Ontario Chamber of Commerce Evening with the Deputy Ministers
Tuesday, October 2, 2018
Q&As for SoC Orsini

Ontario's Economic Competitiveness

Q. Why should a company invest in Ontario instead of other jurisdictions?

A. Ontario has many strengths and advantages over competing jurisdictions.

General
We are located in the heart of North America with access to 142 million consumers within a day's drive, connected by a strong infrastructure system. We are part of a stable, democratic, tolerant and diverse society with over 200 languages spoken. Ontario's largest city, Toronto, was ranked the seventh most liveable city in the world by the Economist Intelligence Unit.

Information and Communications Technologies (ICT)
The province is gaining attention among global multinationals as an innovation destination. Amazon, Cisco, Ericsson, Google, Huawei, IBM, Nokia, Qualcomm and SAP are among the many global ICT companies already conducting R&D in the region.

Ontario ranks second in North America (after California) in terms of the number of information and communications technology establishments, and fifth by the number of employees. Every year, Ontario universities introduce over 42,000 new Science, Technology, Engineering, and Mathematics (STEM) grads to the job market. Toronto is ranked the #4 Tech Talent Hub in North America by CBRE; Toronto, Waterloo and Ottawa are cited as some of the most affordable locations for high-quality tech talent.

Fiscal Stability and Strengths
Home to the second largest financial hub (in terms of employment) in North America, the World Economic Forum considers Canada's banking system one of the most sound in the world. Most notable is the combined access to innovative new technologies and capital: Toronto is one of only 10 global cities considered to be both a start-up hub and a financial services global leader.

Innovation and Entrepreneur Ecosystems
Our world-class research institutions, universities and R&D facilities work together to create the opportunities of tomorrow in sectors like advanced manufacturing, artificial intelligence and robotics. MaRs and Communitech are world-renowned innovation and business incubators and are regularly sought out by technology giants like Google, Intel and Facebook to help connect them with leading-edge, globally competitive technologies and entrepreneurs.

We are home to a growing Artificial Intelligence (AI) sector anchored by advanced competencies and world renowned talent:

- There are more than 300 AI enabled firms and institutions in Ontario, and nearly $3 billion was raised by Ontario-based AI companies between 2001 and 2015
- The province is generating global interest as multinationals like GM, Google Brain, Uber, Samsung and NVIDIA expand their AI footprint.

Canada ranked third out of 137 countries in the 2018 Global Entrepreneurship Index, which measures the health of the entrepreneurship ecosystems.

Canada ranked second out of 190 countries in the 2017 World Bank Starting a Business Rating (Global Entrepreneurship Monitor Global Report 2017/18).

Talent and Education
With the U.S. limiting immigration, more companies are looking to expand into Ontario, especially given Canada’s endeavours to attract and retain talent.

Ontario has a similarly welcoming immigration system—qualifying employers can bring in skilled workers in as little as two weeks.

Ontario’s talent is one of the best educated in the OECD:

- Full-time enrollment in our universities and colleges has increased by 70% over the last 15 years (ending in 2015–16) and 68% of the province’s adults have some postsecondary education.
- The University of Toronto ranks among the top 25 global universities and is ranked fourth in the world in terms of research performance.
- Ontario’s students consistently rank at elite levels in reading, math and science compared with their global peers (based on Program for International Student Assessment results).

Business Support Programs

Q. What's the status of the Jobs and Prosperity Fund and Regional Economic Development programs?

A. The government will have an update shortly on the status of Jobs and Prosperity Fund programs once details have been confirmed.

Support for sectoral economic development and job creation is a key priority for Ontario's new government. To that end, the government is maintaining regional business support programs, which help attract investments and create good jobs.

The following funds are open and applications are being processed:

- Eastern Ontario Development Fund (EODF)
- Southwestern Ontario Development Fund (SWODF)
- Communities in Transition Fund (CiT)

Q. Will contracts signed by the previous government be honoured?

A. The government is honouring all existing contracts as well as continuing with the existing regional and sectoral business support programs, which help attract investments and create good jobs.

Q. Will previously submitted applications, submissions or checklists need to be resubmitted?

A. The government will continue the evaluation of current applications in a timely manner, while also ensuring the best use of taxpayer dollars. If companies have not yet submitted, the Eastern Ontario Development Fund (EODF), Southwestern Ontario Development Fund (SWODF) and Communities in Transition Fund (CiT) are all open and applications are being processed.

Q. Have there been any changes to the programs or to the decision process?

A. The government has not made any immediate changes to EODF, SWODF or CiT programs, but is always looking at ways to incorporate best practices to meet the needs of Ontario's businesses and communities. The government welcomes feedback on funding models that will help support job creation across the province.

