# Radio Transcripts: Minister McMahon's Interviews With 640 Toronto And CFRA Ottawa

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*as requested by Gabrielle Gallant

**640 TORONTO INTERVIEW WITH MINISTER MCMAHON**

Date: April 25, 2018
Station: 640 Radio (Toronto)
Length: 10:15 minutes
Speaker(s): Eleanor McMahon, Minister Response For Digital Government And President Of Treasury Board

JOHN OAKLEY, HOST: That report as well as that of the financial accountability officer, both of whom have been on the show recently, and they're perplexed. Here to help us clarify from the government's point of view, we're joined on the line by Eleanor McMahon, the Liberal minister responsible for Digital Government and the president of the Treasury Board. Ms. McMahon, good to have you on the Oakley show, good afternoon.

ELEANOR MCMAHON, MINISTER RESPONSIBLE FOR DIGITAL GOVERNMENT, PRESIDENT OF TREASURY BOARD: Hey John. How are you?

OAKLEY: I'm very good. But I'm bewildered. I don't understand how there could be this disparity. Can you explain it to me?

MINISTER MCMAHON: So here's the thing. Today, the auditor general tabled her pre-election report and I'll give you a little background if I may John about what that is all about. So in 2004, our government instituted legislation to bring about a pre-election report, largely because we wanted Ontarians to have a sense of the province's books before the election so that they can have good information to make in terms of going into the election and primarily, if I may, because the previous Conservative government had misstated their finances and so there was a $6 billion gap and when we took government we had this front and center and needed to deal with that. So we said never again, let's be transparent and let's tell people the whole story and so that's what we did. So we've worked with the auditor general ever since in order to give them the material that they need to publish her report. Now you played some clips and those are - that's fair but I think it's also important to remind your listeners that the Auditor General said overall, that the assumptions we made in our fiscal plan were cautious, prudent and reasonable. We have, as she pointed out, two areas of technical accounting disagreement and we've been talking about these with her now for a couple of years. The first one that she highlighted was public sector pension assets and those are consolidated on our books and we treat them as an asset. We've been talking about this for the past four years and we've been disagreeing with the auditor general in our treatment of the asset. And you know, we consulted several private sector accounting firms. You would know them - Ernst and Young, Deloitte, KPMG. And these are some of the biggest in the world and we had conversations with them about the treatment of our pension assets and they agreed that they do constitute an asset. Unfortunately, the auditor general, also an accountant obviously, disagrees with us on this one.

OAKLEY: Alright, let me just stop you there. Eleanor is with us again she's the president of the Treasury Board and Liberal minister responsible for Digital Government. We're explaining the disparity found by the Auditor General. Bonnie Lysyk, who says it's not going to be a deficit of $6.7 billion but rather $11.7 billion next year. And you're saying for example that the assets contained in the pension plans of OPSEU and the teachers is a government asset. Well, do you have access to those funds?

MINISTER MCMAHON: They are...do we have access to those funds?

OAKLEY: Right. I mean, how can you show it as an asset if you don't have access?

MINISTER MCMAHON: There...we control those pools of funds, John.

OAKLEY: What does that mean - control?

MINISTER MCMAHON: So they're jointly sponsored plans. So that's what that means.

OAKLEY: Well no, I get it. I mean you do contribute as much as - or, you know, the taxpayer does as much as the teachers etcetera or the public sector people but again, you're saying - and this is where Ms. Lysyk comes in and suggests that this isn't something that should be an asset because it's a matter of interpretation if you don't have access to those funds and you know as liquidity and can apply them to programs or something some other form of government spending, that's not really an asset.

MINISTER MCMAHON: Exactly, exactly John. So, you know, we disagree with her on that. That's a simple matter of disagreement. We had accounting advice. It was different than her advice. She doesn't think they're an asset. We believe that they are and we have some of the biggest firms in the world tell us that they are absolutely an asset because they're jointly sponsored.

OAKLEY: Alright, but here's the thing then. If you've got these companies, these big - well, you mentioned KPMG, Deloitte etc. Are they consulting or auditing? Are they helping to audit the governments?

