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**Official Report
of Debates
(Hansard)**

Friday 21 June 2002

**Journal
des débats
(Hansard)**

Vendredi 21 juin 2002

**Standing committee on
general government**

Reliable Energy and Consumer
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**Comité permanent des
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Loi de 2002 sur la fiabilité
de l'énergie et la protection
des consommateurs

Chair: Steve Gilchrist
Clerk: Anne Stokes

Président : Steve Gilchrist
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
GENERAL GOVERNMENT**

**COMITÉ PERMANENT DES
AFFAIRES GOUVERNEMENTALES**

Friday 21 June 2002

Vendredi 21 juin 2002

The committee met at 0909 in the Ambassador Resort Hotel, Kingston.

The Vice-Chair (Mr Norm Miller): I'd like to call this meeting to order. The standing committee on general government is holding hearings on Bill 58, An Act to amend certain statutes in relation to the energy sector.

**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.

ROBERT CHRISTIE

The Vice-Chair: I would ask if Robert Christie is here. Welcome, Robert. You have 10 minutes. You can either use it entirely for your talk or allow time for questions as well, if you desire.

Mr Robert Christie: I haven't had much time to prepare this, so I'm going to read my presentation to you.

A couple of years ago, I listened to Jim Wilson speak to the Prince Edward county council. Up to that point, I had no real opinion on the privatization of hydro in Ontario, just some questions in my mind. In his talk, he described his understanding of the changes to be made to Ontario Hydro and the ramifications of those changes.

After detailing how Ontario Hydro would be broken into a generation arm, the power grid and a deregulated retail system, Wilson described how the government knew there were no savings to be had. Mr Wilson cited six separate studies comparing Ontario Hydro with various privately owned organizations in the US. Each had shown that Ontario Hydro was already more efficient than its US private counterparts. He also described how, unlike what happened in New Zealand, Ontario Hydro was working at a level of efficiency that precluded any chance for operational savings. He said that prices would certainly go up, supply was not guaranteed and, incredibly, the voters of Ontario would be stuck with between \$5 billion and \$40 billion in new debt, without

the advantage of a revenue source to cover this cost; this while the new owners of hydro production walked away with billions in assets to sell energy at any price to whomever they wanted. As the grid opened up to the US, our rates would skyrocket, having a huge impact on Ontario's ability to be competitive.

Mr Wilson said all this with a big smile, obviously happy with the process and obviously completely out to lunch in terms of the ramifications of what he was saying.

I have yet to hear even one reasonable argument in favour of privatization in this case. Everything stated in favour of privatization that I have read or heard has been based on the tautology that privatized enterprises are inherently more efficient than publicly run institutions. According to Mr Wilson, a staunch supporter of the process if ever there was one, the only advantage to a privatized hydro system would be unified billing.

In fact, what Mr Wilson so gleefully described is to be really a change in the way we and our children will live. Like the threatened privatization of health care, privatization of the energy system will change the culture of Ontario. This is a change that will be irreversible. Once gone, Ontario will never have the resources to repurchase assets sold to an international private marketplace. Once sold, Ontario will have given up the chance to truly regulate energy costs and the environmental impact of energy production.

What has happened is that the government of Ontario has begun the process of privatizing Ontario Power Generation—OPG—through the mandated sale of two thirds of its assets. This is not to be confused with the privatization of the energy distribution grid and the remaining publicly owned hydro retail organizations through the initial public offering for Hydro One, recently put into a state of disarray. These two should not be confused with the deregulation of the electricity market that took effect on May 1, 2002.

The sale of the assets of OPG began with the incredible giveaway of the Bruce nuclear plant. More will follow. The result of this element of privatization is that Ontarians are being stripped of the resources necessary to pay down the debt of Ontario Hydro and to pay for future development of energy production. The new owners are being given the opportunity to realize huge profits without the need to invest in any of the necessary additional infrastructure. In the case of Bruce nuclear, the private

owners do not even take responsibility for the by-products of their energy production.

The IPO for Hydro One, either in full or in part, would leave the people of Ontario without any say in the electricity market. Don't be fooled by the partial IPO concept, investment trusts or any other element of private ownership. Private interests, once involved, would control the show or they would not join up. Energy would move through the grid at the will of its private owners. Private interests would control to whom they sold energy and at what price. If the cost of electricity were greater in the US, the grid would be adjusted to allow for the sale of energy to that market, leaving Ontarians to pay equal or greater prices or to face brownouts or worse. The IPO for Hydro One would also relinquish the last control Ontarians would have over the retail of electricity. This is of particular concern for rural Ontario, where cost inefficiencies would lead to significantly higher prices than in urban centres.

The deregulation of the electricity market is now a done deal. However, it has to be re-regulated. Unless a government agency or non-profit organization with a clear mandate owns all of the old Ontario Hydro assets and works within a regulated market, there will be no controlling electricity costs. The manipulation of the electricity market to maximize profit by essentially extorting higher prices—"gaming" as it is called in a well-known process in the electricity market around the world—would be undertaken by both private and public interests alike. We will see energy prices go up without reason, other than the profit motive, regardless of who owns what, unless we re-regulate the market.

There is no upside to the destruction of these publicly owned institutions. The government of the day has attempted to create a crisis by freezing rate increases since coming to power and by freezing any investment in new energy production. Because of these actions and because previous governments also manipulated energy prices for political gain, we find ourselves in a situation where we have a larger-than-desired debt for the old Ontario Hydro and where we need new investment to build more electricity generation capacity. We also find ourselves with low electricity rates. This is an artificial, government-made circumstance. If allowed to manage itself, even the old Ontario Hydro would have had controllable debt and the mechanisms to create new energy production.

The government's own studies indicated that Ontario Hydro would be more efficient than the private sector in running the electricity market. We only need to look at Alberta and California to see that these studies were on the money. Privatization of the electricity system represents an extreme case of throwing the baby out with the bathwater. If the different elements of the publicly owned electricity system need to utilize true cost accounting, then so be it. We do not need to sell off these assets and throw open the electricity market to the vagaries of a private system to do so. It is not privatization but the depoliticization of hydro that needs to be undertaken as the desired solution.

What we will certainly be left with if we stay this course are far higher energy costs, far less control over environmental issues, far fewer revenue-generating assets and, incredibly, an extraordinary unfunded debt of many billions of dollars.

We are both ratepayers and taxpayers. I would much rather know that the money I pay for electricity is going to pay for the cost of that electricity rather than for the cost of that electricity plus profit. I would also prefer to have the debt incurred by Ontario Hydro paid down though the cost of electricity; this instead of paying higher rates for electricity simply to accommodate profit.

Blind ideology, perhaps tinted with greed, has put us into a crisis situation. We must stop every element of the current privatization scheme. This is not to say that private energy producers could not exist within a regulated market, working under the umbrella of a provincially owned electricity institution. However, Ontarians have to keep control of this asset. Irritating images of slow-moving Ontario Hydro trucks, past mistakes and the anti-government image that these create cannot be allowed to cloud our vision.

The fundamental controlling argument in favour of stopping and reversing privatization of electricity in Ontario should be, "If we own it, we can control it." Don't believe the simplistic, duplicitous argument that somehow privatization is inherently more efficient.

The Vice-Chair: Thank you very much, Mr Christie, for taking the time to come in today.

RUSSELL MOORE

The Vice-Chair: Is Mr Russell Moore here? Yes. Mr Moore, you have 10 minutes to use as you please. You can either use it for your talk or allow time for questions, whichever suits you.

Mr Trevor Moore: My name is Trevor Moore. I'm Russell's cousin. Russ is hearing-challenged and I'm going to read his presentation. Any questions or comments can be directed to him after I finish reading his presentation.

Mr Russell Moore: Good morning. My name is Russell Moore and I retired from Ontario Hydro in the year 2000, after spending almost 27 years with that utility. In fact, my association with Hydro goes even further back as my uncle was employed by Ontario Hydro for 40 years and his brother, my father, was with Toronto Hydro for a slightly lesser period. As you can well imagine, discussions pertaining to Hydro were standard fare in our home long before I joined the corporation. In fact, I was, in a sense, a seasoned Hydro veteran before I even had the privilege of joining the corporation.

0920

Shortly after I started in 1973, Ontario Hydro became a crown corporation in 1974. At that time, I voiced my objections to this turn of events. My point was, and has always been, that Ontario Hydro would become a pawn to political expediency. Over the years, my prophecy has

proven itself to a greater or lesser degree. On the other hand, even I did not foresee the awesome and utter destruction that has been perpetuated upon this noble and venerable corporation by the current Conservative government.

Back in the days before the formation of Ontario Hydro, power in this province was generated and distributed by a number of small companies. Standards between companies varied, as did prices. Some were better than others. When the Hydro Electric Power Commission of Ontario was formed, all these companies were brought under a single umbrella. As a result, standards, prices and reliability all became uniform. Additionally, large-scale projects, such as the Sir Adam Beck generating station in Niagara Falls, the Saunders generating station and dam in Cornwall, the nuclear power stations in Pickering, Bruce A and Bruce B, Kincardine and, finally, Darlington, all became feasible.

There were also fossil fuel stations that came on-line, such as Lambton, just south of Sarnia, Nanticoke on the shores of Lake Erie, along with Lennox GS in eastern Ontario. There are also the Thunder Bay GS and Atikokan GS in northwestern Ontario. This, by no means, is a complete list, but touches on the larger generating facilities. Of course, generating power and distributing that power are two different, albeit connected, items. Throughout this province there's a grid of transmission lines, the largest about 500,000 volts; the smallest around 6,700.

The total land mass of this province is, by itself, substantially larger than any state in the United States. In fact, you can probably put two or more states together and still not equal our land mass. Consider also that most of our population is concentrated in southern Ontario, as are most of our manufacturing facilities. This does not mean northern Ontario is unimportant. Northern Ontario is a vital, resource-based economy and plays a significant role in the overall health of the Ontario economy. Ontario Hydro served this entire province. There were exceptions, such as the power produced by Great Lakes Power, but such independent power producers were, and continue to be, few and far between, as well as insignificant.

As you can well imagine, the electrification of this province was a Herculean task. The only way this was possible was by the concept of public ownership. In other words, every resident of the province of Ontario was an owner of this utility. Only by this method were we able to electrify such a large and climatically diverse province. There is no private company that could ever accomplish this task and, at the same time, provide affordable electricity.

The concept of power at cost was also brought into play. There's absolutely nothing wrong with this concept. The cost portion will always include the cost of borrowing money, the cost of production, the cost of replacement and upgrades, as well as the cost of totally new facilities to meet future demands. The fact that much of what took place with Ontario Hydro was tax-exempt was an additional bonus, as was the fact we were able to

obtain money on the province's credit rating. In the best of times, we were able to export power to the United States and the resulting surpluses in revenues allowed Ontario Hydro to reduce the rates Ontarians paid for their power.

As you may surmise, attractive electricity rates have laid the foundation for a booming manufacturing industry in southern Ontario. It has allowed for the development of northern Ontario. More importantly, it has allowed us to process our own raw materials to a greater or lesser degree right here in Ontario and still be able to sell the finished product in world markets at competitive prices. Closer to home, it has allowed each individual Ontarian to enjoy a higher and more comfortable standard of living.

One of the reasons for a substantial amount of the Hydro debt was due to our foray into nuclear power. The concept was good. With good management and foresight, it was quite a safe means of producing power. Unfortunately, radioactivity does change the structure of other materials, and this has resulted in overhauls and refurbishments of several of our reactors earlier than expected. On one hand, you could argue our venturing into this field was premature. On the other hand, the half-life of various radioactive substances does span generations. The effect of various radioactive substances upon other materials is also something that could take generations to fully observe. Had we waited, our province would have been a much more polluted one, and it is likely our cost would not remain as attractive. Despite the additional costs of earlier refurbishments of our nuclear reactors, the power produced therefrom is still very reasonable in cost.

Our transmission network is, to a large extent, overbuilt. This is necessary due to the extreme climatic changes we normally experience in this province. Private companies will not overbuild anything because they are too preoccupied with the current bottom line and will not take the long-range view.

The only reason the former Ontario Hydro may have appeared on shaky ground in a financial sense was because the current Conservative government froze our rates. Up to that time, we were paying down our debt to the tune of hundreds of millions of dollars a year. In other words, they created a situation where the company would appear to be failing. Additionally, by breaking up the former Ontario Hydro and introducing the Energy Competition Act, the various new companies created could no longer share the same facilities. This resulted in massive stranded costs, which were an artificial creation, and represent wanton and malicious waste in order to reduce the value of what once was Ontario Hydro. This was to make it affordable to the private sector, which could not otherwise afford something of this magnitude, and thereby satisfy political debts. Ontario Hydro was never 100% leveraged, but this current government has managed to artificially reduce what was once Ontario Hydro from an asset to a 100% liability by extinguishing any equity that we, the people of Ontario, had in it.

Having said the above, there is no way Hydro One can maintain current prices if it is privatized. Once you

introduce the concept of profit into the picture and then add corporate taxes, as well as sales taxes, and must borrow money from the marketplace, you are looking at anything up to approximately a 50% increase. This applies to Ontario Power Generation as well.

It is noteworthy that the provincial government has leased our Bruce nuclear facility to British Energy for 16 years for a paltry annual amount. It is not only noteworthy but also absolutely outrageous that this foreign-based company is making hundreds of millions of dollars of profit on this facility, a facility that was built, financed and operated by Ontarians. Not only that, but this company is not even responsible for the eventual cleanup when the facility reaches the end of its life. These profits will not stay in Ontario, either; they will go to a foreign land. There's no magic to making money. We can do it just as well as anyone else.

Politicians have never understood Ontario Hydro. It is amply evident this tradition continues. The only difference is, this time we have a government in place with more courage than intelligence and which is receiving advice from those who stand to profit most, even if it is basically a one-shot deal. The result is going to be an extreme economic downturn, which will negatively affect the economic health of this province and quite possibly the whole of Canada, as our main economic engine will be crippled.

In summary, the fractured companies that used to make up the former Ontario Hydro must be reunified and the concept of public ownership reaffirmed, as well as the concept of power at cost. Engineers, not accountants, must run the company. It must never be privatized or leased in any form, shape or manner. It is imperative that all agreements entered into by this government be reviewed and overturned as needed because much of what this government has done borders upon criminal incompetence at the very least and outright treason at the worst. Thank you.

The Vice-Chair: Thank you very much. You've pretty much used up the time allowed. I appreciate your coming in and taking the time to put together that thoughtful presentation.

Mr Russell Moore: I hope you'll all do something about it, because you're making a terrible mistake.

The Vice-Chair: Thanks.

0930

CITY OF KINGSTON

The Vice-Chair: Is the mayor's office representative here? If you could please state your names. You have 10 minutes to use as you please. You can either use it all for your talk or allow time for questions.

Ms Isabel Turner: Good morning, Mr Chairman and members of the committee. I'm pleased to introduce you to Mr Jim Keech, our CEO of Utilities Kingston, and Councillor Beth Pater. I'm Isabel Turner, the mayor of the city of Kingston. Thank you for rearranging your schedule to include Kingston. We actually thought we

had dropped off the map or did not exist as consumers of electric power.

I come this morning wearing two hats as mayor of the city of Kingston: one as a Hydro consumer and one as a Utilities Kingston consumer.

I would first like to say this area suffered through an ice storm in 1998 and felt the trauma of being without electric power. This unfortunate incident has been well documented in film, books and pictures. Thus we have a great fear of being without this very necessary commodity, either through the lack of it or the cost to afford it.

I am most pleased that a halt has been brought to privatizing Ontario Hydro and reconsideration is now being made to come and listen to the people of Ontario, who in fact are the shareholders of this corporation. This is a step in the right direction, if you are prepared to take their advice when considering changes to this legislation.

Though we are pleased with the recent announcements by your government that you are moving away from the privatization option, there is some concern that you are still pursuing legislation that will allow privatization to take place. This inconsistency needs to be clarified to the people of Kingston and the population generally of Ontario.

I would like to share with you a motion from the council of the city of Kingston, passed on April 16, 2002, and I will read it:

"Whereas the cost of electricity is a major expense to municipalities, industry and individual consumers; and

"Whereas the residents of the city of Kingston cannot afford to pay any significant increases in electricity rates; and

"Whereas any significant increases in electricity rates would have a devastating effect on the citizens and economy of the city of Kingston; and

"Whereas the Ontario government's plan to deregulate and privatize the electricity market in May 2002 would force Ontarians to compete in the United States electricity market where rates are much higher than those in Ontario; and

"Whereas the Ontario government has not been able to provide Ontarians with assurances that rates will remain stable following the privatization and deregulation of the electricity market. As a result, Ontarians have been growing more and more concerned about increased electricity costs and the possibility of power outages and shortages; and

"Whereas other jurisdictions, where the market has been deregulated and privatized, have experienced wildly fluctuating electricity rates and large electricity rate increases; and

"Whereas despite great concern from members of the public, there has been little public input into the decision to privatize and deregulate the electricity market; and

"Whereas the city of Windsor and the township of Ramara have both passed resolutions opposing the plans of the Ontario government to privatize and deregulate the electricity market;

“Therefore be it resolved that the Kingston city council call on the Ontario government to cancel its plans to deregulate and privatize the electricity market on May 1, 2002; and

“Be it further resolved that a copy of this resolution be circulated for endorsement and comment....” I won’t go through that list.

This motion was passed by council in an endeavour to convince you of the feelings of the grassroots of our community.

Now that some deregulation has taken place, we would ask that no further privatization take place, that the ongoing management of our transmission system assets remain with Hydro One as an arm of the Ontario government, thus assuring us that this vital and reliable service of hydroelectricity is delivered throughout Ontario, and that good management be put in place that has at heart the service.

Further on the issue of deregulation, many members of the community are also concerned that market prices will increase substantially in the future. Will some consideration be given to controlling the cost of hydro to the consumers?

I suggest to you that those municipalities that underwent amalgamations that resulted in the expanded municipality being serviced by both the locally owned electricity utility and Hydro One be permitted the opportunity to purchase the assets of Hydro One that service their citizens. This should be allowed under the same process that existed in the former Power Corporations Act, which was effectively repealed upon first reading of the Energy Competition Act in 1998, without warning to municipalities or their utilities.

Further, we the people of Ontario fear that electric power could be sold to our neighbours to the south at higher rates, thus depleting our market and putting the service out of the reach of many.

I would ask that electric power in Ontario be put on the same level as water, sewer, police, fire and ambulance—a necessary service.

I trust you will listen to us. Fifty-one per cent ownership is not enough; 100% ownership will eliminate our fears and restore our confidence.

The Vice-Chair: Thank you very much. That allows time for a question: the official opposition, Mr Gerretsen.

Mr John Gerretsen (Kingston and the Islands): It’s good to see you here, Mayor Turner and Councillor Pater, and a lot of other people from Kingston as well.

Could you just explain what exactly the situation is, for the benefit of the members, between the fact that Utilities Kingston controls the utility operation in the old city of Kingston and Ontario Hydro is in effect in the new city? Would you like to see all that in one corporation at some point in the future?

Ms Turner: The city tried that, but of course the act was sort of eliminated all of a sudden. If you’re going to amalgamate a city, you’ve got to bring the people together, all stepping at the same time, doing the same thing. What we have is a certain amount of confusion.

One half of the community is on Ontario Hydro and the other half is in public utilities.

It’s not just the confusion; it leads to other things. I go back to the ice storm the city went through. During those dreadful times when people were very cold, and very unhappy, may I say, we were dealing with two sets of operations. This becomes very confusing, not only to the emergency team but to the people who are out in the field. It has two prongs really for me: number one, to bring the city together under one roof, and also to create less confusion if there is an emergency. I believe that being able to sell off these parts of Ontario Hydro to the public utilities in the cities that own them, and are straddling these two sides of the fence, will give Ontario Hydro and the provincial government some remuneration with which to help pay down that debt. But to put it private, to me is a whole different ball game and, frankly, quite fearsome.

The Vice-Chair: Thank you very much for taking the time to come in today to give us your views. We appreciate it.

0940

ONTARIO ELECTRICITY COALITION

The Vice-Chair: The Ontario Electricity Coalition, welcome. You have 10 minutes to use as you please. If you want to allow time for questions, feel free; otherwise you can use up the whole time in talking, if you like.

Mr Matthew Gventer: Good morning. I’m Matthew Gventer and this is Mathew Blakely. The Kingston chapter of the Ontario Electricity Coalition is a broad-based assembly of people concerned about our public electricity power resources. We’re here to present the facts and to put that information into the context of eastern Ontario.

We are strongly opposed to the privatization of our electricity resources. It threatens the economic health of our community. We are not opposed to changing the way those resources are managed, nor to change how the electricity system is structured. Changes were overdue. Rather, we are concerned that the changes that have been introduced are going in the wrong direction.

The rules of NAFTA will make it very difficult to return to a public system. When asked if the government has a contingency plan for when the experiment fails, Minister Stockwell dodges this question at every turn.

You know, we almost lost public control over the transmission corridors. This shows how hastily the government has been acting and why the public needs the power to affect the government’s intentions.

We want to first address at least some misleading statements made by the minister.

(1) The minister has argued that we cannot afford to pay the debt and nobody would lend us money to upgrade our system. In reality, we were paying down the debt successfully—\$8 billion in four years—until the government decided to let Hydro One use profits to buy municipal distributors. We will continue to pay the debt

regardless of the system, but with privatization, we will pay the excess profit as well. And the way the government has legislated, we will carry all the risks.