Burden Reduction

Q. What is the benefit of fewer regulations?

A. As we often hear from the business community, many of Ontario's 380,000 regulatory requirements are inefficient, inflexible or out of date, or duplicate federal or municipal regulations. They add paperwork, unnecessarily squeeze businesses and drive jobs and investment out of Ontario without offering significantly greater protections for people.

With fewer unnecessary regulations, companies can spend more time and money on growing their businesses, creating jobs and launching innovative products and services.

Q. How will the government improve the regulatory framework in the province?

A. The primary goal is to get government out of the way, thus lowering business costs, opening up new job opportunities and making the province more economically competitive. We've consulted extensively with businesses, including at roundtables led by the Minister Responsible for Red Tape and Regulatory Burden Reduction. While maintaining rules that keep Ontarians safe and healthy, eliminating costly and burdensome regulations will make it easier and faster for companies to do business with the government.

NAFTA/USMCA

Q. How vital is Ontario's economic relationship to the United States?

A. Our economies are deeply integrated. Thanks to the connected supply chains made possible by NAFTA (now USMCA), a car crosses the border seven times before it's completed.

Every day more than US$800 million in goods is traded between us. In 2017, Ontario imported US$148 billion worth of goods from the United States, while two-way trade totalled US$300 billion.

We are the number one export destination for products from 20 U.S. states, and we rank as number two for a further eight states.

Q. How does the newly negotiated USMCA affect the U.S.-Ontario trade relationship?

A. The Ontario government supports the federal government in regard to the USMCA. The USMCA will not drastically alter the relationship with our state-level U.S. trading partners. In addition, the province has already been diversifying its trading partners, looking to new markets to buy and sell goods with.

The government is committed to protecting Ontario jobs and businesses and working with them through any period of transition.

Q. What supports might the government offer if USMCA is ultimately scrapped?

Ontario has been diversifying its trading partners for some time now, looking to new markets to buy and sell goods with. In addition, the USMCA's fate will not drastically alter the relationship with our state-level partners in America, who will continue to play an important role in our economy. However, the government is prepared to request financial assistance for any affected sectors if they bear the brunt of changes to the USMCA.

Independent Financial Commission of Inquiry

Q. What was the Independent Financial Commission of Inquiry's mandate? And what were the steps taken by the Commission?

A. The Commission was launched in July 2018, and was led by Commission Chair Gordon Campbell, and members Michael Horgan and Dr. Al Rosen.

The Commission's mandate was to provide an independent assessment of government accounting practices and to provide recommendations to help establish a baseline for future fiscal planning.

To deliver on its mandate, the Commission:

- Consulted with the Auditor General of Ontario and the Financial Accountability Officer and met with senior officials in the Ontario Public Service and others;
- Reviewed publicly available reports and responses to information requested from ministries, including materials subject to Cabinet privilege.

The final report includes recommendations and advice to inform the finalization of the 2017–18 Public Accounts and a revised baseline to support future fiscal planning.

Q. What is the Commission's assessment of the Province's budget?

A. The Commission produced a revised baseline fiscal forecast with a deficit of $15 billion for 2018–19. This baseline reflects the Commission's recommendations on accounting as well as information that was not available at the time of the *2018 Budget*. The revised forecast does not reflect policy changes on the part of this government.

The Commission's figures for 2018–19 are a starting point. Along with the results of the line-by-line review being led by Treasury Board Secretariat, the Commission's advice will help inform the *2018 Ontario Economic Outlook and Fiscal Review*.

Q. Will the government accept the Commission's recommendations?

A. The Commission's advice and the result of the line-by -line-review will help guide the government's decisions going forward.

Q. What are the Independent Financial Commission of Inquiry's final recommendations?

A. The 14 recommendations are:

1. Establish transparency as the top priority in preparing the Budget, Public Accounts and other financial reports. Ensure that accounting practices of the government are in accordance with the letter and spirit of Canadian Public Sector Accounting Standards.

2. Engage the Auditor General in an effort to reach agreement on the accounting treatment of net pension assets of the Ontario Teachers' Pension Plan and Ontario Public Service Employees' Union Pension Plan.

3. Adopt the Auditor General's proposed accounting treatment for any net pension assets of the Ontario Teachers' Pension Plan and Ontario Public Service Employees' Union Pension Plan on a provisional basis, until an agreement is reached between the government and the Auditor General.

4. Adopt the Auditor General's proposed accounting treatment for global adjustment refinancing, which is a major component of the Fair Hydro Plan.

5. Revise the budget plan for 2018–19 to reflect the Commission's proposed accounting adjustments, adjust revenue and expense projections based on the latest available information, and restore the reserve to at least the historical level of $1 billion.

6. Take an active role in the standards-setting process led by the Public Sector Accounting Board to identify and address accounting matters of particular importance to the Province.

7. Restore a constructive, professional relationship between the government and the Auditor General in a manner that respects the Auditor General's legislated independence.

