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**Official Report
of Debates
(Hansard)**

Tuesday 18 June 2002

**Journal
des débats
(Hansard)**

Mardi 18 juin 2002

**Standing committee on
general government**

Reliable Energy and
Consumer Protection Act, 2002

**Comité permanent des
affaires gouvernementales**

Loi de 2002 sur la fiabilité
de l'énergie et la protection
des consommateurs

Chair: Steve Gilchrist
Clerk: Anne Stokes

Président : Steve Gilchrist
Greffière : Anne Stokes

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
GENERAL GOVERNMENT**

**COMITÉ PERMANENT DES
AFFAIRES GOUVERNEMENTALES**

Tuesday 18 June 2002

Mardi 18 juin 2002

The committee met at 1534 in room 151.

SUBCOMMITTEE REPORT

The Vice-Chair (Mr Norm Miller): I call the standing committee on general government to order to consider Bill 58, An Act to amend certain statutes in relation to the energy sector.

First of all, I believe there's a subcommittee report.

Mr Steve Gilchrist (Scarborough East): I move adoption of the subcommittee report, which reads as follows:

"Your subcommittee met on Tuesday, June 11, 2002, to consider the method of proceeding on Bill 58, An Act to amend certain statutes in relation to the energy sector, and recommends the following:

"(1) That the committee meet in Toronto on Tuesday, June 18, Wednesday, June 19, and Thursday, June 20, 2002, from 3:30 pm to 6 pm to hold public hearings on Bill 58.

"(2) That the committee meet in Kingston from 9 am to 12 noon on Friday, June 21, 2002, and in Ottawa from 2:30 pm to 6 pm on Friday, June 21, 2002, and in London from 9 am to 12 noon on Saturday, June 22, 2002, and in Chatham from 2 pm to 5 pm on Saturday, June 22, 2002, to hold public hearings on Bill 58.

"(3) That clause-by-clause consideration of Bill 58 be undertaken on Monday, June 24, 2002, from 3:30 pm to 6 pm and on Tuesday, June 25, 2002, from 9 am to 12 noon.

"(4) That amendments for Bill 58 be received by the clerk of the committee by 11 am on Monday, June 24, 2002, for distribution to the members of the committee by 1 pm that day.

"(5) That an advertisement be placed in one local newspaper in each of Kingston, Ottawa, London and Chatham and in the Toronto Sun and the Toronto Globe and Mail for one day and also placed on the OntParl channel and the Legislative Assembly Web site; and a press release be distributed to English and French papers across the province. The clerk of the committee is authorized to place the ads immediately.

"(6) That the deadline for witnesses who wish to appear before the committee in Toronto be Monday, June 17, 2002, at 3 pm.

"(7) That the deadline for witnesses who wish to appear before the committee in Kingston and Ottawa be

Wednesday, June 19, 2002, at 5 pm and for those who wish to appear before the committee in London and Chatham be Thursday, June 20, 2002, at 5 pm.

"(8) That the clerk advise each of the three parties by 12 noon on Monday, June 17, 2002, of the numbers of witnesses that have called in. If those witnesses can be accommodated in the time available, the clerk, in consultation with the Chair, may schedule witnesses on a first-come, first-served basis. If there are more witnesses than can be scheduled in the time available, the clerk is to provide a list to the three parties after each deadline has passed and each party will provide the clerk with their prioritized list to be scheduled for each location.

"(9) That the deadline for written submissions be Monday, June 24, 2002, at 12 noon.

"(10) That all witnesses for Bill 58 be offered 10 minutes in which to make their presentations.

"(11) That no opening statements be made by any party or the minister.

"(12) That, should a witness make a request prior to appearing before the committee for reimbursement for travel expenses, the committee authorize reasonable travel and meal expenses for witnesses travelling from outside the greater Toronto area or the greater municipal area for the locations to which the committee is travelling, based on mileage at the government rate, or economy airfare or reserved seating train fare to be provided on submission of receipts or a statement of mileage travelled.

"(13) That the clerk of the committee, in consultation with the Chair, be authorized prior to the passage of the report of the subcommittee to commence making any preliminary arrangements necessary to facilitate the committee's proceedings."

The Vice-Chair: All in favour? Carried.

RELIABLE ENERGY AND
CONSUMER PROTECTION ACT, 2002

LOI DE 2002 SUR LA FIABILITÉ
DE L'ÉNERGIE ET LA PROTECTION
DES CONSOMMATEURS

Consideration of Bill 58, An Act to amend certain statutes in relation to the energy sector / Projet de loi 58, Loi modifiant certaines lois en ce qui concerne le secteur de l'énergie.

JOHN WILSON

The Vice-Chair: At this time, I'd like to call on our first presenter, Mr John Wilson. You have 10 minutes for your presentation. Please state your name for Hansard. You can use all your 10 minutes for your presentation or, if you want questions to be asked, any time that's left will be divided among the three parties. Welcome to the committee.

Mr John Wilson: Good afternoon, everyone. My name is John Wilson.

I have only four points to make. The first three are related. They are: these are sham consultations, the government has no mandate and the people of Ontario demand this sell-off be stopped. My fourth and last point is that by breaking its promise to listen to Ontarians the government is wasting the money they need for their hospitals, their schools and the livelihood of the people of Ontario.

First, the sham consultation: these hearings are a sham. They are confined to a few hours in a few cities for a few days. How can the government do so little so hastily when all the people across this province are speaking out against this sell-off?

This committee isn't even visiting cities where dozens of elected councils across Ontario, representing the majority of Ontarians, have passed motions saying, stop selling our electricity system, stop deregulating our rates. Northern Ontario isn't included at all. The real consultation that this issue needs is a consultation with all Ontarians.

My second point, no mandate: the government has no mandate to privatize 49% of Hydro One or 1% of Hydro One or any part of the electrical system. The government didn't campaign on privatizing Hydro One. This legislation isn't a mandate; it's a move to get around a court decision. A little debate in the Legislature and this hearing isn't a mandate; it's an insult to Ontarians.

Polls show that 87% of Ontarians want their vote, not the Legislature, to decide this issue. Ontarians voted to make Hydro One public. They have a right to vote on any move to change that status. The real mandate that this issue needs is a vote by all Ontarians.

My third point, Ontarians' demand: in public meetings, in poll after poll, in elected councils across Ontario, in the courts, Ontarians demand that the government stop deregulating rates and stop selling off the electrical system, including Hydro One.

In Ontario, with its small population, its big distances to cross, its cold climate relative to the US and its direct competition with Americans, electricity is as essential as water. Ontarians are saying, "Don't sell our electrical pipes, Hydro One. Don't sell the electrical juice that flows in them, the generating part of the system."

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My fourth and last point is that by breaking its promise to listen to Ontarians, the government is wasting the money they need for their hospitals, their schools and their livelihoods. The government is not listening to the

impartial Provincial Auditor, whose most recent report states, "It is the view of forecasters that over time ... the price of electricity in Ontario and its neighbouring states will converge," and in the same report, that the wholesale price of electricity will go up as much as 240% in the last half of the decade. This would cause residential rates to jump 170% of their current value. Ontario would be economically devastated.

The Bank of Canada won't be able to change interest rates to save our economy as cost-driven inflation brings Ontario to its knees. How many hospitals and how many schools will we close in Ontario when the rates the Provincial Auditor referenced remove \$5 billion to \$7 billion from our pockets every year and ship most of it outside the province?

The government is not listening to three of Canada's most eminent economists: Myron Gordon, Doug Peters and Mike McCracken. Their analysis shows that Hydro One is worth at least \$9 billion. So now the government, instead of selling it for \$5 billion, is proposing the privatization of half of the company at a loss of \$2 billion. This money would let our schools and our hospitals make ends meet. Yet the government is proposing that we give it away to investors.

The government needs a little public sector discipline. Hydro One is making money, Hydro One didn't run up big debts, Hydro One was doing OK, executive compensation included, until the government tried to add private sector discipline.

In yesterday's budget, the government didn't provide the money our hospitals and schools need and it did not balance the budget. What it did was add about \$2 billion to its revenues from the proposed future sale of our electricity system. We're looking at a financial disaster that's larger than the Highway 407 mess so the government can have the façade of a balanced budget. Ontarians won't be fooled by this cheap trick.

The government is not listening to people, who won't be able to buy a cup of coffee in a restaurant, take their clothes to the laundry or pick up bread from the bakery without feeling the pain of the sell-off of the electricity system. People will be hurt more by the inflation caused by the government's electricity program than by their rapidly increasing electrical bills.

The government is not listening to business people, who depend on local buyers and American tourism. Local buyers have less to spend as prices rise, and as prices rise there will be fewer and fewer American tourists. When I talked to the heads of business improvement associations, they were shocked at both their electricity rates and the increases they were getting from their suppliers.