(2) The minister has argued that governments will not take the hard decisions necessary to pay the debt; they will not raise electricity rates. The fact is, two cents per kilowatt hour is all the increase needed to pay off the bulk of the debt and upgrading costs. After privatization, we will not be able to control who will own our assets or what their objectives will be. The electricity needs of Ontarians will be of secondary importance.

(3) The minister has criticized municipalities for being hypocritical in resisting privatization when they jumped at the chance to make profits from the distribution system. By remaining in the public domain, we have the chance to challenge the policies regarding profit-making on our electrical services. We have the opportunity to press our councillors to make sure the funds go into infrastructure needs or green energy initiatives or to relieve the impact of higher electricity costs on our most vulnerable citizens. And do you know what? That is just what we have started doing in Kingston.

(4) The minister has argued that the capacity for delivery to the United States is only 4,000 megawatts out of a 25,000-megawatt capacity. Contrary to this statement, Hydro One is increasing and planning further growth of the tie lines by thousands of megawatts. A study of the California situation found that 2.5% of power taken from the grid can create a 25% rise in prices.

Now we wish to turn to our concerns about the impact on the economy of eastern Ontario. The Kingston electricity coalition has received advice from our northern New York neighbours that they are trying to transfer ownership of electrical generation and distribution facilities to municipalities. The municipal electricity companies are providing services far below the prices of the private sector.

Looking at the markets into which our electricity is to be shipped, we find that the prices there are 50% to 100% higher than Ontario prices. To some extent, these differences lie in the high cost of distribution and transmission—so much for the discipline of the private marketplace. Before we have even entered the new electrical environment, we have seen the preparation for privatization lead to a 20% rise in electricity costs. Much of this has gone out of our community in the form of new taxes, higher rates, profit factors, system operation costs and so forth.

The small consumer—residential and commercial—does not have the leverage to negotiate lower rates. Major retail corporations that can negotiate better deals will undercut the local merchants. The ordinary citizens who signed up with high-pressure retail dealers are now paying \$180 per year more for the generation portion of their bill than they were paying. That money will leave our community. In total, if the government follows the path it has laid out, we expect the consumer to pay \$500 to \$1,000 more per year for electricity services. Our estimate is that \$40 million will be drawn out of the

Kingston economy each year due to the redesigned electric power system.

With a greedy eye on cashing in on higher US demand and higher US prices, the government has created a Hydro One monster, with its attention directed toward building transmission lines into the US. Too bad about the decay in service to the outlying areas of Ontario, like eastern Ontario. This monster, to be more attractive to investors, is laying off workers and has shipped its engineering staff to a private accounting firm.

These steps have been concurrent with a severe deterioration in the quality of service to our region. Major industrial operations are experiencing as many as 10 power interruptions or voltage-drop incidents a year. Each one of these forces the whole production system to come to a grinding halt. This compares with one event every two years, on average, in some of their sister plants in the United States. They are being told that if they want more reliable services, they will have to pay for the upgrade in the lines. Is that any way to encourage investment in our community?

Our strategy should be to balance the resource needs of the entire province. Selling off our power resources would mean that profit will drive decision-making, as it did prior to the founding of Ontario Hydro.

When you weigh costs, you should take into account the benefits. The public debt for our hydro services needs to be weighed against the billions and billions of dollars that the private sector generates. Industrial and commercial operations prospered on the low cost and reliable electrical environment in which they have operated, and have produced jobs and paid taxes. The eastern Ontario region knows that its economy will suffer if that tradition is betrayed, and so will communities throughout Ontario.

If we have to pay for upgrading the power grid, let's get on with it and pay for it once. Let's not pay profit forever, with no guarantee that the added costs will go back into serving our communities.

The act being proposed includes profound limits on public access to information. It makes it difficult for citizens to make informed decisions on even such elementary questions as whether or not they should buy power from retailers. Are the retailers buying large amounts of the base generation at fixed prices that will free the generators to sell the remaining power on the spot market at higher prices? Are the customers of the local distributors being put in an unfair position?

At the local level, due to a technicality, the city of Kingston missed an opportunity to take over the distribution services to the townships with which it amalgamated. We urge you to take the necessary steps to permit the city of Kingston to buy these services. The current situation is a hodgepodge of electrical services, and the efficiency of our city utility has suffered. The city is asking for a second chance to make this purchase and it should be accommodated.

When we started this campaign, the public was quiescent. Now, every day neighbours stop us and say, "Thank you. Thank you for fighting for our electricity system. Keep up the good work." If the legislation to

allow the sell-off of our electricity power system is passed, you can be sure we will not go away.

We are not opposed to the decentralization of generation. There is room for new initiatives from private and non-profit organizations. What we are opposed to is the selling off of all or part of the public transmission and distribution system to a private monopoly which is not accountable to the public. We are opposed to the selling of our generating plants at fire-sale prices to private, for-profit entities. We are opposed to the abandonment of the principles of providing service at cost and with minimum harm. If we have the will, we can work together to develop renewable sources of electricity and to foster a conserving attitude that will reduce our need for more and costly generation, and we can redesign the public system along modern principles to serve us better.

The Vice-Chair: That allows time for a question from the third party.

Ms Marilyn Churley (Toronto-Danforth): I note that in your very last paragraph you say you are not opposed to the decentralization of generation. As you know, the New Democratic Party is vehemently opposed to the privatization of both the transmission lines and the generation, and the generation for some of the same reasons you've mentioned on transmission. We do agree a change is needed and have a plan for that, but we're very concerned about NAFTA and high prices, as has happened in jurisdictions all across the world, like California. I'm just wondering why you are not as concerned about that.

Mr Gventer: Oh, we're very concerned about that. The design does not have to allow for the privatization of the central core system. The way Ontario Hydro worked is that it allowed non-utility generators to feed into the system. We could have redesigned it with a greater distributive system without falling into the danger of allowing NAFTA to kick in.

Second, we were also talking about non-profits, co-operatives and municipalities getting into this. So there's a variety of ways of having a distributive system. Also, we can include making it easier for local users to generate their own electricity before the meter. So there's a variety of ways of approaching this and having a distributive system.

Ms Churley: You're essentially saying the same thing the New Democratic Party is saying, I believe, in terms of needing to change the system so that green power can get on the grid and all of those things, but we don't have to privatize it, sell it off, in order to do that. Correct?

Mr Gventer: That's right. Exactly. That's what we're saying. Thank you for asking the question.

The Vice-Chair: Thank you very much for coming in today and giving us your views.

0950

RICHARD KIRKUP

The Vice-Chair: Is Professor Richard Kirkup here?

Mr Richard Kirkup: Guilty. Thank you, Mr Chair. It takes me a little longer to get organized. I don't have the

sophisticated support staff that others do, so I'll try to do my best on my own. If you will give me a little time to get organized, I would appreciate that.

The Vice-Chair: Certainly. Welcome. You have 10 minutes to use as you please.

Mr Kirkup: I appreciate the opportunity to appear here, thanks to John Gerretsen. I take my hat off to John.

If I wanted to hold a meeting that no one would attend, I'd hold it on a Friday in June, on a holiday weekend.

However, I'd like to know to whom I am talking. Would the Conservatives here raise their hands? I'm surprised you're willing to identify yourselves. In any event, thank you.

Marilyn Churley, I remember your father. He was a formidable man. Thank you for attending.

I remember when Stephen Lewis used to comment on the Eastern Townships. He said—

Interjections.

Mr Kirkup: Excuse me for interrupting while you're talking.

Stephen Lewis, whom I ran against as a PC, and Bill Davis—and Alvin Curling, by the way, my buddy, your buddy, whom I adore and who I think is a wonderful person, as I do you—Stephen Lewis used to say, when he came to the Eastern Townships, that he would not get off the train. He'd throw the pamphlets off the back. I believe Stockwell is in the same position. Last time Stockwell was here, he was run out of town. He wouldn't get out of the van. He was run out of town.

Then I get different stories here. We've got Eves, we've got Stockwell, "Shocker," Eves says this, and here we have the "PC Dog and Pony Show at Queen's Park." Eves has some story, and Stockwell has another story. Which liar should we believe? Which of these liars should we believe?

I wish to continue—

Mr Steve Gilchrist (Scarborough East): On a point of order, Mr Chair: Perhaps you could read into the record the—Anne, do you have the disclaimer that we read to people who think somehow they have parliamentary privilege in here?

Mr Kirkup: I missed the comment. What was—

Mr Gilchrist: It wasn't directed to you.

The Vice-Chair: The clerk is going to read the disclaimer for people presenting.

Mr Kirkup: What does he want me to disclaim?

The Vice-Chair: "Caution to witnesses in committee: While members enjoy parliamentary privileges and certain protections pursuant to the Legislative Assembly Act, it is unclear whether or not these privileges and protections extend to witnesses who appear before committees. For example, it may very well be that the testimony that you have given or are about to give could be used against you in a legal proceeding. I caution you to take this into consideration when making your comments."

Mr Kirkup: Could I ask you this question: are you threatening me with legal action?

The Vice-Chair: No, I'm not. I'm just reading—if you could just continue now.

Mr Kirkup: Fine. I will disclaim that Eves and Stockwell are liars as long as they disclaim that they are liars. Now may I continue without interruption, please?

The Vice-Chair: Please continue with your presentation.

Mr Kirkup: I'm proceeding on, and I know a little bit. I have more than a nodding—if he wants to read the paper, I'll stop. Hopefully it's not in my time.

Mr Gilchrist: It is in your time.

Interruption.

Mr Gilchrist: I don't consider name-calling good manners. So if that's the level of debate we're having here now, I'm not going to be part of it.

Mr Kirkup: This is absolute rudeness, Mr Chairman, and I would hope you would discipline the member.

The Vice-Chair: We're here to hear from the public. Your comments do go into the public record and into Hansard, so I suggest you use your time.

Mr Kirkup: All right, I will continue. Even with the rudeness of Steve Gilchrist, MPP. I will continue, even with his ongoing discourtesy and disrespect for the public.

Now, I do know a little more about hydro towers because I did spend time putting myself through university as a hydro tower painter. One of my partners happened to be an individual by the name of Trevor Eyton, who happens to be a senator, who would not put up with one second of the member's discourtesy—not one second of that member's discourtesy. If this is the insolence he has for the public, let it be on record. No one should put up with his discourtesy.

I would like an apology from the member for his discourtesy.

The Vice-Chair: Sir, I would suggest that you keep continuing to use your time.

Mr Kirkup: OK, I'll continue. What do we have here? Bay Street brokers bellying up to the Eves trough. Putting Stockwell, Minister of Environment, in charge of the environment—Stockwell, who got run out of Kingston last time; Stockwell, who hid in a van to avoid people. Putting Stockwell in charge of the environment is like putting Colonel Sanders in charge of a chicken farm.

I thank you for your indulgence. I would hope for an apology from Gilchrist, the PC. Thank you and I will accept questions.

The Vice-Chair: Thank you very much. It's time for the government to have questions. Any questions?

Mr Gilchrist: We wouldn't lower ourselves.

Mr Garfield Dunlop (Simcoe North): No questions.

The Vice-Chair: Mr Johnson, go ahead.

Mr Bert Johnson (Perth-Middlesex): I listened with interest to the presenter. Everybody is entitled to their position and their own opinions. I wanted to thank you for taking time this morning to come and present to us.

Mr Kirkup: Thank you. You're very gracious, Mr McDonald.

Mr Johnson: I'm just sitting here, sir.

Mr Kirkup: What is your name?

Mr Johnson: My name is Bert Johnson.

Mr Kirkup: If I was living in your constituency, I'd vote for you because of your generosity.

Ms Churley: But you forget it, Steve.

Mr Kirkup: Gilchrist is going to meet me again at many meetings and there will be a lot of paper readers there, Gilchrist. Don't you forget it. Don't you forget your insolence and disrespect for the public. Reading a paper in a committee meeting—you should be ashamed of yourself, Gilchrist.

The Vice-Chair: We have time for a question from the official opposition, Mr Gerretsen.

Mr Kirkup: There's a question. I hope they don't come too hard and too fast. It's Friday morning, John. Go ahead.

Mr Gerretsen: We know, Mr Kirkup, of your great interest in community activities and community affairs etc. What is the greatest issue you have with the sale of Hydro One? What do you think is the worst that could happen from that?

Mr Kirkup: You know you and I didn't discuss this question. Here is the gutless performance of the PCs. Hydro is not worth \$55 billion; it is worth \$100 billion. If you examine, as I did when I painted Hydro towers, the amount of land and the amount of access and other presenters, it is worth \$100 billion. It's a Bay Street giveaway. That is the biggest issue I have. The biggest issue as well is that they've brought back Ernie Eves, not a saboteur but an infiltrator, to sell off public property.

The Vice-Chair: Ms Churley, you have about a minute, if you want.

Ms Churley: OK. I appreciate your presentation. I just wanted to ask you your position on the sell-off of the generating plants, because we kind of got sidelined on Hydro One. As you know, New Democrats are opposed to selling off the generation plants as well.

Mr Kirkup: Sure, sell it off for \$100 billion.

Ms Churley: For \$100 billion? OK.

Mr Kirkup: Give it back. Yes, sell it. Give us \$100 billion and they can have it.

Ms Churley: I expect we would get far less than that. It'll be a fire sale.

Mr Kirkup: Put it this way: I am a poker player from way back and also a professor. I don't always play all my cards up front. But, Marilyn, most of all, is your father still alive?

Ms Churley: No, he died last year.

Mr Kirkup: Oh, what a wonderful man.

Ms Churley: Thank you.

Mr Kirkup: I respected him immensely. Thank you for your question.

The Vice-Chair: Thank you very much for coming in today, Mr Kirkup.

Mr Kirkup: And the paper reader over there, I'm surprised he hasn't finished colouring it yet.

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KINGSTON ACTION NETWORK

The Vice-Chair: Is the Kingston Action Network here? Welcome, and if you'd please state your name.

Ms Marijana Matovic: Thank you for providing me with the opportunity to present on the proposed Bill 58, the so-called Reliable Energy and Consumer Protection Act, 2002. My name is Marijana Matovic and I represent Kingston Action Network, a coalition of individuals and organizations committed to working for social justice and equity in public policy.

I am sad to say that the Bill 58 hearings are a sham. If it were not for the activists of this town, information about these hearings would never have been publicized in the Kingston media. It was on our urging that a local newspaper published an article with this information, not earlier than this Tuesday. I have to ask, how does the government expect to hear public opinion if it doesn't inform citizens that it is looking for it?

Mr Gilchrist: How about the paid advertisement that was in the Whig-Standard last Saturday?

Ms Matovic: Also, a few days of hearings in a few cities cannot possibly be a legitimate hearing of the voice of the people of Ontario. However, this is our only chance to have some say, and I will use it.

Kingston Action Network is opposed to the passing of this bill. This bill, if passed, will allow the government to dispose of Hydro One, which in fact belongs to the people of this province. This is equally true of other segments of the former Ontario Hydro to which harm has already been done.

Ontario Hydro has a history that transcends any party of the day and represents a major public asset in Ontario. For those reasons, and rightfully so, up until this government came into power a referendum was required before any major sell-off took place. Now the government is also trying to introduce a bill which would give them a blank cheque for electricity privatization even though it was not part of their mandate. Furthermore, taking into account the voter turnout, the government represents only 27% of the population. If we compare that figure with that of 65% of the people in opposition to the privatization and deregulation of the electricity industry, it is clear that this bill would be in contradiction to the democratic will. In addition, a poll by Strategic Communications established that 87% of Ontario citizens believe that an election should decide the future of public electricity in the province.

This bill would further undermine the ability of citizens to affect political decision-making and it would set a dangerous precedent for a government to simply change a law whenever it suits them, regardless of the public will. This bill is introduced simply to get around the ruling of Justice Gans, which declared that the provincial government does not have the power to privatize any of Hydro One. There is a good reason for such a ruling. It is a pity that a court hasn't made the same decision about generation plants. The government hasn't tabled any independent study on the effects of electricity privatization, and since the court ruled that they cannot sell Hydro One, the government has been doing more damage to the people of Ontario by making and changing its electricity policies on the fly. The

government's plans for Hydro are constantly shifting, without direction and lacking a studious approach. The people of Ontario need to have input and be able to stop such irresponsible decision-making. Public ownership of Hydro One is vital to the economic and environmental well-being of Ontario.

From the environmental perspective, the plan to privatize the electricity industry is a disaster. Ontario's coal-fired plants don't operate at full capacity today, and it is madness to think someone will buy them and not run them around the clock so they can sell electricity to the United States. Similarly, even before May 1, the Lennox generating plant has communicated that maintaining a production ratio of 80% natural gas to 20% dirty oil, as encouraged by the city council motion, could result in reduced profits and consequently layoffs following privatization. Helen Howes, OPG vice-president of sustainable development, said in April in a presentation to the Kingston Chamber of Commerce that after privatization, the use of coal will expand greatly.

Selling Hydro One will provide for that extra expansion of the lines to the US. The OEB has already approved deep discounts for use of the transmission system by power exporters, thereby subsidizing increased coal-fired and dirty oil generation.

In addition, if power generation and transmission are privatized, NAFTA rules will make it all but impossible to regulate them with respect to either the environment or the cost. Already, NAFTA has overturned Canadian laws on toxic fuels and toxic wastes, and trade agreements have overruled the US Clean Air Act. Privatizing power equals killing clean air.

With respect to the cost, electricity policies of this government are already failing Ontario citizens. Deregulation of pricing is costing school boards, hospitals, businesses and individuals tens of millions of dollars in higher hydro bills. The government is the only source that doesn't stand to gain from privatization, that claims prices will go down. If the government is wrong, how will it affect the already sad socio-economic picture of Ontario?

Ontario has witnessed a steadily increasing gap between rich and poor over the last decade. Higher prices for such an essential good as electric power would only further this gap.

Kingston has its fair share of the poor and vulnerable: one third of the population is spending over 50% of their income on housing. There is more bad news: in Kingston, the waiting list for rent-geared-to-income housing was over 1,000 names long last year.

You may think that tenants whose rents are all-inclusive won't be hurt. However, rent controls no longer exist for newly vacated apartments. Even where rent review applies, rents are allowed to rise as electricity costs go up, but they don't go down when the electricity costs drop.

The data also indicate that the median income has fallen since 1990 in Ontario. The number of consumer and business bankruptcies in Kingston has also risen

steadily over the last 10 years. Many of our residents and small businesses, financially speaking, are hanging on by their fingernails. What will it mean to them to have to pay higher rates of 30% or more for utilities?

Now, as electricity price spikes loom this summer, the government wants to pass a bill that will keep the reasons for steep and sudden increases secret from the public. Recently, the IMO warned of price spikes because some power stations or generators would not be up and running, but the IMO won't tell the people of Ontario which ones. The public has a right to know. Bill 58 actually puts in place an even bigger cover-up. Citizens won't be able to use the freedom of information act to find out who is manipulating the market. That sets a very dangerous precedent.

Parts of the bill aimed at greater protection may be useful only if this government finally decides to enforce the laws. If existing laws were enforced, there would probably be no need for new regulations. For example, in the past few years, out of 3,200 offences against the environment, only one resulted in prosecution.

The situation is similar when it comes to consumers' protection from fraudulent electricity retail strategies. In February, a flurry of consumer complaints about the industry made the former energy minister, Jim Wilson, threaten zero tolerance of any behaviour that would jeopardize the smooth transition to electricity market deregulation. The government warned all electricity retailers, but the decision to allow consumers out of the contracts was left to the industry. So, for example, Direct Energy ostensibly made it easier for consumers to get out of their fixed-rate long-term electricity contracts, but it was reviewing complaints on a case-by-case basis without detailing who would review the complaints or how merit would be determined.

The government spokesperson said at that time that the energy board cancelled a number of contracts, even entire towns. These mass cancellations are conveniently blamed on the behaviour of an agent, in spite of the fact that the agents are substituted but practices have persisted to this day. Here in Kingston, we haven't heard of a single agent who wasn't pushy and who laid out facts clearly and honestly. The only thing that has changed since then is that the Minister of Environment and Energy doesn't pay much attention to this issue.

In conclusion, we are not satisfied with the sale of any percentage of Hydro One, nor with replacement of the IPO with schemes such as partial sell-off, sale to pension funds or creation of income trusts, which would shift huge revenues to the private sector. We want full public control of the entire hydro system, and that does not mean we are for the status quo, as is often implied by the minister. It is possible, and we want to introduce green energy under the public umbrella. The system needs to look different than it does now but still be public. We know that the best protection from environmental pollution, skyrocketing rates and unreliable service is publicly owned and operated electricity. If the government is successful in passing this bill, activists of Ontario will

continue to campaign across the province to halt any further sell-off, and you can be sure that we will be heard in the next election.

The Vice-Chair: Thank you, Ms Matovic, for coming in today. We appreciate it.

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PHILIPPE TROTTIER

The Vice-Chair: Is Philippe Trottier here? Welcome. You have 10 minutes to use as you please.

Mr Philippe Trottier: I'd like to thank you, Mr Chairman, and the committee for allowing me to appear today. I have recently moved to the province, so I'm a new resident. I moved from Manitoba, and I'd like to draw upon some of the examples and results of privatization in Manitoba as indicators of what may happen in Ontario.