MINISTER MCMAHON: No they don't. They're not playing an audit function, John.

OAKLEY: Not at all?

MINISTER MCMAHON: No. They don't play an audit function in that regard. They give us their expert opinion. In fact, on the pension asset issue, we put a panel - an expert panel together that not only included - well, let me just step back for a second. We put together an advisory panel that included senior private sector accounting professionals, some of the biggest investors in the country, practitioners and senior pension and benefits, a partner at Coskun Mincey, which is a law firm. The woman, Tricia O'Malley, who was the chair of the Canadian Accounting Standards Board and the International Accounting Standards Board and so on. These are just two of the folks on our panel John, and they, in addition to the private sector accounting firms, weighed in and confirmed for us or told us, John, that this is indeed an asset. So you have accountants disagreeing. We stand back and we look at that and we have a choice to make and we took the advice of the pension asset expert advisory panel who told us precisely that these pension benefits were considered an asset precisely because they're jointly sponsored.

OAKLEY: And yet - let me just ask you though, because while you're citing these people who are supportive of your accounting principles, how is it that no other provincial auditor general or even the Auditor General of Canada agrees with that position?

MINISTER MCMAHON: Well, you know John, again, I can't account for differences in accounting professional -

OAKLEY: Right across Canada though, right across Canada, Eleanor.

MINISTER MCMAHON: You know what John, these are significant global firms. These people gave us their opinion based on their expert point of view and these are people who have deep expertise in the pension arena?

OAKLEY: What about the financial accountability officer of Ontario? Is his word not to be taken under advisement?

MINISTER MCMAHON: Well we take his word under advisement for sure, John.

OAKLEY: But he also aligns - he aligns with the auditor general Ms. Lysyk.

MINISTER MCMAHON: Yeah you know and again, I think it's really important to underscore too that previous auditors signed off on our pension benefit plans. In fact, the expert panel agreed with us on the treatment of our pension assets, as we mentioned. Past auditor generals have agreed, including this auditor general and she changed her mind.

OAKLEY: Well that was up until recently in, she -

MINISTER MCMAHON: She's allowed to do that. That's perfectly fine. But there - I think it's important to underscore that there was previous auditors general in Ontario for the past 14 years agreed with us and now we find ourselves in an area of disagreement, John. And that is something that we take under advisement and we respectfully say, we appointed this panel of significant professionals with deep expertise and they disagree with the auditor general. So again, we have accountants disagreeing with accountants and I think that's what's happened John.

OAKLEY: Alright. Okay, so you feel they moved the goalposts on your financial accountability officer as well as the auditor general and the auditor generals across the country, including for the country. But that being said, finally, let me ask, because I mean, this may play as an issue in the upcoming election as to the credibility.

MINISTER MCMAHON: It may but I think, John, you use the word credibility so I think most people would understand and having spent some time in the private sector, I can tell you that KPMG and Deloitte and Ernst and Young and our pension expert panel folks have enormous credibility, John.

OAKLEY: Alright, my question was how will you communicate this to the public? I mean if they've got to be convinced or sold or will be accepting of it, how will you communicate this to the public?

MINISTER MCMAHON: I think we just have to keep telling people that we have a difference in opinion with the auditor general and this happens John, you know. It happens that we have differences of opinion. It's important to remember that we have the strongest economy in the G7, the lowest unemployment rate in the last 17 years. Our economy is doing exceptionally well and it's important to remind people that the Auditor General said that our statement of our books and our fiscal plan was sound and reasonable.

OAKLEY: So there's no surprises here because you cited off the top that that there was a surprise when you assume that the dossier there from the PCs I think was $5.6 billion outstanding.

MINISTER MCMAHON: We just wanted to make sure that that didn't happen again because people want to know and they want us to be transparent and so we are the largest subnational government in the country, as you know.

OAKLEY: Well, listen, that's the other thing, you know, as a sub-national, it's always brought up that the highest debt burden carried by a sub-sovereign is in Ontario. Are we going to have to pay for unrecorded expenses? This is what the auditor general is pointing out as a caveat yet you're saying we will not.