The government is not listening to farmers, rural Ontarians, remote communities and northern Ontarians. The government electricity program will abandon these people and end the rural rate assistance program in just four years' time.

The government is not listening to industry: to steel making, mining and refining, pulp and paper and auto

manufacture. The auto parts industry in Ontario is labour- and energy-intensive. It employs five times the number of workers that the Big Three auto assemblers employ. I've talked to workers from auto parts plants whose managers have told them that the current increase in electricity rates will force layoffs. As rates rise, these plants will close. The government's electricity program will destroy Ontario's biggest industry.

The government is not listening to hospitals and schools. Where do hospitals and schools get the extra money for the electricity, the increased laundry costs and the food bills? Instead of helping hospitals and schools, the government is proposing to waste \$5 billion to get this program up and running. It's spending money on restructuring, setting up new companies, writing massive computer programs, advertising, increased executive salaries, billing changes, consultant fees, constricting new facilities, training, mergers and acquisitions, moving to new facilities and rental facilities. It's spending money initially to hide higher rates charged by private electricity corporations and, in addition, it's letting retailers take \$250 million to \$300 million a year from the pockets of Ontarians. Ontarians don't want a sales job. They don't want to debate income trust versus lease versus partial IPO. They want the sell-off to stop now.

The Premier is behaving worse than his mentor Mike Harris. Harris stormed ahead and ignored Ontarians. Premier Eves is telling Ontarians he'll listen to them, but instead he's storming ahead and ignoring them. The offspring of parents who provide a bad example often follow that example.

Premier Eves needs to do more than talk about listening. He needs to stop abusing Ontarians with the sell-off of their electricity system. He needs to shelve this deregulation program as 22 American states shelved theirs. He needs to close the market, as California closed its market.

The government can choose to break its promise to listen to Ontarians. It can choose not to represent the will of the people. But if it does, it will certainly hear their voices during the next election.

Do you have any questions?

The Vice-Chair: We have a couple of minutes for questions. Mr Hampton, do you want to go first?

Mr Gilchrist: On a point of order, Chair: normally we would start the rotation with the official opposition.

The Vice-Chair: OK, we'll follow that.

Mr Michael Bryant (St Paul's): Thank you, Mr Gilchrist and Mr Chair. We'll get to you, Mr Hampton.

First, thank you for coming. Your opposition to the sale of Hydro One is obviously one that I and the official opposition agree with. Perhaps you could expand a little bit, because I think the committee should hear why not only the sale of 100% of Hydro One is wrong but the sale of 49% is wrong. Could you talk a little bit about that?

Mr Wilson: I'll reference the economists I talked about—Myron Gordon, Doug Peters and Mike McCracken—who are three of Canada's most eminent economists; in fact, eminent south of the border also. Their

analysis, looking at the revenue stream of Hydro One, shows that the company is worth \$9 billion. The government was proposing to sell it for \$5 billion. Now what they're doing is taking half of the company and looking at selling it for around \$2 billion.

What we're doing here is taking in excess of \$2 billion that belongs to Ontarians and letting it go. We're also depriving that company of money it needs for infrastructure, and we're lessening the control the government has over it because now they have to listen to other shareholders etc. All the moves they're making are bad moves.

I guess the point I made in the beginning—the political point—is that the government should support the will of the people, and the people of Ontario definitely want the electricity wires in the hands of the public.

Mr Bryant: Agreed.

The Vice-Chair: Mr Hampton, you have a minute if you want to ask a question.

Mr Howard Hampton (Kenora-Rainy River): It now looks as if the government's favoured mechanism is to go by way of an income trust. Do you have a sense of an income trust, and what are your views on a government that would propose to follow an income trust sale, lease or whatever you call that particular mechanism?

Mr Wilson: I think the people of Ontario are going to be very upset, because they're not looking at income trust. As I said, they're not looking at lease. But an income trust itself will peel out all kinds of money from the company. That was one of the government's main arguments for getting private sector investment. Well, they're not going to get private sector investment. What they're going to get is that the owners of the unit trust will be pulling out most of the money the company needs to move forward. To me, this is a big contradiction.

Politically it's an insult to Ontarians, and economically it's not the thing to do because it removes money. My same point again is that the money those people will pay for the income trust will leave \$2 billion of taxpayers' money wasted in the hands of investors, because the value of the company, according to the government, is much lower than the value according to economists who have had a look at it.

The Vice-Chair: Thank you very much for coming before the committee today.

ONTARIO ELECTRICITY COALITION

The Vice-Chair: Our next presenter is the Ontario Electricity Coalition. Could you state your name for Hansard, please.

Mr Paul Kahnert: My name is Paul Kahnert, spokesperson for the Ontario Electricity Coalition. I've worked at Toronto Hydro for 24 years, the last 12 as a line crew foreman, and I'm a member of CUPE Local 1.

The Vice-Chair: Welcome.

Mr Kahnert: Here we are, 100 years later, debating the same issues. A hundred years ago, the pro-privatiza-

tion crowd used the exact same language and the exact same rationalizations for private power. They were wrong then, and the Conservatives are wrong now.

1550

Sir Adam Beck's deathbed wish—and he's been invoked here a number of times—was that he could have lived long enough to build a band of iron around Ontario Hydro and keep it from the politicians, keep it from the politicians like the Conservatives.

I'd like to show you my T-shirt. This is from BC. It seems like they have the same kind of politicians out there as well.

But the question I have: what are you going to do? Are you going to take down Sir Adam Beck's statue there on University Avenue and bury it in a garbage dump somewhere? Because, you know, he was a Tory too.

Anyway, there are two issues here. The first one is public power versus private power. Well, public power is cheaper than private power, around the world. Public power is cheaper than private power in the United States by 18%. That's a profit margin, and we can prove it. The question we ask is: why would Ontario be any different?

The second issue is democracy. What do people want? What is the will of the people? The Ontario Electricity Coalition spoke in 49 towns and cities. I didn't see anybody who wanted privatization. As a result, over 40 municipal councils passed resolutions against privatization and deregulation, representing almost 7 million people in the province of Ontario. That's the majority of people in Ontario.

The courts have ruled that it's illegal to sell Hydro One, and it is still illegal today.

The Conservatives do not have a mandate to sell even one hydro pole or one hand generator. You can't fake a mandate by passing legislation and inventing all kinds of rationalizations.

The Ontario Electricity Coalition is on very solid ground with the people of Ontario, and we can tell you that nothing less than 100% public power will do for them. You do not have a mandate to sell even 1% of Hydro One.

The Conservative government has often talked about referendums, yet the Conservatives eliminated the law requiring a referendum in the sale of public assets in Bill 26, the omnibus bill back in 1996. Manitoba just recently passed a law requiring a binding public referendum if they want to sell Manitoba Hydro. Do the people of Manitoba have more rights and more say than the people of Ontario?

The Conservatives won't have a referendum on the issue of Hydro because they know they would lose by probably more than 90%. So why are they doing it? What is the rush to sell off 49% of Hydro? Even Judge Gans asked, "How are you going to pay off the debt when you separate the debt from its revenue stream?" The government lawyer said they had to hive off the debt because it made it easier to sell. This is not representing the interests of the people of Ontario. Normally when you sell a business, the debt and the risks go with it. Are

you trying to make up for revenue shortfalls because of tax cuts? That's like selling the goose that lays the golden eggs, because when the next revenue shortfall comes, what will you sell next?

Are you trying to sell it because the Conservative Party of Ontario has received almost \$1 million in donations from companies that will make huge profits? How is it a credible position for politicians to be promoting billion-dollar profits for mostly American and British corporations? Why not keep those profits here in Ontario, in Canada to pay for things like health care and education?

Even with the so-called problems at Ontario Hydro, we still pay less, 30% less, than any US state. I had that fact backed up by the Ministry of Energy Web site.

Even selling 1% of Hydro One makes us subject to the rules of NAFTA. The Conservatives have been very misleading on the issue of NAFTA. Why are the Conservatives so anxious to implement the Bush continental energy plan? The Conservatives are misleading people by saying, "We only sell 13% to the US, and it doesn't really affect us."

The Conservatives had a conference last November called Selling Energy South. Its main title was "Profiting from Cross-Border Trade of Canada's Largest Resource." In attendance was Jim Wilson, the Minister of Energy, the embassy of Mexico and the US State Department. They talked about building a lot of power lines into the US. That's why they're so anxious to privatize Hydro One, even 49%: so business can control and accelerate the construction of power lines into the US.

It's important to note that when New Zealand first privatized, they only sold 10% of the company. In 1994, they ended up with a 94-day power outage in Auckland, New Zealand. They ran their company into the ground.