If we look at why Ontario Hydro was brought into being years ago—indeed that was mentioned by a previous speaker—it was to place hydro power in a public trust. In the Manitoba of my grandparents, in the 1920s and 1930s, there were a number of hydro companies, as there were in Ontario. In the 1930s, a number of them fell on hard times and were brought under an umbrella, actually two umbrellas, in Manitoba: Manitoba Hydro for the rural parts of the province, and Winnipeg Hydro brought a number of the city power stations under that umbrella. The purpose was to provide dependable, reliable power at a reasonable cost as determined by a local agency, and that agency was certainly working in the best interests of the citizenry—the stakeholders and the ratepayers. As enunciated by a previous speaker, that was much the same as happened here in Ontario. These objectives hold true for Ontario Hydro today. They're the same reasons to keep Ontario Hydro as a public utility. There's no valid reason to privatize the generation stations, nor to privatize the transmission grid.

I'd like to speak about some of the fears and apprehensions I and some of my neighbours in the west part of Kingston have, a number of whom are retirees on fixed incomes.

Certainly private hydro companies would not operate in the best interests of the people of Ontario. Rather, corporate decisions are based on the profit motive. We found that out in Manitoba with the sale of the Manitoba telephone system some four years ago. After the sale of the Manitoba telephone system, the base rate for phone service doubled within six months. And there may be a relationship, because I believe about a year afterwards—and it was certainly fresh in the minds of Manitobans—the Filmon government, the Conservative government in Manitoba that went through that privatization process, was thrown out of office. I certainly think it was one of the reasons they were tossed out of office.

The shareholders in the private corporations, in the case of Deutsche Telekom, for example, are not the German citizenry. The decisions with respect to Deutsche Telekom, which was privatized six years ago, are in the

best interests of the stakeholders, who come from a number of major European brokerage houses as well as Asian brokerage houses. Certainly this is the case with the Manitoba telephone system, where the major stakeholders are from the US and Europe.

In my reading of some of the recent literature with respect to the privatization of Ontario Hydro, both the transmission system and the generating stations, the rates for hydro in New York are 38% higher than in Ontario and the rates in Pennsylvania are 63% higher than in Ontario. I don't think that would work in the best interests of the folks of Ontario.

If you look at the decision-making in boardrooms other than in Ontario, the decision to transmit power to the US, where perhaps it would bring in a greater amount of profit, would certainly be a major consideration, rather than expanding some of the transmission in northern Ontario for the residents of northern Ontario. I expect that parts of rural Ontario and northern Ontario would go begging. A case in point would be places such as Moosonee and Moose Factory, which I have had occasion to visit and where folks enjoy a very reliable source of hydro power.

Currently Ontario Hydro, as a crown corporation, is held to account by the people of Ontario. If privatized, the private company would not be held to account by the folks of Ontario. Rather, it would be the stakeholders.

There's a security issue here. Basically, hydro power is the juice that runs through the corpus of Ontario and the Ontario economy. Mention was made of the ice storm and how power was restored. If it were put in private hands, the decisions on how long it would take to restore power would be made and weighed against the requirement to provide power to US customers.

Let me speak briefly on what we would lose if we sold off hydro power. Hydro power is basically the linchpin of the economy, both provincially and nationally. Electric power is what runs our businesses and our services. Private business runs on supply and demand economies. We've heard mention of some of the businesses that are the big power users: DuPont, Nortel, the StarTek call centre here in the Kingston area and the forest industry throughout Ontario. When the issue of privatization was raised by the Campbell Liberal government in BC recently, there were 30 major businesses in BC that petitioned the government, and they reflected some 15,000 jobs and some \$10 billion in assets, companies such as Canadian Forest Products Inc. They said, "No, privatization is not good for us." Why is it not good for business? Because they know they could anticipate higher hydro costs to run their plants and equipment, and as a result they would become less competitive.

Similarly, our service sector—hospitals, schools, universities, penitentiaries and transit systems, for example the Toronto transit system—would anticipate higher costs to operate their facilities. These costs would, of course, be passed on to consumers, both to ourselves and to businesses. So not only would we see a hike in our hydro rates, but we would also see a hike in the other

services and goods we purchase. The cost of the lumber we buy to build houses and renovate our houses would increase. The cost of hospital services, because of higher lighting and heating costs and power costs, would increase.

Earlier I spoke of there being no valid reason to privatize the hydro system and the transmission system. One is the debt load. Well, as a crown corporation, Hydro can still effect debt reduction. We can still bring in effective management so that if there are ineffective plants, they can be closed. Aging equipment can be written off. Hydro can still be reorganized and modified in terms of its service delivery. This can be done without resorting to privatization. In other words, whatever are the problems that face Hydro, they can be addressed and solved without resorting to privatization.

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The provincial government, by ensuring the effective management of this crown corporation as a crown corporation, can keep Ontario Hydro as a vital linchpin of the Ontario economy in public hands, working in the best interests of the people of Ontario.

In closing, I'd like to say that all we have to do is look at what has happened in the province next door, in Manitoba. Manitoba Hydro has not been privatized. Manitoba Hydro has been kept as a crown corporation. It generated a \$500-million profit last year. The provincial government polled citizens in Manitoba with respect to the future of Manitoba Hydro and they said, "Keep it as a crown corporation." Also, some 78% said, "Yes, use some of that profit to pay for some of the costs of social services which have been offloaded by the federal government, such as health care."

The Vice-Chair: Thank you very much for coming in. You've pretty much used up your time.

Mr Trotter: I appreciate the opportunity.

KINGSTON COALITION AGAINST PRIVATIZATION

The Vice-Chair: Next we have the Kingston Coalition Against Privatization. Would the representative please come forward and state your name.

Mr David McDonald: Good morning. My name is David McDonald. I'm not sure how "professor" snuck in here. I teach at Queen's and I am in fact a professor. I'll just note that I do work on these issues around the world and I'm actually going to give you a booklet this morning on water privatization in South Africa. You're probably wondering what the heck that has to do with electricity privatization in Ontario, but that's in fact what I want to talk about today: the universality of these issues and the global debate that's taking place over the privatization of core services.

I'm also the director of a project called the municipal services project, which runs research initiatives in Africa and Latin America, and I've worked extensively in both of those regions. I'm here officially on behalf of the Kingston Coalition Against Privatization, as the co-

director of that organization. This is a community and labour coalition opposed to the privatization of core public services. Within that gambit of core services we would include water, waste, sanitation and of course electricity, among other services. We are opposed to the privatization of these core public services for the kinds of reasons I'm going to talk about today.

We were formed in a fight against an initiative to privatize waste management in the city of Kingston in the year 2000. We managed to convince the previous council to vote against it overwhelmingly, and the community agreed. The current council, as you no doubt got the sense this morning from the mayor's presentation, is opposed to a wide range of privatization initiatives. I think this represents the attitudes of Kingstonians in general. As you've seen this morning, there's lots of opposition to this and it makes me wonder where the supporters are. Recent polls have shown that at least 70% of Ontarians are opposed to the privatization of Hydro. Clearly, there's a lot of opposition here in Kingston. I don't know what the following speakers are going to be, after me, but where is the support for this on the ground? I just don't see it.

My presentation this morning is really about debunking some of the myths of privatization and also pointing to some alternatives. I'm going to make some broad conceptual arguments which, as I mentioned, are universal in nature, in part to help situate this debate in the broader global context of privatization. I want to step back from the detail and the numbers of electricity in Ontario, some of which you've heard again this morning, as important as they are, to focus on a couple of conceptual points.

To my mind, there are four main arguments made in favour of privatization. The first is that there are simply not enough public funds available, that the state doesn't have the money required to either pay down debt or invest in massive infrastructure investment. I'm not going to talk about that this morning. We've heard this debunked time and again.

The second argument is that the private sector is somehow inherently more efficient than the public sector. Again, I'm not going to focus on this. This has been debunked this morning and there's enough material on that.

The two points I do want to focus on are that the private sector is somehow more accountable than the public sector and, secondly, that the private sector is somehow more creative than the public sector. I think both of these arguments are false and I want to point to a few points of why they are.

This booklet, which I'll leave with Bert Johnson, you can circulate and look at. Again, it's about water privatization in southern Africa. They are actually talking about privatizing electricity in the region now as well, but the same basic arguments apply. I thought it would be useful for you to have a look at it just to get a sense, again, of the universality of the kinds of arguments that are being made.

On the accountability front, the argument is that bureaucrats are somehow lazy, corrupt and unwilling to

blow the whistle on their colleagues; that contracts are transparent; companies can be hired and fired based on whether or not they actually perform according to what they said they were going to do and what the contract said they were going to do and, therefore, they're more accountable. I can tell you, as an academic and as a researcher, that the empirical evidence proves that private firms in fact tend to be less accountable, not more accountable, and there are a few reasons for this.

One is that freedom of information legislation does not often apply to the private sector in the same way it does to the public sector. It can prove extremely difficult to get information out of a private company, whereas freedom of information legislation will apply to the public sector.

Companies do everything they can to avoid public scrutiny. How often do you see the love lives, let alone the financial behaviour, of a private corporation or a private CEO in the paper in the same way you see the public lives and the private lives of public officials in the newspaper? It's very difficult for a public official to avoid public scrutiny. For a private person, however, there are all kinds of laws in place which will allow them to escape that kind of scrutiny. Once you hand over a service to the private sector, it becomes very difficult to scrutinize.

It's also very expensive to be scrutinized, and private companies do everything they can to avoid the kind of public scrutiny that our public officials must face. In fact, it has been argued and demonstrated in some cases that it's exactly this avoidance of public scrutiny which makes the private sector more "efficient." By being able to avoid the kinds of expensive scrutiny that take place, they can save money and make themselves look more efficient.

There is of course lots and lots of evidence to suggest that private companies will bribe regulators and have all kinds of corrupt behaviour. This isn't just in the Third World. There's lots of evidence of this from the UK, France and other so-called First World countries where privatization has taken place. Again, the empirical evidence is that private companies are in fact less accountable, not more accountable, than the public sector.

In fact, the whole process of privatization and deregulation is often unaccountable. I would argue that in many respects, so is this particular process. How many of us knew about these hearings? It was not public information until just this week. What kind of opportunity does the public have to scrutinize the kinds of privatization and deregulation initiatives taking place? Time and time again, we see this lack of accountability in the privatization process itself.

The alternative is to make the public sector more accountable, more transparent and, I would argue, more participatory. There are lots of examples from around the world where the public is getting more and more involved in the delivery of core basic services. We like to refer to these things as public-public partnerships, unlike the kinds of public-private partnerships that are being promoted by people in favour of privatization.

These are not easy, nor are they part of the broader Canadian culture of politics. We need to start to look at examples internationally: Norway, Sweden, France, Brazil, Uruguay. A lot of countries are moving toward this notion of bringing the public into the kinds of decision-making that takes place. Porto Alegre in Brazil, for example, has a budgetary process in that city which involves 20,000 people on an annual basis in the budget-making process of a municipality.

Public services can be made more accountable and they should be made more accountable. It is not the status quo versus privatization.

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The second point is one of innovation and creativity. The argument for those in favour of privatization say that private companies and their need to cut costs and create market advantage lead to creativity, that somehow the profit motive is what drives creativity. Again, there is no empirical evidence to suggest that private companies are inherently more innovative. In fact, they tend to use energy-intensive, dirty and cheap production systems, in large part because competition demands it.

Public employees, on the other hand, are innovative. I appeal to you as public servants yourselves that you are creative. You can be innovative. This is why I find one of the ironies of the new conservatism is that people come in arguing that we need to be more creative and they're pushing forward new ideas, and then turn around and say that the public sector is somehow not creative and not innovative. There's a certain irony there.

But I myself as a public servant, city managers, front-line workers, teachers, doctors—we have some of the most creative and innovative public employees in the world here in Canada, and there's no reason to suggest that Ontario Hydro employees and other power generation people cannot also be innovative and creative. It's a very narrow sense of human nature to suggest that only the profit motive is what creates creativity.

The alternative is to build institutional memory that allows for smart, long-term innovation, to reward innovation with public acclaim and to provide, perhaps most important, the resources required to innovate properly. You cannot starve the system and then turn around and say that the public sector cannot create and be innovative. We need the funds to do it. Thank you.

The Vice-Chair: Thank you, Mr McDonald. That allows time for a question from the government side.

Mr Gilchrist: Thank you for your presentation. While I disagree with your perspective on the role of the private sector, at least we had one professor making sober comment before us here today.

I think there are a couple of elements in your presentation that I really must challenge. If the status quo and public ownership is so laudable, how did we get to \$38 billion worth of debt? Before you answer that, at the same time as you're applauding the publicness of Ontario Hydro, who loaned all the money that's paid for all of those things? All of the bondholders are private—private individuals or private companies. It is a 100% privately

funded entity and always has been, in the form of the bondholders, which, as you know, if you stopped paying the interest on the bondholders, they would have the right, no different from the bank loaning you money, to have exercised direct control. So, yes, nominally it is a public corporation that has turned to the private sector for decades and borrowed billions and billions of private dollars to do the good works that have been done. But along the way they continued to spend \$38 billion more than they took in. How do I reconcile that with your view of accountable public institutions?

Mr McDonald: I will just first of all comment on this notion of a sober presentation. I think it in fact represents exactly the kind of political culture that we have here in Canada that people are unwilling to engage with and accept different types of presentations and different ways of presenting ideas.

Mr Gilchrist: No, I used the word “sober” advisedly.

Mr McDonald: On the point on debt, I'm not going to defend Ontario Hydro unreservedly. There have been enormous mistakes and I have a lot of problems with the way Ontario Hydro has been run in the past. So again I want to make the point that we're not arguing here for the status quo versus privatization. We need to reinvent, reinvest and reinvigorate the public sector. That kind of debt that's been run up is problematic, there's absolutely no doubt about it, but there are other forms of debt, like the ecological debt that we need to take into account. Our narrow definitions of a financial debt are very problematic and we need to think about how we are going to take into account the ecological and social debts associated with rapid price increases, dirty power generation etc as a result of privatization as we've seen it around the world. I know that doesn't answer your question in full, but just that one comment.

Finally, with respect to private capital and where money is coming from, these are political decisions. There is a lot of money available for investment in infrastructure and a wide range of services. As we know, sewage and sanitation are woefully underfunded right now in this province as well. Massive investments are required there. These are political decisions that we need to make as Ontarians about where we invest our money. Do we give tax breaks to corporations? Do we give tax breaks to private schoolers or do we invest in basic infrastructure? These are political questions that we need to answer, as Ontarians and as public representatives, about capital flows in this province and in fact in this country and internationally.

So again your definition of, “Do we just source things from private capital? The state doesn't have the resources available. Therefore, we need to go to the private capital market,” I think is a very narrow and non-politicized sense of how we make decisions about investments in infrastructure.

The Vice-Chair: You've used up all the time, I'm afraid. Thank you very much for coming in.

Mr Johnson: Chair, I'd be pleased to receive the report and I will turn it over to the clerk.

Mr Gerretsen: Just on a point of information, I don't think the fact should be forgotten that the bonds Ontario Hydro issues are guaranteed by the government of Ontario and the citizens of Ontario, so ultimately the government would be on the hook and the individual bond holders would not own the company.

KARL FLECKER

The Vice-Chair: Is Karl Flecker here, please?

Interjections.

The Vice-Chair: If we could save that discussion.

Welcome, Mr Flecker. You have 10 minutes to use as you please. You can speak the whole time or allow time for questions.

Mr Karl Flecker: First of all I want to thank the public sector workers and the community members for your skills and your time in organizing and preparing for today's public hearings on Bill 58, which I think is inappropriately titled the Reliable Energy and Consumer Protection Act.

To the members of the standing committee on general government, welcome to Kingston. Depending on your party affiliation, your visits to this town have been memorable.

My name is Karl Flecker. I'm a resident of Kingston. I work as the education coordinator for the Polaris Institute. We conduct research on international trade agreements, and trade and investment deals that are advanced by the World Trade Organization. We identify and expose the large transnational corporations that are unduly and undemocratically influencing these agreements. We contribute, along with others, to breaking down the legal and economic language of these agreements into a digestible form so that civil society can exercise its democratic right to engage in meaningful public debate and decision-making about crucial public policy decisions that affect our economies, our communities and our lives.

It's from this international perspective that I want to make a few comments on this bill today. Late last night I received some very tragic news that makes it even more pertinent to today's hearings. You see, there's this government and it's trying to sell off its electrical companies and other state-owned assets, supposedly for budget needs. This government failed to consult with its citizens in any truly meaningful way. They reneged on promises that they would not sell the utility outright and they ignored a court ruling that was laid down against their auctioning efforts of the people's power systems. Yesterday, this government leader had to cancel his trip to the USA and Nicaragua because civic protest had spread to six major cities.

People understandably fear the sale of their electrical system because they fear it will lead to job cuts, higher prices and little reinvestment in their region of the world. This government imposed military rule and at least one person was killed. Some 140 have been injured since last Friday. Strikes supported by civic groups and trade

unions are spreading throughout the country. Railways and roadways are being blocked, shutting down the manufacturing, processing and service engines of the country. This is happening in Peru right now. It's happening because a government is pursuing a very bad idea. Take heed of this story. It is not far away.

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When Ernie Eves indicated that his government might pull the plug on the hydro sale on May 16, he said something else that caught my attention. Ernie said that among the options being considered for the future of hydro, no foreign firm would be allowed to purchase the provincial utility. He said, "I don't believe it is in the best interests of the people of Ontario to have the transmission and distribution corridor in the province in the hands of a foreign entity." I say to you, any bill or government measure such as Bill 58 that enables the privatization of even a limited portion of our electrical system has the very real potential to overturn Ernie's statement of concern about foreign ownership.

On this, Ernie and I would agree: foreign ownership of our electrical system would be disastrous for the best interests of the people of Ontario. If this bill goes any further, then likely neither this government nor any future provincial government will be able to limit, stop or overturn the determined efforts of foreign energy service operations to have their controlling hands on our power systems.

This becomes so due to precise and consequence-laden language in trade agreements that have legal enforcement powers that supersede provincial legislation. When energy is no longer a service supplied in the exercise of governmental authority—and here I'm quoting from article I from the General Agreement on Trade in Services—then that service sector—energy, in this case—becomes subject to certain legally binding, enforceable WTO rules, rules that allow foreign corporations to operate without concern for national, provincial or, for that matter, local regulation.

Should this government proceed to privatize everything behind our wall outlets or even 49% of the system behind our wall outlets, then foreign ownership will undoubtedly come into play. Foreign ownership, with its priority concerns about profitability and increasing shareholder interest, will undoubtedly trump the best interests of the people of Ontario.

I've brought some articles with me to help explain this complex issue, and they've been circulated to you. The double-sided copy is just two of dozens of press releases and media stories about the GATS and the current negotiation process, with specific references to the electricity sector and its implications.

In a nutshell, this agreement is seeking to liberalize—translated, that reads "privatize and deregulate"—an enormous number of service sectors, including electricity. The GATS is seeking to promote foreign ownership, investment in and operation of these service markets by large transnational companies like GE, Halliburton, Vivendi, Eurelectric and, at one point, even the failed

Enron was an ardent promoter and player in this game. By passing Bill 58, this opens the door for foreign entities, the uncaught Enrons in the electricity-energy sector, like Reliant Resources Inc, which admitted it had engaged in bogus power deals for the past three years. Companies like this will be able to move into our energy sector and no governments will be in a position to pass limitation-based regulations, or regulations ensuring ethical marketplace disciplines, or environmentally sensitive regulations that value cleaner energy sources over more environmentally destructive energy sources.

Bill 58 is not unlike Bill 11 in Alberta, which opens the doors for the power tools of NAFTA to kick in, only in this case Bill 58 knocks down the doors for the corporate-friendly GATS regime to come in, shut off the lights and have its way with the citizens of Ontario.

The GATS obligates WTO member countries—Canada, and Ontario by inclusion—to open their electricity markets to foreign ownership and investment. I understand that not a lot of people know about the GATS or its implications at this level. That's because this deal has been cooked up for the most part behind closed doors with little public information or debate. I can't help but shake an odd sense of familiarity.

Nonetheless, in April of this year, as is often the case, determined civil society networks obtained and made public specific market access demands being made on Canada by the European Union under the GATS negotiations process. I've provided each of you with excerpts of that document here. They spell out clearly what is coming in terms of electricity. Recognizing my time is coming short, I'll be very quick.

Point 1, page 1, and I've highlighted these in each of your copies: energy services are clearly being identified as a target for liberalization—read “global deregulation and privatization.”

Point 2, page 3: any province in Canada that wants to establish market access preferences for Canadian or provincially located energy service suppliers in order to ensure that the best interests of our communities are being served—that's gone. The European Union is demanding that we remove this preference.

Point 3, page 3: any government, be it provincial, federal or First Nation, that wants to put limitation—and by “limitation” I mean representation limits, ownership percentages like 49% or residency requirements—on companies that carry out government interests like utility bodies or any Hydro One shops, forget it. The EU is demanding these limitations be removed.

Point 4, pages 4 and 5: the EU is demanding we open up to international privatization our operation of the transportation, transmission and distribution facilities related to energy distribution.

Page 5, EU demand: open up to international privatization our wholesale service operations on the supply of energy products, trading of energy products and brokering of energy products. Oh, one more thing: open up to international privatization all services related to the decommissioning of energy facilities.

