without adequate new revenue to pay for it – and warned that in the coming years, the province won't be able to rely on economic growth alone to bring its finances back to balance. There is a "structural deficit" – "a fundamental imbalance between revenues and spending" in Ontario, the watchdog found.

The new spending announced in the spring budget increases the 2018-19 deficit by $3.7 billion, the report states.

That new spending, combined with slower economic growth, will result in average annual deficits of $12 billion over the next three years, from 2018-19 to 2020-21, and increase the province's already significant debt by $70 billion over that time, the FAO found.

"By 2020, Ontario's net debt will increase by nearly $70 billion, reaching almost $400 billion. This additional debt will raise the province's debt-to-GDP ratio to 42 per cent in 2020, up from about 39 per cent last year," West said. "The 2018 budget did not acknowledge the government's previous target of reducing the province's debt-to-GDP ratio to 35 per cent by 2023. But, even with the significant spending restraint assumed in the government's plan, the province will miss this prudent debt-to-GDP target by a wide margin."

The FAO's deficit figures line up with those of Auditor General Bonnie Lysyk, and incorporate her accounting position on two areas in dispute: certain pension assets and borrowing associated with the Fair Hydro Plan. Adopting the AG's accounting adds $5 billion to the deficit

in 2018-19, rising to $6 billion by 2020-21.

The FAO report also confirms the government's economic forecasts — the watchdog essentially rebuilt the 2018 budget from the ground up and came to the same conclusions as the government (leaving aside the accounting dispute with Lysyk, with whom the FAO sides).

However, the FAO report stated what the government so far has not said aloud: After three years of deficits, the Liberals are proposing to balance the books by 2024-25, but entering a period of severe spending restraint — in other words, to begin spending $650 less per Ontarian per year than it does today.

(Even then, taking the accounting dispute with the AG into consideration means the budget wouldn't actually come back to balance until the following year, according to the FAO.)

http://s3-us-east-2.amazonaws.com/qpbriefing/wp-content/uploads/2018/05/02145309/FAO-Budget-Balance-Outlook-405x231.gif

The Grits' budget describes those five years of restraint as its "fiscal recovery plan," but the FAO says offers no specifics on how it will be achieved.

The budget projects limiting spending increases to 2.1 per cent a year during that time — when the pressures of inflation and population growth and aging mean that the "status quo" spending necessary to maintain current programs would increase 3.5 per cent a year, according to the FAO.

That's no small gap — the 1.4 percentage point difference between the two paths is $15 billion by 2025-26, according to the FAO projection. (And that gap that can't be blamed on the accounting dispute with the AG, it exists if either accounting treatment is used.)

http://s3-us-east-2.amazonaws.com/qpbriefing/wp-content/uploads/2018/05/02145232/FAO-Program-Spending-Projections-405x197.gif

"Severely restraining the growth in spending, below population growth and inflation, could lead to a balanced budget by 2025," West said. "However, the government's plan implies that the province would have to find about $15 billion in spending reductions by 2025, equivalent to about 8 per cent of program spending. Restraining spending to this extent will be challenging."

The province has experienced periods of spending restraint in the past: between 2010-11 and 2017-18, the Liberal governments kept spending increases to 2.3 per cent — during which time it froze hospital funding for four years and warred with teachers and doctors over their contracts. The proposed restraint is more severe than that, according to the FAO, but not quite as severe as between 1992-93 and 2000-01, when spending growth was limited to 1.4 per cent.

Finance Minister Charles Sousa played down the FAO's figures as mere projections and said they're based on assumptions about future economic growth – but acknowledged they're basically the same "cautious" and "reasonable" assumptions he relied on in his own budget. However, Sousa said the economy has outperformed such projections in the past, and he is confident it will again.

"We've exceeded our targets every year, even with the FAO estimating [we] may not be; we've always overachieved," he said.

If that turns out to be the case in the coming years, it would mean less severe restraint would be required during the years of the "fiscal recovery plan." However, the FAO report also found that if a recession were to occur, the books are not in any position to absorb the blow.

The politics

There are political ramifications in the numbers: The Liberals have been loudly criticizing the Tories for the "cuts" they will have to make to keep the various promises made so far by Leader Doug Ford, but the Grits have neglected to mention that their plan forecasts significant cutbacks beginning in three years.

Sousa rejected the notion that there's any hypocrisy in their line of attack.

"They're saying they'll make those cuts, and it's what they've done in the past," he said. "We're not going to put people in harm's way, we're not going to leave people behind as we proceed forward. We've never cut programs as we made our track back to balance."