The Conservatives talk a lot about the benefits of choice and market discipline. Well, the age of choice has been cancelled in 22 states, including California—you have to go with your regular supplier—and market discipline has been revealed to be market manipulation, as prices have been manipulated higher to maximize profits in California, Alberta and Great Britain.

In the Macdonald report, it says over and over on many different pages, sometimes five times on a page, "We believe." "We believe," "We believe." That's all we ever hear out of the Conservative government: "We believe."

The people of Ontario don't believe you. They want answers to these and many other questions. The privatization of electricity has not worked anywhere and, most importantly, the people don't want to hear it.

I've got one question to ask. I tried to ask this question to Mr Stockwell and he wouldn't answer me. He just got angry and left. But the one question I have for the Conservatives is: given the record of electricity deregulation and privatization around the world, what's the plan to get back our electricity systems, transmission and distribution and generation, if this risky experiment doesn't work? This is the government of Ontario. Surely they

have a contingency plan to get these systems back if it doesn't work. That's my question.

The Vice-Chair: Thank you very much. That leaves about three minutes. It's time for the Conservative caucus to ask questions, if they'd like.

Mr Gilchrist: Let me deal with your last point first. I don't know what I would take from the results of the generation side so far to suggest that there's a need for that sort of doom-and-gloom scenario. As you're probably aware, your brothers and sisters in the Power Workers' Union strongly support every initiative the government has undertaken on changes to the electricity marketplace, and most particularly in the sell-off of enough OPG assets to guarantee we have competition. In the case of Bruce, the leasing of that plant has already resulted in profit-sharing payments to every employee at Bruce of \$3,920 over and above their union rates.

I guess first I'd throw a question back at you: what is it the Power Workers' Union doesn't know that you know?

Mr Kahnert: You haven't answered my question on what's the plan to get our systems back, but I'd be happy—even for the first two years in California, to answer the first part of your question, electricity rates were low. The Power Workers are one local of 1,500 locals in the Ontario Federation of Labour. The Ontario Federation of Labour has passed resolutions against deregulation and privatization, as has CUPE. The Power Workers are now disaffiliated from CUPE Ontario. At the CLC, they've also passed resolutions. The Power Workers are, in fact, of 2.3 million unionized workers in Canada, the only ones.

They've signed profit-sharing contracts. Those profits they're making are coming at the expense of the people of Ontario. Those profits should be going to pay down the debt, they should be going to pay for building more infrastructure and fixing the infrastructure, and they shouldn't be benefiting in such a fashion.

Mr Gilchrist: If the cost of renovating Pickering is twice what the costs have been to renovate Bruce, and Pickering keeps missing deadlines whereas Bruce keeps beating deadlines, tell me precisely why that \$1.1-billion difference would even be on the table. If the vaunted public monopoly is doing so well, tell me why Pickering is so far behind schedule in the hands of its current management and workers?

Mr Kahnert: Let's look at what profits are doing at Bruce. The Bruce reactor was given away—Bruce B—and your profits are forecast to be \$1 billion more than originally forecast. Why not keep those profits here in Ontario to pay for things like education and health care? You're sending these profits away, out of the country.

Mr Gilchrist: You seem to have missed the point. If they make more money, it's because they've invested their own money. It's their return on investment, not taxpayers' money. So if Bruce has now invested over \$1 billion to bring back reactors that OPG said would never work again, why would any of us look askance at them making a profit? Your union walked away. Everybody

walked away from the Bruce plant. These guys were prepared to put \$1 billion up.

Mr Kahnert: And who's going to pay for the decommissioning of those plants when they walk away from what their billions of—

Mr Gilchrist: Who would have paid for it already?

1600

Mr Kahnert: Who is going to pay for that? Those same companies own nuclear reactors in the States and they have to put so much per megawatt hour into paying the decommissioning of those plants. Of course they didn't want to own the asset; they leased it. It's the same as when you lease a truck: you beat the snot out of it for five years and then you give it back and they have to pay for it.

Mr Gilchrist: Well, I've have news for you: they had to be decommissioned one day after they started up. Somebody was on the hook the day that plant was turned on, and nothing has changed in the last few years.

Mr Kahnert: We would have been further ahead giving them the plants for \$1 and having them pay for the decommissioning, because you have privatized the profits.

Mr Gilchrist: Maybe the next time one comes up, if you'd like to make that offer—

The Vice-Chair: Thank you very much, Mr Kahnert, for coming in. We appreciate your taking the time to come before the committee.

Is Peter Holt here? No.

EDIK ZWARENSTEIN

The Vice-Chair: Is Edik Zwarenstein here? Welcome to the committee, Edik. You have 10 minutes to make a presentation. You can either use the whole time yourself or, if there's time left, questions will be asked by the political parties.

Mr Edik Zwarenstein: Thank you. I'm a professional engineer, self-employed right now, formerly of Hydro One. I just want to say to the committee, particularly the Conservative Party members, in my simple way that I think Bill 58 should not be allowed to proceed and that Hydro One should not be privatized at all.

For 96 years, Ontario Hydro served hydro well, served the province well. It needed fixing. There's no doubt about that; I think everyone acknowledges that it needed fixing. It should really be fixed by this government which is in charge. To blame Pickering on the local management when this government is actually in control is ridiculous.

A public hydro provides reliable electricity at predictable and low prices to the user and to the business community. We do not know that that will be the case in the coming years.

Rather than listen to a population which is broadly happy with the public power, you are choosing to go with a philosophy which has been put together by special interests, serving that class of wealthy investment bankers and big corporations that you hobnob with. I pull no punches on this.

Rather than listen to those who say we should be encouraging local industry through a public power system, you choose to promote instead an Ontario forever subservient to the high rollers, speculators and charlatans who are good enough to buy up our resources and then suggest that we should be grateful for that. I think you should be ashamed.

Rather than promoting a cross-Canada electricity system which would develop Ontario and other provinces so that we can export from secondary industries, you promote continued servitude to the United States market.

Ownership of Hydro One does matter; it does make a difference. We know that many private companies are controlled by a wealthy group that owns only a very small part of those corporations. It doesn't take much. If a private consortium garners even 5% of Hydro One shares, given the sickening compliance and kowtowing of so-called leaders of industry which our political leaders in this province show, we are not at all convinced that the public would be in control.

It has been estimated that the debt would be paid down by only a half-billion dollars from the sale of half of Hydro One. That's roughly the equivalent, I believe, of what Hydro One earns for the public coffers in less than two years. With a public Hydro, at the end of the two years the public would still own that golden goose.

We've heard on numerous occasions reference to the fact that the power workers support this issue, and what do they know that no one else knows? Well, it amazes me that the Conservatives would reference the power workers, any union. It may suit them. But unions do make mistakes. There's a valley in Victoria, Australia, called the Latrobe Valley which was at the heart of privatization in Australia. There was a thriving community, not unlike the one we have in Oshawa or in Port Elgin or Kincardine, that used to be the centre of the power industry and it's now devastated. There lived 10,000 power workers and their families and ancillary industries at the time competition was introduced in the 1980s. That area now employs only 1,700 power workers and it's socially devastated. There are a number of millionaires somewhere, that's true, but in that area they are 20% unemployed. So the power workers could be wrong.

You have allowed secret deals to protect the largest industries from the ravages of this dumb market, and just because it hasn't made a blue yet, that doesn't mean it won't. But you're not doing the same for the general population. Your Ontario Energy Board and the independent marketing organizations are lame, as far as the population is concerned. Retailers, marketers, speculators and middlemen all feed on the general population's uncertainty and get a cut of the action, but they don't create any new value except for themselves, and this is often at the expense of the vulnerable.

There are more profit-consuming mouths to feed in the electricity cycle, the likes of Enron and their clones. People were never demanding choice. Rather, they were demanding that the government properly control the utility which people had entrusted to their government.

Instead, the government is looking to sell it off, without any mandate.

So I ask that you not go through with this bill, that you not continue to sell off public assets to help the rich and that you take back those you have already given away. These assets and the public revenue which they bring could better serve those who are not so wealthy than those whom you serve. Thank you.

The Vice-Chair: Thank you. That allows about five minutes split between the two opposition parties.

Mr Bryant: Thank you very much for coming. I don't know if you are willing to speak to this point, but I'd like to ask you. We certainly do agree that the sale of Hydro One is wrong. We need to keep Hydro One public. I'm wondering if you can speak to the issue of how the volatility around the future of Hydro One may have effects on the generation side, because you made references to both. Do you have a view on that as a professional engineer? I just wonder if you have a view on the extent to which having a volatile transmission system ends up affecting the entire electricity market.

