



Pre-Budget Recommendations Presented to Ontario's Standing Committee on Finance/Economic Affairs

Three recommendations regarding:

1. Tarion Warranty Corporation's equity - \$275,160,000 as at Dec. 31, 2017
2. Mandatory Oversight Fees paid to the ON Government by Administrative Authorities
3. Costs related to special reviews such as the Tarion Review

1. Tarion Warranty Corporation's equity - \$275,160,000 as at Dec. 31, 2017

Background - As a result of his Tarion Review, Justice Douglas Cunningham made 37 recommendations to the Ontario Government in Dec. 2016, including ending Tarion's monopoly and introducing a competitive new home warranty model, similar to what most of the rest of Canada enjoys. Justice Cunningham did not make a recommendation, however, regarding what to do with the significant equity that Tarion has accumulated - \$275,160,000 – more than a quarter of a billion dollars – according to Tarion's latest publicly available financial statements dated Dec. 2017. The Ontario Government is currently studying what to do with Tarion and Ontario Government officials recently advised us that these changes to Tarion are considered "urgent" and a "top priority".

Recommendation – If it is decided to end Tarion's monopoly, once Tarion's financial obligations have been satisfied, the first priority for the use of Tarion's equity should be to give homeowners who had their claims denied by Tarion an opportunity to resubmit their claims to an independent body for consideration.

2. Mandatory Oversight Fees paid to the ON Government by Administrative Authorities

Background – About a decade ago the Ontario Government implemented mandatory "oversight fees" for Administrative Authorities (AAs), previously known as Delegated Administrative Authorities (DAAs). As you know, there are a number of AA's operating in Ontario, including Tarion. For example, from 2009 to 2018, we estimate that Tarion has paid between \$2 – 3 million to the Ontario Government for oversight of Tarion. A number of people, including former PC Critic MPP Pettapiece, have tried to ascertain precisely what these fees have been used for, but the responses from the ON Government to date have been very vague. We understand that there is no specific budget allocation or reporting to ensure that the mandatory oversight fees paid by an AA are actually spent on overseeing the AA. We

also understand that a considerable amount of these fees paid by Tarion for “oversight” of Tarion to date has been spent by the Ontario Government on expenses unrelated to Tarion.

It is also important to note that for decades now, DAAs have been strongly criticized by many, including MPP Jim McDonnell, who in 2016 introduced Bill 58, Delegated Administrative Authorities Accountability and Transparency Act. In a June 2018 e-mail MPP McDonnell said: *“When the previous Minister admitted Tarion had drifted too far from government, we agreed and highlighted the issue wasn’t just Tarion but the entire DAA model. Accountability and transparency remained a key plank in our election platform and will form the basis of future PC government policies...”*. We have written to Minister Walker and asked him what he plans to do to address the serious shortcomings of the DAA model, and we are awaiting Minister Walker’s response.

Recommendation: As long as DAAs/AAs remain, there should be transparency in the budgeting process concerning these mandatory AA oversight fees, as well as transparency regarding how these oversight fees are spent by the Ontario Government.

3. Costs related to special reviews such as the Tarion Review

Background: CPBH has repeatedly requested information about the total costs of the Tarion Review that commenced in Nov. 2015 and concluded in Dec. 2016. We were advised by government officials that this information is not available. It appears that this Tarion Review was not budgeted. Documents obtained via Freedom of Information and other related estimates suggest that the total costs for the Tarion Review were in excess of \$750,000, which is obviously a significant amount.

Recommendation: There should be transparency in the budgeting process concerning special reviews such as the Tarion Review, as well as transparency regarding the total costs (both internal costs and external costs, e.g., consultants) that were spent for such special reviews.

Thank you for the opportunity to present today, and for considering these recommendations.