Decoding trade agreements and negotiation documents is tricky business, but I've provided you with the URL of a Web site for the complete text of these demands in case you have a need to read 1,000 pages of very arcane language.

In addition, my last handout provides a much more accessible explanation of these demands and their implications. I urge you to flip to the second page, second box from the bottom, for the energy implications.

The key point I want to make is, Bill 58 opens the door for the GATS power tools and likely will shut off the lights on Ontarians' capacity to own our power system.

Wrapping up: should this government permit any level of privatization or sell-off of Hydro, it will mean our provincial regulatory capacity to give purchase preference to clean energy sources can and likely will be challenged by the WTO's GATS rules. We can be challenged by foreign energy suppliers, who can effectively argue that environmental and health preferences, which I hope everyone would agree are sensible, discriminate against them and their lower-cost, environmentally harmful energy sources, such as coal, win.

There are at least 15 cases we know about where such disputes have not found in favour of sensibility; rather, they have found in favour of marketplace disciplines. These cases have found in favour of corporate demands rather than public rights. Quite simply, this is because the GATS agreement does not have exception language for governmental measures to conserve natural resources.

In closing, this ill-named act will not result in reliable energy, nor provide consumer protection. Look closely—and I urge you to instruct your researchers—at others who followed the power liberalization route. There's an excellent book, called *Lights Off!*, from the Transnational Institute. A number of scholars have put it together. Also, if you don't want to look at that, look at a major study by a top corporate consulting firm in the US. This is a clip from the *New York Times*. They found that not even 80% of 500 large, mid-sized and small businesses were able to take advantage of savings that were to come from deregulation and privatization of the electricity sector. This is interesting, because the often-trumpeted state of Pennsylvania that this government holds up as its shining one-bulb illustration had to scramble to halt the exodus of businesses that were fleeing their borders due to high power bills.

Finally, I asked a number of my colleagues nationally and internationally what I should present to you today—what are the key points? Some of the best input I received was from Steven Shrybman, a lawyer with Sack, Goldblatt, Mitchell, who, along with CUPE and the Canadian energy and paperworkers, took this government to Justice Gans's court. Steve said, “Tell the members of this committee you recommend strongly to this government to drop this legislation and apologize to the people of Ontario.” I remind you, the experiences of places such as Peru are not far away. Thank you.

The Vice-Chair: Thank you. You've used up all your time. We appreciate your coming.

BILL FISHER

The Vice-Chair: Is Bill Fisher here? Welcome, Mr Fisher. You have 10 minutes to use as you please, or if you want to allow any time questions, it's your choice.

Mr Bill Fisher: I won't be reading from the script. Every member of the committee has a copy of it, I think, and I'll just summarize what I've got in it.

First of all, I'd like to introduce myself. My name is Bill Fisher. I'm a retired professional engineer and a retired public utility manager. I'm also representing about 1,400 members of the Frontenac-Kingston Council on Aging.

First of all, just to make sure everybody knows what we're talking about, Hydro One is the transmission and distribution arm of the old Ontario Hydro. As such, it is a completely interconnected system and, therefore, it can only be operated as a monopoly. The suggestion Mr Eves made recently that it be split and that 49% be sold to private interests is absolute nonsense, because you cannot run a monopoly with two conflicting interests. It's like having a horse with two rear ends. Under these circumstances you have to see that the people who are running it for the public interest are going to want to run it at cost, and the other people are going to want to run it for maximum profit. It just won't work.

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With respect to the links that we have with other jurisdictions, we have just standard transmission links with Quebec and Manitoba and also with New England. Those links are basically for emergency purposes, to take in supplies and to send out supplies when each jurisdiction gets into peak low periods. That's common.

The people in Quebec and Manitoba have publicly owned systems and they're perfectly viable. They've got lots of generation capacity so, consequently, there is no need to have a common grid with them because they are in the same position as Ontario to a large extent, except that their facilities are somewhat different.

With respect to the New England grid, the idea of joining into or having a solid mesh or link or grid with New England, as is being proposed by the people who are presently running Hydro One, would be an absolute disaster for the people of Ontario because, as you've heard, NAFTA would trip in and under these circumstances our rates would be going up to the New England rates in a very short period of time. Those rates, in the year 2000, for residential for the whole of the seven New England states, was somewhere in the region of about 18 cents or more, Canadian, per kilowatt hour.

You may be interested in knowing some data, because it's necessary to understand the rest of it. The depreciated value of Hydro One at the end of 2001 was about \$11.25 billion. The replacement value would be more than twice that, yet the government is blithely talking about selling off the whole shebang for about \$5 billion. The revenue in the same year, in 2001, was about \$3.5 billion, so therefore anybody who bought the system would have a really great deal. They would pick up the system for

about a quarter of its real cost and immediately have a revenue of that nature.

The debt from Ontario Hydro, which they assumed when the company was formed, was about \$4.8 billion. That has now been reduced to a little over \$4 billion and the new assets which have been acquired during that period have been over \$2 billion. The service lives of the equipment—once again these are taken from Hydro figures—are 50 years for the transmission system and 40 years for the distribution system.

We're being told that capital is really necessary from the private sector in order to make sure that we are going to keep the system together and make sure it works for the citizens of Ontario. This is absolute nonsense, taking into account the figures that I've just given you. Hydro One has somewhere in the region of three quarters of a billion dollars a year out of current revenue in order to get new facilities, so therefore they don't need private capital in order to survive.

They also talk about maintenance and the fact that many lines are giving problems to customers due to insufficient maintenance. Since Hydro One was privatized three years ago, there have been staff reductions, and anybody knows that in a service industry you cannot have staff reductions and still get customer service at the level that both industrial and residential people need. Consequently, this is exactly what has happened. All that is necessary is to fund more people, from the \$0.75 billion a year you have in excess, in order to increase the staff and improve the maintenance.

There is also talk about private sector discipline. This is one of Mr Eves's favourite themes; he talks about private sector discipline. At the same time, the experience Ontario has had from the semi-privatization of the two arms of Ontario Hydro over the past three years has been an absolute disaster. The people running these have been taken from the private sector, and what do we see? First of all, in the case of Hydro One, the CEO has given away the engineering arm to a private company, and Hydro One is going to purchase their services as required. As an experienced utility operator, I know it is absolutely impossible to run a proper organization without an in-house engineering staff. When you get to an entity of the size of Hydro One, it's absolute madness for this to have happened.

When you get to OPG, it's even more frightening. First of all I understand, although I haven't got anything to corroborate it, that they too have farmed out their engineering services to some company. It may be British Energy, I don't know, but then they leased the Bruce nuclear station to British Energy for about \$1.8 billion over the next 18 years. At the end of that time, British Energy walks away from it and the consumers are left with the cleanup costs, which could run into billions of dollars. It's estimated that the profit British Energy is going to make on this deal is going to be about \$10 billion over the next 10 years. Myron Gordon puts the figure even higher, but I tend to be on the conservative side—not politically. That is where it stands.

The Vice-Chair: Could you wrap up? You have about a minute.

Mr Fisher: OK. The solution to it is to get rid of all these privatization ideas, because they are not based on fact they are merely based on ideology. What they should be doing is to once again make Hydro One and OPG crown corporations. They should have a permanent, all-party committee to supervise both institutions. They should freeze the sale, lease or purchase of assets pending an orderly change of management, and they should recruit new management from among Canadian utility executives, who would be only too happy to come in from other provinces and take the thing over.

Right at the moment, the government has not had any real discussion with the Canadian public about this. In a democracy—and I should know about it, because I fought for it in the last war—you do not make decisions that change the course of a social system without getting the approval of the people first.

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There is another point that the government may have overlooked in its haste to privatize. Way back in 1927, the city of St Catharines took Ontario Hydro and the government of Ontario to court about ownership of the assets, and the Supreme Court of Canada ruled that the assets do not belong to the government and do not belong to Ontario Hydro; they belong to the consumers of Ontario. That opinion was upheld by the committee on government productivity of Ontario in 1972. I don't know exactly whether the government has investigated this, but they could be treading on thin ice.

I would like to address the last thing to the government.

The Vice-Chair: You've gone over your time. We appreciate your coming and making your points today. We have your complete submission here as well.

Mr Fisher: I've only got one more statement to make.

The Vice-Chair: Go ahead and make it.

Mr Fisher: I'm addressing it to the Conservative members of this committee. The polls show that about 70% of the people in this province are opposed to privatization. This has an eerie resemblance to what happened to the federal Tory party back in the early 1990s, when the leader of the party, seeing that the party was going down in the polls, abandoned ship and let the party go into an election facing the problems he had imposed on them, and the party was sunk without a trace.

The Vice-Chair: Thank you very much for coming in today.

GERALD ACKERMAN

The Vice-Chair: Welcome, Mr Gerald Ackerman.

Mr Gerald Ackerman: My case goes back 30 years. The area I was born in was off-grid until 1972, at which time my brother wanted hydro. In order to do that, there needed to be two poles on property I owned. Hydro paid me \$88 for setting the two poles there. Then they sent me bills for electricity, which I objected to since I was not

using any electricity, I didn't intend to use any electricity and haven't used any electricity yet. When I objected and threatened to cut the poles down with my power saw, they backed off.

That was then and this is now. This week, in trying to get a pole placement, which I understand is the authority of Ontario Hydro or Hydro One, I was given a toll-free number in Markham and I used it. I ended up, after the 17-item menu, getting a man who I think was desperately ill. He couldn't stop coughing while he was talking to me. He took my data and referred me to somebody else, who said, "When is your electricity due to start, what is your contract number?" and things like that. I tried to explain to her that that wasn't what I was requesting; I was simply requesting an authorization for the pole to be where I wanted it to be, which I understood was to be at my risk and at my expense and so on.

The short of it is that I've given up on Hydro One ever coming to authorize a pole placement there, and I have started to work with somebody else who will put a pole where I want it. It may well be used only as a telephone pole, because I am seriously looking at a fuel cell installation and being off-grid. You may have read yesterday's paper about the local fuel cell manufacturer who broke ground yesterday and who has a unit down in Yosemite park and a couple in California and over in Stockholm, Sweden, and in Japan. I'm very interested in being able to avoid Hydro One henceforth. I've been off the grid all these years, and I like it. I'd like to be off the grid on a continual basis.

The other point I want to make has to do with an item in today's paper about smog. According to the paper, the smog is apparently due to the sun and the northeastern US wind that blows industrial pollution this way. I'm unfamiliar with that wind. I've lived in this part of the world for a long time. I don't believe there's a wind that comes from the northeastern US to this part of the world. Some meteorologists may correct me, but I think I'm right about that. I think the real reason we suffer from smog and smog alerts in the province of Ontario is due to the major polluters of the air. Number one is Inco, I think, or maybe Ontario Hydro is number one. I'm not sure which is first and which is second. But my point is that as a citizen of the country and an anticipated resident of this province on a continuing basis I want Hydro One, Ontario Hydro or whoever in the world ends up with the responsibility to consider the environment, the air we're asked to breathe. Is that asking too much?

I have made the same complaints to a corresponding authority in Nova Scotia, where I'm currently living. We have natural gas in Nova Scotia at the present time, and the power company at Dartmouth, which is where the major city and the major population of the province are, has the technology in place to use twice as much natural gas as they used last year to generate electricity. I told them what I'm telling you, in the sense that what I want is air I can breathe and I don't want you to be using soft, high-sulphur coal. I do not want that. I don't think anybody else who breathes the air in this province wants

that. It isn't that the technology isn't known. It isn't that you don't know that natural gas is much less polluting than hydro, or certainly than soft coal.

My question for whoever is here from Queen's Park or Markham—I really don't know where you would find management for this organization, but I would like to address a question to the management of Hydro One or Ontario Hydro, whatever you want to call it, which is, what are you doing now to improve the quality of the air I get to breathe and that everybody else in this province gets to breathe? Are you investigating wind power, which is now apparently competitive on a per kWh basis? Are you investigating solar power? Are you doing anything with the fuel cell researchers? Are you planning to decommission the nuclear establishments, so that we don't have to worry about what to do with the waste, because we don't know what to do with the waste? This is the question I would like to ask if there's any management present from this organization: what are you doing now and what do you intend to do? Maybe I'll stay in Nova Scotia.

The Vice-Chair: Thank you very much. There's no management present from Hydro One, but there is time for a question from the opposition party. Would you like to ask a question?

Mr Gerretsen: I have more of a comment, I think. Both opposition parties in the House yesterday raised the whole issue about smog reduction and what the government was going to do about it. Of course, it's not the first time it has been raised; it has been raised for many, many years. I think the coal-fired plants have an awful lot to do with that, and Hydro plants have an awful lot to do with that situation.

As far as the individual questions that you have, there's nobody from management here. This is a legislative committee that is basically holding hearings as to whether Hydro One should or shouldn't be sold.

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Mr Ackerman: Can I depend on yourself or some of your colleagues to ask these very pointed questions of the management of Hydro One?

Mr Gerretsen: All I can say, sir, is that those kinds of questions have been asked continually and we will continue to ask them. Absolutely.

Mr Ackerman: What response do we get?

Mr Gerretsen: Maybe our energy critic would like to comment on that.

Interjection.

Mr Gerretsen: I'm not sure time permits that.

The Vice-Chair: Ms Churley?

Ms Churley: Just quickly, one of the major concerns New Democrats have about the privatization of the generating plants is that the coal-fired plants, which we're asking to be phased out, with more green energy and conservation and efficiency put in place, run only at peak times, but if they're sold they will be running 24 hours a day, seven days a week, to sell power to the US. So in fact, pollution will get worse under privatization. That is a major concern.

A NAFTA report on the environment just came out, and their studies show that privatization in other jurisdictions has drastically reduced efficiency and conservation programs and has indeed increased pollution. As the environment critic for my party, that is a major concern of mine.

Mr Gilchrist: In fact, I can give you some considerable comfort. The government commissioned a select committee; there were members from all three parties on it. On June 5 we tabled a report in the Legislature with 141 recommendations, the most aggressive, the most comprehensive program for consumer and business incentives and new product standards, to force the cleanup of our air by changing away from our current carbon-based energy use to green technologies. You'll find strong recommendations in there for wind, solar and biomass. You'll find recommendations about using new fuels in our vehicles. In fact, the budget last week already incorporated two of our recommendations. We've taken the road tax off biodiesel, so now you can go from having the dirtiest vehicle on the road, many of our diesel buses and trucks, to being completely benign. At the same time, we took the sales tax off SUVs and light trucks to complement the fact that we had already taken it off vehicles if you're alternatively fuelled.

So there's already progress out there and we recognize all the things that you've said. In that report, I think some of the strongest recommendations you'll find are for the complete closure of all of our coal plants.

We are ahead of Hydro. You can find that on the Legislative Assembly Web site or your local library could get that for you. If you have trouble, give us a call and we'll be happy to send you a copy of the report.

Mr Gerretsen: So when is the government going to implement all of the recommendations?

Mr Gilchrist: Mr Gerretsen, we've already started.

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

Mr Ackerman: Maybe I should report one thing from Nova Scotia. We have closed our high-sulphur coal mines forever.

Mr Gilchrist: It's long overdue.

PATRICK McCUE

The Vice-Chair: Is Patrick McCue here? Welcome, Mr McCue.

Mr Patrick McCue: My name is Patrick McCue. By way of introduction, I am a retiree. I retired in January 2001 and relocated from Thornhill, Ontario, to Kingston last July.

My working career spanned 39 years in private high-tech companies, the final 20 years spent in the human resources area. I have a positive view about the private sector and I certainly have no objection in principle to privatization. For example, we could do the LCBO next week, as far as I'm concerned.

However, I am strongly opposed to the privatization of the Ontario power system, particularly Hydro One. I commend the government on the announcement that privatization is off the table, but I am concerned that this may be a short-term position based on expediency. The reasons for my opposition are several.

First, the Ontario power system is one of the most valuable and critical resources in the province, in my opinion second only to the province's human resource. Virtually every individual, every business and every institution in the province is dependent on a top-quality electricity provider. The power grid is like the circulation system of a living organism. Without a healthy circulation system, the organism dies. Because Hydro One is so important, the risk in my opinion is too high to entrust control to a private board of directors and an executive team.

Privatization would be accomplished through an IPO, and immediately the company's success would be measured by profits, share price and shareholder satisfaction. In this environment, quarterly earnings per share become all-consuming. I believe this to be true because I have been there. My concern, then, is that the services to the citizens of Ontario would become secondary to the bottom line and, as a consumer, I would have little recourse. I believe I have a much stronger voice, through my member of the Legislature and our government, than I would have with a private company. I feel the citizens of Ontario can make a change if they disagree with the direction of a public company, but with a private company they can't make that change.

Second point, the recent revelation of the compensation packages of the management of Hydro One illustrates that the organization does not merit our trust. In my human resources experience, I saw many examples of executive pay. By the way, I believe in paying executives very well, because of the responsibility they carry. But in this case, I think the packages were excessive. The perks border on greed, in my opinion. If an IPO takes place, I expect that company shares, or stock options, would be added to these packages, making the situation worse.

Third, at one time, Ontario Hydro was renowned for its dedication to customer service. With the breakup of Hydro into its new components ie, Ontario Power Generation and Hydro One—and I believe there are others—with a confusing set of regulatory agencies, for example, the Ontario Energy Board, the OEB customer service centre and the IMO, I believe we are already seeing the organization distancing itself from its customers. As a customer with a problem, I recently had the challenge of trying to get attention in this maze. To say the least, it is a trying exercise. The biggest challenge is to find someone who is responsible and who cares.

Fourth, the province, in my opinion, does not have a good track record when it comes to privatization. For example, when I lived in Thornhill I was a regular user of Highway 407. It is doubtful if the province received fair market value for this asset. Shortly after privatization

there were several increases in fares, with apparently no regard for the consumer. Now, information is not available, but I suspect the new owner is reaping windfall revenues, having carried none of the risk of the original investment.

Minister Stockwell has said the current situation cannot continue, referring to the large debt carried by Ontario Hydro. This is probably true, but privatization is not the solution. Presumably there is a financial model which was to be the basis for the planned IPO. This model would be described in a prospectus and would have resulted in profits to justify the planned share price. For example, the profits of Hydro One in 2001 were \$374 million. I see no reason why this model could not apply to a public organization, with the surplus being used to retire the debt.

In summary, thank you for the opportunity to express my views. I urge the committee to sponsor an approach that keeps the control of Ontario's power system within the provincial Legislature and the citizens of the province. Failing this, and because of the critical importance of the system to the province, if privatization continues to be the government's direction, I believe it should be put on the table in the next provincial election, fully debated and decided upon by the electorate. Thank you.

The Vice-Chair: Thank you very much. That allows two minutes for each party. Go ahead, third party.

Mr Howard Hampton (Kenora-Rainy River): I want to ask you about the debt issue, since the government has talked about that from one end of the province to the other. Did you have a chance to look at the actual privatization IPO prospectus?

Mr McCue: No.

1120

Mr Hampton: It's very interesting. When you look at investment strategy, they talk about how a privatized Hydro One would build a transmission cable under Lake Erie, at a cost of several hundred million dollars, that would, shall we say, enhance the transmission upgrade through Niagara into New York state at the cost of, I think, about \$100 million, and then about a \$50-million enhancement of the transmission grid into Michigan. But nowhere was there a discussion of a strategy of investing in the transmission system within Ontario.

The corporate investment strategy described in that privatization prospectus was all about buying up transmission lines in the New England states and buying up transmission lines in the US Midwest. Then, on I think page 47 of the prospectus it says the corporate goal is to connect low-cost Ontario generators with markets in the New England states and the US Midwest. In other words, there's an opportunity to make a lot of profit here. But there was very little discussion about debt, and there was no discussion about there being a priority of investment in Ontario, which led me to think this isn't about Ontario; this is all about moving as much electricity south as possible.

As somebody who has been in the private sector, my question to you would be: a profit-driven corporation

would want to maximize profits as quickly and as easily as possible. Am I right?

Mr McCue: I wouldn't want to overstate it, but profit is clearly, I would say, the number one objective. Profit is usually based on providing very good customer service too, so you've got to be balanced. But profit is important.

Mr Hampton: What struck me was that it seemed like the customers a privatized Hydro One would want to concentrate on would be in New England and the US Midwest, since that's what the corporate investment strategy, as described in the prospectus, was all about. There is very little discussion about Ontario consumers.

Mr Gilchrist: I appreciate your comments and your coming before us here today. I appreciate that you've just recognized something we haven't heard all that often: companies only make a profit when they deliver good customer service and deliver what the customer needs. We heard a comment from a previous presenter that their motive would be to shut down the province. Well, if a company shuts down the province, I fail to see how it is going to make any money.

As an aside, I would like you to know that in the Highway 407 corporation's last financial report, they lost money, a lot of money, and they paid twice the original cost of that highway when we sold it to them.

Mr McCue: Is that a public document?

Mr Gilchrist: Yes, it is. I read it in the Globe and Mail. There too, it seems to me, it's only a good deal if you make money.

Sticking with the topic at hand here, we have said it's off the table. A lot of the opposition comments deal with a scenario that just is not going to take place. But speaking theoretically about any role for the private sector, lost in this debate is the fact there is a huge debt out there that is costing you and me and every other Ontarian 35% of the cost every month on our electricity bill.