Mr Zwarenstein: It's not so much the generators that are volatile, of course it's the price that's volatile, because electricity requires an instantaneous match between supply and demand. It takes very little variation of that to leave you with an unstable system. As has been found now with the United States generators, a number of them deliberately withheld generation. It's not in question any more, except if you want to be silly about it. Everyone knows that that was done. They did that at a time when it was critical—or when it wasn't critical. If there is not a demand, whatever is connected is vulnerable to a blackout. Since the main motive—the only motive, let's say—of shareholders of a private corporation is profit, they will game it right up to the edge and they will frequently go over the edge.

I certainly don't see that it's a good thing for corporations to plan their futures, to plan a developing industry when you don't know what the price is. It's a really big question, whether a plant locates in Toronto—this is what the Conservatives were telling us for many years. All these plants will leave if the price goes up. We didn't have that system. We had a system whereby a fellow who put up a new automobile plant could say, "I know what my costs are going to be. I know they're not going to go up far in excess of inflation, and that's a pretty good gamble." There are many in California who wouldn't do that.

Mr Hampton: I was quite surprised when I read the original privatization document that was put out. There's a section of the prospectus that is entitled "Corporate Strategy," and immediately under that heading—I think it's on page 47 of the prospectus—it says that the corporate strategy would be to link low-cost electricity generators in Ontario with the higher-priced market in the United States and to build the transmission lines which would allow that electricity being generated in Ontario to be sold in the United States. What, in your view, would be the outcome of that?

1610

Mr Zwarenstein: I would concur with the auditor, who said that it's likely our prices will head toward their prices. And why wouldn't they? If they are free to sell direct to a high-priced consumer, why would they not do that rather than sell here? Out of the goodness of their heart? I don't think so. So my view is that the prices would go up.

Mr Hampton: The government has offered up as one of their excuses for selling off Hydro One—the original argument was, “Sell off all of Hydro One.” Now I think they're responding to political pressure and say they'll only sell off 49% of Hydro One. One of the original rationales they offered up was that this infusion of money used to purchase the shares would allow for the maintenance and the actual improvement of the transmission lines in Ontario. Yet I was really shocked when I read the privatization document, the prospectus. While it talks about building a \$1-billion transmission line under Lake Erie to transmit electricity produced at Nanticoke into Pennsylvania and Ohio, and while it talks about spending about \$50 million to enhance the transmission tie-in with Michigan and about \$100 million to enhance the transmission tie-in with New York, nowhere in that privatization document, that prospectus, does it say anything about or does it have an investment strategy for maintaining or improving the transmission system within Ontario. What does that say to you?

Mr Zwarenstein: It says to me that they are probably very friendly with George Bush. So essentially what's happening is, Ontario is becoming raw materials provided to the United States in the same way as we do with minerals. We ship them there and then everything gets manufactured there, rather than we do the secondary industry here. Electricity is an advantage to our local industry, so one would hope that we would develop it as a cheap resource for Ontarians that we could then develop industry and export finished goods, which creates more jobs. But I'm not an expert.

The Vice-Chair: Thank you very much, Mr Zwarenstein, for coming before the committee today.

Mr Hampton: Mr Chair, I simply on a point of order want to raise an issue. I understand that the government has adjourned the House for the day. They haven't adjourned debate; I understand they've adjourned the House. Is the committee still permitted to sit when the House has been adjourned?

Mr Gilchrist: I can speak to that point of order, Mr Chair. The order of the House specifically says the committee can meet outside the sitting times of the Legislature.

The Vice-Chair: I believe that's correct.

Mr Hampton: OK. I just wanted to be sure.

HAMILTON AND DISTRICT LABOUR COUNCIL

The Vice-Chair: Is the Hamilton and District Labour Council here? If you'd like to come forward. Please

identify yourself. You have 10 minutes. You can either use the full 10 minutes to speak, or allow time for questions.

Mr Wayne Marston: I'm Wayne Marston. I'm president of the Hamilton and District Labour Council. Before I start my—I won't call them formal remarks because they certainly aren't. I'm no expert on hydro or the delivery of hydro but I do have some opinions from our consumers of hydro. One of the things that I was asked to give to this committee, particularly the members of the government, was the observation that perhaps it's time for the government members to stop representing the government to the people and start representing the people to the government.

I'm sure the committee will not be surprised in the least that the delegates to our labour council, representing some 35,000 unionized workers, have grave concerns about the privatization and deregulation of any publicly owned utility or service and its potential negative impact on their jobs and on their lives. I've included in part of my presentation that's been left up at the front an article on electric power privatization by Myron Gordon—I heard a previous speaker refer to the professor—from the University of Toronto's faculty of management. Trust me, I don't often quote management, but this seemed to be a very interesting article. He has written over 90 books and articles on economics and finance. He's the past president of the American Finance Association and a fellow of the Royal Society of Canada and is considered by many to be one of the country's leading experts on the generation, distribution and sale of electricity.

We found in reviewing Mr Gordon's article that a number of our concerns were well laid out in his piece, and I'll touch on just a few. Mr Gordon states in his article that it is his opinion that “The privatization and deregulation of Ontario's electric power industry is frightening. It shows ideological blindness, incompetence, or a complete disregard for the interests of the people of Ontario on the part of this Tory government and its business supporters.”

I would suggest that committee members should ask themselves this simple question: why do we have public ownership and regulation to begin with if not for the protection of the public good?

From our perspective, we simply do not understand any government that does not believe in public ownership of such an essential part of our economic fabric as our electrical energy supply.

One question recently posted on the government's Web site was: “How do we ensure Hydro's debt is paid down?”

We believe Mr Gordon in his article effectively speaks to that question with the following: “As for the province's transmission system and much of its distribution system—now called Hydro One—they were built by Ontario Hydro at a cost of over \$10 billion. They generated a practically risk-free cash flow ... of \$950 million in 2000 and 2001, and the evidence is that the profits will be substantially larger this year.”

The government talks about the fact that under the public offering of Hydro One shares, Ontarians would be able to invest directly in Hydro One, but in our view the public has already invested into Ontario's hydro-electricity supply via their taxes and the loyal payment of their hydro bills.

It's clear to us that the share offering as recently proposed by the provincial government wasn't for average Ontarians; it was clearly for the benefit of the government's wealthy friends and the corporations on Bay Street.

We also hold the view that since it was taxpayers' money which was used to create this profitable system, then taxpayers should reap the benefits of any profits generated by their investment, not private profiteers.

Just what will Ontarians be losing with the privatization of their assets? Again according to Mr Gordon:

"The writedown implemented on April Fool's Day in 1999 was from about \$26 billion to \$8.5 billion for the entire generating assets assigned to Ontario Power Generation. For the transmission and distribution assets assigned to Hydro One, the writedown was from over \$10 billion to \$8.6 billion.

"The enormous writedown of the generating assets" shocked Mr Gordon, so he undertook to evaluate them. He found that "a fair estimate of what these generating assets are worth to the people of Ontario under continued crown ownership is much more than \$8.5 billion—even more than their cost of \$26 billion." He estimates it to be \$40.7 billion.

I say to the committee: these are Ontarians' assets. This government not only seems prepared to practically give away their assets but as well to put the citizens of Ontario at risk of price increases which would close many businesses and put seniors and single-income families at risk of losing their very homes.

A question on the government's Web site was: "How do we protect Ontarians' jobs?" From the union's perspective we'd certainly be interested in that. In our community—Hamilton, that is—corporations such as Stelco and Dofasco in particular are expecting to be hard hit by the expected increases in hydro. That means job losses in Hamilton. Both of these companies have called for the government to proceed with extreme caution as they fear the ramifications, as was the case in California and Alberta.

Another of the government's own questions reminded me of the infamous "Have you stopped beating your wife?" type of question used in courtrooms. "How do we"—the government—"ensure Ontarians will benefit from this transaction?" The question implies that they will. Who says so? The evidence is not there. We see in time not only the loss of ownership of assets worth \$40.7 billion or, at best, the loss of the profits they make to private investors.

The government also questioned, "How do we ensure Hydro One's efficiency and enhance safety and reliability?" That's the easiest question to deal with, from our perspective. Retain control of the assets. Ensure account-

able stewardship of the company by keeping it directly accountable to the government of the day.

The Ministry of Labour is free to write legislation which protects workers in the workplace and should continue to do so in the energy provision sector.

I will close with a question to the committee: where has hydro deregulation worked? Not Alberta; not California. We say to you and the rest of the provincial government: if they believe so strongly in the privatization of Hydro or any other public service, call an election and let Ontarians decide.

The remainder of the presentation is the actual article from Mr Gordon, which I've included for your information.

The Vice-Chair: That allows us about three minutes for the government caucus.

1620

Mr Gilchrist: Thank you for coming before us here today. We appreciate your comments. You raised a number of issues; let me deal with a few of them.