MINISTER MCMAHON: So here's the important thing to remember, John. We're borrowing to invest in infrastructure. You know, it's a bit like your house, John. If you have a home and you don't keep the roof up and you don't keep the foundation up and you've got a leaky roof and you've got a leaky basement and you don't invest and you don't invest and you don't invest, you need to invest. We are investing a record amount in infrastructure over the next 12 years. It's attracting investment. It's making our lives easier. It's building hospitals, schools, roads, bridges, transit. We're in a golden age transit country.

OAKLEY: Eleanor, I get it. These are the talking points and I'm well versed in them. Well look, I know Eleanor, listen. I'm wondering if you might be able to help me out with a roof on my house. I'm going to go around and take a collection as it goes, everybody chime in. It's an investment. All right, Eleanor, I've gotta let you go, you know I'm up against the clock. I appreciate you joining us this afternoon. Let's talk down the road.

MINISTER MCMAHON: Go Leafs!

OAKLEY: Oh yeah. At least we're on that page together. Thanks Eleanor.

MINISTER MCMAHON: Take care John.

OAKLEY: Bye, bye. Eleanor McMahon is the president of the Treasury Board.

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## INTERVIEW WITH MINISTER MCMAHON

Date: April 25, 2018
Station: Newstalk 580 CFRA (Ottawa)
Length: 12:17 minutes
Speaker(s): Eleanor McMahon, Ontario Treasury Board President

EVAN SOLOMON, HOST: That hurts. Let me bring on the Ontario Treasury Board President Eleanor McMahon. Hi Eleanor.

ELEANOR MCMAHON, ONTARIO TREASURY BOARD PRESIDENT: Hi, Evan, how are you?

SOLOMON: Well, I'm good. I (inaudible) better. Now, can you give us any sense of how the Liberals and the government are – they're saying this is a longstanding accounting dispute but I mean this is a big – we're talking about a $6 billion differential here.

MINISTER MCMAHON: That's right, and you know, Evan I used to know you when you were on another network and we've counted each other over the years so it's nice to talk to you again, by the way. I think it's an important piece of context. You're a student of politics and a student of history you might stand back and say, 'why would you pass a law which requires your government to get your Auditor General to publish a report and a statement on the books just before an election?' but guess what, we did that. We did it in 2004 and we did it because the previous government had, you know, said that there was a certain number according to the deficit and then when we took over government in 2003, it was actually $6 billion. So we actually made it the law that this process has to be done. So we undertook this with our eyes open and because we care about transparency and because we wanted the Auditor General to have this opportunity to weigh in and she has done that. And, you know, she has weighed in. She had given us her opinion. We have other expert opinion that happens to be – I agree with her.

SOLOMON: Okay. Just do me a favour. Calling the Auditor General "an opinion" when she's supposed to be the Auditor General. She says she's got – that this is unconventional budgeting, that your government's actually not doing the job of actually being transparent, that it's actually not a proper budgeting process and it's hiding the real scope of the budget. I'm just trying to figure this out. How – it's not "an opinion" here. We're just talking about the accounting practice. Why is hers not – I guess your argument is that hers is not legitimate. Why is that?

MINISTER MCMAHON: I didn't say that and I wouldn't say that. I'm saying we have a disagreement. Let me step back for a second so that listeners can understand precisely what we're dealing with. First of all, let me just contextualize her report today by adding something in that you didn't include which is fair in what said. She said the assumptions that we made in our fiscal plan are cautious, prudent and reasonable. That's important. Our disagreements come about in two areas: first are pension assets that we consider assets because the plans are jointly sponsored and they are assets on our books. She disagrees. We put together a pension asset expert advisory panel of leading accounting and pension experts in Canada. Highly regarded professional people who gave us an opinion and it differed from the Auditor General's. She didn't agree and we don't agree with her. So she had tabled her report today and there's really not much new in it because this is a longstanding dispute that we've had with the auditor. I meet with her. The Finance Minister meets with her. We have a good, cordial relationship. We work together. She works with my officials and, by the way, as you will also know because you are a student of politics, senior members of the public service have to sign off on, not only our fiscal plan but our plan back to balance so it passes scrutiny. Again, I get back to an opinion and that's what we had rendered today.

