

AUGUST 2018

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What's Happened & What to Expect in the Legislature

Following the Ontario general election on June 7th and the swearing in of the government, our newly elected premier, Doug Ford, wasted little time getting down to the business of advancing his "government for the people" agenda.

The Speech from the Throne, outlining the government's legislative plan, was delivered by the Lieutenant Governor on July 12th and the provincial parliament met for the purpose of conducting business for the first time on July 16th.

Having sat for a total of 17 days and completed most of the government's urgent business, the legislature adjourned on August 14th. It's scheduled to resume sitting on Monday, September 24 at 10:30 a.m. (The fall session was originally scheduled to commence on September 10th.)

One piece of urgent government business left unfinished was the passage of *Bill 4, Cap and Trade Cancellation Act*, We expect this will be a high priority in the fall session. We also anticipate legislation to disband the former Liberal government's Ontario Cannabis Store retail system and provide for the sale of cannabis through private outlets will be another high priority.

Construction Health and Safety Blitzes

- May 1 to August 31 – Employment standards
- September 1 to 30 – Reversing equipment on construction projects; compliance support and prevention education (MoL and IHSA)
- October 1 to 31 – Ministry of Labour enforcement campaign

For more details, click on the following link <https://www.ontario.ca/page/workplace-inspection-blitzes-and-initiatives>

Bill 5 Races Through the Legislature and Becomes Law

Bill 5, Better Local Government Act 2018 followed an accelerated route through the Legislature. It was introduced on July 30th, passed second and third readings and received Royal Assent on August 14th.

Bill 5 essentially accomplishes two things:

- It realigns the electoral districts in the City of Toronto with the electoral districts in the province of Ontario thereby reducing the number of electoral districts and the size of Toronto's City Council from 48 (before the passage of Bill 5, Toronto was divided into 48 wards) to 25.
- With regard to the selection of chairs of the Councils for the District of Muskoka and the Regions of Peel, Niagara and York, Bill 5 cancels the District/Region-wide election of chairs and reverts to the previous method of chair selection, by appointment of the Councils.

The Council of the City of Toronto voted to mount a challenge against the authority of the Province to foist such a major change on the City of Toronto arbitrarily and without consultation.

Ford Makes Good on Audit Promise

One of the government's key promises to the voters during the recent Ontario general election campaign was to have a line-by-line audit of the Province's finances conducted by an independent external auditor.

On July 17th the government published a Request for Bids (RFB) for the line-by-line audit of its \$150B annual operations. The government's news release announcing the line-by-line audit stated,

“What is the external line-by-line audit of government spending?”

- This is a comprehensive audit of past government spending across major sectors

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and government programs, and will focus on three primary tasks:

1. Conducting a detailed analysis of government spending over the past 15 years
 2. Comparing Ontario government expenditures and the rate of spending growth against that of other major provinces
 3. Finding ways to save money and improve services, programs and sectors that may need more focused review
- This audit will include a review of spending across the broader public sector
 - It will also include opportunities for public input and consultation
 - The results of the line-by-line review will be used to make government more efficient and effective, and make sure that all government spending is delivering promised results for the people of Ontario”

The RFB stated that the project would commence on August 10th and conclude not later than September 21st and that the maximum price for the work is \$500,000. (This had several potential bidders stating that the timeline is too tight for such a thorough scope of work and that the top price is far too low.)

On August 14th the government announced that EY Canada had been selected as the successful bidder for the line-by-line audit.

An initial review must be completed by August 24, an analysis of “key factors and benchmarks” must be delivered by September 7 and advice and recommendations must be delivered by September 17. The final report is due on September 21

Also on July 17th, the government announced the creation of an Independent Financial Commission of Enquiry. The work of the Commission was described in the government’s news release as follows:

“What will the Independent Financial Commission of Inquiry do?”

- The inquiry will look back at Ontario’s public finances and government accounting practices in order to have a clear idea of where taxpayers’ money is being spent and inform the 2017-18 Public Accounts
- The inquiry will operate with complete independence from the Government of Ontario and is established under the Public Inquiries Act, 2009
- It will provide advice and recommendations on the Province’s current fiscal reality and budgetary position for the current fiscal year (2018-19) and beyond
- The deadline for the inquiry’s final report will be August 30
- The inquiry will be provided with a dedicated budget and staff resources necessary to meet this deadline”
- The three-person Commission includes former BC Premier Gordon Campbell who

serves as chair and Commissioners Al Rosen (a prominent forensic accountant) and Michael Horgan (former Deputy Minister of Finance with the Government of Canada and currently a senior advisor with Bennett Jones).