The PCs, meanwhile, have promised to balance the budget at some point, but have yet to release a costed platform outlining when and how they will do that, while also lowering corporate taxes and ending carbon pricing in Ontario.

"Well, as Doug Ford has said, we won't be able to balance in the first year," PC MPP Vic Fedeli said. "There's quite a bit of deficit that we now see revealed from the FAO and the Auditor General, but through efficiencies we will get to balance."

NDP finance critic John Vanthoff acknowledged that the NDP is proposing additional spending and plans to run deficits, but added that it includes additional tax increases as well.

"Our plan balances modest tax increases on the province's most profitable corporations and wealthiest individuals against new spending and puts us on a path to balance," he said in a written statement provided to QP Briefing. "In government, we will work with the AG and FAO to make sure our books reflect the true fiscal situation of the province."

[Top]

3). Wynne proposes expansion of Greenbelt following Ford's fl

By: David Hains

The day after PC Leader Doug Ford reversed his position on the Greenbelt, saying that he would protect it in its entirety, the Liberals took the next step and vowed to expand the environmental expanse that surrounds the Golden Horseshoe.

"A growing Greater Toronto and Hamilton Area needs a growing Greenbelt," said Wynne, touting the first major Liberal campaign promise that wasn't in this year's budget. "Not one that is being cut off and sold off to the highest bidder by Doug Ford," she said, taking a shot at the Tory leader whose party has been polling about 20 percentage points in front of her.

"Ontario's Greenbelt is the very heart of the Greater Golden Horseshoe," Wynne said, listing the various environmental, agricultural, health and planning benefits.

The expansion of the Greenbelt would include:

- **Wateroo and Paris/Galt Moraine complex**
- **Orangeville Moraine**
- **Oro Moraine**
- **Nottawasaga River corridor**
- **Additional wetlands and small moraines in Dufferin and Simcoe counties**

The proposed additions came following a scheduled review of the Greenbelt lands.

Wynne made her pledge with a backdrop of Toronto's Humber River, and stood behind a cheeky lectern that had a red sign saying, "Not Just Farmers' Fields," a reference to one of Ford's phrases to a roomful of developers in a video that leaked earlier this week.

Wynne went after Ford, saying that the video was indicative of how he does business, and arguing that the Tory leader shouldn't be trusted when it comes to protecting the Greenbelt. "When Doug Ford looks at the Greenbelt it's clear ... he doesn't see prime farmland, he doesn't see clean drinking water, he sees dollar signs."

A day after the video of Ford was released, he walked back his policy, saying that he was listening to the people.

Wynne didn't buy the explanation.

"Behind closed doors he promised developers he would open up a 'big chunk' of this protected land," Wynne explained. "To say something behind closed doors to a group of developers and then to say something different when people find out about it, I think really does demonstrate the measure of the man. Doug Ford cannot be trusted to protect the Greenbelt or to protect public land."

Following question period, PC finance critic Vic Fedeli, who yesterday defended Ford's Greenbelt policy position at length before it was changed, defended the party leader again. "I have to tell you, I'm very impressed. Doug Ford has listened to the people of Ontario. He's come out and he's said, 'Yeah, I hear you, and we're not doing that.' "

Fedeli would not directly answer questions on when the PC caucus first learned of Ford's Greenbelt proposal, whether Ford should have made the promise to developers in the first place, or whether he has asked Ford if any other backroom deals have been made.

He also declined to commit the PCs to matching the Liberals' proposed expansion of the Greenbelt, saying that the party's platform will be available at a later date.

The Greenbelt dates to 2005, when the government carved out a wide swath of environmentally-sensitive land in southern Ontario and restricted development. The policy move had several reasons behind it, including to preserve limited farmland, protect watersheds, and limit suburban sprawl. To accommodate future growth the government also encouraged building more densely through the Places to Grow Act.

It was high housing prices that Ford took issue with when he proposed to open up "chunks" of the Greenbelt to development, arguing the region needs to increase supply.

Housing Minister Peter Milczyn told QP Briefing that isn't the right way to solve the problem. "Opening up the Greenbelt further is not going to reduce home prices. The big developers that might want to release some farms they bought 20 or 30 years ago on speculation, they could rezone them, they already have ample land to build up."

Asked whether the Greenbelt would see less pressure if cities did a better job of managing growth, Milczyn conceded that's true. "That's a fair criticism," he said, adding that from his experience as a Toronto city councillor there was often a fear to "upzone appropriately" for fear that would be appealed to the Ontario Municipal Board "and the developer would get even more."

Top