MEDIA EVENT: MINISTERS SOUSA AND SANDALS MEDIA CONFERENCE ON 2016-17 PUBLIC ACCOUNTS
September 7, 2017

Time / Location:
2 p.m. /Huron Room, MacBlock

Speakers:
Ministers Sousa and Sandals

Media Attendance:
Print – 5
TV – 1
Radio – 0

Media Outlets:
Jeffords – CP; Benzie – Star; Reynolds – QP Briefing; Tumelty - City TV; Morissette – TFO; Unidentified reporters

Statement by Sandals: Well good afternoon everyone. Thank you for coming very much where. Minister Susa and I are happy to be here today and we're going to talk about the release of Ontario's public accounts for the fiscal year 2016-2017, so last year. And those fiscal accounts the public accounts were tabled earlier today. Each year, Treasury Board Secretariat prepares the public accounts in accordance with the accounting standards for governments issued by the Public Sector Accounting Board of Canada. The Public Accounts of Ontario demonstrate that we are on the path to balance. We're proud that Ontario's actual performance in 2016-20 17 out-performed the forecast in the 2016 budget. So here's the big picture: Our deficit is 991 million. That's $3.3 billion lower than projected in the 2016 budget. Revenue was $147 billion. That's $2.2 billion more than we expected in the 2016 budget. And our expenses were $140 1.7 billion - that's $0.1 billion dollars less than we planned in the 2016 budget. So, as promised by the Premier and Minister Susa in the 2016 budget, Ontario grew its economy while transforming health care, building vital infrastructure, and investing in people's talents and skills. As part of my role as President of Treasury Board, I'm also responsible for the Open Government file. And this year, we are furthering our commitment to openness and transparency, by making the financial story of our public accounts more accessible to the public. We're releasing downloadable data-sets through Ontario's open data-catalog, including data on government organizations, government business enterprises, and trusts. And we're creating new data-visualization tools, including interactive data -tables to help people easily start and review the key financial information that they might be personally interested in. The story of our public accounts shows that the province is on the path to balance, while making investments in the programs and services people and families rely on most. Here's a few highlights of those investments; free dental care for 323,000 children from low income families, twenty-nine new schools, and twenty five hundred key infrastructure projects which support an estimated 110, 000 jobs. This is the eighth year in a row that Ontario has beaten its deficit target. Getting back to balance is part of our plan to create jobs, grow our economy, and help people in their everyday lives. The government will continue to build on its track record of responsible fiscal management. Staying on the path to balance, while continuing to invest in key programs and services, like the new OHIP Plus program this year, and free post-secondary school tuition for low-income students. That's all part of our commitment to improving the quality of life for people today and in future generations. And now I'm pleased to hand it over to my colleague, Minister Sousa.

Statement by Sousa: Thank you Liz, and good afternoon everyone. As mentioned, our plan is working. Ontario's economic performance remains strong- better than all the seven nations. This growth will help us lower Ontario's net debt to GDP ratio to pre-recession levels of 27 per cent. Our recovery from the global recession was driven by us sticking to our economic plan. This supported long-term job recovery program through our large scale infrastructure investments. And our economic plan included eliminating the deficit. Over the last three years alone, we reduced the deficit by almost $9.5 billion. And in each of those years, we exceeded the deficit reduction targets that were set out in our budgets. Ontario remains committed, and on track to balance the budget in 2017-2018. We're restoring balance to retargeted, measured, and fiscally responsible decisions, managing programs spending, and fostering job creation and economic growth. Managing spending has been a priority for us, and we're proud to say that Ontario has the lowest per capita program of spending among all Canadian provinces. And we've achieved this while making the largest infrastructure investments in our province's history, as well as key investments in essential services, such as health care and education, while at the same time lowering costs for necessities like a like electricity and child care. With a balanced budget, we can continue to make investments in these key areas, while also responding to unexpected economic and or demographic changes. Balancing the budget is not just about the bottom line though. It's about balancing and helping families and businesses by providing the supports they need to succeed. In addition to balancing the budget, we're also tackling debt. Our continued focus on capital investment is contributing to economic growth. That means GDP is growing more quickly than debt. We will continue to move forward on our plan to build a stronger and a more vibrant Ontario with greater opportunities for everyone. Thank you. And I think at this point Liz and I will be happy to take questions.