You talk about how some companies have made the observation that they would be concerned. An increase in any one of their costs of doing business might cost jobs. Presumably, you're aware that there's no reason that company can't now sign a long-term contract for the delivery of their electricity—no different from why residents can. So why would Stelco, if they had those concerns—by the way, they already have a long-term energy purchase contract—simply not continue with the practice they've already put in place, even under the old public monopoly?

Mr Marston: To be frank, I'm not in a position to speak on behalf of Stelco.

Mr Gilchrist: You're the one who alluded to them in the report, so presumably you had that on first-hand information.

Mr Marston: That information was reported in the Hamilton Spectator. That's where I drew the information from. As well, there was a report in the Hamilton Spectator that Dofasco had actually written to the government, asking the government not to proceed.

Mr Gilchrist: Actually, they asked us to proceed on a different basis, so I don't think that's fair. If the Spectator said that, I wouldn't be surprised at their selective recounting of the news.

You cite Alberta and California, both of which have recognized the legislative errors of their ways and have fixed the problem. One of the earlier speakers mentioned that the actual opening of the marketplace went smoothly for two years and that it wasn't until a pretty unique set of circumstances took place, ie, the explosion of the natural gas pipeline that served the majority of the interests in southern California and a drought in Washington and Oregon that served most of the north end of California, that we saw the kind of outrageous pricing that took place in California. If you can posit a similar scenario here in Ontario, I guess it would have to be—if you think the water is going to stop flowing over Niagara Falls and all the nuclear plants were to go out of business, I think you might have—

Mr Marston: I suggest to you, sir, that also in that equation was the manipulation of the market.

Mr Gilchrist: No argument, and the California government has recognized some pretty significant errors in the drafting of their legislation.

Mr Marston: The previous speaker also suggested that this government should very well have a plan to withdraw from this privatization, and I haven't heard at any place or time of any such plan. Clearly, you yourself have just indicated there are possibilities of unforeseen catastrophes that could influence the market. I agree that those things happen from time to time, and you'd better have a way of getting Ontario out of this fix.

Mr Gilchrist: The problem with that scenario, even under the old Ontario Hydro monopoly, is that there's nothing you could have done about it. The connections outside this province are so small that you could never supply the energy needs of the province from the Americans, from Quebec and from Manitoba if you wanted to, if that sort of dire circumstance came about. So it doesn't matter who owns it. There is a physical limitation in the size of the interconnections.

Mr Marston: I won't dispute that, but one of the things that's happening in the interim is that you have a percentage of the dollars of Ontario being siphoned off to another private pocketbook instead of the public purse, where they belong. If they had been in the public purse, that would have been a resource we could have drawn on to take care of that situation or at least work to address it.

Mr Gilchrist: But again you're missing the flip side of that equation. You don't get something as a shareholder of a company unless you've put something of your own up first. Right now, 35%—

Mr Marston: The people of Ontario—

Mr Gilchrist: Let me just finish. Thirty five per cent—

Mr Marston: The people of Ontario put up their money for 100 years in the development of this resource that we have and we own this, and you're giving it away. You're saying that somehow most people—

Mr Gilchrist: You don't own it. You owe \$21 billion more than you have.

Mr Marston: That's fine, and I'm willing to pay it. Have you ever asked us—

Mr Mike Colle (Eglinton-Lawrence): The member is badgering.

Mr Gilchrist: And you're badgering us.

The Vice-Chair: Could we have order, please.

Mr Marston: Have you ever asked us if we were willing to pay for what we owe? We damn well are. You can raise my taxes any day for something like this. I'm glad to pay it. I'm glad to pay for health care and education, but you people don't ask us. It's very rare that we're allowed to come and sit before this government to talk to you, because you haven't been listening to any of us.

Mr Gilchrist: I can tell you we've had more days of hearing than any government in the history of the province. Maybe the union would like to pass a resolution—

The Vice-Chair: Mr Gilchrist.

Mr Colle: The member is out of control.

The Vice-Chair: Mr Marston, thank you very much for coming before us today.

EUGENE SPANIER

The Vice-Chair: Our next presenter is Mr Eugene Spanier. Welcome to the committee. You have 10 minutes for your presentation.

Mr Eugene Spanier: There are just four points I want to make.

(1) I have a family member who has been working at a nuclear power plant in Ontario for 20 years. He has been following this pretty closely, anxiously. He has been meeting with the new owners of that plant. He tells me it's pretty definite that the price of power is going to rise. That's one thing. As an employee of a nuclear power plant in Ontario, he's telling me that most definitely the price is going to rise now. He's not a high-position employee, but that's just the first point. The question is, how can you guarantee that it won't?

(2) Common or public goods should remain in public hands for many reasons, but the most important one is that with privatization, we've got limited liability. If there is ever any problem in service for anyone, who's going to pick up that liability? If it's a corporation, they can just walk out and file for bankruptcy or whatever happens with companies and corporations. The accountability that we have with the government is not there.

(3) Privatization will permit and encourage increased consumption. Profit is based on consumption. If the consumption goes down, profits will go down or the prices will go up. That's the only way they can make up the difference. If consumption goes down, the prices have to go up.

I have a concern about pollution. With increased consumption, we have increased pollution. With a private company, if we want to increase consumption, pollution is going to go up, whether it's spent nuclear waste or coal fuel.

(4) The last one is that with privatization, I've seen service stratify. I've seen that with the rail in Canada. I believe that people with lower economic means will not get a guaranteed minimum quality of service at a reasonable price. They would be the ones to suffer the most. They could lose out, as we've seen in all the examples in California and Alberta. People who can't afford to pay or to have their own generators are not going to be guaranteed the service that Ontario has had in years past. Is that service going to be guaranteed?

The Vice-Chair: That allows six minutes for questions.

Mr Colle: I don't know if you're aware of another privatization scheme of this government that occurred in 1999: the Highway 407 privatization scheme where the government, again, desperate to balance its books prior to an election, gave away an incredible, valuable public

asset, the 407. Not only did they give it away for—usually a benchmark was a 25-year lease. They have leased it for 99 years to a Spanish consortium, which includes one of the former ministers of this former cabinet, Mr Al Leach. It's estimated that the value of that highway, if it was up to the value today, as a result of the Australian consortium that wanted to buy into it—the government probably undersold that asset by up to \$5 billion because they were in a rush to do it.

Given this government's track record—by the way, it was the Minister of Finance, who is the Premier, Mr Eves, who takes credit for the 407 privatization—what word of warning would you have for a government that seems to be hell-bent on privatizing Hydro One, in light of the 407 mistake, which I think even the candidates for this government's leadership agreed was a mistake during their leadership convention? What advice would you give to this government when they're seeking to make the same mistake with Hydro One?

Mr Spanier: It just sounds like a bad investment. But I wouldn't classify the highway as a public good like I would classify water or power. The highways are important, especially economically. I try to drive less and less. As a citizen of Ontario, I'm a little embarrassed that we don't own it and that the value has gone up. It's speculation, what the price is. It can go up and down, depending on the market. That reminds me of real estate deals, the municipal real estate board. I'm really concerned about common public goods. I think the highway doesn't fall into that.

1630

Mr Colle: So you don't think our highways are common public goods, common public resources, assets?

Mr Spanier: If the highway is closed or if the highway falls into a state of disrepair, I don't think it's going to be life-threatening to people, but I think a loss of reliable, sustainable power at a reasonable price to all citizens would be significant. I agree that it's a common good but I don't think it's as important as water or power.

Mr Hampton: I actually want to pursue some of the comments you have just made because I think they really define for us the difference in the new economy. My sense is that with the degree of computerization, the degree of automation and the new information technologies and the fact that the telecommunications industry itself runs on electricity, electric pulses going down a line, in fact electricity in the 21st-century economy is more essential than it's ever been. I think one of the things that people in California objected to is that at a time when electricity is more essential, they could neither depend upon the supply nor could they predict what the availability would be, and finally, they had no idea from one day to the next how high the price was going to go.

Can you think of any reason why a government would want to hand over something that is so essential now to our economy, and so essential just to participation in society, to a profit-driven corporation, when we've already seen from the privatization prospectus that the

strategy of a privatized company would be to move as much of that electricity into the United States as possible?

Mr Spanier: We haven't got a lot of time to talk about market economies and a faith in market economy that it will provide better efficiencies or greater service. I would say that that's a gamble. I wouldn't say that it can't provide a better service but I think that the market economy can't guarantee that you would have reliable service. I think that with the limited liability of corporations running anything, you're in for limited service, and that accountability that falls to government will not be there. I believe it's a faith in the market economy which I do not think is strong enough to support moving in that direction.

