

GOVERNMENT INVESTMENTS

Mr. Robert W. Runciman: My question is to the Minister of Finance. Last December, you told this House that you estimated that your risky gamble into asset-based commercial paper would cost Ontario taxpayers less than \$100 million, and you were more than a little cavalier in terms of that kind of money when you made that reference. Minister, through the public accounts, we're now told the hit on taxpayers is \$125 million, and that's before the latest turmoil in the US financial markets. Can you give us an updated estimate of your gambling losses in asset-backed commercial paper?

Hon. Dwight Duncan: The public accounts indicate that there is a writedown of, I believe, about \$107 million. We expect to recover all of that. That's an accounting reality. We still own the paper. Much of it has value. We expect probably about \$30 million of that, sir, to eventually be written off. It did slightly exceed the \$100 million that I had projected late last year, and there will be a loss somewhere probably around \$30 million over time, but much of that will be recovered. Governments in Ontario over the last 15 years have invested in asset-backed commercial paper, as did many other institutional investors, and we believe that in the public accounts, we reflect properly the accounting treatment of that asset-backed commercial paper.

The Speaker (Hon. Steve Peters): Supplementary?

Mr. Robert W. Runciman: Well, the minister keeps repeating, when we reference this issue, that former governments made these kind of investments, but the reality is that it's only under your government that such high-risk investments were authorized.

Minister, you should know you have a duty, a trust with Ontario taxpayers, to invest their money in safe, secure investments. Instead, someone in your government was allowed to put hard-working Ontarians' money into dangerous investments, and that taxpayers' money is gone. A loss is a loss no matter how you try to frame it. People are losing their jobs and their pension savings; communities are suffering, and you roll the dice with taxpayers' money. Someone in your government should be accountable to the people of this province for losing their money. Will you hold those individuals responsible?

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Hon. Dwight Duncan: I want to assure the people of Ontario that in fact this money is not gone. What we did was indicated in the public accounts and took an accounting writedown, which was approved by the Auditor General after being reviewed by two external firms. The assets are still there. It is the expectation that virtually all of that will be recovered over time. It represented a very, very small portion of Ontario's cash holdings that were invested in this particular asset. I should remind the member that successive governments have invested in asset-backed commercial paper. While that writedown is real, it is appropriate, and I believe taxpayers can be assured that they will recover a substantial portion of it.

The Speaker (Hon. Steve Peters): Final supplementary.

Mr. Robert W. Runciman: These high-risk investments were enabled by a regulation passed by this Liberal government, and he tries to suggest that other governments were engaged in this. That's simply not accurate. When we talk about this issue, I understand that people's eyes glaze over, but the reality here, what really matters, is that this government not only participated in but facilitated the use of taxpayer dollars in very risky investments. They rolled the dice with taxpayers' money. This wasn't Mr. McGuinty's money or Mr. Sorbara's or Mr. Duncan's; it was hard-working Ontarians' money, and its use and loss deserves straight answers from this government.

Minister, will you call in the Auditor General to determine what happened, who was responsible, and how we ensure it doesn't happen again?

Hon. Dwight Duncan: I remind the member opposite that the Auditor General has been involved in every aspect. In fact, he correctly points out that it was in public accounts where the writedown was. I'd also

remind him that Mr. Purdy Crawford, who I think deserves the gratitude of all Canadians, has put together the compromise proposed on asset-based commercial paper. Mr. Crawford has said the province of Ontario—who hold their restructured paper to maturity can expect to get most of their investment back over time.

While this contagion has affected that particular aspect of the portfolio, we will continue to invest our other funds. I remind the member that the return on our funds has been much higher than in previous years.

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Mr. Frank Klees: I want to follow up on my colleague's questioning, but I want to direct my question to the Premier. The Minister of Finance has sidestepped my colleague's questions. He goes out of his way to assure the taxpayer that this money is not gone.

I would like to ask the Premier this question: Why does he feel that it's important for his government to justify the actions of the Ontario Financing Authority, which clearly gambled with \$700 million of taxpayers' dollars? Whether \$100 million are lost or \$200 million or lost is not the issue. The issue for the Premier should be, is his Minister of Finance holding the Ontario Financing Authority accountable for questionable investments that they made, and if not, why not?

Hon. Dalton McGuinty: To the Minister of Finance.

Hon. Dwight Duncan: The Ontario Financing Authority is composed of a board of very experienced individuals who offer advice to the government. We also rely on the advice of the Auditor General as well as outside auditors. Like the Caisse de dépôt, like the Alberta Treasury Branches, like CP, Canada Mortgage and Housing Corp. and a range of others, a very small percentage of our cash holdings was invested in asset-backed commercial paper. That has been the situation now over a number of years. We have written down a little over \$100 million—\$107 million—in this year's public accounts, with the expectation that the vast majority of that money will be recovered. I should remind the member opposite that the Auditor General has signed off on those public accounts.