For a company to make money, they have to invest their own equity. I recognize the profit motive, but would you not agree with me that their equity then reduces the debt of the corporation, which reduces the interest cost? Let's say I sold Hydro One for \$11 billion or half of it for \$5.5 billion. The Ontario government obviously pays no interest to bondholders for \$5.5 billion. Would that not be correct?

Mr McCue: That's right.

Mr Gilchrist: At 8%, in that mathematical model, the first \$440 million in profit that the corporation makes really hasn't cost the consumer a penny, because you've seen the debt service cost drop by that amount, and anything up to \$440 million, the consumers wins. It's not a model we're heading to, but lost in this debate is the fact that nobody is going to get anything for free. We haven't said that in any discussion, and we never will for any asset. We're not going to give it away. But if you sold an asset, you've got the money from that sale, and that obviously saves you money, doesn't it?

Mr McCue: Right. First of all, I'm totally in support of reducing debt. I totally support what the federal

government is doing to try to drive down the debt. I would hope we could do the same thing in Ontario. Certainly I don't espouse living on debt. I'm concerned about the control. I believe we can find a way to deal with the debt, but I don't really think we should lose control of this asset.

Mr Gilchrist: We agree.

Mr Gerretsen: It may be off the table today, or the majority sale may be off the table, but make no mistake about it, section 49 of the act is very clear: if passed, the bill gives the government the right to sell Hydro One at any time. Who knows what the position is going to be tomorrow? I'm not concerned about whatever the position happens to be today; I'm concerned about the power they have.

The question I have of you, and you put your finger right on it: the average person out there doesn't know who the heck to call any more, there are so many different organizations. If you as an executive couldn't figure out who was ultimately responsible, how do you think the average person out there feels?

Let me put one theory to you, and I'd like your comment. I believe that governments of all stripes over the last 100 years have used energy prices as a method of economic development in the province. Energy has been sold cheaply to large organizations in order to build plants from which we have benefited—people have come etc. I don't think all the stranded debt that's out there necessarily has anything to do with Ontario Hydro—the actual cost of producing the hydro etc—but it has a lot to do with the policies for the development of our province over the last 100 years. I wonder if you have a comment on that.

Mr McCue: The fact is that the debt is there. It's there either for a good reason or a poor reason, but it's there. So we have to deal with it, and I believe we can do that.

This organization generates a huge amount of cash. It's a cash machine. It's a question of how effectively we manage it and what the priorities are. Some of the priority has to be to get rid of the debt, but it can be done.

The Vice-Chair: Thank you very much for coming in today. It was very interesting.

Mr Hampton: Could I just add one comment?

The Vice-Chair: I'm sorry, we've used all the time.

LEEDS COUNTY CONSERVER SOCIETY

The Vice-Chair: Is the Leeds County Conserver Society here? Welcome.

Mr Paul Gervan: Good morning. My name is Paul Gervan. I'm a member of the Leeds County Conserver Society, a long-standing environmental group in rural Leeds county. I live about half an hour north of here, in the Seeleys Bay area. I own and operate a private importing trading company. I'm a graduate of Queen's University in chemical engineering. I had early experience in my professional life here in Kingston as a consulting engineer working on an energy-from-waste program in the late 1970s. I also was worked for a short

time for the federal Department of Energy, Mines and Resources as project manager of Kingston's energy conservation centre in the late 1970s and early 1980s.

At that time, we were actively proposing and advocating a very simple solution to the energy needs of Canada and Ontario through conservation and efficiency. You may recall at the time that the federal government put forward a report called *Canada as a Conserver Society*. I think it was in 1977 or 1978. I contend that the answers to almost all our current energy problems and our responsibly dealing with the environmental problems that ensue really reside in a lot of this earlier work.

As a result of my frustrations at that time in trying to bring about this conserver society, I became an energy activist and was involved quite actively over a period of years in opposing the current energy mix we have here in Ontario. Principally at that time, in the late 1970s and early 1980s, it was the Davis government pushing very hard for the nuclear future. You may recall there was a vast advertising campaign, *Go Electric*, promoting electric heat and all forms of madness and ways of inappropriately using the resources we currently have.

1130

I prepared a few notes today, but I'm not going to add to the paper you folks have with you. I'm not going to attempt an in-depth critique of Bill 58. My point is really quite simple. We've known for some time, as we do today, that clearly the most responsible and fiscally responsible thing we can do—that any government can do—is to pursue a very active and aggressive campaign of energy efficiency and energy conservation, so that we don't need to produce more energy, we don't need to export more energy, we don't need more transmission grid, we don't need more sources of energy; we just need to use the energy we have more responsibly, both environmentally and fiscally.

I would contend that the mess we're in and the debt we've been discussing this morning, the \$36 billion, is almost directly and totally attributable to the Conservative government's folly in pursuing the nuclear option against the best advice of many knowledgeable people in the field at the time, and in the years that have intervened, there really have been very few meaningful conservation programs. The government has been very slack in approaching conservation.

This gets to the nub of my argument: a privatized Hydro One, being a private corporation, would have no incentive whatever to control or moderate the use of electricity in any way, in fact quite the opposite. It's selling a product, and it behooves it to sell more of that product. It's transmitting the product and making its money by transmission; therefore, the more transmission, the more export.

As has been explained earlier, the current plans for further transmission lines to the United States would mean that a good number of our current fossil fuel-fired plants, as well as the nuclear plants, would be running full out to meet that export market. The result of that, of course, would be more bad air days like we have today. I

live half an hour north of here, and this morning my farm was in smog. Smog is no longer a Toronto problem; it's all of ours.

The reason we're living with this today is because we in Kingston are downwind from Lambton, from the Lakeshore coal plant and from the Nanticoke coal plant. By the way, the Nanticoke coal plant, one of the largest coal-fired plants in North America, was built in the late 1970s and early 1980s, at a time when it was well known that it was totally irresponsible to build a plant that size, or of any size, without coal scrubbers. It was built without coal scrubbers. It was just a very foolhardy and irresponsible approach to the future of our air here in Ontario.

My argument, then, is that the privatization of Hydro One would militate against any meaningful conservation measures being put in place and would be a disaster in terms of more and more of the product, more and more energy being used and distributed, and the resultant air quality degradation would be quite obvious.

From the rural standpoint, as a rural resident, although I've had my ups and downs with Ontario Hydro, I must say that most of my neighbours who remember rural electrification have a rather more benign view of Hydro. It certainly was somewhat reassuring during the ice storm a few years ago to know there was a public utility that wasn't necessarily blindly pursuing dollars first, and that came out and did what they could to restore our power. I would say that in an overall view, rural people are apprehensive about energy security in the hands of a privatized corporation.

The last point I would make with regard to this move is regarding the broader issue of globalization. I think we can see that privatization of Hydro One would be a substantial erosion of public political control of a corporation we've grown to expect to respond to our needs and would put more of it in the hands of multinational corporations. This move to globalization has been deadly for our farm industries. We find that more and more subsidies and so on tend to support larger industrial farming and have resulted in the atrophying of small, more diverse farms.

It should surprise no one that my view is that the first, second and third most important things we need to do are conservation, conservation, conservation—efficiency, efficiency, whatever. There is a vast amount of information out these days dealing with hyperefficiency and biomimicry, in which we can achieve, in large part, the industrial and commercial goals we have in this province with a fraction of the energy we are currently using. I think it would be a crime if we continued any further along this path of more supply and export of energy without dealing with conservation and efficiency in a very aggressive way. Of course, renewables—wind, tidal, geothermal, photovoltaics and passive solar—are all options we must pursue, but we must not be diverted. The thing we can do today to alleviate the smog we're facing is institute heretofore untried but very necessary aggressive efficiency and conservation objectives. We can use less and live better.

I think that in many ways this \$36-billion debt I alluded to earlier is really a result of the current course of inaction with regard to intelligent use of energy, and that we're being made to pay for that with the loss of control. I believe the public would be better served with complete public control of Hydro One and, in fact, OPG.

That's about all I have to say. I believe we really need to take action. The Conservative member, Mr Gilchrist, is talking about all the plans the Conservatives have for efficiencies and a new regime, but we've seen those now for 20 or 25 years, in the hands of the Liberals and other parties as well, and unfortunately no political party has had the gumption to take the steps necessary to move toward a conservator society.

ONTARIO FEDERATION OF AGRICULTURE

The Vice-Chair: The Ontario Federation of Agriculture is our last presenter this morning. Please introduce yourself.

Mr Allan Gardiner: Welcome to eastern Ontario. My name is Allan Gardiner. I'm an executive member with the Ontario Federation of Agriculture. I've been with most of you at some time in my career with the Ontario Federation of Agriculture.

I appreciate being able to speak with you this morning. You've certainly gotten a pile of information in the hour and a half I've been here. Your homework is going to be tremendous.

I have a presentation that our electricity committee has worked on since our first meeting with Energy Minister Wilson, I believe on April 4, 1999. Why the Ontario Federation of Agriculture got involved with this as agricultural producers—I'm also an agricultural producer; my family and I farm in Lennox and Addington county, and I'm a past warden of that county, so I have a great feel for the economic value we have in our agricultural producers. We are looking at the reliability and the reasonably priced cost to us to produce food for you using hydro.

1140

We're calling our presentation this morning "Using Hydro One to Build a Future." I'm sorry I didn't bring a complete copy for all; I didn't know how many I would need. I understand your clerk said that when you get back to Toronto, each member will be given a copy. I appreciate that. I'm not going to take a lot of your time. I'm going to briefly go over several points in the presentation.

The Ontario Federation of Agriculture speaks for over 44,000 farmers in Ontario, both large and small producers. OFA believes the following suggestions, if followed, will provide needed comfort and support for consumers, renew Hydro's positive role in Ontario and pay the debt.

Ontario is used to and generally pleased with the ownership of power lines where owners are motivated by the need to ensure reliable service. It has worked without

a hitch for over 90 years using PUCs in most Ontario cities, and worked very well until recently in rural and small-town Ontario using Hydro. The PUCs were effectively regulated by the fact that they were elected and competed with each other to provide good service at low cost in order to make their towns good places to set up business and to live. A great many Ontario people think this kind of public ownership of such natural monopolies works, and works well. OFA is proposing a PUC model for Hydro One.

Transmission: transmission is a natural monopoly and a public utility. OFA believes it should be owned and run by Ontario. It has no competition. It provides an essential service in connecting generators to local distribution nets. This focus must remain its core business.

Distribution: OFA recommends the PUC model for local distribution. PUCs are now called local distribution companies, or LDCs. The vast majority of Ontario's population has PUCs, and PUCs work. What little debt they have is in line with their ability to pay. They have had no failures and they have a great service record. PUCs compete with each other to make their areas better places for business and to live.

Raising funds for maintenance and growth: the PUC model would raise funds in several ways. The municipality could lend the PUC funds. The PUC could collect contributions in aid of construction from consumers. PUCs could set rates to fund growth. PUCs could fund growth or maintenance out of retained earnings. In no case would the province be called on to guarantee or assist in funding growth or repairs or maintenance. The costs would be borne and raised locally and local people would enjoy the results.

The debt is in two parts. The stranded debt is to be paid from the profits of Hydro One or OPGI and from selling these entities. If Hydro One were sold, it might bring the province as much as \$7 billion. If retained, Hydro One will bring the province \$450 million per year from 2003 on, not including taxes, which Ontario will collect in any event.

Summing up: apart from protecting the environment, the need for a public role in building or running generation is largely past. The Ontario Federation of Agriculture encourages a market in the generation of electricity and asks that price setting be made more competitive than the present price rule will allow. We also believe that transmission should be owned and run by the province, and that new assets should be built with consumer participation. This again is the PUC model for transmission.

The Ontario Federation of Agriculture believes every effort should be made to extend the PUC model to distribution for rural and small-town Ontario. Hydro One distribution assets and the appropriate shares of Hydro One debt should be sold or given to those municipalities.

The Vice-Chair: Thank you very much. That allows time for some questions. This time it's the turn of the government to start.

Mr Johnson: Allan, thanks very much for being here this morning and for making the presentation. I'm getting

kind of old. I go back to hearing my parents talk about the expansion of hydro into rural Ontario where they had to collect, I forget if it was two or three customers in each concession up and down the townships, in order to get the hydro line extended. So I guess I want to know from the rural or the farming group you represent how you feel about those kinds of expansions that need to be done and how they will operate under the model you're suggesting.

Mr Gardiner: Some of them will of course take care of themselves. It's interesting to know that in the 1940s farmers were so interested in obtaining electricity that the hydro came along and there were no easements. In our family farm operation, just last year we purchased another farm because our son is part of our business now. There were two wooden poles in the middle of the field and even the lawyer missed that there was never an easement. So what happened there was that people were so interested in having, or wanted, hydro so badly that they gave that. That would never happen today, Mr Johnson. It's a pay society. But I think it would probably take care of itself in today's market.

Mr Johnson: I also want to point out that in the part of Ontario I represent—all of the county of Perth and part of Middlesex county—Perth has a substantial number of Mennonites, of older Mennonites and Amish who don't use electricity at all. They probably aren't a supporter of your organization and politically they are inactive as well. I was wondering about the concept of those. We had a presenter here today who might choose to go without electricity. Is that still an option in—

Mr Gardiner: Certainly. It's a democratic situation. All farmers with a certain income are members of a general farm organization, but the Mennonites have a religious exemption, so there would be no problem. We also know that some Mennonites may not have it in the house but they have it in the barn, and sometimes they have a computer in the barn too.

Mr Johnson: Sometimes they have a telephone on the pole that's out in the middle of the field too. Thanks very much for your presentation.

Mr Gerretsen: Nice to see you again, Mr Gardiner. Your comments about the utilities are interesting, because of course this government did away with all the public utilities in the various municipalities. It was always my impression—mind you, I was biased; I was on the public utilities here in Kingston for eight years—that in areas that had public utilities, there was a feeling that the consumer could at least talk to some of the elected members of these utilities to discuss problems and issues, which wasn't always there in the Ontario Hydro sense. Anyway, that's all done away with now and it's looked after by councils and there may not be the same kind of direct connection as there was the last time.

Just to get to your utility model for rural Ontario, are you suggesting then basically, or is your organization suggesting, that the old-style utility companies be set up within geographic jurisdictions that Ontario Hydro currently covers, let's say along county lines, or bigger than that?

Mr Gardiner: That's something that can certainly be looked at, but it can be done regionally etc, and once it's set up it's self-sufficient.

Mr Gerretsen: And these people would be elected?

Mr Gardiner: Yes, definitely. That's why a lot of the small PUCs were very valuable. As you and I both know, there were some small towns in eastern Ontario that got well over \$10 million for their PUC. We know one within a 20-mile drive here that had a reserve of \$460,000.

Mr Gerretsen: Of course some of us have real problems with the fact that Ontario Hydro went out there and bought all these utilities that now I guess are going to be sold into the open market or something like that.

Mr Gardiner: Again, as a farm operation, we were looking at it through our committee system and representing our farm membership across as having reliable, reasonably priced power.

Mr Hampton: Do you find it a bit strange that Hydro One, under this government's direction over the last two years spent \$600 million, we're told, at inflated prices, buying up local PUCs, and now the government says the corporation has an unsustainable level of debt? Do you find those two things a bit bizarre in the context?

Mr Gardiner: Mr Hampton, I certainly had a point of disappointment when some of the PUCs went. As a past local politician and warden of my county, and seeing how those PUCs worked, I did. The way the Hydro situation has gone now, the office on the Sydenham Road here in Kingston, when someone phones now, they get someone in Markham, or on Woodbine Road. That is not acceptable, I don't think, and that's something where we're saying that in a PUC model it localizes it somewhat.

Mr Hampton: The other point I wanted to go over with you: I listened very carefully and your point is that, if you look at the revenue flow into Hydro One, the revenue flow is so consistent and so significant that it is the revenue flow we ought to be focusing our attention on. I believe I heard you use the figure of \$450 million a year?

Mr Gardiner: Yes.

Mr Hampton: So you're saying over a 10-period that's easily \$4.5 billion, perhaps more, and that we should not be giving up that revenue flow; in fact, that's the key way to maintain the transmission system and to maintain what is obviously a very important public asset?

Mr Gardiner: Yes, and it should be self-sufficient. If it had been self-sufficient before, the debt wouldn't have been there, would it? You know, we wouldn't have—

Mr Hampton: Actually, I agree with one of the previous presenters. Where the debt was racked up was overwhelmingly on the generation side and it was the previous Conservative government that had a love affair with nuclear power.

Mr Gardiner: I'm not here to debate that, sir.

Interjections.

The Vice-Chair: Thank you very much, Mr Gardiner, for coming to this committee today.

That wraps up this morning. Thank you, all those who came this morning. This committee stands adjourned until 2:30 in Ottawa.

The committee recessed from 1153 to 1429 and resumed in the Crowne Plaza, Ottawa.

DISABLED AND PROUD

The Vice-Chair: I'd like to call this meeting to order.

Is a representative of the Crystal Beach/Lakeview Community Association here? Is there a representative of the Poverty Awareness Week Committee? How about Disabled and Proud? Very good. If we could have you start, that would be great. If you could, please state your name. You have 10 minutes to use as you wish. You can speak the whole time or allow time for questions, whichever suits you.

Mr Charles Matthews: I'm a little in advance here so I wasn't quite prepared to speak right away, but here we go. It's a short presentation, so I've allowed a little bit of time for questions, if anybody might have them.

First of all, my name is Charles Matthews. I'm president of an organization called Disabled and Proud. We represent at the present time the disabled community here in Ottawa. We have over 1,100 members in the Ottawa area alone and we also have members from across the country. We are in the midst of going national. Thank you for hearing us today on this very important topic.

Disabled and Proud is a not-for-profit organization that represents the disabled community in Ottawa and several other disabled persons across Canada. Many of our members are on one type of subsidized income or another. With this in mind, we are presenting the view that the government should not sell off any part of Hydro One or turn any control to anyone else, but instead to remain in control of the most valuable asset and do what is right for us, the stakeholders in this corporation.

Electricity is a utility that no one in this country can live without, especially the disabled. As an example, as you can see, I am in a scooter that needs electricity. It's not only for regular things at home but also for our apparatus. As this government has stated by defeating Bill 118 on second reading, the government has given the disabled community that rely on ODSP the message that, since we are not getting an increase in our incomes, we must now rely on you not to increase any of our other costs as well. How can we possibly afford to take a chance on a private company increasing our costs?

We also are here today to ask, maybe even demand, that Hydro One work on the cost for hydro so that, when you sell to our local suppliers, you can do it on a cost-plus basis rather than on what we perceive as being a profit-down basis.

Hydro One is at the present time our most valuable asset and we should not sell any part of our most treasured asset. Many of the systems that the government has put in place and privatized have gone wrong. A good example of this is when you cut hospital costs and

institutional costs by having patients living in their own homes with health support. The CCACs have been set up to administer the system. Well, look where we stand now. The CCACs receive monies to administer home care. They in turn hire, then contract out, work from other organizations who then pay an actual homemaker to do the work. The net result is, only one third of the cost of supplying the service is actually going to the service and the rest is administration.

In light of this last statement we have come to understand that the administrative costs have to be looked at in Hydro One. It is disturbing that our executives enjoyed salaries in the neighbourhood of \$2.2 million when their counterparts in other provinces are in the range of \$400,000 to \$500,000. We also have come to understand that some of their pensions are worth over \$6 million. The government has been aware of this since 1999. I guess these individuals will have no problem paying their hydro bills. We do, however.

We would like to see the government appoint an independent body to oversee electricity in our province. We mean at arm's length.

All our members are voters and 85,000 disabled persons live in Ottawa alone. That represents almost 20% of the population of the voters. If an election were to be held today, and if the government ran on this issue, Hydro One, I am sure that the government would have to move their desks to the other side of the House. All we are asking you to do is what is right and really listen to what your constituents are saying: do not sell any of Hydro One.

To summarize my presentation today, I am asking that you allow the disabled community to continue being able to pay our bills and keep costs down. We can't afford for a utility like Hydro One to make profits from the people who can least afford them. Thank you very much.

The Vice-Chair: Thank you very much. The official opposition, would you like to go first?

Mr Richard Patten (Ottawa Centre): Thank you, Matthew, for coming here today. I can well imagine the concern of you and your group, which has to live so close to the line on so many variables. So your big concern is really that you feel that if this were privatized, we would lose the ability to contain costs, as well as the multiplicity of services that would be added on the private side.

Could you explain to me, though, your comment—I'm not an economist or a financier, so I don't understand it—that "Hydro One work on the cost for hydro so that, when you sell to our local suppliers, you can do it on a cost-plus basis rather than on what we perceive as being a profit-down basis"?

Mr Matthews: Basically we'd like to see—what are the net costs? Being a utility, a thing that's owned by the people, what is the cost of supplying the service; in this case, electricity? What is the total cost of supplying that? Then working on your administrative costs that have to be put in there—that's fine. But if you start looking at profits and all these other things, this is where we're going to get hurt; also, the amount of administrative

costs. If it goes into private hands, what we're scared of is that there's not going to be any control over this. We'd like to see the control remain at the government and basically not have this in the private sector.

Mr Patten: Do costs include a portion of the stranded debt that's being carried at the moment?

Mr Matthews: That I'm not qualified on.

The Vice-Chair: Would the third party like to ask a question?