Mr Gilchrist: Thank you, Mr Spanier, for your comments. Let me just ask you, though, in the context—and you've been very candid that different services require different degrees of support, I'm struck by the fact that Liberals didn't have any trouble selling off the last of Air Canada and that was once our monopoly in this country. I have yet to have one constituent tell me that they want any kind of representation from the provincial government to the feds to undo the opening up of telecommunications. I have yet to meet a person who bemoans the fact that Bell Canada is not their sole supplier of phone services. That was a monopoly.

Let me address some of the things that Mr Kahnert mentioned earlier. First off, I don't know what fantasy world he's living in. The ministry has nothing on its Web site that says we're 30% cheaper than every other state. In fact, let me quote to you a couple of numbers and then ask a question. In Alberta, the average wholesale price has fallen 67% from a year ago, when its retail market opened. I have the full stats here if you would like the hard numbers. In the United Kingdom, the average residential bill is 32% lower in real terms, even adjusted for inflation, compared to 10 years ago. In Australia, prices have come down since the market was opened. In New Jersey and Pennsylvania, residential consumers paid 10% less in the year 2000 than they did in 1997. In Texas, retail competition offered consumer savings of 10% this year. The price today in Ontario—in fact I think I had the exact price just going in. You know that when the market opened it was 4.3; today it's 3.1. And for those who say every other state, the so-called private model, doesn't work, New York was 2.9 cents today.

Given all those numbers, why would a government not reasonably look at something other than the status quo, given the success stories that appear to happen from bringing market sector discipline?

Mr Spanier: Only that that is strictly an economic success. I don't deny that it is a success; I just think there's a large element of risk here: for example, pollution, which is considerable. In Ontario we've got a big smog problem. That's significant.

Secondly, reliable power: I know that could be a transitional problem, and when it's straightened out and ironed out it will be reliable. But the point is that it is

essential and it must be guaranteed. If it costs more, I'm willing to pay more, as a citizen. I don't want the lowest price for power. What I want is a reasonable price. I'm willing to pay even a higher price than neighbours if that's what it costs us for better air. If hospitals have to build their own generators now because they cannot count on private power supplies, I get anxious about that. So that's what I'm concerned about: the element of risk.

Mr Gilchrist: We share your concern about reliable power.

The Vice-Chair: Thank you for coming before the committee today, Mr Spanier.

Is the representative of the Rexdale Citizens Association here?

Is Peter Holt here?

Is any representative from Stelco here?

We'll wait and see if we can find somebody from the Rexdale Citizens Association.

We're a little ahead of schedule, so we'll recess for 10 minutes until 4:50 for the Rexdale Citizens Association.

The committee recessed from 1637 to 1649.

ANDREW FRAME

The Vice-Chair: We'll get going again. I understand there is no one from the Rexdale Citizens Association here yet, so would Andrew Frame like to go now? Welcome to the committee. You have 10 minutes. You can either use the whole time or you can use part of it and allow time for questions, whichever suits you.

Mr Andrew Frame: Start the clock.

Thank you, Mr Chairman, for the chance to appear before your committee. My name is Andy Frame. I'm a former senior adviser with the Ministry of Energy for Hydro matters. I worked for 15 different Ministers of Energy and eight deputy ministers over a period of 17 years, and I was doing Hydro matters at a high level all the time.

I've left with your clerk a summary of my background as it relates to Hydro matters. I've done a lot of other things, but this is what I've done in the Hydro business, and I think you'll find it of interest.

I've got 10 minutes. I'm going to try to talk to you about three parts of this issue in the first five minutes and hopefully leave the second five minutes for questions.

Bill 58 has some fancy title about reliability and other things, but it's really an amendment to Bill 35, the old Electricity Act, 1998. Back in 1998 we knew you had done that bill in a hurry and didn't do it right, and there's more than this that has to be fixed. But finally you're fixing something.

I want to make three points in my presentation. First, the transmission system: in this bill you've set it up so that the land of the transmission system is going to continue to be owned by the government. You haven't gone far enough. Transmission is usually defined as voltages above 69kV. The whole transmission system should be owned and retained under government control, and I would suggest it should go to the IMO, the

independent market operator, because it's a vital part of the background of the whole electrical power system in Ontario. It's the backbone of your electrical power system, and if you lose electricity in Ontario and that transmission goes down, you know you've got real trouble.

It's so important that you should not be leaving decisions about capital investment, expansion, maintenance and other things to a private operator. It has to be retained in government control—a government agency—and I would recommend the IMO. That's my first point.

The second point is that Hydro One is basically two things: transmission and the distribution system. The distribution system services rural areas—I think it's now about 85 small municipalities. They're the electrical power distributor to 85 small municipalities, plus Brampton. I wouldn't call Brampton small; Bill Davis will have my head. But that's an important service to these communities.

In the electrical power distribution system, customer service should be the lead and key and only thing you're looking at. Customer service means safety—you've got to run a safe system—reliability and financial stability leading to affordable rates. You've got to keep those three things in mind running that distribution system.

When you put Hydro One under the Business Corporations Act and transferred it to a commercial operation, in effect you made share value for the shareholder the driver of Hydro One. When decisions start being made to enhance share value—to maybe improve dividends or boost the price—you get into trouble. You shouldn't be doing that. I strongly believe you should keep Hydro One in public ownership and share value should not be the driver. You should somehow find a system to eliminate share value from that and keep customer service as your number one target. That's my second point.

My third point is that you should rid yourself of the notion that only private enterprise operations can be efficient, that you have to get rid of the public ownership of Hydro One and go to private enterprise or shareholder ownership to get efficiency. You know—we all know—that's not true, and Nortel is our number one example right now, a great big private enterprise. The world is filled with private enterprises that you thought were efficient and that investors thought were efficient, and they've gone down the drain.

What gives you efficiency is the direction that is given by your board of directors to your top management. If you hire the right top management and give them the right direction and make sure they adhere to that direction, then you get efficiency.

That management can have incentives, but the incentives should be tied to customer service. Give them the incentive of eliminating power outages. You'll never eliminate all the power outages in this system, but minimize them; minimize the number of minutes you have in power outages. Improve your billing and collecting service to give customers better service in billing and

collecting. Those are the kinds of targets top management in Hydro One should have, not share value. They can be bonused. You'll make more money in Hydro One as a commercial operation with those kinds of targets and management can be compensated for it.

You and I know that Hydro One, since it became Hydro One, is a very money-making operation. First of all, they paid a chunk of taxes last year—\$300 million or so—and they paid dividends. So Hydro One is a money-maker for the government. You shouldn't be getting rid of Hydro One into a commercial operation for other shareholders. The government should keep it, collect on the taxes and collect on the dividends. Get a board of directors and a chairman that give management the direction for efficiency and good management and require they do it. That's my third point.

I'm going to turn to my left here and talk to the government members for just a minute. I know from my past experience that what you think as government members is ultra important. Over there we have two opposition members, and one of them is Mr Hampton. I don't minimize their importance, but if you guys don't agree with some of these changes, nothing happens. They're going to propose over there and they've got a lot of good ideas, but it's time you started agreeing with them.

What you've got right now is that your minister, Mr Wilson, told us four years ago that you're going to have lower rates. You and I know that we don't have lower rates. My rate is 22% higher. All the customers of the hydro system know the rates have gone up, and a month or so from now when the new line-by-line billing comes in, they're going to know some more. All these customers are voters. If you guys try to perpetuate the idea that the so-called deregulation system gives you lower rates, you're in big trouble. Customers who are voters are going to remember when they get to the polls.

I've made my three points. Maybe I've taken a little more than five minutes. I'm ready for any questions you might have.

The Vice-Chair: That allows for a couple of minutes. We'll go to the opposition, the Liberals.

Mr Bryant: First, thank you for coming and for all you're doing. You've done your public service and yet you're back here for more. Thank you for that.

I have a question about the waffling over Hydro One, how the volatility with respect to electricity transmission may have an effect on the electricity generation market, adverse or otherwise. Can you talk about that at all?

Mr Frame: The transmission system in Ontario is a major network of cables on towers. The flows of electricity are very critical. Down in Clarkson you've got a control centre that tries to control those things. It's a very tricky process. I know just a little bit about it. The flows of electricity are very tough to control.

The transmission system probably needs improving. You need lines. I'm of this business directly for 10 years. I know that at one time the generation west of Toronto was far more than the demand and the generation east of

Toronto was under and you had to get more transmission in place to get proper flows.

One of the big mistakes I see is that some people at Hydro One right now are talking about expanding into the US and doing all the other things when you should be spending money on the transmission system in Ontario. When you do that, and keep your transmission system in good shape, you'll minimize your outages. When you minimize your outages, you keep companies working, plants don't have to shut down and you keep more jobs.