Ford Government's Accomplishments So Far

- Like them or not, here's a list of our new government's accomplishments since being elected on June 7th:
- legislating an end to the York University strike
- terminating a White Pines wind farm project in Prince Edward County
- cancelling 758 renewable energy contracts
- overhauling the Hydro One board of directors and causing the "retirement" of its CEO
- starting the process to scrap cap-and-trade emission pricing
- firing the province's Chief Scientist and Chief Investment Officer
- repealing the 2014 health and sex-education curriculum and reverting to the 20-year-old version introduced in 1998
- engaging EY Canada to conduct a line-by-line audit of government finances
- postponing new rules on police conduct
- ending the basic income pilot project,
- cutting in half a planned increase in social assistance benefits
- stopping the opening of new overdose prevention sites,
- lowering the minimum price that beer can be sold in Ontario to \$1.00
- transferring an additional \$25M to the Toronto Police Service to combat crime
- announcing the dismantling of the former government's recreational cannabis distribution scheme through government operated stores and opening it up to licenced private retail outlets
- freezing public sector executive salaries.

Like it or not, you can't complain that our new government isn't doing anything.

New Government Restructures Cannabis Sales

Ontario's new government has announced its intention to replace the former government's plan for the distribution of recreational cannabis through a network of government-operated stores, in favour of a distribution scheme through a network of privately operated retail outlets. Here's the skinny, here's what you should know:

- the federal legalization date is October 17th

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- On October 17th cannabis will be sold online via the Ontario Cannabis Store **exclusively** on a temporary basis until a network of licenced private retail outlets is developed
- Ontario Cannabis Store has contracted with 26 cannabis producers to supply a range of cannabis products in time for the October 17th opening; click on <https://ocscannabisupdates.com/>
- Once the network of licenced private retail outlets is in place (expected to be around April 2019) the Ontario Cannabis Store will be the wholesaler for licenced the private retail stores
- Private retailers will be licensed and must display the Official Ontario Cannabis Retailer Seal
- A new Ontario Cannabis Act is expected to be in force by October 17.
- \$40 million will be provided to municipalities over two years for safety and compliance.
- Municipalities will be given a one-time window to opt-out of permitting cannabis retail stores within their boundaries; so far three municipalities have announced that they will opt out, Markham, Richmond Hill and Oakville
- Consultation is already underway with municipalities, Indigenous communities, police, the cannabis industry association, key stakeholders and with the provinces that are also establishing private retail sales systems; feedback from the consultations will inform the development of the new Ontario Cannabis Act and the regulations under the Act
- After October 17th the Ontario Cannabis Store will be the exclusive outlet for recreational cannabis until the network of licenced retail outlets is developed
- After October 17th there will be severe penalties for dispensaries or individuals caught selling cannabis
- 20 percent of users consume 80 percent of cannabis in Ontario
- Cannabis will not be allowed to be consumed in vehicles or public spaces.
- Keeping cannabis out of the hands of children is a stated top priority of the government

New Board in Place at Hydro One

Ten new board members have been named to replace the previous 14-member board that resigned last month. They are:

- **Tom Woods** - a former CIBC executive who will serve as interim chair until the new directors can convene to permanently fill the position.

Selected by the Province of Ontario, Ontario Hydro's largest shareholder, were the following:

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- **Cherie Brant** - lawyer
- **Blair Cowper-Smith** - a former OMERS executive
- **Russel Robertson** – a former BMO executive

The following individuals were nominated by Hydro One’s nominating committee:

- **Anne Giardini** – a former Weyerhaeuser executive
- **David Hay** – a former New Brunswick Power chief executive
- **Jessica McDonald** - Canada Post interim chief executive
- **William Sheffield** - former Sappi Fine Papers chief executive
- **Melissa Sonberg** - executive-in-residence at McGill’s Desautel Faculty of Management.
- **Timothy Hodgson** -partner at - Alignvest Capital Management managing

These new board appointments were made as the provincial utility reported very strong second quarter operating results.

Ontario Sells Record Amount of Debt Following Election Hiatus

The Province took a break from selling bonds during the election but returned to the debt markets recently, selling a \$3.65B Province of Ontario bonds in two tranches, all in the period of a morning. The Province had not been active in the debt markets since June 1st which no doubt contributed to the market’s thirst for Government of Ontario debt. The short period in which this record-breaking amount of debt was sold speaks to the market’s confidence in the Province of Ontario. With these sales, the Province has completed a little less than half of its long-term borrowing program for the 2018-19 fiscal year.

Will Ford Government Allow Private Booze Stores?

Melissa Lantsman, an experienced, high-level political staffer with various ministers in the Stephen Harper federal government, was one of Premier Doug Ford’s communications advisors in the recent provincial election campaign. Following the election, she joined the well-known government relations and public affairs firm, Hill and Knowlton Strategies (H+K) as a vice president. She recently signed onto the Office of the Integrity Commissioner’s Ontario Lobbyists Registry representing the large booze retailer (BC, Alberta, Alaska) Alcana Inc. (the company’s name is derived from alcohol and cannabis).

Lantsman’s response on the registry to the question, “Describe your lobbying goal(s) in detail. What are you attempting to influence or accomplish as a result of your communications with Ontario public office holders?” is “Gathering information regarding current thinking towards changes to Ontario retail and distribution model for alcohol.”

She was close to Premier Ford. What do you suppose she knows that we don’t?