Mr Hampton: What I'm interested in is the comparison you draw with how home care is now provided. If I follow your paragraph, your point is, now that home care has essentially been turned over to profit-driven companies, you're in effect faced with the Ministry of Health, which has an administrative structure, and then you have the community care access centre, which has an administrative structure, then you have the private sector corporation, whether it's Olsten or one of the other profit-driven home care providers who want their administrative costs covered, plus they want their profit, and then you have the actual health care providers, the workers. I take it your point is that with all of these new commission-takers, profit-takers and all these new levels of administration, you're seeing less of the actual health care dollar go toward delivering home care and more of it being siphoned off by people who want a commission, who want a profit or who want their administrative level covered.

Mr Matthews: Exactly. If I might follow up on that: for instance, I'm not sure of the exact dollar amount that goes to the CCACs, but the amount that goes to visiting homemakers, say, is approximately \$24, of which they pay their employer about \$12. I was told it's actually a lot bigger than what I mentioned here; I talked about one third actually going to the homemaker and two thirds going to administration, but from what I understand, it's only about one quarter of the cost. I've been corrected on that. But this is what happens when you have so many different levels in it. For instance, if you go to privatization, they're there for one reason, to make a profit, and they want to make money on it, so why cut the pie up further?

1440

Mr Hampton: Certainly one of the points that has been made over and over again, in Toronto and in Kingston earlier today, is that with a number of profit-takers, commission-takers, fee-takers, added on to the cost of hydro, that will in effect force the price up for the consumer. The figure that matters to the consumer is the figure that appears at the bottom of the bill, which adds up all of the new fee-takers, commission-taker, etc. Your concern is that privatization is going to lead to a figure at the bottom of the bill that is much higher than it has been.

Mr Matthews: I agree with that. Basically, it is also that we're looking at this as for instance Hydro One being the wholesaler and then of course a place like Ottawa Hydro being the retailer. Therefore, if you have the wholesaler increasing their costs, what's going to happen at the retail level?

It's very scary right now. The disabled community is not only being scared by all these other increases in the cost of living, but now they're even worried that they won't be able to afford to plug in their scooters or, for people who need air conditioning, they won't be able to afford to run their air conditioners in the future. It's very, very scary.

The Vice-Chair: Thank you very much for coming in today and making your presentation. We appreciate it.

Is Crystal Beach/Lakeview Community Association here, or Poverty Awareness Week Committee?

MICHAEL CASSIDY

The Vice-Chair: Michael Cassidy, I know you're here. I just said hi to you a minute ago. You have 10 minutes to use as you please.

Mr Michael Cassidy: Thank you very much, Mr Miller. Most of you will know that I am a former NDP member of the Ontario Legislature, and you probably also know that I served as a director of Ontario Hydro for six years from 1991 and, during that period, was a member of the board's audit committee and chair of Hydro's social responsibility committee.

I want to make three major points in the short time that's available to comment on Bill 58. If there are questions, and you could extend that a little bit, if other people are not rushing forward, I'd welcome that.

First, despite the contrary assurances made by the provincial government as recently as last week, there is nothing in Bill 58 to prevent a complete privatization of Hydro One and its removal from any form of government control. Promises by politicians are hardly worth the paper they are written on these days, I'm afraid to say, having been one. The government's assurance that Ontario will retain a majority control of Hydro One should be incorporated in Bill 58. It's not bankable if it's just words uttered by the Premier or by the minister.

Second, since taking office, Premier Eves has made it clear that he's trying to take an approach to government that is different than that of his predecessor, Premier Harris. There is nothing in Bill 58 to reflect the calmer and gentler approach that Mr Eves has indicated he wants to adopt.

Third, one of the legacies of the Harris government for Ontario Hydro and its successors has been a period of constant turmoil, culminating in the move to fundamentally change the Ontario electricity market beginning in May of this year. The government's actions since the successful court challenge to its initial public offering for Hydro One have added to that confusion. Ontario citizens and businesses need time to absorb the changes in electricity management in this province that have been so rapidly imposed by the government. A rushed adoption of Bill 58 with little public consultation or expert examination of its implications will add even more confusion. At the very least, I would suggest that Bill 58 be kept open for consultation over the summer and not return to the Legislature until this fall.

Going back to those points: first, the limits on privatization. The rationale given by the government for Bill 58 is that if Ontario's grid and Hydro One's local transmission activities are run by the private sector, they will be more efficient and effective. Therefore, despite government assurances, the door is left open in the bill for complete privatization.

I am very skeptical about the rationale offered by the government, particularly in view of such studies as the Consumer Report review in the United States, which indicates that the cost of public power in the US is about 20% cheaper on average than power from privately owned utilities.

I am also concerned that even if the province were to retain 51% ownership of Hydro One, the company will be effectively run as a private entity by one or two large minority shareholders. Public power through Ontario Hydro has served this province well through most of a century. The current problems with electricity in the province can be traced back to the determination of a Conservative government to continue massive investment in nuclear power in the 1980s. The fatal mistake for which we still suffer was the Davis government's decision to proceed with Darlington, a project whose costs turned out to be almost four times the original estimate of \$4 billion.

Section 49 of the proposed Bill 58 states, "The Minister, on behalf of Her Majesty in right of Ontario, may acquire, hold, dispose of and otherwise deal with securities or debt obligations of, or any other interest in, Hydro One Inc or any of its subsidiaries." Subsection (2) allows the Minister, on behalf of the province, to "enter into any agreement" needed to exercise this power to hold shares and to dispose of them. Sections 50 and 50.1 appear to enlarge on this power to provide the government with even more options.

What this amounts to is unequivocal power for the government to sell as many shares in Hydro One as it cares to. In other words, it could go forward with the initial public offering which Bay Street financiers have had in their dreams for months.

As I state below, I believe the wisest course at this time would be for the government to withdraw Bill 58 and create a breathing period before any more massive changes are imposed on what is left of Ontario Hydro. Failing that, I urge that the committee amend these sections of Bill 58 in order that there is a legislative guarantee to support the promises of the government that Ontario will maintain majority control of Hydro One.

Second, the kinder, gentler approach: this is what Premier Eves seems to want and has been saying since taking office. He wants a kinder approach than Mike Harris's. We've had radical and often regressive change thrown at us steadily for seven years. Mr Eves and his new colleagues are just beginning to pick up the pieces as the consequences of the Common Sense Revolution start to be felt in hospitals, in education, in home care, in the environment, in fact throughout the Ontario government. If so many things have gone wrong from the govern-

ment's initiatives to date, I suggest it would surely be wise for the government to take the unexpected setback to its Hydro One stock market issue as a warning sign, a sign to slow down so that Ontario can catch up or correct the multitude of changes the government has imposed since 1995.

Hydro One's accounts show that it has a stable basis of revenue and earnings sufficient to pay the carrying costs on its loan capital. Its annual profits currently equal about 7% of the shareholder equity held by the Ontario government, a decent if modest return. There is no significant gain to be made by selling off Hydro One since any cash received by Ontario will have about the same yield as what the province now receives in Hydro One dividends. In other words, take in cash, pay down in debt, and you're in the same position if you just simply use the dividends from Hydro One to pay the interest and carrying costs on outstanding debt.

Finally, too much rush, not enough thought. I can understand that the government was piqued by the court decision that derailed its proposed public offering of Hydro One shares this spring. But that is not a good reason for rushing through an ill-considered patch-up job which leaves as many questions unanswered as before. It seems as if the Premier and Minister Stockwell have come up with new solutions for the future of Hydro One almost every week since the court decision this spring, and many of these solutions are contradictory. Citizens of Ontario can be excused for being confused at what is going on.

Bill 58 had only three days of debate in the Legislature. These hearings of your committee with the public were hastily organized and extend over only two or three days. With the summer recess around the corner, I suggest the Legislature is unlikely to have time to give appropriate consideration to this bill.

I recommend that the committee acknowledge this problem and report to the Legislature that more time is needed before this new attempt at some form of Hydro One privatization proceeds. Hold some hearings over the summer, allow for more reflection and for comments from experts who can hardly provide a considered view on the bill when witnesses come before you for only 10 minutes at a time. If Bill 58 must proceed, let this occur in the fall, and let it be with amendments that at the very least ensure that the limits on private ownership of the corporation that are now promised by the government are reflected and confirmed in legislation.

The Vice-Chair: It's the government's turn. Mr Johnson, do you wish to ask a question?

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Mr Johnson: Not so much a question as just to make a comment. We're pleased you took the opportunity to be here and give us your opinion and some facts. With that, I don't pretend I am thoroughly convinced by all of them. But I was wondering how you see the future and so on. You've given us some suggestions on Bill 58 and holding it back. But where do you see the utility, Ontario Hydro as we used to know it, going in the future?

Mr Cassidy: My preference would be to say that Hydro One works. It is the glue that binds the electricity system of the province together. It is a means for the public, through the Ontario government, to continue to exercise influence on electricity operations in this province. I think electricity is very important, for example, to stand in the way of a determined move by private sector players to ship every kilowatt hour of electricity they can find to the American market, at the expense of Canadian consumers in Ontario. That would be my preferred solution. If this government decides otherwise, they've said majority control will stay in public hands. I think it would be wrong to engage in such fancy-dancy solutions as essentially renting the corporation out over a long-term lease while technically ownership remains in public hands. I think the power of the government to continue to control Hydro One should be confirmed in legislation for the reasons I just gave.

The Vice-Chair: Thank you very much, Mr Cassidy, for coming today. We appreciate your taking time to make a presentation.

Mr Cassidy: I'd be so happy to stay, Mr Chairman, but thank you very much.

JAN HEYDEN

The Vice-Chair: Is Jan Heyden here?

Mr Jan Heyden: I am here.

The Vice-Chair: Welcome. You have 10 minutes to use as you please. You can either use the full time or allow time for questions.

Mr Heyden: Thank you very much for having these hearings. I first want to put in a few important starting points regarding the proposed option of partial privatization of Ontario's Hydro One.

It is an existing system that requires maintenance, expansion and operation. Whether Hydro One is publicly or privately owned, any debt payments are to be borne by Ontario taxpayers and/or electricity consumers. Therefore, these debts cannot influence the privatization decision.

Second, the system is owned by the people of Ontario. Any major changes in the operation of the company—that would also include ownership—must be approved by a majority of shareholders, as is common in multi-owner facilities of any kind.

With that in mind, I would like to make a few more points. One already has been made by the first speaker. Hydro is a necessity in our lives, and as such should be under full control of the Ontario community through the government. Providing an essential service does not have a good fit with the profit mandate of a private operator. Quality of service, safety and environmental stewardship should be the driving forces instead.

Hydro generation as well as transmission depend on facilities that have a potentially strong impact on the natural environment. For our world to survive we need to minimize this impact. This requirement needs to be addressed, for instance, when deciding on the design and

placement of transmission lines. This may mean routing the lines around sensitive nature areas. A reduction of the environmental impact is not a priority item for a for-profit operator.

The other parts of the operation, such as other environmental and labour standards, safety factors etc are important parts of the operation of Hydro One systems. The danger exists that when much of the ownership goes to foreigners, they can sue to reduce those requirements because they can be taken as reductions in profit potential and be eliminated under NAFTA rules. I remind you of the experience with the Ethyl Corp, which had to be paid because of claims of loss of profit.

Hydro One is a part of the hydro supply system of Ontario that is the least appropriate for privatization. The argument of competition giving possible cost advantages does not apply at all—not a chance that anyone would install a competing second set of high-tension wires in the province. The only effect of privatization is an increase in cost because of the shareholders' profits.

The only possible savings could come from a reduction in services and safety, and we don't want that, or from a reduction in the benefits for Hydro workers. They are the ones who really keep the system going, not the people with extra money who could invest. Therefore, the sale can only be excused for ideological reasons that say, "Private profit is best. Stop asking questions."

Many Ontario city councils—and that includes a unanimous decision in Ottawa city council—have made it known to the Ontario government that they reject the idea of privatizing Hydro One. Historically, these councils have been involved in the operation of a hydro system and their opinion should be taken seriously. Even Chairman Shortliffe of Hydro Ottawa did not recommend privatization of Hydro Ottawa. Partial privatization suffers from the same problem as total privatization. There's only a slight change of scale.

The privatization of Hydro One affects not only the transmission system in Ontario; without much publicity, the company has bought 85 local distribution facilities—that was in a press release in 2001—which means that a large part of local distribution also has been privatized without it being talked about much. That is very puzzling since Hydro One was created, maybe among other things, presumably to break up the vertical integration of Ontario Hydro. How does that match with the expansion of Hydro One into a new, vertically integrated company?

It was established in court that the Ontario government did not have the authority to sell Hydro One. I assume that laws are there for a reason. I'm puzzled at how the government, which was elected by only about 40% of Ontarians, can just overwrite such a law when it considers it inconvenient for its operations.

I would like to close with a few actual questions.

Profits: Hydro One can be sold only if it makes a profit. The net income was \$374 million in 2001, according to their reports. Ontario already owns Hydro One. Can you explain what long-term business sense it makes to sell this profit-making asset?

Decision-making authority: are you planning to have a referendum, an election, mail-in ballots or what, so that you be sure that a majority of the people in Ontario are in favour of selling off their own Hydro One?

Environmental issues: do you have plans to impose conditions living up to environmental standards on any sale?

NAFTA effects: would you undertake to make the results of any existing and future studies public on what impact NAFTA rules may have on Hydro One if it were privately owned?

Finally, I quote from something that is happening in Peru at the moment, where there are fairly extensive riots going on because of privatization of hydro. I hope this won't happen in Ontario. I quote from the Associated Press:

"Protesters say Toledo"—the president—"failed to consult local leaders about the sale"—we've heard that here—"reneged on a campaign promise not to sell off the electricity companies"—sounds familiar—"and ignored a court ruling against the auction"—another familiar sound.

"Protesters fear the sale of the electric companies will lead to job cuts and higher electricity tariffs with little reinvestment in the region.

"The government is selling off the electric companies and other state-owned assets to help cover budget needs."

Are we living in Peru or in Ontario here? Maybe I can get a few answers.

The Vice-Chair: Thank you. That allows about four minutes for questions. The official opposition, it's your turn. Would you like to ask a question?

Mr Patten: In one of your questions you asked about the business case. We've been asking in the House for a business case on this for many months, and we don't see it. We hear comments from Mr Eves and Mr Stockwell about the discipline of the private sector, which probably loses some of its glitter during these times. I frankly agree with your point of view. I can't see any way, unless Hydro One is so inefficient, which I have no reason to believe it is—it does make a profit, it seems to be well run and it plays an important infrastructure part, obviously a major, central part in our economy. The only reason I can understand is that the government is looking for cash, and one way they can get cash is to sell it off in part or in whole.

When you hear Mr Stockwell and the Premier talk about the discipline of the private sector, what's your response?

Mr Heynen: I've worked in the private sector as an employee, and I have seen the particular company I was with—I won't name it—go from a big company to an enormous company and have seen the same thing happen that is always talked about in government. My conclusion is that efficiency has nothing to do with private or public ownership; it has everything to do with size. It so happens that governments were bigger much earlier than private companies. At the moment, we have come into an atmosphere where bigger private companies are a similar

size to governments. As a result, as predicted, we get similar inefficiencies. Maybe Hydro One is inefficient because it's big, but turned over to the private sector I expect it would do the same thing.

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

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POVERTY AWARENESS WEEK COMMITTEE

The Vice-Chair: Our next person is Terrie Meehan, from Poverty Awareness Week Committee. Welcome, Terrie. You have 10 minutes to use as you please. You can either speak the whole time or you can allow time for questions, whichever suits you.

Ms Terrie Meehan: I won't need the whole time. My apologies for being late. As you can see, I'm disabled, and accessible buses are hard to find.

First of all, as part of the Poverty Awareness Week Committee, we're against the deregulation part of this. It's hard enough to pay our necessary bills without wondering, "Is it going to skyrocket?" or "Are we going to actually have some more money to feed our kids?" I was just working it out and I pay about 42% of my income for shelter each month—I'm on a disability pension, so I get more than someone on Ontario Works—and currently, 3% of that is hydro. I've got growing kids, and every penny does count.

What we would like to see at Poverty Awareness Week is a revenue-neutral system. We agree with having a business case scenario, but having it set out so that it's revenue-neutral, so you don't make a profit off those of us who just don't have money.

We find it really scary that hydro is deregulated. What we see is, trying to make a profit off something that basically should be a public utility and should be run to make the money that runs it.

Thank you. I had more, but I'm just lost in the heat.

The Vice-Chair: No problem. Perhaps when they're asking questions you'll think of other things you want to say as well.

It's the third party's turn for a question.

Mr Hampton: I take it from your remarks that your principal concern is your fear that privatization of Hydro One, along with privatization of other elements of our hydro system, will result in higher prices that many people in Ontario simply will not be able to afford to pay.

Ms Meehan: The ODSP hasn't been raised in over nine years, and I think we're all aware of the cuts to people out there on Ontario Works.

Mr Hampton: Yes. The reality is, if you look at this in the larger context, that deregulation and privatization have resulted in a large number of profit-takers, commission-takers and fee-takers being added to the system. When the government first proposed privatizing all of Hydro One, one of the Bay Street brokers was heard to remark in the national press that he was so excited, it was all he could do to stop from peeing his pants. He was

asked why, and he said, “We stand to make at least \$200 million in fees and commissions.” I think your concern is well warranted.

Ms Meehan: Actually, it’s a fear.

Mr Hampton: Let me ask you what you would like to see happen with Hydro One. Keep it in public control?

Ms Meehan: Keep it in public control and create a revenue-neutral system. I don’t know the logistics of that, but I’m sure the people running it—

Mr Hampton: Power at cost?

Ms Meehan: Yes.

Ms Churley: Do I have time to ask one as well?

The Vice-Chair: Yes.

Ms Churley: Thank you very much for coming down in the heat today. We really appreciate it.

Ms Meehan: This is air-conditioned here.

Ms Churley: Yes, it must be nicer in here for you.

Don’t worry about being muddled in this group of people. You should hear some of the members around this table from time to time, if you want to talk about sounding muddled. You’re expected, of course.

I just wanted to say that I assume, from what I’m hearing in my riding, where a lot of people are living on fixed and low incomes who are already on the verge of being homeless as rents are going up because of de-control and all the other costs that are out there, the concern is that just one more hit, even with the hydro bill going up substantively, could lead to low-income people and disabled people literally ending up not being able to afford to pay the rent. I think that’s what I heard you say, that you just can’t take one more hit.

Ms Meehan: Yes. A friend in Kingston actually told me that at one point—and I can’t verify this—if you couldn’t pay your hydro in the social housing in Kingston, that was grounds for eviction.

Ms Churley: Right. As you know, New Democrats are doing everything we can to stop this privatization, and we’ll keep on fighting.

The Vice-Chair: Would anybody from the government like to ask a question?

Mr Gilchrist: Thank you for coming to see us here today. We appreciate your comments. I just wanted you to know that of course the first part of the electricity market restructuring took place on May 1. It was announced about two and a half years ago, but it actually opened up on May 1, and that’s the ability for anyone to sell power into the grid. For the first time in Ontario’s history you could, as a matter of right, put up a wind turbine and sell power into the grid. In the old days, if Ontario Hydro didn’t think it was a good idea, nobody got to sell power.

Here’s what has happened to the price: on April 30, you and every other Ontarian were paying 4.3 cents per kilowatt hour, and every week since then it’s been 3.1 cents or less, a 25% reduction. So the good news is, so far the opening up of the marketplace to competition means, particularly for people on fixed incomes, much lower costs.

The real question is, what other item in your life—name me one product where, if more stores opened up

and offered more product for sale, the price would go up. It always goes down. We’re here to listen about a second part, and I don’t want to confuse the issue. But I want you to know, since your concern seems to be about prices, that so far all the evidence—it’s almost two full months now and we’ve seen a 25% reduction in the price of electricity. I just wanted you to know that.

Ms Meehan: Haven’t there been some spikes, though? I heard of a 16%—

Mr Gilchrist: Do you know what? It’s so typical of the media that that’s the hour you would hear about. They haven’t told you there have been many entire mornings where the price hit 1.02 cents a kilowatt hour, where it dropped 75%. I guess if you and I got hourly hydro bills we might be concerned. But we don’t get hourly or daily or weekly bills; we get monthly or in some cases bimonthly bills. As long as the average any day or week or month stays cheaper, that’s what your bill is going to show.

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Ms Meehan: I just want to comment on something you said about me selling power back. What would happen then is that the ODSP office at 10 Rideau would probably have a logistical nightmare with the really great software they’re using. I moved in January, and they’re still trying to figure out my move—

Mr Gilchrist: Well, good luck with that.

Ms Meehan: —with the Andersen Consulting software. I don’t know if you’ve heard about it.

Mr Gilchrist: Yes. But that’s really an issue that Ontario Power Generation or Hydro One is directly involved with. For the purpose of the discussion here today, I want you to know that so far, all the evidence is of cost decreases. That’s going to mean good news for people on fixed incomes, and we’re going to fight to make sure it stays that way.

Ms Meehan: Two months?

Mr Gilchrist: It’s two months out of two so far, yes—100% of the weeks.

Ms Meehan: It’s a honeymoon period.

Mr Gilchrist: Well, so far, so good.

The Acting Chair (Mr Bert Johnson): We’ll go now to the Liberal caucus. You have about a minute and a half.