You should look after Ontario, number one, and forget about being a worldwide operation for Hydro One. It's bad stuff. The customers of Hydro One, the voters in Ontario, expect you're going to look after Hydro One's transmission system to give them the service they need: residential, commercial and industrial.

The CEO of one of your bigger customers, Dofasco—I think it's your biggest customer in Ontario—told you in an article a few weeks ago that he was very disturbed about what was going to happen with this change.

The Vice-Chair: Thank you very much, Mr Frame, for coming before the committee today. We appreciate your taking the time to come in.

Mr Frame: I've run out the clock?

The Vice-Chair: Yes.

Mr Frame: Thank you again for the chance to appear before you. I wish I had time for more questions because maybe you've got a couple more.

1700

REXDALE CITIZENS ASSOCIATION

The Vice-Chair: The Rexdale Citizens Association: please introduce yourself. You have 10 minutes. You can use the entire 10 minutes for your talk or you can allow time for questions.

Mr Max Murray: My name is Max Murray and I'm here to represent the more than 100,000 people who make up the citizens of the community of Rexdale. I am most honoured and saddened that I'm here before you on this day. I'm going to present some local stories and present you with some facts. I'm also aware that some of you may already know the details of the bill and the damage that privatizing Hydro One is going to do.

Here are three examples of what damage raised electricity rates will do to the businesses, tenants and citizens of Rexdale and this great province of Ontario.

I was talking to the property manager of an apartment complex and she pays close to \$20,000 a month for her electricity invoice. A rise in her invoice of only 20% will ultimately be passed on to her tenants, and with rents already being extremely high, you would possibly add to the problem of the homeless in Toronto.

The next example is of a plaza in Rexdale where a gentleman pays the common area and the vacant store electricity of between \$15,000 and \$20,000 a month. With what little he has left, thanks to our non-small-business-friendly government's policies, his tenants would be left paying two electricity bills: one for the bill

the landlord receives and one for the bill the tenant receives.

The third example is of a factory that pays an invoice of about \$25,000 a month. Now that they have higher rates, they will be left with no other choice but to cut costs and possibly lay off some people. That will hurt the economy and put more of a burden on our unemployment rolls.

Now that I have had a chance to open your eyes to the damage you will be doing by passing this bill, I will get to the details of the bill.

I'll start off by talking about the Energy Consumers' Bill of Rights. This would be pretty good if it dealt with the close to one million customers who signed with energy marketers prior to the enactment of this bill. As it stands, it's a case of closing the door after the horse has bolted. The other problem is whether the Ontario Energy Board will have the staff to monitor and enforce the bill of rights and whether they will seek large penalties for contraventions.

Finally, a lot of misleading information is given verbally at the door by commissioned salespersons, who have not been banned by this bill. It's hard to prove who said what to whom when only the consumer and the salesperson were there.

Having said all that, there is a lot in this package that could slow down marketers considerably. It applies to gas as well as electricity marketers. The most significant is the requirement that contracts must be confirmed in writing by consumers to be valid. This confirmation must come between the 14th and the 30th day following the signing.

Now a couple of points on the actual privatization of Hydro One. I just want to speak to the issue of what the government plans to do with the proceeds of the sale of 49% of Hydro One. Section 50.3 provides for all proceeds to go to the debt, "less any amount that the Minister of Finance considers advisable in connection with the acquisition of such securities, debt obligations or interest, including the amount of the purchase price, any obligations assumed and any other costs incurred by Her Majesty in right of Ontario." Costs incurred in disposing of securities etc would also be deducted.

This leaves the Minister of Finance with considerable discretion to grab a large proportion of the money raised through a sale or any other arrangement, such as the creation of a non-profit. Prior to the June 12 announcement, the government cited the \$4-billion government equity in Hydro One as the amount that would be deducted and put into general revenues. However, this section would appear to allow them to go beyond this, perhaps leaving less than \$1.5 billion, assuming a sale price of \$5.5 billion as previously mentioned, to pay down the Hydro debt. Recent activities have come forward that the full IPO is not going forward, so the \$5.5 billion may not apply.

Looking at yesterday's budget, that appears to be exactly what they have done. Page 57 of the budget includes \$2.5 billion for asset sales. The government has

admitted that this includes Hydro One and Ontario Power Generation assets, yet nowhere in the budget does this money get allocated to the stranded debt. Instead, the money is being used to balance a provincial budget that otherwise would not be balanced.

That appears to be it, so I'll take some questions now.

The Vice-Chair: Mr Hampton, you have three minutes.

Mr Hampton: Thanks very much for taking the time. I wanted to ask you, first, does it appear passing strange to you that, on the one hand, you'd hear the Minister of Energy say that the reason the government must sell Hydro One or sell a portion of Hydro One is to pay down the stranded debt, and yet when you see the official budget policy of the government, which was presented yesterday, nowhere does it show the money going to the stranded debt, not from page 1 of the budget to the last page of the budget? In fact, the Premier had to admit today that the proceeds of sale in fact are going to be included in the government's books. Doesn't it seem passing strange to you that the Minister of Energy would be so completely contradicted by the government's own budget document?

Mr Murray: I'm flabbergasted. I haven't got an explanation for it at all. It doesn't make any sense whatsoever.

Mr Hampton: The second question I wanted to ask you is, the second argument the government's made is that they said, "We have to sell off Hydro One or a portion of Hydro One so that the proceeds from the sale of shares or from whatever mechanism they choose can be reinvested in building up the transmission lines," yet I looked at the only privatization document we've had so far, the prospectus, and I looked high and low in that prospectus to see an investment strategy or an investment plan which detailed how the transmission system in Ontario would be repaired or improved. I couldn't find anything, but I saw a discussion of how more than \$1 billion would in fact be put into building transmission linkages with the United States so that more electricity could be exported to the United States.

Doesn't it strike you as passing strange that the Minister of Energy would be talking about how you need to sell off Hydro One so you can use the proceeds to fix up the transmission system in Ontario? Yet this document, this prospectus—and I'm told the people who produced the prospectus could go to jail for 10 years if they make a false or misleading statement—doesn't refer to any of those things the Minister of Energy has been saying.

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Mr Murray: Again, I don't understand it. You would think with them trying to privatize Ontario's largest corporation and asset, they'd be completely upfront and honest about it. I'm completely lost. It's just a whole bunch of talk yet again that everybody doesn't understand. When you ask straight upfront, you don't get proper answers. So I'm with you, sir. I have no idea.

The Vice-Chair: Did the government want to ask a question?

Mr Gilchrist: Very briefly. I would simply observe that unless they are a very major corporation that signed a special purchase agreement with Ontario Hydro directly—and I can't think of anyone in Rexdale who would fit that bill—not one of those people you claim to speak for is a Hydro One customer. So your scenario about the increase in charges by your local retailer would be appropriate if we were talking about Ontario Hydro services. That's your default. Every single person in Rexdale, unless they choose to sign a contract, is by default going to continue to be a Toronto Hydro customer.

But let me just pick up on something Mr Hampton was just asking you about. Obviously, if the province owes the debt, all the existing Hydro debt is guaranteed by the province. If you guaranteed a debt that your brother had and that debt gets paid off, do you disagree that that reduced your liabilities as well? Because that's what the budget said. Obviously, since we—you, the taxpayers—owe every penny of that Hydro debt that we inherited in 1995, if that gets paid off, the debt of the province is reduced. Do you not see that?

Mr Murray: In theory, I would agree, but ultimately I don't believe that actually is going to happen.

Mr Gilchrist: Well, I've got good news for you because the Provincial Auditor has already signed off on the process of dealing with any proceeds from any sale of assets, whether it's Hydro One or OPG or anything else. This isn't something the government has deemed the best way to do it in an accounting sense; the Provincial Auditor, the arm's-length individual who is the author of the definitive summary and audited statement of the provincial affairs, is the one who has come up with this framework. So I want to give you the comfort that, notwithstanding the suggestion that somehow this is cooking the books, it's just the opposite; it's living up to what the Provincial Auditor has told us to do in dealing with any proceeds.

The Vice-Chair: Thank you very much, Mr Murray. We're out of time. We appreciate your coming before the committee today and giving your talk.

ONTARIO FEDERATION OF LABOUR

The Vice-Chair: The Ontario Federation of Labour. Welcome to the committee. Could you please state your names? You have 10 minutes. You can either use the entire time or you can leave time for questions—whatever suits you.

Mr Wayne Samuelson: My name is Wayne Samuelson and I am president of the Ontario Federation of Labour. With me is Duncan MacDonald from our staff.