SOLOMON: The expense understatements relate to two items. I'm reading from the report here. The government failed to properly reflect the true financial impact of its Fair Hydro Plan's electricity rate reduction in its estimates. I don't know. That's pretty plain spots.

MINISTER MCMAHON: Again –

SOLOMON: That's plain speaking

MINISTER MCMAHON: it is plain speaking. For sure. I'm not going to disagree with you on that. Those were her words but the disagreement comes about in the following way: It's about rate regulated accounting. Okay, so when we sought to make a policy decision, which we did, to lower people's hydro rates, Evan, because we invested $70 billion in an important asset and that's our electricity – our hydro-electric system. We simply can't turn on the lights without it. We can't run factories without it. We can't attract investment without it and we created that asset over a period of about 15 years. And so we went out and got some opinions about structuring that asset and then spreading the costs of that asset out over generations. Why? Because those same generations are going to benefit from that asset. The Auditor General disagrees with us on that point

SOLOMON: Right.

MINISTER MCMAHON: And that's fair and we understand that –

SOLOMON: But if the Auditor General is of – if you don't use the same accounting practices, the Auditor General – this is I'm just trying to understand. You're the government. We have this Auditor General. If the Auditor General's just an opinion that the government is free to ignore, what is the purpose of it? When I'm reading the Auditor General's actual report and it's – listen, she's choosing her words pretty carefully. Not only does she say you failed to properly reflect the true financial impact of fair hydro, she then goes on to say that you are fundamentally misleading. Her words, quote, "you are understating future expenses for the Ontario Public Service Employees Union Pension Plan" and she, listen, "when the expenses are understated," she writes, "the perception is created that the government has more money available than it actually does." That is a textbook definition of being misled.

MINISTER MCMAHON: So let me just weigh in on that thought, Evan.

SOLOMON: Please.

MINISTER MCMAHON: So again, the Auditor General has given her opinion. You said earlier that she was plain and then you said that she chose her words very carefully. She has been abundantly clear in her statements today. Let me tell you something really important from an accounting point of view. The public's Public Sector Accounting Standards that we rely on as government are silent on rate regulated accounting. What does that mean? That means that they haven't got a rule in place that's consistent with rate regulated accounting. And so when they are silent, we look to other global standards. So we went to the United States where they have rate regulated accounting, by the way, and so do several other provinces in Canada. The U.S. GAP, the General Accounting Principles, says that rate regulated accounting is very common in the energy sector. It's allowed and it's standard practice.

SOLOMON: Okay.

MINISTER MCMAHON: So (inaudible) we say it’s standard practice.

SOLOMON: She doesn’t.

MINISTER MCMAHON: The Auditor General says it isn’t. We have a difference of opinion between accountants.

SOLOMON: But her… okay, but her point is this is a difference, she says it's not standard practice, but you've gotta to appreciate the deficit in her view, the public, she says, are better served knowing that the deficit is closer to $12 billion than $6 billion.

MINISTER MCMAHON: And that, again, is her opinion.

SOLOMON: But it seems to me that it's politically expedient for your government to say that deficits are lower than the Auditor General because you don't – you're going into an election.

MINISTER MCMAHON: Evan, by that standard, why would we have passed legislation in 2004 to make it clear to Ontarians what the state of our books are and be transparent about it? Don't you find that interesting? Why would we have done that? We did it because we wanted to be transparent. The Auditor General and (inaudible) let me finish.

SOLOMON: But when results come up that you don’t like, you just call it an opinion.

MINISTER MCMAHON: But we differ – this is not about politics at all. This is about something incredibly serious and we sat down and we got expert opinion from panels, from private sector accounting firms, which by the way are globally recognised and the people that sat on our pension panel are some of the greatest Canadian experts on pensions and benefits and accounting and those people advised us and they said that our treatment of this pension plan is an asset was absolutely within keeping of standard practice and it was fine.

SOLOMON: Okay, so –

MINISTER MCMAHON: We had a difference of opinion, Evan. And you know what? We understand that differences of opinion happen. Our deficit target – our fiscal plan – important to remind listeners by the way, what she said in the foreword of her report, which was that our fiscal plan was cautious, prudent and reasonable.