Mr Sean G. Conway (Renfrew-Nipissing-Pembroke): I just want to thank the witness for her testimony. Could you give us a sense of what your monthly electricity bill is these days here in Ottawa?

Ms Meehan: As I said, I just moved to where I am now at the end of January, but so far it’s been approximately \$50 a month.

Mr Conway: One of the things someone said here a while ago, and I was struck, is that we’re in a beautifully air-conditioned hotel room now, and that’s good, but outside it’s really bad today, and the two issues are not disconnected. In fact, I was thinking about putting a motion that we shut down the air conditioning inside because, in its own small way, that would help the bad situation outside.

Have you got any advice for us in terms of how government or public utilities responsible for the electricity business might make it easier for people such as yourself to help with what's called demand management? Do you get a sense from your utility here in Ottawa, do you get very good information as to how you might—are you encouraged to consume electricity in different ways today than maybe five or 10 years ago?

Ms Meehan: I'm encouraged by my bill to do that.

Mr Conway: That's a very good point.

Ms Meehan: As I said, I live on a disability pension. I have children. I admit I go mall walking, because there's air conditioning there and I don't have to pay for it.

Mr Conway: We all do that. You make a very, very good point. But you don't get much from your utility to encourage you or show you how you might consume electricity?

Ms Meehan: I may. I don't look.

Mr Conway: You're like most of us in that sense.

The Acting Chair: Thank you for being here to present to us today.

Mr Garry J. Guzzo (Ottawa West-Nepean): On a point of order, Chair: I just want to tell the committee that I apologize for being late—to you first of all, sir. I just left Councillor Cullen, and he's on his way. I thought I owed it to you to give you notice.

The Acting Chair: I don't think that is a point of order.

I would like to know if Crystal Beach/Lakeview Community Association or Dr Del Hushley is here?

OTTAWA RIVER POWER CORP

The Acting Chair:

Next would be Mr Murray Moore, from the Ottawa River Power Corp.

Mr Murray Moore: Thank you for the opportunity to make a verbal presentation today as well as the opportunity that has been afforded to utilities in the past few weeks by staff, yourself and the minister to present our opinions and the opinions of many of our customers. We realize this may be our last kick at the cat, as the expression goes. However, we do feel we have a made-in-Ontario solution to the problems the people and the government of Ontario face.

As published, the government is considering the following three options: getting a strategic partner, an income trust or selling 49%. Today we wish to address only a portion of Hydro One's assets, namely, Hydro One Networks. Hydro One Networks presently consists of the distribution, which is under 50,000 volts, and the transmission system, which is over 50,000 volts.

We must reiterate the reasons already stated by the EDA—which, for the public, is the Electricity Distributors Association of Ontario, of which Hydro One is a member—and others. Transmission must remain in public control in order to protect the consumers of Ontario. It has a similar function to supplying the needs

of the province of Ontario as does the Independent Market Operator, which is called the IMO.

Hydro One's distribution network is a system that has been expanded in the past few years to consume numerous municipal utilities in Ontario. These utilities, all operating debt-free, are now to be added to the debt of Hydro One.

We believe there is a solution that will address the many problems our government is primarily faced with at present. Some of these are debt, customer service, availability, accountability, reliability, public ownership, trust and the need for competition to maintain a high level of service and rates.

What do we see as the solution? The Macdonald report of a few years ago stated it very clearly: wall-to-wall utilities, possibly wall-to-wall county utilities. At that time, utilities completed many studies proving this idea as a viable option and Macdonald certainly adopted it. Presently there are amalgamated, municipally owned utilities throughout the province. These utilities are very capable of assuming this responsibility while still providing benefits to the customers and the province.

How can this option meet your criteria? First of all is debt. Through a lease-purchase or other negotiated means, the debt would be transferred to the companies, away from provincial responsibilities.

For customer service, regardless of the distance, our customers are continually amazed at how fast the response time is for trouble calls, service calls and underground locates. The response time ranges from minutes to hours, not days.

Availability: in our utility, we have local offices for local contact. Our customers are still able to pay at an office, with staff at their service. Our dispatchers know the localities, the circumstances and the conditions. Our staff is available to respond to inquiries.

On accountability, because we are locally owned, staff produces the required results and, if not, management and/or the board are subsequently replaced. Our shareholders are local councils and they want their return and the required level of service. The profits go to the municipalities.

Reliability: our customers depend on our reliability and we have a proven record with them. Our reliability is strengthened by the pride, commitment and ownership that our staff has with our company. With a locally controlled utility, designs and local construction may be scheduled on a local needs basis, not based on something which someone in Toronto comes up with.

Public ownership is maintained in this scheme. However, it is transferred to the lower tier, where there may be accountability, while being simultaneously provincially supervised by the Ontario Energy Board.

Trust: the local utility has developed a very high level of trust in our communities. This is emphasized by the questions our staff respond to on a daily basis.

Need for competition: by dividing the province into units, it will provide each of us with benchmarks indicating levels of efficiency for competition. With one

large utility, or with the large-utility approach, there is little to compare to, except that you have to go to the province and then circumstances are entirely different.

The Ottawa River Power Corp is a proud, municipally owned company with ancestor history dating back to 1884, before Ottawa had lights, and much prior to the formation of Ontario Hydro. Our present municipal shareholders are the town of Mississippi Mills, which is just adjacent to Hydro Ottawa, Killaloe, Beachburg and Pembroke. Municipalities do not want to relinquish their control or their annual return on their investment. We are a company that has been challenged and met the rigorous rules and codes set out by the Ontario Energy Board.

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We provide stability for a local workforce, profitability for our shareholders, maintain a high-quality plant and an enviable safety record, coupled with a very high level of community spirit.

Due to the location of our offices and level of computerization for billing, we are in a position to provide a very efficient and competitive utility to the county of Renfrew, as well as Lanark county. There would be negotiable boundaries with the adjacent wall-to-wall-utility concept to achieve the maximum efficiency for all concerned. This same scenario may be replicated easily throughout the province.

We realize there will be various challenges before us in the process, such as remote areas in the province, boundaries, metering, labour, culture etc. However, we have faced and conquered a number of these challenges in the past and we will certainly overcome.

In summary, we are not consultants, economists or experts from outside of our borders. We are the roots of Ontario that have actually worked and operated very successful municipally owned utilities. We believe the answer is before us and we believe we can work this out together. Our customers are Ontario taxpayers and we both want what is best for Ontario. Our record stands for itself. We merely request that we be given the opportunity to address these issues and provide the government with a made-in-Ontario, owned-by-the-residents-of-Ontario, and controlled-by-the-people-of-Ontario solution.

Once again, I truly appreciate the opportunity to provide you with what we feel is the best solution for the province.

Thank you very much. I'm willing to field any questions.

The Acting Chair: Thank you. There's about a minute left, and in rotation it would go to the NDP caucus.

Mr Hampton: Just two brief points. To summarize your statement, you want to see transmission remain a provincial, publicly owned body, but you want distribution to be returned to local, municipal PUCs. Would that be a fair summary?

Mr Moore: That's right.

Mr Hampton: The province, as you know, has set on a course where it has attempted to buy up, through Hydro One, a number of the public utilities. I find it very strange

that on one hand this government says Hydro One's in debt and on the other hand it went out and bought \$600 million worth of public utilities. It's been in the process of buying up those public utilities and now you see this move, totally at first and now partially, to privatize. Do you see any benefit coming from either a partial or a whole privatization?

Mr Moore: There's certainly no benefit whatsoever to the taxpayer unless it is municipally owned. The revenues from this have to come back to some place in the public and I believe that it has to come back through municipally owned utilities, at least as a second tier.

But you asked the question about transmission. Transmission has to be separated from Ontario Hydro. It's essential to get power out throughout the province, whether it's the north, east or west, and we cannot depend upon third party private enterprise making money to do that. We're strong proponents of municipally owned regional utilities.

Mr Hampton: Distributions.

The Acting Chair: I'm sorry to interrupt, but thank you very much, Mr Moore, for your presentation.

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA

The Vice-Chair: Is Vic Morden here? Welcome.

Mr Vic Morden: Thank you. Just before I get into the presentation that I put together, I want to thank the committee for being here, although I'm quite dismayed that you might not have looked at a map of Ontario recently. You're covering a very, very small share of this province. I'm a union organizer and my job is to organize members in the entire province of Ontario. I'm very aware of how big it is and how far this committee ought to be travelling if indeed it is going to reach everybody in Ontario and give them an opportunity to have what we have here today.

My name is Vic Morden. I'm a national representative with the Communications, Energy and Paperworkers Union of Canada. I asked for standing in front of this committee as a citizen of Ontario to speak on behalf of myself, and my boss, Cec Makowski, who was elected to represent 50,000 members in the province of Ontario, asked me to speak on behalf of all of the members. I am here today to request of you to send this legislation back to Mr Stockwell and instruct him to tear it up.

Bill 58 is the government's response to Justice Gans's ruling and it's inconsistent with the most recent declaration by the Premier to keep Hydro public. The government's appeal of Justice Gans's ruling is also inconsistent with the Premier's latest position on privatization of Hydro One. Ernie Eves has created confusion and has demonstrated dishonesty on this issue. Bill 58 proves that Mr Eves wants to please his pals on Bay Street and thinks he can trick us on Main Street, and that is not on. When is the Premier going to listen to the people of Ontario? Ontarians have been clear on the issue. Polls show that a vast majority of Ontarians, more than 80%, want to keep

Hydro public, and that means 100% public. Bill 58 shows the government is not listening or, worse, they don't care.

There will be a political price to pay. The people of Ontario will not forget, and come the next election we will publish a report card on how each and every MPP voted on Bill 58.

Most recently, CEP's lawyer and a government lawyer were interviewed by Andy Barrie on the CBC Toronto Morning Show. The Ontario government lawyer said the reason the Ontario public was against the government on the sale of Hydro One was due to the fact that the government failed to market the issue properly. Just how arrogant and disrespectful can you get? It will never matter how you market and package a bad deal; it will still be a bad deal. The people of Ontario know selling Hydro One in whole or in part is a bad deal. Private or part private electricity will cost more, and that has been proven worldwide. Recent attempts to privatize electricity, such as in California, have made our case crystal clear, with higher costs and shortages. To add a level of private ownership means higher costs due to private profits.

What about NAFTA? We know that under private and possible foreign ownership there will be increased pressure to sell even more electricity to the USA. NAFTA will force us to bring our prices up to meet the higher US prices or pay penalties. We will also be forced to continue to meet US needs even if it means brownouts or blackouts for the people of Ontario. Our only redress against NAFTA will be in the courts, and just like the softwood lumber issues, that will take years and years to resolve while we pay more and freeze in the dark.

This deal will cost us jobs. Companies give huge consideration to the cost of electricity when thinking about staying or locating in Ontario.

It's not broke; don't fix it. Right now Hydro One makes enough money to operate and service the debt and still show a return for the people of Ontario. So our members, and the majority of Ontarians, say, "Leave it alone." It's time to listen to the needs of the majority, not the greed of a few.

Thank you for hearing me.

1530

The Vice-Chair: Thank you very much. That allows five minutes for questions. It's the government's turn.

Mr Gilchrist: Thank you for coming before us here today.

Let me get this straight, and we've heard this time and time again from you and your brothers and sisters and others: Bay Street will be happy if the cost of electricity goes up for every office and every factory in Ontario. That's your position before us here today?

Mr Morden: No, sir. What I'm here to tell you is that Bay Street stands to make a pot of money in the deal that was put to them by Premier Harris, and that was on the very sale itself.

Mr Gilchrist: Which isn't going to happen. It's off the table. You're coming here today presumably knowing

that we have said we will not sell control of Hydro One. Period. End stop.

Mr Morden: That's not good enough for me or the people of Ontario.

Mr Gilchrist: But you're still skirting around the issue that Bay Street—and by Bay Street, I think most people would understand you mean corporate Canada—somehow collectively would be happy that their own office buildings on Bay Street and all the factories they represent will have higher costs. That's what you're saying here today.

Mr Morden: I think when they offset that with the money they could make from the deal that you're going to hand them, yes, they will be happy.

Mr Gilchrist: Well, I suggest you go back and look at a couple of other things. First off, softwood lumber is exactly the opposite. You see, Americans are trying to keep our product out. We don't have to force anybody to go to any court. The fact of the matter is, the interconnections with the States aren't big enough to take more than about one sixth of all the power that's generated in the province of Ontario. The wires aren't big enough. You can't get more than one gallon into a one-gallon bottle. So NAFTA is such a red herring, it really diminishes your case here.

But let me ask you very specifically—

Mr Morden: Can I respond to that?

Mr Gilchrist: Sure.

Mr Morden: You tell me NAFTA was such a red herring. I remember when Mulroney told me that, and I'm seeing what it cost us, and I'll tell you, it is like softwood lumber, because the United States will accept softwood lumber at their price. Hydro will be the same way. They'll want it at their price.

Mr Gilchrist: The difference is, they're doing it to advantage American manufacturers of lumber. Right?

Mr Guzzo: Jean Chrétien is going to tear up NAFTA anyway. You know that.

Mr Morden: Thank you, sir.

Mr Gilchrist: So let's look at the reality today.

Mr Morden: We're just waiting for him to do it.

Mr Gilchrist: Drive across the St Lawrence and the price paid by all of the customers, all of the factories, all of the homes there, is cheaper than it is in Toronto. It's cheaper than it is in Ottawa right now. It's \$29 a megawatt; you're \$31 dollars a megawatt. There are lots of heads shaking in the audience. Let me give you a couple of other stats. In Alberta, the average wholesale cost has fallen 67% in the last year alone. In the United Kingdom, the average residential bill is now 32% lower in real terms, adjusted for inflation, than when their market opened 10 years ago. In Australia, prices have come down. In New Jersey and Pennsylvania, residential consumers pay 10% less three years after their market opened, and in Texas, retail competition offered consumer savings of over 10% this year alone.

Mr Morden: Those are interesting numbers. My research shows, and researchers that have been doing

research for our union show, worldwide, 18% higher for privatized—

Mr Gilchrist: I'd love to see those stats.

Mr Morden: Absolutely. We'd love to share them with you. I have no problem doing that.

Mr Gilchrist: Maybe you'll leave them with the clerk before you go today.

Mr Morden: I don't have them, but I'll send them to your office and be pleased to do that.

Mr Gilchrist: I look forward to getting them.

Mr Conway: Thank you, Mr Morden, for a robust presentation and a lively exchange with the committee thus far.

One of the questions I have is around supply. There are some important issues around Hydro One, obviously, and a very important public interest. But the thing that's really gotten us into the problem we have today with the Hydro question is supply. We have big trouble in our nuclear power division, and we're not here to debate that in any detail today. But we've heard from several presenters, I think, suggestions that are not unreasonable. Most people, I think, if you ask them, would like to see the coal plants shut down and the nukes probably shut down. The only problem with that is, that's about 10,000 or 12,000 megawatts of our existing capacity. When we hit the summer peak, which we probably will in a few weeks' time, we'll be importing American and Quebec and Manitoba power to meet that peak.

My question for you is, what advice do you have for the government and the Legislature of Ontario as to how, going forward, we are going to meet future electricity demand? Just let me leave it at that.

Mr Morden: I think you hit on a couple of key issues. First of all, there are some hydro facilities that are presently mothballed and could be fired up. If we're forced to get into a deal down the road where we have to meet even a foreign country's supply demands, they could be fired up for profit. That's Nanticoke coal, a huge environmental issue, and the Hearn station in Toronto. I think that could be a real problem. I think greed and profit could force them to take bad decisions on that issue. I think it's going to take careful planning, and I think the money is within the public system to do it properly.

Mr Conway: My worry is that there is a general view in the Ontario public that we have substantial excess capacity. We don't. We have a margin that's getting thinner. I've been around this debate awhile and I have more sins than most people, but problems that have brought us to this difficult point are almost entirely in generation. I don't see easy, customer-friendly solutions over the next five to 20 years. I hope I'm wrong. I think most of my constituents would be pretty surprised to find out that when we get to the summer peak in a few weeks' time, we'll only keep the lights and air conditioners of southern Ontario on by importing American and Quebec power. By the way, the Quebec power we import we will pay Boston prices for.

Mr Morden: I think that if we keep Hydro public, we have a better opportunity to introduce efficiencies into

the system. I think we have only started scratching the surface about reducing use. The technology that has come along in the last 10 or 15 years is pretty phenomenal, but it's not out in the market as much as it can be. What I've seen in changes in technology in my lifetime is pretty phenomenal, and I've spent my life working as a technician. It's phenomenal. We need that marketed and we need to spend some more money on research and making the system more efficient. I think only the public would have that interest.

The Vice-Chair: Thank you very much for coming in today to give your presentation.

JOHN SIFTON

The Vice-Chair: Mr John Sifton? Welcome, Mr Sifton. You have 10 minutes to use as you please. You can speak the whole time or allow time for questions, as you please.

Mr John Sifton: I'll give a short statement and that'll be about it. If I appear a little hesitant today, it's because I'm not a speech maker and I've never appeared in front of a legislative committee before. I can assure you that it's certainly not something I intend to make a habit of.

I'd add further that I'm representing nobody but myself, though the polls seem to indicate that a lot of people, anywhere from 70% to 85% of Ontarians, think as I do about the direction the government is taking with Hydro One. Though we are far from being experts, all of us are profoundly concerned about the government's plans for the generation, distribution and retailing of electricity in this province. I do understand that with Hydro One, you're talking about the distribution system.

Despite the comedy of almost daily course corrections by Mr Eves and Mr Stockwell, there's no getting around the fact that Bill 58, in my reading, authorizes the government to sell off Hydro One. Frankly, why seek such an authority if you don't intend to use it? It's not that I'm against markets or the private sector as a matter of principle. I'm a freelance writer. I work in the private sector. I compete against other writers for work. Sometimes I win; sometimes I lose. But what happens to me doesn't matter very much in the larger scale of things. What happens to electricity distribution in Ontario matters in an elemental way to every citizen of this province. I believe electricity distribution is too important to Ontarians to be turned over to the private sector in whole or in part.

For one thing, it's a natural monopoly. Unless the government or some entrepreneur intends to double-wire the province, or Nikola Tesla's hare-brained scheme for transmitting electricity through the ground becomes a reality, it will always be a natural monopoly. Everyone knows the market forces all favour the monopolist over the consumer, and I would rather have this monopoly firmly in the public sector, where it's at least amenable to some democratic control.

1540

If I read the legislation correctly, the strange private-public hybrids in our new energy universe will be beyond

democratic control because, quite simply, no member of the public will really know what's going on. According to the summary of the bill on the legislative Web site, many records of the market surveillance panel and the IMO will "be protected from disclosure under the Freedom of Information and Protection of Privacy Act." I think that's very important because I think that it's through that legislation you really get intense scrutiny.

The government earnestly claims that some sort of restructuring is needed in order to pay off Ontario Hydro's massive debt. But that debt was incurred because of Ontario Hydro's nuclear power generation facilities, not its transmission system. At least that's what I understand.

Why didn't the government do a better deal with British Energy instead of offloading the debt problem on to the transmission system? That's what it appears to me that you're doing. I don't know.

The government says that some \$550 million is needed right away and billions more later to upgrade the transmission system. In May, the Globe reported that potential investors were being told that annual revenues from the grid were \$500 million to \$600 million a year and they could expect a return of 10% on their investment. You can do a lot of upgrading with that kind of money.

But how much upgrading will we need of this grid? The government says we'll need lots of upgrading to prepare for the future. But if you go the Web site of the Independent Electricity Market Operator, you'll find its 10-year outlook completed in April. Its conclusion is, "The capability of the transmission system is adequate to meet the supply demands within each of the 10 transmission zones for the period 2003-2012." In the view of the IEMO, the only real stress on the system will occur in spring 2003. We're talking distribution; we're not talking generation.

If I recall correctly, it was exaggerated projections of electricity demand like the government's that in the 1960s, 1970s and 1980s resulted in the overbuilding of nuclear generation capacity and the massive Ontario Hydro debt we face today. Haven't we learned anything?

I also don't see how bringing in the private sector in some unspecified way will make it more painless to service the debt or upgrade the transmission system. Won't the cost of these investments and debt servicing still be passed on to the consumer in the form of higher electricity rates that will also be inflated by the need to provide an adequate return on investment to private operators and/or investors?

Or is the government assuming that we'll strike it rich by selling electricity in the American market? Is that why I hear of plans for increased transmission capacity through Windsor, Simcoe, Sault Ste Marie and Thunder Bay? I know you don't like to talk about NAFTA but I still wonder what will happen when NAFTA kicks in. Will Ontarians end up paying the same high rates as most American electricity users? I know there is a lot of disagreement about those rates, but my understanding is that, by and large, the rates are higher in the US. What

will happen if American utilities decide to treat cheaper Ontario electricity the way American lumber producers treated softwood lumber? What will happen to our rates then?

I could go on asking such questions, but I think it would be futile because ultimately I only have suspicions and vague indications, such as Bill 58, as to what the government is really intending. In a genuine consultation you don't just ask questions, as the government does in its consultation paper; you present options as a foundation for meaningful debate. In the absence of options, this consultation is a sham driven by the government's anxieties about the next election, or at least that's the way it seems to me.

Regrettably, Bill 58 and the Premier's statements about Hydro One don't seem much like Bill Davis's reversal of the Spadina Expressway. They feel more like a hot wind blowing up a dust cloud to hide the construction site.