Mr. Frank Klees: Here is what the Financial Administration Act tells the Ontario Financing Authority is their responsibility: that investments are limited to those that are "advisable for the sound and efficient management of public money." < /p>

I ask the Premier one more time: Why does he feel that he or his finance minister must defend the Ontario Financing Authority for not doing its job rather than calling it to account for not doing what it is intended to do? Because all of that money that the finance minister tells us is recoverable is now not available to pay for drugs, to pay for long-term-care facilities for seniors, to pay for cancer care drugs— all of those public services that that money was to be providing. Why does the Premier feel that this authority needs defending?

Hon. Dwight Duncan: Again, the asset-backed commercial paper component of our portfolio was very small relative to the overall amount. In fact, we actually had better returns over the last three years than we had certainly over the previous number of years.

A number of policy adjustments have been made at the Ontario Financing Authority, and I remind the members opposite that this challenge has really hit most of the western world. It affected some of our largest financial institutions, including the Ontario Financing Authority—this challenge that was experienced throughout markets. A number of recommendations have been seen to, for instance, the credit agencies and how they make recommendations. We've changed our policies to reflect processes that have been adopted elsewhere. Clear guarantees from banks and others have put this together.

None of us is happy about this situation. However, in my view, I don't agree with the member; I believe the Ontario Financing Authority has acted prudently in-

The Speaker (Hon. Steve Peters): Thank you, Minister. Final supplementary.

Mr. Frank Klees: So we hear from our finance minister that it was prudent, on behalf of the Ontario Financing Authority, to have gambled \$700 million in risky investments on behalf of the Ontario taxpayer. He stands in his place, and the Premier chooses not to intervene, to say, "No, I disagree with my finance minister. It's not prudent. They did not act according to the prescribed legislation that calls on them to make prudent investment on behalf of taxpayers."

Every single dollar that is lost is not a technical writedown; it means that cancer drugs can't be paid for, it means long-term-care facilities can't be provided, and it means social services can't be provided to people in this province through the tax dollars that they paid into this government. I call on the Premier to hold his minister and the Ontario Financing Authority accountable for their reckless actions.

Hon. Dwight Duncan: It's important to keep the context of every response in its true form. First of all, organizations as diverse as the Caisse de dépôt, Alberta treasury branches, CP Rail and others also suffered from this particular situation. What I said to the member was the response of the OFA, once the challenge was there, was prudent, was responsible in the circumstances and in the face of all knowledge.

Ontario taxpayers can be assured that the cash holdings of the province are appropriately invested, are earning a good return and in fact, given the strength of those returns over the last year, are enabling us to invest more in health care, invest more in education, and to repair the damage that that member and his government did to our health and education sectors over the eight years that they were in office.

There are a few things I'd like to talk about as well, and one is the financial crisis regulations. Nobody has talked about this-not the Premier, not the leader of the opposition-so maybe I can weigh in on that. People are watching the stock market in dismay every single day. People who would ordinarily not look at it from one week to the other are looking in dismay at the wild, unpredictable and seemingly irrational swings: up 500 points, down 800 points, up 300 points, down 900 points. This is all taking place in one week. This is what is happening for weeks and weeks on end. People think it's irrational, and they are worried. Ontarians' savings are tied to the stock market: their pensions, their mutual funds, their RRSPs and everything else; it's all tied together. Even members of this Legislature-probably most of them-get a very small amount of money each month in lieu of a pension, which is invested, in the overwhelming majority of cases, I think, in the stock market. They must watch this too, and they must know what's going on.

Ordinary Ontarians are watching as the Ontario Securities Commission is dealing with stock manipulation and fraud on an almost daily basis. When the finance committee sat down and discussed this with the OSC chairman and some of the senior people, they said there are more than, I believe, 250 charges laid per year by the commission against people trying to manipulate the market here in Ontario. Just so you understand that, there are about 250 trading days in a year, so quite literally, somebody is charged every day with trying to finagle the market, trying to do things they ought not to be doing, and those are the ones who get caught.

So people are looking at what's happening, and in the newspaper every day, people are inundated with all these schemes that are coming home to roost. Who would have known a year ago about asset-backed commercial paper? Who would have known a year ago about toxic mortgages or default credit swaps? The Ontario Securities Commission has jurisdiction over all these, and yet this government is not attempting to mandate them in any way to stop this fraud, and they should be. That should be part of the economic plan to bring security and stability to the largest trading unit in Canada, the one that is located here in the city of Toronto.

We would like to offer some real solutions to this government. I'm not making this in the form of a motion, although I do have an amendment to the amendment coming shortly. We would like to offer some real solutions on securities reform. First of all is the creation of a financial products safety commission just like we have for consumer goods-it has been recommended by one prominent economist. This would address the invention of new financial products not intended to manage risk but to create risk.

We know what happened to Fannie Mae and Freddie Mac. We know that people were able to go out and get mortgages with absolutely no money down, and we know that when the cost of the mortgage went up and the price of the home declined, there were defaults on those mortgages literally across the entire United States of America, and that precipitated the financial crisis. We need to have a financial products safety commission that looks into this to make sure we don't get caught in the same kind of bind.