Q: Benzie: So, to either of you, I gather the other auditor general doesn't agree with your accounting. So we have a second year in arrow of a qualified opinion on her part. What does this mean to the average Ontarian, or if it means anything? I take it won't affect the province's credit rating, so it shouldn't affect the interest that we're paying on debt. What –

Sandals: Well certainly the experience last year was that the books were qualified on the same issue and it didn't impact the credit ratings, and Charles may want to speak more about credit ratings. I think from an initiative's perspective we're talking about – the real core issue is who controls the Teachers' Pension Plan or the OPSEU pension plan as the case may be. And I can speak from personal experience as a former Minister of Education that any changes to the design of the Teachers' Pension Plan had to be signed off by the Minister of Education and by the Minister of Finance, and that's probably the only pension plan we have where two ministers actually have to sign off on any of the changes. So I think we feel comfortable with the advice we have received from our officials, from the Deputy of Finance, the Deputy of Treasury Board, the Provincial Controller, from the expert panel. I think we feel comfortable with that advice that we should continue to account for those two pension plans in the way that historically we have done to provide consistency to the public when they look at the statements.

Sousa: I think, if I could just sort of reaffirm, the notion of a qualified statement versus the confidence of the marketplace. Let's be clear that last year we were over-subscribed in our requirements for investment in Ontario. We remain the top destination for indirect investment and as I travel around the world with investors, with rating agencies as well as investor groups, they're attracted to Ontario regardless of the qualification of the statement because they recognize all too well that what we manage is the fiscal policy. The interpretation of accounting standards is not up to us – those are up to the experts. But what we can control, we've exceeded; what we can control, we've surpassed. And investor groups are investing in Ontario and our paper is attractive. We have highly liquid investments and bonds. We're actually – I have about $25-26 billion in reserves now in additional borrowings, and last year's net debt went up by $6 billion because of our program, and we're locking (inaudible) at lower rates for long periods of time. That is an illustration and a confidence in Ontario's economy and the work that's being done.

Q: Jeffords: Minister, you had a year though to figure this out with the AG. Why couldn't the government do it?

Sousa: I'll let Liz reaffirm this, but let's again be mindful the fact that an expert panel who are the ones writing the standards themselves have interpreted this as being legitimate. It's the same standard that's being used for the last 15 years, and the impact on our fiscal book doesn't exist because we're not spending any more money or investing more, it's just a matter of qualifying or recognizing that interpretation of the accounting standard and we're leaving up to the experts to determine what it should be. In the meantime, as I've said, the work that we're doing is surpassing expectations, and investor groups and the economy is growing as a result. But Liz, you may want to restate that.

Sandals: Well I think when we appointed the expert panel we were very careful to make sure that we brought expertise from a number of viewpoints. So the chair of the panel is someone who has experience not just with standard accounting standards boards in Canada but internationally as well. The legal expert has – his area of expertise is public sector pension and benefit plans, and in particular he had worked with teachers specifically, so he had a lot of knowledge of the legal issues. And again an actuary whose area of expertise is specifically in pensions and benefits. So we are – I think we are quite confident that we have received good advice which is consistent with the advice of our own officials here, both the Ministry of Finance and this Treasury Board Secretariat, and as we've said neither of us are accountants but the advice we have received is quite strong and this an area where I think we've agreed with the Auditor's Office that we will agree to disagree.

Sousa: The issues the IS – so for example one of the issues that she qualified or provided comment on, again it's one auditor from the ISO who's determined that's the appropriate way to interpret the accounting results and we're not at liberty to change that in government. We have to accept what is being presented by one auditor and the other auditor has determined that it should be something different. But either way, when it comes to the ISOs, interpretation of the audited, it has zero impact on our fiscal book.

Q: Benzie: What are the pension assets weren't on the bottom line this year versus last year?

Sandals: I'm not going to quote figures without looking but if you actually look at auditor's opinion I think you'll find some of those numbers right in her opinion, which is the calculations that she has made versus the calculations that we have made. The actual liability that she assigns to the plan is actually lower this year than last year. I'm not sure that that means a whole lot in terms of explaining why. I think maybe what's more interesting in terms of what's happened with the pension plan – because as we've always said with teachers is that to change the plan you need joint agreement, and it is true, as with virtually every pension plan internationally, it was struggling after the recession. And after the recession, we made the decision jointly, we the government jointly with the teachers' unions, that we would do three things to constrain spending, that we would reduce the indexation of the plan for the retirees and that both the teachers and the government would increase their contributions. We always said that as the plan developed a surplus and became healthier that we would reverse those, that we would re-index the plan for the pensioners and that we would reduce the contributions made. And that agreement is in fact working its way through right now. Indexations for the pensioners effective January 17 was restored from 70 per cent to 90 per cent and effective January 18 will be restored to 100 per cent indexation. Effective January 18, the contribution of both the government and teachers will be reduced by 1.1 per cent. So what I think I am really saying is we have always said this is how we manage the plan. The plan is being managed in the way in which we said it would be managed and that joint decision was signed off by both the Minister of Finance and the Minister of Education.