SOLOMON: But hang on. Let’s not cherry pick. If you want to cherry pick what she says, that’s fine.

MINISTER MCMAHON: I’m not cherry picking. I’m telling you what she said.

SOLOMON: I know, but she says outside of these two fundamental factors that would double the deficit, you are prudent. So why take the compliment from her, yes, she says they’re prudent assumptions, but she says outside of these two fundamental issues which would double the deficit – it’s close to $12 billion than $6.7 billion – but now you’re saying, see? She says we’re doing great except on the two things that we’re not and we reject that.

MINISTER MCMAHON: No, but that’s critical to your argument that you’ve already made which is that we differ. Our fiscal plan, by the way, which was accepted by the opposition, they accepted it in their People’s Guarantee. They said they were going to use our assumptions; they were going to use exactly the same accounting. They are going to use exactly the fiscal plan. The NDP did the same thing. They’re going to do the same thing on the Fair Hydro Plan. Everybody has accepted it. We have a difference – so the piece about this being political doesn’t wash, Evan, because the other parties have taken this as well.

SOLOMON: Sorry, I know you can talk about (inaudible) but with all due respect, I'm just reading the report. You're telling me something is not political but the Auditor General is saying when expenses are understated, the perception is created that the government has more money than is actually available and therefore, she says, more money will need to be borrowed to pay for the unrecorded expenses. She is fundamentally saying you're misleading the public.

MINISTER MCMAHON: We disagree with respect and I think that respect piece is really important. You know, I met with the Auditor General yesterday. We had a very professional and cordial conversation. Our relationship is really important. The Finance Minister meets with her. My officials work with her. We have an open and constructive and professional relationship. That is why I can sit here today and say to you that there's a disagreement here in terms of the accounting treatment. We understand your point of view –

SOLOMON: Can I just ask –

MINISTER MCMAHON: Our fiscal plan has been created by some of the best public servants in the country. They have to sign off on it by law. Their credibility is at stake as well, by the way, as is the credibility of the accounting firms that have weighed in on this, Evan. So we’re going to agree to disagree.

SOLOMON: Can I just ask – your government's been in power for many, many years. Why couldn't you guys figure out what accounting system to use so the Auditor General and the government can actually use the same one so the public can trust instead of – the Auditor General, who's the independent watchdog who the public supposed to be able to turn to, says something and the government says, ‘well, they use a radically different system than we used.’ (Inaudible) Why couldn’t you get on the same page as the Auditor General? Why not?

MINISTER MCMAHON: It’s fair. So I said to you earlier that the public sector accounting system and the standards are silent on the issue of rate regulated accounting. We chose rate regulated accounting precisely because Ontarians were telling us that they wanted relief on their hydro bills. We gave it to them. We had a $70 billion asset. That's a treatment rate regulated accounting took money from the tax base and put it onto the rate base where it belongs because those rate payers are paying for the upgrades that we've made in their system and so PSAS is silent. We went to GAP which is used in the United States, right, which is used in other jurisdictions in Canada. So –

SOLOMON: I just – I think the average person would like, I don't know what they're doing in the U.S., they'd like the government and the Auditor General to use the same thing.

MINISTER MCMAHON: We don't have public accounting rules under PSAS for this and so we got opinions. We had a panel. We had experts weigh in, Evan, so again, we have a difference of opinion, you know, and this is not new. We've had this difference of opinion with the Auditor for some time now.

SOLOMON: All right.

MINISTER MCMAHON: And as I said to you earlier, we voluntarily submitted to have our books come under this scrutiny. So you can't say that we haven’t been transparent and you can't say that we haven't been upfront with Ontarians. We absolutely have.

SOLOMON: Listen, all I can tell you is that there's a – almost a $6 billion difference between your view and the Auditor General’s and the people are going to decide. Eleanor McMahon, Treasury Board President, I appreciate it. Thank you.

MINISTER MCMAHON: Difference in point of view. Nice to talk to you. Take care.

SOLOMON: Bye.
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