8. Require the Auditor General be given advance notification and is asked for comment when a ministry or an agency consolidated in the financial statements of the Province proposes to engage a private-sector firm to provide accounting advice. In addition, after consultation with the Auditor General, require the Province to approve the retention of the same private-sector firm for both accounting advice and auditing services.

9. Review the methodology for establishing fair market values for plan assets and the management assumptions used to determine long-term liabilities for the Ontario Teachers' Pension Plan and Ontario Public Service Employees' Union Pension Plan. Begin this work following the release of the *Public Accounts of Ontario 2017–2018*, and establish periodic reviews in the future.

10. Undertake a review of the *Fiscal Transparency and Accountability Act, 2004* to improve its effectiveness in guiding government fiscal planning and reporting.

11. Expand Ontario's Long-Term Report on the Economy, published two years into each mandate, to include additional analysis on fiscal sustainability and set out the fiscal implications of current trends / future risks.

12. Establish a fiscal plan that includes near- and medium-term deficit targets and clearly describes how the government will achieve and report on these targets.

13. Conduct analysis to determine and set an appropriate target and timeline to reduce the Province's ratio of net debt to Gross Domestic Product.

14. Set a long-term goal of restoring the Province's AAA credit rating.

Q. What was the goal of the review?

A. The province's books were opened for an independent commission in the interest of financial transparency and efficient spending in order to build accountability and trust in the government's finances.

Q. Why did the government launch an Independent Review?

A. The Auditor General recommended accounting adjustments to the Fair Hydro Plan and two public sector pension plans, but these adjustments were not reflected in the previous government's outlook.

The Independent Financial Commission of Inquiry was given a mandate to:

- look at whether past accounting practices provided an accurate picture of the Province's finances
- provide advice and recommendations on the Province's current fiscal reality, including the baseline for the current fiscal year

Q. What were the Commission's powers and limitations?

A. The commission, including its report, was completely independent from the government. It could engage in any activity appropriate to fulfilling its duties, including conducting research and collecting information. This included interviews and consulting with persons or groups, including the Auditor General and/or the Financial Accountability Officer, as needed. The Commission did not have the power to hold public hearings or apply for search warrants.

Q. What was the cost of the Review to the government?

A. The Commission had a budget of $500,000, and the final cost will be confirmed in the next few weeks. The costs of the Commission will be managed from within the Ministry of Finance's existing allocation.

Line-by-Line Review

Q. Is the government going to accept [insert recommendation here]?

A. The goal is to transform how the government conducts business, rather than cherry-picking one-time savings measures, or only implementing specific recommendations. The review also emphasizes the need for evidence-based spending decisions. We need to move towards being more efficient and agile.

Q. The Line by Line report says that the underground economy in Ontario is worth $16 billion. How might this affect government revenues?

A. The underground economy is certainly a concern — not only does it take income away from the tax base, but it also is highly correlated with illegal activities. The government will be reviewing the recommendations over the coming months.

Q. The "user pays" principle was mentioned in the report. Will this increase the cost of accessing government services?

A. This was one of many recommendations from EY, but not every recommendation needs to be or will be followed. Making life more affordable for Ontarians is a top priority—every action taken should have that in mind.

Q. The report mentions the one-time monetization or sell-off of public assets. Wouldn't such an act only yield a short-term gain?

A. EY presented options, but not every recommendation needs to be or will be followed. Over the coming months, the government will review the recommendations and implement decisions that make the most sense for the people of Ontario.

Q. What is meant by the "modern relationship with Labour" that is mentioned in the report?

A. "A modern relationship with Labour" refers to the understanding that we are all in this together, that we all must work to find efficiencies and deliver more efficient services for the people we serve. The work ahead will be difficult, but the proper management of public finances is paramount.

Q. Is it possible for the government to balance the budget in their first term?

A. The government will move toward balance budgets in a reasonable and responsible manner. A big part of fiscally sustainable government services is changing how we think. It is about realizing that a cultural shift must take place. We must be forward thinking, and nimble enough to change the business of government. The public service has been undergoing transformation efforts through the OPS of the Future project and other initiatives, and is well positioned to support modernization.

Q. The report mentions Lean 6 Sigma and improving processes. How will this help reduce government spending?

A. A big part of fiscally sustainable government services is changing how we think. It is about realizing that a cultural shift must take place. We must be forward thinking, and nimble enough to change the business of government. Implementing Lean 6 Sigma and process optimisation techniques across the public sector is an important step in this transformation.

Q. How do you save money without changing the size of the labour force?

A. The largest expense of the public service is labour, but the government explicitly asked EY not to include any recommendations involving involuntary job losses, and this report reflects that mandate. However, had expenditures been kept in line with population growth, the province would have saved $330 billion over the last 15 years, an amount almost exactly the same as Ontario's total debt burden now.