We want to ensure that regulators oversee areas of finance that are now unregulated-to quote another financial expert, "If it quacks like a bank, regulate it like a bank." This includes real regulation of hedge funds and large pools of capital that are able to manipulate markets for quick profits. We think that ordinary investors need this kind of protection, and ordinary people are looking forward to this government doing something about that in the middle of a financial crisis.

We're talking about strengthening regulation that restricts leverage for all financial companies. Leverage is the proportion of debt used in speculation and was one of the causes of the current crisis. What we're simply asking is to strengthen the regulations that exist and further restrict leverage for all financial companies so that they cannot and will not be allowed to get into the circumstances that have resulted in huge, multi-billion dollar payouts and buyouts in Britain, the United States, Ireland and, most recently, a day or two ago, Iceland. We don't want to be in the same circumstances, and we look to the Ontario government to do something about that.

We are asking that the Ontario government deal with the conflicts of interest that are so much a part of securities regulation. I was on the finance committee when we sat down, more than four years ago now, and looked at the regulations of the Ontario Securities Commission. The number one recommendation that was

agreed on by all parties at that time was to separate the investigative function from the adjudicative function, to make it an adversarial process, so that the person who had done the investigation was not the same person who sat on the tribunal to decide. The government said they would do so in about a year. Well, here we are, three or four years into it, and nothing at all has happened. I would think that this would make for a much safer investment opportunity in the province of Ontario if we followed the advice that the finance committee was given at that time and that the government has ill seen fit to enforce. These are just a few of the proposals.

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I would like to conclude, and then I have an amendment to the amendment. Seeing that I still have enough time to do all of that, I'm going to. What I would like to conclude with-if I can just find my notes as to where I am-is a statement that we believe that politics in this chamber, this House, this Legislature and this province should be all about people, the 13 million people who call Ontario home, the 13 million people who work here and live here, the 13 million people who invest their lives in the prosperity of this province. It's about a fair deal for people who have built and continue to build this province; they're looking for a fair deal from this government. We only have to look at what happened in the United States when George Bush and his administration put forward the plan-some \$700 billion or \$800 billion-to bail out the financial sector. There was a near-riot that occurred in most of the United States and certainly on Wall Street, and you had a whole bunch of legislators in the House of Representatives who would not follow suit. They were angry because they did not see it as a fair deal. People who were being bought out and were being backed were those same people who had ripped off the system.

There was a gentleman who was called before the legislative committee of the House of Representatives a few days ago. He denied the fact that he had been given a \$400-million buyout after his company had failed and that thousands upon thousands of people had lost their life savings, but he did admit that he did get \$250 million. I think the people of the province of Ontario want to make sure that their government here in Ontario will not countenance such an action and, in fact, will pass some legislation or regulations to ensure that that does not happen here.

It is absolutely heart-wrenching to go out and meet people who have lost their jobs. I've had an opportunity in the last few weeks to travel the length and breadth, I swear, of this province, going to places even in your own riding of Essex, Mr. Speaker. I have been in Windsor, London, Kingston, Ottawa, Oshawa, Kitchener, Stratford, Hamilton and so many places, listening to heartfelt stories of people who have lost their jobs. Some of those who are in their 50s and early 60s have lost their job and despair about ever finding work again. In some cases, they have been given inadequate pensions or severances and will live off those until the money runs out. In other cases, we see people who are younger and who are at the bottom of the seniority list. I met some of them in Oshawa. I met them, and they were on layoff. One of them worked one day a week and another one hadn't been recalled for duty for months, a young woman with two children, trying to bring them up herself.

They are in despair about what has happened, and we know that there is despair across the length and breadth of this province. When you look into their eyes, you want to tell them that you can do something, that you will try almost anything, and I am asking this government to try almost anything, not the tired five-point plan, but almost anything to get them back to work and to give them hope.

Surely, Franklin Roosevelt taught us all a lesson from 1932; surely, he said that the biggest thing to fear was fear itself, and he went about to transform an economy that was in much the same situation as we're about to find ourselves in. He did that by building upon the hope that people had so that they saw a brighter day, so that they saw that their government was trying to take the necessary actions.

The families who have lost their income due to job loss found out that there's no protection for their severances, for their benefits, for their hard-earned pension plans. We want to talk about the real costs of poverty. We want to talk about that, and we think the government needs to. What is the real cost of having a person with an intellectual disability live in poverty and be mired in poverty their entire life? They can get

\$999 from the government, but if they get even a meagre part-time job, it's clawed back. What is the real cost? What is the real cost in terms of initiative and human ingenuity? What is the real cost to their human dignity? What is the real cost of doing nothing for the kids? What is the real cost of having people live in dilapidated housing? All that needs to be addressed.

These are people, many of whom have spent a lifetime paying taxes, who found themselves in hard times. When they need a little help, it seems that the government is nowhere to be seen and only talks about its much-vaunted five-point plan. It's not right and it's not fair, and we need to do something about it.