Let me begin by saying thank you very much for the opportunity to spend a few minutes with the committee. I should tell you that I look forward to these meetings that we get from time to time. I'm especially excited to know that there's a good chance the Chair is not going to storm out of the meeting halfway through my comments. So

I'm really pleased to be here. And I should tell you—not to your surprise, I'm sure—that it's very difficult to talk about this issue in 10 minutes. I should tell you that the Hydro file is rapidly becoming one of the biggest in my filing cabinets in the office.

On the way down here I thought about what I should talk about. I've been involved in public policy debates for 30 years. I've spent some time as a municipal politician. Although you may not believe this, I do understand that there may from time to time be differing points of view, and people may hold different views. Sometimes it's based on ideology; sometimes it's based on some practical experiences they have. While it's safe to say that I disagree with some people in this room, I do believe it's a cornerstone of our democracy that people have the ability to talk to their government and that their government has an opportunity to listen. I also believe that public power is one of the biggest public policy debates that I will face in my lifetime. I think there is growing support among the population to retain control of our power system. I can tell you that if you aren't hearing it, I'd be awfully surprised, but there clearly is a concern about the direction the government is going in.

The reality is that this is a huge issue for people. It affects them at home; it affects them at work. I think it should be part, at the very least, of a serious debate during an election. While I'm confident that it will be a major issue in the next election, I urge you to reconsider the path you're presently on. I urge you to open the door for some real debate.

I should tell you that the question that comes to me often is, if per chance—let's assume that in this case the government is wrong—they actually make a mistake, how do we deal with that? How do I deal with it, how do my children deal with it and how do the people I represent deal with it?

The role of a citizen is not only to participate in public hearings like this; it's also to be engaged in debates that affect them. I remember when I was a municipal politician somebody came and wanted to add a deck that was one inch beyond the property standards bylaw, and we had a public hearing. The government consulted me last week about speed bumps on the road in front of my house. I can't believe that we're going to move along, hold a few of these hearings in this building and a couple around the province, and the government is just going to plow ahead with this.

I mentioned that I was a municipal politician about 20 or 25 years ago. I can remember talking to people who wanted to bring businesses to my community and talking to anyone from outside the country about our trained workforce; I can remember talking about our health care system; and I can remember up front talking about power—reliable, at-cost power.

I want to appeal to the backbenchers who are here and to your colleagues to reflect seriously on this decision. Some people might say that the government made some changes in their philosophy in the budget yesterday. I guess that's a debate that will go on for a few weeks yet.

But this isn't even about politics, it isn't about partisanship; this is about a pretty fundamental and important component of all our lives. So I would again urge each and every one of you to seriously think about the varying viewpoints that are represented here in this room. Many people are passionate about this. They have put a lot of time into it. I think you should expand the debate. If you want to have a serious debate about the future of public power in the province, I'm sure there are lots of people who would want to have that debate. But I believe sincerely that there is strong opposition to selling off any portion of our present system.

Thank you very much for listening to me and for staying for all of my comments.

The Vice-Chair: Would you like to entertain questions?

Mr Samuelson: I'd love to. That's even more exciting than giving my presentation.

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Mr Bryant: Thank you for coming. I want to ask a broader question about a subject that we haven't spent a lot of time talking about yet in hearings but that you've touched on and spoken to quite eloquently. That is the problem with this bill: besides the disagreement with the government over what its future plans are with Hydro One, also how it's doing it. I can't imagine a municipal council which would delegate a decision of enormous importance to a city off to, say, the mayor's office. There's a great analogy on the municipal level. Can you imagine or can you think of another instance—I can't—where such an important decision is being delegated to the executive council, in this case? So instead of the executive bringing what is the future of Hydro One into the Legislature to permit MPPs to vote on it, in other words, the executive bringing the issue to the Legislature, instead it's backwards: the Legislature is giving the executive a blank cheque. Can you talk about your concerns on that front?

Mr Samuelson: I think it must be incredibly embarrassing to the government to find themselves in the courts being forced to be, in effect, democratic.

Having said that, I think it's the reach of this decision that makes it so different from any other decision I've ever seen by a government.

I can remember sitting there watching the TV screen going by one day on TVOntario, and there were public hearings up north for snowmobile trails. It's an important issue, I'm sure. But to think that somebody had to go to the courts to end up with these hearings, and to think that we could end up with—God knows what Chris Stockwell is going to come up with tomorrow in terms of his plans, but some kind of variance of what we see now, and then it will end up in the Legislature and, as you well know, closure seems to be a pretty regular tactic by the government. I just think this is too important. I'm trying not to be provocative in making my comments. I'm just trying to reflect what I think is a view that's held out there by a lot of people. While I guess I could say that ultimately the public will judge the seriousness with

which you take this issue, I think it's even too important for that. The government backbenchers have an opportunity here to really stand up for democracy.

Mr Hampton: As you say, this is such a fundamental issue, so important to the economy and to the society of this province, that it really requires broader debate and broader discussion. Who do you think is qualified, if anyone is qualified, to make a decision of this magnitude and of this importance?

Mr Samuelson: First of all, I'm not so sure this decision is the one the public should be making. I think there should be a broader debate about how we build a public power system that serves all of our needs. But I think I can say with a reasonable sense of being responsible that at the very, very least there should be a real debate among the public on a specific proposal in an election campaign.

Frankly, I think the government has a responsibility on this particular issue to go a step further and engage people in a debate about what public power should look like in this province. As we've seen in this debate, there are people with incredible backgrounds and experience who have views on this. I'm not only talking about the people who want to make a few million or billion bucks, or whatever it is, from selling shares and skimming profits off the transmission system; I'm talking about people who have worked in the sector, and we've heard some of them today. So let's have that debate; let's not get into the obviously partisan position we're in where the government has, it appears, made some commitments to people on Bay Street, and they're moving along this track of just ramming something through the Ontario Legislature. I think it's a huge mistake and I think it speaks directly to democracy.

The Vice-Chair: Does the government have a question?

Mr Gilchrist: Thank you very much. It's good to see you here again. I don't recall ever not listening to all of your presentation, so I'm sure you were making an allusion to someone else. I can't think of any of my colleagues who aren't fascinated with the point of view you bring to us at these hearings.

I've issued you challenges in the past and I'll do another one here again today. I'll stake my job permanently, if you'll stake yours, that my statistic, that we've held more hearings on more bills inside this building and outside than any government in the history of this province, is a fact. We agree with consultations, very much so.

I would suggest to you that a lot has changed in the 20 years since you cited how you used electricity as a marketing tool. It's perfect that you said 20 years ago, because it was 20 years ago that we saw a decade where rates went up 93%. So whatever you were able to tell companies in 1982, you were only half right in 1992, because the prices had effectively doubled and we lost that marketing advantage.

In your own report to us here you used the word "could."

The Vice-Chair: Question, Mr Gilchrist.

Mr Gilchrist: I'm getting to one.

Mr Samuelson: I'm sure you are and I can hardly wait. I'm hanging on the end of my seat here.

Mr Gilchrist: You used the word "could" a number of times, and yet in your oral presentation you made it sound as if we've got our minds made up here. The whole point of the hearings is to hear thoughtful suggestions or, quite frankly, to encourage people to use the other electronic means at their disposal, send an e-mail, send a fax, send snail mail. That's how governments receive input, not just by sitting around this table.

My question to you is, what part of the 1995 Common Sense Revolution, where we specifically alluded to electricity as one of the areas where the status quo wasn't working and that a search for a different model—including privatization if necessary, but not necessarily privatization—was offered up to the people, and in two elections in a row we've been handed a mandate to follow up on our promises?

Mr Samuelson: Give me a break, Mr Gilchrist.

Mr Gilchrist: Are you suggesting it wasn't in the Common Sense Revolution?

Mr Samuelson: Mr Chair, I'd love to answer this gentleman's question because I know he has asked it sincerely.

If you're going to try to convince anybody in this room, or anywhere, that there was a real debate in the

1995 election or the last election about selling off our public power, you'd have a hard sell, Mr Gilchrist, with all due respect.

Mr Gilchrist: So if you didn't ask the questions, it's our problem?

Mr Samuelson: I'm sorry?

Mr Gilchrist: If you didn't ask the questions when the Common Sense Revolution was offered 13 months before—

Mr Samuelson: If we didn't ask the questions? I can tell you, I've asked you more questions, and usually all I get is a rant.

Mr Gilchrist: Oh, look who's talking. I remember one presentation where 45 presenters offered the same submission.

Mr Samuelson: They were well thought out.

The Vice-Chair: Thank you for coming before the committee today, Mr Samuelson. We appreciate your coming in today.

Mr Samuelson: Thanks for hanging around.

The Vice-Chair: Is someone here from Stelco's Hilton Works? Is Peter Holt here?

I declare this committee adjourned until tomorrow at 3:30.

The committee adjourned at 1729.

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