Sousa: There is a surplus in the plan and as a result it's being recognized as it has been over the last 15 years. If there's a deficit in that plan, we are obligated to show it as a liability as well. And the argument is we shouldn't be able to do both, just the one. And the argument is that it's inappropriate given the fact that we do have decision making powers over the plan.

Q: Unidentified: Question to Minister Sousa: the Bank of Canada raised interest rates yesterday. It was the second time they did it this year. I want to ask if that in anyway effects your borrowing strategy going forward.

Sousa: So some of that has been built into our long-term projections; recognizing and the President and CEO of Toronto Financing Authority is here, recognizing that over time we would anticipate higher rates. The team there has been doing an exceptional job of locking in those rates over long periods of time at low costs. In fact, as a result of some of those actions, we've reduced our overall interest costs year over year $200 million to $300 million. We have, as I've said, $26 billion now in reserves borrowing at low rates to anticipate any future activity which then gives us a lot more leverage, a lot more flexibility in terms of what to do as we move forward. But some of that has been – we are now going to reaffirm and reassess some of the effects of that interest rate hike but it was always anticipated that something would happen. Maybe sooner than we anticipated but it was always built into our plan.

Q: Benzie: So we are $3.3 billion ahead in 2016-7, according to public accounts you are. Did that mean, as we head to next year's pre-election budget, the 2018-2019 that you could be even farther into the black so you could have $4 billion of surplus for pre-election goodies? Is that something (inaudible)?

Sousa: All those years we have reserves built in. We have contingencies built in as well. We're anticipating and measuring our budget forecast over this year, next year and the year after that as being balanced because we want to accommodate any unexpected activities that may take place.

Q: Benzie: But you have a huge surplus, clearly. (Inaudible) $1 surplus. (Inaudible). Billions.

Sousa: Well right now we are at $991 million in deficit still. That's certainly a $3.3 billion improvement from what we anticipated would be the case a year ago and that is a result of strong economic growth, greater receipts from corporate income tax, stronger controls of our spending and we'll continue on that path. We'll continue on managing effectively but I'm not going to presume what I'm going to do in the coming budget until that time. But we are looking at the forecast. We're looking at the economic environment. We've been exceeding and doing well. What does that mean for everyday Canadians and Ontarians? In this case it means that we're able to invest more in the things that matter to them. We're investing a lot more in healthcare. We're investing a lot more in education. We're investing a lot more – historic amounts – on infrastructure investment. These are all things that will make us more competitive long-term, enabling us to succeed yet again in the years to come.

Q: Tumelty: This debate is being held by experts in thick legalise and people who vote for you don't understand. Are you going to be able to take this to (inaudible) and say we are right, there's no problem or is this going to stick in people's mind saying, 'Oh, they're just playing (inaudible)'?

Sandals: Well as the person who deals with the public accounts, I think the reaction that we had from the credit rating agencies last year when the statements were qualified is an indicator of the public reaction. Is [sic] the public wants to know are you managing your deficit, is your deficit getting smaller, are you going to balance the budget this year and quite frankly I don't think the public is terribly hung up on accounting disagreements. I think the public wants to know that we have done better than projected, we've reduced the deficit and we're on target for balance this year which is exactly what we promised we would do.

Sousa: Remember the budget is $140 billion plus every year now and the amounts we are talking about now are relatively small in comparison to the overall budget. But what a public, I think, wants to know and wants to ensure is that we're investing strategically to grow our economy, enabling more jobs to be created which is in fact happening. That their kids can get good education, that we're doing everything necessary better prepared for the future and that we're investing in healthcare as well as extended pharmacare for young people and seniors and that we're taking the steps necessary to be competitive ahead of the rest of Canada. Every single year, even when we qualify for equalization, Ontario is a net contributor to the confederation. We are still the strongest manufacturing sector in Canada and contributing to that growth. That hasn't changed. And we are the lowest per capita cost government in Canada with the lowest revenue source, I might add, per capita. And we're still balancing the books as we proceed forward. So we take those necessary steps. We're managing effectively and we're growing. I think that's what Ontarians really care about; what it means to them and their livelihood and the (inaudible) our prosperity as we proceed forward.

Sandals: Thank you, everyone.

N.B.: Comments captured are not verbatim quotes

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