Back in 1991 when the province was in the same difficult circumstances, Dalton McGuinty said something that I'd like to quote. He was not the Premier then; he was the Leader of the Opposition, or maybe-I don't know if he was the Leader of the Opposition then. He could have been-I'm trying to think back-but he was here in the Legislature, and he did make the following statement.

Hon. James J. Bradley: Was it 1991 or 2000?

Mr. Michael Prue: It was 1991.

Hon. James J. Bradley: I was probably the opposition leader then.

Mr. Michael Prue: Okay, maybe it was you. But Dalton McGuinty said the following in a speech to the Legislature. I'm not sure what his-it was the same Dalton McGuinty, though, and he said this to then-Premier Bob Rae:

"This House heard the disturbing news from the Treasury yesterday regarding our province's economy and the devastating impact the recession is having on employment.... I urge this government, I implore this government to develop and implement a program immediately to address the very real and specific needs of those affected by loss of employment." That was Dalton McGuinty, March 19, 1991, in this Legislature.

Before reading my amendment to the amendment, I would like to close by asking which Dalton McGuinty we will see on October 22. Will we see the Dalton McGuinty who declared that immediate government action was necessary to sustain and create jobs and protect workers during layoffs, as he said in 1991, or will we see the Dalton McGuinty who will talk about his five-point plan that seems to be going nowhere? I certainly hope it's the former, and I despair that it may be the latter.

This is a difficult debate. Oftentimes, governments have limited resources in what they can do. I remember standing here in the Legislature one day when Mr. Wilkinson, now the Minister of Innovation, stood up and was taking credit for a huge number of jobs that he said were being created by the government of Ontario. I stood up to chastise him a little and said, "My colleague, I hope you are going to take the criticism on the day when it comes-and it invariably will, given the cyclical nature of economics-when there are huge numbers of job losses." He assured me that he would not do that.

It's very easy for governments to talk about the jobs they are creating and take credit for those, but it's very difficult for governments to take the blame when there are job losses; they always have some other factor to blame it on. I'm saying that any government member who has stood in this House before and taken credit for job creation should be equally willing to stand in this House and take the blame for job losses. If you're not willing to do it today, then please refrain in the future from taking credit for job increases. Please refrain. If you're not willing to be on one side of the book, you shouldn't be on the other.

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I'd like to move an amendment to the amendment that was moved by my colleague Mr. Runciman, the leader of the official opposition. The amendment to the amendment reads as follows:

"That the government needs to immediately respond to current economic instability, the 230,000 jobs lost in

the manufacturing sector, and the 40,000 direct and indirect jobs lost in the forest products industry by implementing a strategy that includes:

- "-an industrial hydro rate so that Ontario's manufacturing and resource companies can count on stable, competitive hydro policies at a time when many competing jurisdictions have far lower industrial rates;
- "-a jobs protection commissioner to help at-risk companies overcome financial difficulties and save jobs;
- "-a Buy Ontario policy that would ensure that streetcars, subways and buses continue to be made right here in Ontario, resulting in the protection of thousands of good-paying jobs;
- "-tougher plant closure legislation that would ensure that everything is done to prevent a profitable plant or mill from closing, and enhanced, mandated severance;
- "-expansion of severance eligibility and an increase in advance notice in mass layoff situations;
- "-pension and wage protection that would make sure that workers get every penny they are owed from their employer when their company becomes insolvent or goes into bankruptcy; and finally,
- "-a refundable manufacturing and resource investment tax credit that would provide a real incentive for manufacturers and processors to invest in the building, equipment and machinery that leads to high-paying, good-quality jobs."

I have three copies for the Chair and I'll send them down with page Justin.

In conclusion, the Premier finished his speech by asking all parties to commit and to give their input into how we can help, and these are made in that same spirit. I'm hoping that if the Premier is true to his word, and I believe him as a man who is, he will take a look at these and include them in his motion.

I also believe that the leader of the official opposition will accept those as an amendment to his amendment because they are intended to help the people of this province and intended to help the people in this time of economic turmoil.

HANSARD, TUESDAY, DECEMBER 4, 2007

ORAL QUESTIONS

GOVERNMENT INVESTMENTS

Mr. Robert W. Runciman: My question is to the Premier. There is an article in today's Globe and Mail indicating the government will experience a significant loss, possibly in excess of several hundred million dollars, as a result of investments that have gone into the dumpster. Will the Premier indicate if this is indeed the case and, if yes, what impact the loss will have on government finances?

Hon. Dalton McGuinty: To the Minister of Finance.

Hon. Dwight Duncan: There are \$720 million in investments in the so-called commercial paper issue. At this point in time, we estimate that our losses will be under \$100 million and fully offset by net interest savings, and therefore will have no impact on the province's financial statement, no impact on cash flow.

