

I referred earlier to two major items that led to these incorrect deficit projections.

The first is that the government did not properly reflect in the Pre-Election Report the true financial impact of the electricity rate reduction resulting from its Fair Hydro Plan.

The Plan gives ratepayers a discount on their hydro bills, but someone still has to compensate power generators for the reduced revenues resulting from the discount.

That "someone" is the government, and it must borrow to pay this compensation.

However, the government did not include the cost of compensating the power generators, or the interest on the money borrowed to pay that compensation, in its forecasted expenses.

The second major item relates to two jointly sponsored pension plans for public employees.

The government forecasts pension revenue from the Ontario Teachers' Pension Plan, and forecasts insufficient pension expense from the Ontario Public Service Employees' Union Pension Plan.

This has reduced, on paper, the government's overall pension expense.

However, the government should not have done this because it has no unilateral legal right to use its share of any plan surpluses without first reaching a formal agreement with the plans' other joint sponsors.

To date, it has not announced any such agreements. In fact, it continues to contribute approximately \$2.0 billion annually to those pension plans.

By excluding expenses that result from government decisions, the Pre-Election Report does not provide Ontarians with a clear picture of Ontario finances needed for true transparency.

The *Fiscal Transparency and Accountability Act* requires that government fiscal policy should be based on cautious assumptions.

With the exception of the two items just discussed, we generally found that the government's estimates of revenues, program expenses and interest on debt were based on cautious assumptions, as required by the Act.

It should be noted that financial results for the three years in question will likely differ from the estimates ... not just because of the understated expenses ... but because future events are not certain and can have unpredictable impacts.

Now I'd be happy to answer your questions.