Mr. Robert W. Runciman: The minister can obfuscate as much as he wants and try to muddy the waters, but a loss is a loss. You don't scoff at a loss of over \$100 million. That's the Liberal attitude. We're talking taxpayers' dollars here—we see the approach of this government and its members—quite possibly, as the minister suggested, hundreds of millions of dollars.

The Ontario Lottery and Gaming Corp.'s motto is "Know your limit and play within it." You seem to have ignored your own agency's advice and gone to the casino with taxpayers' money. Why would you allow the financing authority to roll the dice with taxpayers' dollars?

Hon. Dwight Duncan: Financial institutions around the world are experiencing this situation. In fact, this is a substantial sum of money; we recognize that. It is less than 10% of our cash holdings. The amounts purchased were done within reasonable limits of prudence. The hundred-million figure is there because we're awaiting the results of the Montreal accord. That is our best estimate.

I should point out that our potential writeoff as a result of this is far lower than many other private institutions relative to their cash holdings. I should point out, it is not uncommon for public authorities to have investments like this. I should point out further that Ontario's bonds continue to sell very well throughout the world, again re-emphasizing the confidence credit granters have in the province of Ontario.

Mr. Robert W. Runciman: I'm told if they went to the secondary market today they'd be

looking at a loss in excess of \$200 million. This government's attitude toward the loss of this many hard-earned tax dollars is eerily similar to their nonchalance regarding manufacturing job losses: "Don't worry, be happy." We could have in brackets here "you dumb taxpayers." Liberal arrogance personified.

Government-

The Speaker (Hon. Steve Peters): I'd just ask the member to reconsider his comment that he made in regard to taxpayers in the province and to try and at least keep a good tone within this Legislature.

Mr. Robert W. Runciman: Government is in the stewardship business when it comes to tax dollars, not the investment business. You've exposed taxpayers and apparently aren't doing anything to prevent something similar from occurring in the future.

The Speaker (Hon. Steve Peters): Answer.

Mr. Robert W. Runciman: Will you commit today to calling in the Auditor General, asking him to determine what happened, why it happened, who is responsible and how we ensure it doesn't happen again?

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Hon. Dwight Duncan: I would remind the member opposite that this has global consequences affecting many public borrowing authorities and others. I would also remind the member opposite that in 1995 we bought these investments, in 1996 we bought these investments, in 1997 we bought these investments, in 1998 we bought these investments, in 1999 we bought these investments, in 2000 we bought these investments, in 2001 we bought these investments, in 2002 we bought these investments and in 2003 we bought these investments.

This writedown is unfortunate. The amounts invested were less than 10% of our cash holdings. Ontario's performance and rate of return exceeds that of other jurisdictions. International credit-granting organizations and people who buy our bonds continue to do so at record pace because of the financial-

The Speaker (Hon. Steve Peters): Thank you. New question.

GOVERNMENT INVESTMENTS

Mr. Tim Hudak: Back to the Minister of Finance. As you know, August 13 became a day of infamy in financial markets when these risky investments were effectively frozen

after investors became suddenly spooked by the US sub-prime mortgage losses. That was almost four months ago. Why did four months pass before this minister or his predecessor came forward with a public statement to Ontario taxpayers of exactly what their loss has been by the McGuinty government's risky investments?

Interjections.

The Speaker (Hon. Steve Peters): I just want to remind the members that you were very supportive of your member when he asked his question. It was very quiet. The moment your member sat down, the noise started. There is room for banter within this House, but we need to keep it at an acceptable level, and I would ask the members to take that into consideration. Thank you.

Hon. Dwight Duncan: I would remind the member opposite that all of these investments are fully disclosed through public accounts routinely debated by this Legislature. In this particular case, Ontario's exposure is lower than most other comparable jurisdictions, representing less than 10% of our cash reserves. Cash reserves are routinely invested in order to earn a rate of return to further help us provide better health care, better education and to make investments in the environment. This is all documented in the public accounts, all documented through the OEFC and all readily available to all members of the Legislative Assembly.

Mr. Tim Hudak: If we could interpret the Minister of Finance's comments, what he's telling us is that he's effectively buried this issue since August 13, 2007. I guess in the meantime we had an election campaign, and certainly the Minister of Finance and the Premier, Dalton McGuinty, did not want the substantial loss to Ontario taxpayers to become public until after the election campaign. Will the Minister of Finance stand in his place today and apologize to the taxpayers of Ontario for keeping this buried for four months and for the substantial losses of these investments?

Hon. Dwight Duncan: First of all, all these figures with respect to the amounts of investments are fully available to the member and to all members of the assembly. We routinely look at them—our members do. We're aware of what the OEFC is doing and what the government is doing. I'd urge him to look more carefully every year at these things.

Relative to other jurisdictions, we do not have as much exposure as others in terms of the percentage of our cash reserves. But those numbers are readily available. They are accessible to members and have been subject to tabling in the Legislature and subject to all the usual scrutiny that comes with this assembly. We'll know the final number once the terms of the Montreal accord are set. But I remind the member opposite, we anticipate no net impact on our financial statements resulting from this right now.

Mr. Tim Hudak: The Minister of Finance asks us to look more carefully. Maybe the

Minister of Finance and his predecessors should look more carefully before exposing Ontario taxpayers to risky mortgages in Austin, Texas or Atlanta, Georgia.

Minister, some \$200 million potentially lost to Ontario taxpayers-taxpayers, by the way, who are paying higher taxes under the Dalton McGuinty government, taxpayers who are paying higher hydro rates under the Dalton McGuinty and have seen substantial sums invested in risky mortgage schemes in the United States.

Minister, I want to know, who made the judgment call to invest in these risky mortgages, what penalty is that individual going to pay, and will you finally call in the auditor to get the truth before the assembly today?

Hon. Dwight Duncan: Ontario has been investing in these papers for 15 years. By my reckoning, governments led by Bob Rae, Mike Harris, Ernie Eves and Dalton McGuinty have made these investments. Of course, Floyd Laughren was the finance minister at the time some of those investments were made.

This is not to diminish the fact that there is a writedown. Ontario has been hit, as other jurisdictions have. It's my view that the investments relative to cash reserves were relatively low compared to other jurisdictions. The loss we estimate to be under \$100 million. No one wants that, obviously. I don't think your government would have wanted that when you invested in these types of instruments. Unfortunately, like most other jurisdictions, we have been caught up in the situation. Again, we estimate the loss will be under \$100 million, which is not to say that we don't want to do better in the future.

HANSARD, WEDNESDAY DECEMBER 5, 2007

ORAL QUESTIONS

GOVERNMENT INVESTMENTS

Mr. Robert W. Runciman: My question is for the Minister of Finance. Again it's with respect to non-bank, asset-backed commercial papers, the risky roulette wheel investment scheme in which your government invested over 700 million taxpayer dollars. Yesterday you told this House, "Ontario has been investing in these papers for 15 years." This simply isn't true. In fact, it was only under your government that such high-risk investments were authorized.

The minister owes this House an apology for making statements in here that are contrary to the facts. I ask, will the minister make that apology now?

Hon. Dwight Duncan: No. What the previous government did do was invest it under the broad parameters of the FAA, the Financial Administration Act. We invested in 1994,

1995 and all the way through to 2004. In 2004, this government brought forward a regulation to clearly define not only that we are investing in them-because we had been for 10 years prior-but to give greater clarity to the instruments that could be used. The public accounts are clear and the records of the Ontario Financing Authority are clear. What isn't clear is the opposition's understanding of the process.

Again, under the broad parameters of the act the previous government purchased them. We brought greater clarity, greater transparency and greater public accountability to the precise instruments that were purchased.

Mr. Robert W. Runciman: One again the minister is not being straight with the facts. The reality is that the non-bank conduits that are now frozen under the Montreal accord were initially issued into the Canadian market in January 2002, the majority of them after October 2003. So for you to stand up in this House day after day and say that these are similar to investments made 10, 12, or 15 years ago is totally inaccurate. I have the order in council dated November 4, 2007, and I'll ask a page to take it to the minister. It's signed by the former Minister of Finance, and maybe that's why he's the former minister. These are investments Moody's wouldn't rate; Standard and Poor's called them "a leap of faith." But you ignored the warnings, took the leap with somebody else's money-the taxpayers'-and lost quite possibly over \$200 million. And then you make it worse by puffing out your chest, blowharding your way through question period-

The Speaker (Hon. Steve Peters): I'd ask the member to withdraw his description of the Minister of Finance, please.

Mr. Robert W. Runciman: I will, under protest. I don't think it's a good decision.

The Speaker (Hon. Steve Peters): I'd appreciate it if you would just withdraw, please.

Mr. Robert W. Runciman: I withdraw.

The Speaker (Hon. Steve Peters): Thank you.

Hon. Dwight Duncan: Again, I want to repeat for members of the House and members of the public, Ontario has been buying asset-backed commercial papers since 1994. Beginning in 1998, Ontario began buying non-bank asset-backed commercial papers-1998, 1999, 2000. They did it under the broad parameters of the Financial Administration Act. In 2004, this government and my predecessor brought forward a regulation that further clarified what instruments could be used. I'd also remind members that such bodies as the Caisse de dépôt, the Alberta treasury, most of the big banks, the Ontario teachers' pension plan, the Sun-Times Media Group, and a variety of other public and private large, successful organizations have purchased these as well.

There will be a writedown; we estimate it'll be less than \$100 million. The facts are we've been buying these things-

The Speaker (Hon. Steve Peters): Thank you. Final supplementary.

Mr. Robert W. Runciman: In reality, asset-backed commercial paper investment issued by non-banks only came into existence in 2002.

The minister himself, when he was questioned by the media, said the loss was going to be "a lot of dollars." Yesterday he said it would be around \$100 million; now he's saying it's less. Our estimates could be as high as \$220 million, a lot of money. It's the full cost of this government's promise to reduce emergency room wait times, PSA testing. Even if we take the minister at his word, it's only—that's a Liberal \$100 million; that's the full budget for this government's climate change promises, the full cost of promises to first-time homebuyers.

The minister must be aware that one of his colleagues lost his job over the slush fund that totalled \$32 million. Minister, at the very least, you owe taxpayers an apology. Will you do that today?

Hon. Dwight Duncan: There is a sum of money that may be written down, and as I pointed out yesterday to the member, the net impact on the province's statements will likely be none because of the reinvestment procedures.

But when it comes to estimates and when it comes to trusting somebody's judgment on estimates, this was the gang who said they had a balanced budget in their last budget and left a deficit of \$5.6 billion. This is the same Leader of the Opposition who was a member of a government that in fact bought these commercially backed papers from 1995 through to 2003 without clarity, without saying what the instruments were, and continued to do so.

These types of losses are hitting virtually every financial institution around. Ontario's exposure has been, relative to others, small. We all regret this, but this government will continue to manage the affairs of the province properly with growth and greater-

The Speaker (Hon. Steve Peters): Thank you. New question.

GOVERNMENT INVESTMENTS

Mr. Robert W. Runciman: Again to the Minister of Finance, and returning to this potential \$200-million loss and the decision of your government to play high-stakes poker with taxpayers' money: As this minister huffed and puffed his way through question period, and he's again doing it today, he could have told this House that his government changed the law, but he didn't. This isn't the open and transparent government they promised during the election campaign. In fact, it's the same contempt

for transparency they showed during slushgate, and it's why the Auditor General needs to be asked to investigate this growing scandal. Will the minister do the right thing and call in the auditor?

Hon. Dwight Duncan: It was this opposition that yesterday said that nobody had any idea of the amounts prior to this week. In fact, on August 24, CanWest News Service story, page E2; August 24, National Post, page 1 of the Financial Post; August 25, National Post, page 2; Toronto, August 25, Toronto Star business, page 1. All of them declared-and by the way, Ontario was the first; it led all the banks and all of the other organizations in terms of disclosure of what the exposure was.

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So there's been full disclosure. It goes back to August. It was well covered. The Ministry of Finance spoke publicly about it on more than a dozen occasions. The writedown will likely be less than \$100 million, and the net impact on our statements will likely be nothing. The member opposite should get his facts straight. They continually put out facts that are not entirely accurate. That's a good example of another one.

Mr. Robert W. Runciman: As my colleague said, "Why are they afraid to call in the auditor?" They didn't come clean about the existence of the order in council. They did it behind closed doors. It was never made public. What we have is a government that secretly changed the laws to allow them to gamble with taxpayers' money-money they're supposed to be the trusted stewards of-and then they tried to cover it up. They call it "legislative housekeeping," but what they really mean is that they swept it under the rug. They hid their gambling habit from the public. Why? Because they were using someone else's money. In the private sector, you'd lose your job or go to jail.

The Auditor General must investigate this. The minister has the authority and the moral obligation to ask the auditor general to do so. Will he?

Hon. Dwight Duncan: Public accounts can examine this; public accounts can ask the auditor to do that. I would point out that a number of private sector-the member opposite suggests people in the private sector would go to jail for this. Well, all of the big banks this quarter are taking writedowns. Let me give you some-Russel Metals, Air Canada, Toronto Pearson International Airport, Sun-Times Media Group. All have taken writedowns or are going to take writedowns in these.

These investments represented less than 10% of our cash reserves. The writeoff will be a smaller portion of that still. The net impact will be likely zero on the province's statements. While none of us like this situation, and none of the other financial institutions that have been hit by this, this is the reality. We've managed the province's finances prudently.

Mr. Robert W. Runciman: I guess the minister isn't reading the financial press. How many CEOs have lost their jobs over the last year or two because of bad investments like the one you're defending here today? He comes into this House and makes statements contradicted by the facts just hours later. This is the same minister who was in charge when the Ontario cricket association got its infamous \$1-million grant in the slush fund scandal—ducking, weaving and trying to avoid his responsibility in choosing to spin the roulette wheel with taxpayers' money on investments that reputable investment bond rating agencies described as a leap of faith.

We have to wonder why he won't do right thing and ask the Auditor General to investigate. If you've got nothing to hide, why are you afraid to do it?

Hon. Dwight Duncan: Again, the OFA is completely audited. These decisions are subject to public accounts review. Finally, we just need to make sure we have the facts correct. Less than 10% of our cash reserves were in here. There is a potential writedown of up to \$100 million. It will have a net zero effect on our books. Our exposure was smaller than many other comparable organizations.

The province of Ontario under the leadership of Premier McGuinty eliminated a \$5.6-billion deficit that that member and his party left the province. So if we want to talk about proper and prudent financial management, this government is delivering balanced budgets, better health care, better education and a cleaner environment, all in the context of balanced budgets and prudent fiscal management.

HANSARD, THURSDAY DECEMBER 6, 2007

GOVERNMENT INVESTMENTS

Mr. Frank Klees: My question is to the Minister of Finance. Is he not here today?

The Speaker (Hon. Steve Peters): Stop the clock for a moment, please. He's not here. Restart the clock, please.

Mr. Frank Klees: If the minister is not here, I will direct it to the Premier.

Premier, since the Minister of Finance is refusing our call to call in the Auditor General to conduct a comprehensive investigation into the Ontario Financing Authority's irresponsible handling of public funds. Will you please, then, advise the House what your minister is doing, first, to investigate how it came to be that the board of directors of the Ontario Financing Authority approved investing public funds in this high-risk paper; second, who was responsible for recommending that investment, given the clear direction of the Financial Administration Act that limits investments to those "that are advisable for the sound and efficient management of public money"; and finally, what steps will the government take to recover the losses suffered by Ontario taxpayers on this scheme, losses that could add up to more than \$200 million?

Hon. Dalton McGuinty: I, of course, can't accept the characterization of this particular issue offered by the honourable member. I think the Minister of Finance has spoken to this issue on a number of occasions now. He has indicated that this is the kind of investment that has been made in the past by several governments of different political stripes.

He may not have indicated that during the course of the past four years the Ontario Financing Authority has achieved \$474 million in returns over and above the benchmarks set out for them. So while it is perfectly true that there will be some loss in this particular case, during the four previous years, they're ahead \$474 million.

I think it's also fair to say, as the honourable member seeks to lay blame at the feet of the Ontario Financing Authority, that hundreds if not thousands of corporations and organizations throughout North America have been affected by this particular issue. We here in Ontario have been touched by it, and we will do our very best to ensure it does not happen again.

The Speaker (Hon. Steve Peters): Supplementary.

Mr. Frank Klees: I would hope that the Premier and the Minister of Finance take their fiduciary responsibility seriously.

The minister points out that he's not alone in this, but he is alone in not admitting responsibility, and he is very much alone in not asking for accountability from those responsible. I'll give you an example.

In the Yukon, the Auditor General has been called in to investigate. In New York State, the Attorney General has subpoenaed companies on Wall Street to get to the bottom of the scandal. Private firms here in Canada are suing their investment advisors. And in Quebec, the head of the Caisse de dépôt et placements was called before a parliamentary committee to justify their involvement in this investment game of craps. So I ask the Premier, if in fact he calls as justification the fact that others in other jurisdictions and institutions find themselves in the same place, why does he not also ask for the same degree of accountability for those responsible?

Hon. Dalton McGuinty: The financial statements presented by the Ontario Financing Authority were in fact reviewed by the Provincial Auditor, and he offers this opinion:

"In my opinion, these financial statements present fairly, in all material respects, the financial position of the Ontario Financing Authority as of March 31, 2007, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles."

Of course, the auditor has it within his purview to decide whether or not he wants to lend special interest to this at the time of his upcoming next issue of public accounts.

Again, I say this the type of investment that has been embraced by a number of different governments of political stripes. Many of us have now found ourselves caught up in that. When I say that—including those that were referenced by the member—Alberta was caught up by this, CPR was caught up by this, Canada Mortgage and Housing, Canada Post, the city of Hamilton, Toronto Hydro, the Ontario teachers' pension fund, Toronto Pearson International Airport, Sun-Times—

The Speaker (Hon. Steve Peters): Final supplementary.

Mr. Frank Klees: The Premier misses the point. The issue is not who else is in the same mess; the issue is, how is this government handling the irresponsible investment of public funds? And it's not up to the auditor to determine whether or not the investments were made consistent when he is reviewing financial statements. It is up to the auditor now to present us with a report on whether or not the government and its agencies have followed the act that prescribes, and I quote sir, "When the Minister of Finance considers it advisable for the sound and efficient management of public money, then certain investments can be made." I say to the Premier, clearly these investments would not and should never have been considered for investment by the province of Ontario on behalf of taxpayers. I would ask one more time, Premier, why would we not collectively want the auditor general to table a report on this issue?

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Hon. Dalton McGuinty: Again, if the Auditor General chooses of his own accord to take a particular interest in this, he is, of course, free to do so. The honourable member says that those responsible for this within Ontario Financing Authority lack judgement. He's also saying, of course, that those at Caisse de dépôt lack judgement, those in Alberta lack judgement, those at Canadian Pacific Railway lack judgment, Canada Mortgage and Housing Corporation lack judgement, those people working at Canada Post lack judgment, those folks at the city of Hamilton, Toronto Hydro, Société générale de financement du Québec, the Ontario Teachers' Pension Plan, Toronto Pearson International Airport, Sun-Times Media Group, Air Canada, hundreds, if not thousands, of organizations and corporations throughout North America and, indeed, Europe—because this has had global consequences—have all failed to show good judgement. I'm going to raise another possibility, given the impact of this particular issue: I think that people did, in fact, use good judgement, but something happened which they didn't anticipate. I think now it's time for us to find a way to ensure that this kind of thing doesn't happen on a go-forward basis.