The Vice-Chair: That allows a couple of minutes. The third party, Mr Hampton.

Mr Hampton: I want to focus on something you alluded to. Did you have a chance to look at the privatization prospectus, the one that was floated? It came out Easter weekend at midnight, March 28.

Mr Sifton: I didn't, no.

Mr Hampton: I think the government was hoping no one was looking then. But it's interesting reading. When you go to the investment section, one of the things the government says is, "We have to sell off part of Hydro because we need to make this investment." When you go to the investment section, pages 47 and 48, nowhere does it talk about investment in improving or maintaining the grid in Ontario. It talks about building the transmission line under Lake Erie, it talks about enhancing the transmission line into Michigan, enhancing the transmission line into New York state, buying up transmission lines in New England and buying up transmission lines in the US Midwest.

Mr Sifton: My understanding is that in Britain, for example, one of the difficulties they had after privatization was that it was very difficult to get private operators to invest in the grid. Notwithstanding what was just said, my understanding is that rates to consumers went up. I think that rates to large users probably went down.

Mr Hampton: Part of the problem in Britain, and the government I think wants to confuse us, was that after hydro was privatized they discovered cheap North Sea natural gas, which then allowed them to produce electricity at a lower price, but in fact that reduction in cost wasn't passed on to consumers. In Britain, they have re-regulated since then to force down the price of electricity. The government still insists that's a result of privatization. No; it's been a result of having to step in and re-regulate in order to get consumers a deal.

I wanted to ask this point. The government makes much of, "This is necessary to deal with the debt." But again, if you read the actual privatization document that was shopped around to Mr Eves's investment banker

friends on Bay Street, it contains almost no discussion about debt retirement. It talks about how lucrative it will be to be able to take electricity generated in Ontario and transmit it to the American market. So why do you think the government goes through these stories about “Well, first of all you need it for the debt, and secondly, you need it to maintain the electricity system”? When you actually read the document—and by the way, the people who drafted the document would go to jail for 10 years for putting a false or misleading statement in the document.

Mr Guzzo: No, no, maximum sentence.

Mr Hampton: They could go to jail for 10 years. You were a lenient judge in your time.

Mr Guzzo: We don't put anybody in jail for 10 years any more. Come on.

Mr Hampton: That's what I say: you were a lenient judge.

Why did you think the government goes on talking about debt and that they need this for maintenance? When you actually read the document, it doesn't say any of these things.

Mr Sifton: I can only speculate, but it seems to me if you have what I think is an ideological agenda, the only way you can drive it forward is to be able to point to something like overwhelming debt in order to say, “It's broke. We've got to tear it down and do something entirely different.”

The Vice-Chair: Thank you very much, Mr Sifton. We appreciate your coming in today.

COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA

The Vice-Chair: Is Alfred Theobald here? Welcome.

Mr Alfred Theobald: Thank you, Mr Chairman. This is not something I'm accustomed to. The last time I spoke at this type of committee was at least 15 years ago. But this was found to be so critical that my membership sent me here to do everything I can to make adequate representation on this important issue.

Thank you for giving me the opportunity to speak on this important topic of the government's intent to privatize in part, for now, Hydro One. My name is Alfred Theobald. I am a national representative of the Communications, Energy and Paperworkers Union of Canada. While our union represents some 50,000 members residing in Ontario, I represent under my assignment nearly 1,500, mostly working in the pulp and paper industry and other manufacturing facilities. My service area is Ottawa and Cornwall.

Employers are reluctant to state their position to me but some of them are more open. CFS, for example, an important chemical company, kept a prudent position and said that under the present conjecture it's not a good idea. Ottawa Fibre, a very high consumer of electricity, also took exception to the project. Of course, I know very well and it's on the public record that chief executive officer John Mayberry from Dofasco—you'll say, “Well,

that's only one employer,” but it's a big, important employer; if one employer starts to scream this way, there must be fire under the smoke.

1550

The privatization of Hydro One has been the object of discussion with our members and they have sent me here to represent their concerns. Their concerns are twofold. The members I service fear dramatic rate increases in the future and fear that their employers' financial status might be destabilized. The cost of electricity is one of their major expenditures.

It is now no longer a secret that with the last budget of the province, the government is looking for cash in the face of its tax cut policy. We know that the revenue has fallen in the province because of the slumping American market and we know the commitment that Ontario has made to funding health care and this grab for cash. The sale of 41% at least, as last announced by the government, would generate revenues of about \$2 billion, at the expense, however, of an important asset of the province of Ontario.

The members I represent expect that the elected government representatives will take decisions for the well-being of all Ontarians. The members I service generally feel that, since they are at work providing wealth for the province and don't have the time and resources to manage public affairs, they elect people—like yourself, Mr Stockwell—to do this job for them. They remain dismayed, however, that they have now to defend themselves against their own government, which seems more inclined to an ideology than the managing of the public good.

While Premier Ernie Eves multiplies declarations that the privatization of Hydro One is on hold, your ministry tables Bill 58, an enabling piece of legislation that will allow the government to sell all of Hydro One's assets. Your ministry appealed Justice Gans's decision to attempt again to secure government authority to sell off Hydro One. In fact, there are no positive experiences to turn to that would demonstrate that the public will be best served by this bill. All the experiences—like the state of California and Enron, where public funds had to pick up the mess to \$13 billion, and the state of Pennsylvania, who went through a similar exercise causing chaos in prices and eventually the bankruptcy of its own electric generator company—led to higher, and much higher, electricity bills. Some Ontarians and possibly some American financiers will be served, of course, but they are presently at a golf course somewhere awaiting the enactment of Bill 58. Why would the government cut down the powerful leverage to create jobs in this province? And, you know, it's done in the neighbouring province. They view electricity as a powerful leverage to create a thousand jobs in the aluminum industry. I am told it has been done here also in the past. The answer can only be for ideological considerations.

Some of the effects expected from private ownership could lead to brownouts and blackouts, with the high demand from the US for cheaper electricity and the

eagerness of these companies to drive prices up—we know the NAFTA rules; we talked about them just earlier—and lower response times in natural disasters such as ice storms because of job cuts driven by the desire to reduce costs and maximize profits. That's the whole nature of the private sector.

What about the environment? Well, here Mr Stockwell is in a difficult spot. Simultaneously, he is the Minister of Energy and promotes the energy, and at the same time he stands to defend environmental issues. Will Bill 58 help? The answer is no, it won't help. Higher rates will drive residents to move away from electricity to heat their homes in favour of carbon-releasing fuels; the private sector will want to capitalize on the golden opportunity to sell electricity to the US, increasing the burning of coal-fired generators, releasing more carbon, nitrogen oxide and sulphur dioxide in the atmosphere, yet increasing the pollution levels for Ontarians for US consumption. Right now, as you know, it's 30% to 50% usage on these coal-fired generators, and they can be driven up to 100%. There's a lot of room here, and they know it. The private sector will certainly capitalize on it. I've never seen a private sector company being limited to 30% and 40% consumption when they have the power to increase it to 100%. They'll look for the market. There will be an increase in smog alerts, as we had today and yesterday, as you know—it is already here with us—and more victims will be expected, especially in Toronto areas.

The sell-off of Hydro One should be viewed as a bad idea, where private sector discipline is inappropriate in an environment of little or no competition. The driving force will be to set the price at the maximum the market can bear. This always means higher rates for most and the literal exclusion of the poorest Ontarians.

Here's a note: you know that the majority of the poorest Ontarians are rental dwellers. When you rent, if there's a hike in the electricity bill, either you have to pay it yourself or it's part of your rental fees, which will be driven up. That doesn't serve the public good, we say. The government can dress it up as it wants, but the finality will be the same. Just remember the Toronto bypass highway and the famous promise of keeping rates low. Last year, in one single increment, rates doubled. Mr Stockwell, you know that and I know that. I am asking you to rethink this bad idea and keep Hydro One in the service of the public and as a powerful leverage to create and maintain jobs in Ontario.

Privatization will move Hydro One from serving all Ontarians to serving few Ontarians. Mr Stockwell, the sale of Hydro One is an irreversible process, we can't turn it back, and if we do, the cost will be prohibitive with NAFTA rules. Should you not at least have a full public debate on such an important decision and, better yet, an election?

Thank you for listening to me. I am open for questions. Bear in mind I'm no expert in hydroelectricity, the production and distribution, but that's the voice of my membership and I hope we'll carry the mission that Adam Beck started in 1908.

The Vice-Chair: Thank you very much for coming. It's time for the government for questions.

Mr Gilchrist: I appreciate your coming before us here today, Mr Theobald. Lost in this debate are some very key issues. You would be quite correct in all of your submissions if we were talking about the old Ontario Hydro. It was, in effect, a self-regulator. If it decided something was right, it went ahead. If it decided it didn't want to, for example, develop green power, it didn't get developed. If it wanted higher rates, the rates went up.

That's not the status quo today. First off, it's the Ontario Energy Board that sets the transmission rates. It doesn't matter who owns Hydro One. They have no say. They can ask for more. They have no power to get it. Only the OEB, which continues to be a government-nominated and -overseen agency, will set those prices. The independent market operator is mandated to guarantee—let me underline the word “guarantee”—there is an adequate supply of power in every part of the province. So the Chicken Little scenarios of all of our power going down to the States can't happen—again, not because some private entity, Hydro One or the government wants it to happen or not happen but because these arm's-length regulators guarantee that it cannot happen.

I do want to touch on something you raise in your report about smog. One of the things that—in fairness, it's a very complex issue. I have to have great sympathy that there are all sorts of things that have taken place in the last few years that may not be well known. You may or may not be aware that one of the major coal-burning plants is already scheduled to close completely by April 2005: Lakeview in Toronto, surely the one in the greatest population density. It's closing completely. You can speculate all you want about what could or might be, blue-sky scenarios, but that's closed. Of the other ones, we've capped the emissions. So if we've said, “You've got to reduce your NO_x by 53% and your SO₂ by 25%,” I sincerely ask you, how could anyone—Hydro One or any other operator—ramp up that power from 30% to 100% while cutting their pollution by 53% and 25% respectively on those two pollutants?

Mr Theobald: Mr Gilchrist, I'm not an expert in hydroelectricity. As I said earlier, the question I'm looking at, what I'm trying to seek from your position, is, where would it make a difference whether it's publicly owned or privately owned? I can't answer that, because I think if it's publicly owned we can still achieve those same objectives you're talking about. If you're so good at it—and I think you are; you're a very well spoken person—why don't you have an open public debate on the issue? Clear it up with the public.

Mr Gilchrist: I thought that's what we were doing here now.

Mr Theobald: That's not what you're doing. Obviously, 80% of Ontarians are not with you. How come? Your message didn't get across, did it? If it's so good, why don't you challenge it to the experts? Why don't you make it an election process? It's one of the biggest privatizations in Canada. Why don't you make it a public

debate? I want to hear the experts challenging you on what you're saying on these things. I want to hear that.

1600

Mr Gilchrist: It's a shame that more than 17 people in all of Ottawa, including all the experts down here, chose not to avail themselves of this opportunity. Wouldn't you agree?

Mr Theobald: Right, and if we wouldn't have challenged you on this with Justice Gans, it already would have been privatized on May 1, with very little knowledge to the public.

Mr Gilchrist: No. That is not true.

Mr Theobald: The process was beginning.

Mr Gilchrist: The process was beginning; it was not ending.

Mr Theobald: So are you going to take on public debate? That's what I want to hear. I think you can do it. Go ahead. Why don't you do it?

Mr Gilchrist: I think that's precisely what we're doing. They're the ones who want to have an election. Let them resign and run their by-election and we'll see who's right and who's wrong.

The Vice-Chair: Thank you very much, Mr Theobald, for coming in today to make your presentation. We appreciate it.

Is First Source Energy Corp here? No.

JEREMY WRIGHT

The Vice-Chair: Jeremy Wright? Welcome. You have 10 minutes to use as you wish. You may speak the whole time or you may leave time for questions, as it suits you.

Mr Jeremy Wright: Thank you very much, Mr Chairman. Ten minutes isn't very long to deal with an issue of this magnitude, so I would like to spend the first few minutes in what I call thinking outside the box and proposing some alternatives and options for the government to consider. But I would like to start by taking a look at some of the core issues, such as I see them.

I'd like to turn the clock back, if I may, to the early 1970s, when I was working in the Privy Council office here in Ottawa and I was asked to contribute a few thoughts to a speech that Alistair Gillespie was making to the financial community in New York. The remarks I put forward, which he adopted, were to suggest that Canada is a proud and independent nation, that we are a lot more than the icing on the American cake, and for the US to pick our resource cherries from a neighbour's garden is not a neighbourly thing to do. That was in the early 1970s. What I missed in that analysis was the growing role of the multinational corporations, whose allegiance is only to their absentee shareholders and who have, as everybody in the room knows, limited social and environmental responsibility and they have very little liability, as for example the Chapter 11 Johns Manville and other bankruptcy protections would show.

I would like to suggest to the committee that the issue of privatization is probably the most serious issue faced

by the province since Confederation. I believe there is a fundamental matter of principle here between a private, for-profit enterprise, which is run in the interests of the shareholders and financial returns, and the public utility run in the public interest of the people of the province. The issue here comes with the distribution of the costs and benefits and responsibilities, as between shareholders and the public. By way of analogy, if you look at the health care system, which in Canada is running somewhere about 9% of GNP and in the US about 13% of US gross national product, the multinationals are slobbering their chops at 4% of the Canadian gross national product for health care costs. That's the amount of magnitude that we are talking about there.

To step back for a minute, if you look ahead in the next 20 years or so, there's a massive energy shortage developing, particularly in the hydrocarbon area, and this is what, as many of you may know, the invasion of Afghanistan is really all about. So it's at this juncture, from what I can see, that the province has decided, or the Conservative government has decided, to give away the crown jewel of the province.

This proposed legislation is enabling legislation but there's nothing clear about what is being proposed. The numbers I have seen are perhaps the slipperiest numbers. I have no idea, for example, exactly how the valuations were done, whether the book value is the same as the replacement value. Clearly a lot of Hydro sites in Ontario are irreplaceable, they can't be duplicated, and the amount of debt that's being passed off to the taxpayer—I still don't know whether it's \$36 billion or \$21 billion or some number in between, according to how much you sold off and how much is privatized. I have been unable, although I've been following this as closely as I can, to get a decent set of financial statements from the government. I do know that when you look forward in the cash flow, there's more than enough cash flow as it is to render doubtful all the initial allegations that it had to be sold off to pay off the debt.

The Premier is touting the virtues of private sector ownership, and I think the weight of evidence is against him. I would point to the Enron scandal and the California situation. I'd point to the India situation. I'd point to the loss of sovereignty when Warburg wiped Enbridge gas out from the Enron debacle and sold it to a British company for \$1 billion, and I note the province had absolutely nothing to say about that. I would point to the privatization in the UK of the post office and UK rail, where service has degenerated substantially. I would also point on the other side to Bosnia, where the public ownership of utilities kept that country going. I would point perhaps to the basic flaw in the argument of privatization, which is that when push comes to shove, private enterprise can walk away at any time and claim that it is not profitable. This is something where, if the hydro energy is owned by the province at 100%, it is very difficult for the province and the municipalities to walk away, whereas multinationals can just up-stakes-and-out from one day to the next.

I venture to disagree with the government on the importance of Chapter 11, the two-pricing system and perhaps the possible abolition of a two-pricing system when FTAA gets itself adopted. I don't want to spend too much time on that, but I would like to suggest that I think we're all concerned, as responsible citizens, as people who are concerned about the longer-term interest of the province: economic, social and environmental. It seems to me that what is being done here with privatization is to take the benefits that previously accrued to the province at large—and here I'm talking about business in every community in the province—and rewrap them in a system that delivers those benefits in terms of financial returns to the absentee shareholders.

I hear rumours. I haven't heard the TV thing today, but I gather there are rumours that the information section of Ontario Hydro is being closed down on the grounds that it is now commercially confidential. Certainly, in terms of accountability to the public at large, I would claim that public ownership is at least open to some scrutiny.

I think the matter is so serious, as you look 20 or 30 years in the future, that it is really time for sober second thought and for the government to be honest and upfront with what it is they are proposing, at what cost and to whom.

So my options, if I can move to the second part: I think it's up to the government to admit that the privatization of public utilities, which have been very well run, including Ottawa Hydro—superbly managed—is a huge economic and social mistake. I suggest that the province cancel privatization and adopt the strategy that Quebec, Manitoba, Saskatchewan and BC have done, which is to maintain the lower domestic rates, and whatever export surplus there is, use that export surplus at US prices to help pay down the debt.

I've been doing some quick calculations, and my background is a little bit in economics, and I say if \$37 billion of debt is being handed over to the taxpayer, at 5%—let's use a \$40-billion number for ease of mental arithmetic and assume a 5% rate of interest. That's \$2 billion a year in interest. So it would seem to me that if the deficit is the real issue, the province might consider converting the outstanding debt to either equity or similar interest-free financial instruments, and use the annual saving of some \$2 billion a year in interest to pay down the debt and refurbish the system. That is to say that the proceeds from Hydro go to support the energy system, the heart system of the province on which we all depend, irrespective of political stripe.

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In summary, I don't think, whatever may be said in the short-term question of pricing in the two months in May, which are some of the lower peak periods, that this is by any means an indication of what's going to come. My view is that governments are basically elected to represent and serve the public interest at large. They're not elected to represent the interests of a tiny few on Bay Street. I don't think you can be half pregnant and I don't

think you can be half infected with the AIDS virus. I think you're either private or you're public or you're HIV-positive or you're HIV-negative. It seems to me, from looking around the planet, that privatization in fact serves only the interests of the for-profit multinationals.

I would strongly recommend that the government develop a workable alternative with decent, clear numbers to put before the public before passing any enabling legislation, because even the enabling legislation itself is not clear as to what the government's intentions are at the moment. So I would ask the committee, and the government in particular, to give this matter sober second thought in the common interests of all Ontarians, and of Canada, of which Ontario has traditionally been the heartland, for our common future.

Just in closing, I would hope that there is some degree, that there are some principles at stake here that are honoured and that the government retrieves what I have come to call the Eves-trough and returns it to the public domain in such a way that all citizens of Ontario, rich and poor, left or right, benefit and have a decent energy system to take us through the next decade and through the next century. Thank you very much.

The Vice-Chair: Thank you very much for coming in today, Mr Wright. That uses all your time. We appreciate your coming in.

FIRST SOURCE ENERGY CORP

The Vice-Chair: Our next company is First Source Energy Corp. Please state your name.

Mr Ron Clark: Thank you very much, Mr Chairman. My name is Ron Clark. I'm here today on behalf of First Source Energy, a jointly owned venture of Enersource Corp and Veridian Corp. I'm a lawyer with Power Budd LLP. Ladies and gentlemen, First Source was formed to offer Ontario residents a competitive local solution for their energy retailing needs. I would like to begin by thanking you for giving me the opportunity to present today.

My presentation deals with section 88.9 of Bill 58. While this has not thus far been the focus of the debate about this legislation, it's crucial to the viability of the competitive electricity marketplace. It affects a fundamental aspect of our industry: the relationship of trust and obligations between an electricity retailer and its customers.

Before I proceed further, let me state for the record that First Source does not use door-to-door salespeople or telephone soliciting. In fact, First Source fully supports the principles behind the government's consumer protection initiative. We believe that high-pressure sales tactics hurt both the consumer and the industry. This is why we have focused instead on building trust and open dialogue with our customers.

As an aside, I would like to underline that these are not hollow words. An example of our commitment is the town hall meetings we have held across the province for the sole purpose of providing information and education

to the public. While some might call this a soft sell, they would likely agree that this is not the kind of marketing the government should be discouraging. In fact, as a result of the feedback that First Source received at our town halls, we today announced the first-ever pricing alternative that gives the Ontario Power Generation rebate back to the customer. So far, it has had a very positive reception.

As you can see, First Source is not part of the problem. In fact, we see ourselves as offering a good solution. We endorse stronger controls on gas marketers and electricity retailers, where such controls address unfair marketing practices and false advertising. In addition, First Source supports the requirement for clear, written contracts. Thirdly, First Source supports enhanced enforcement mechanisms.

However, there is a flaw in this legislation. First Source is concerned that in an effort to stop the bad actors, the lawmakers may be casting the net too wide and unintentionally punishing those who have behaved responsibly. The provisions of the proposed bill that were intended to discourage ill-trained door-to-door sales or high-pressure telemarketing will, if implemented as written, also discourage low-pressure mail-in sales approaches.

Ladies and gentlemen, picture me as the customer. I receive in the mail a blank contract from First Source with an invitation to sign up to receive their services. I then make some calls—perhaps to the government's or the OEB's 1-800 numbers—look on a few Web sites and basically do my research on my own schedule. When I have the information I need to feel comfortable and I decide to sign up, I then fill out the contract and mail it back to First Source. In legal terms, this constitutes an offer to First Source by the customer.

After a week or so, I receive an acceptance package. But it's not over yet. Under Bill 58, the acceptance would be conditional on my mailing back yet another document to reaffirm the previous offer that I have already mailed to First Source, and I have to mail the reaffirmation document back to First Source within the required period. Only if I mail the second document, after day 14 but before day 31, will the contract be valid. Only at the end of this whole process would First Source know it had a valid contract. But there's more. The 31-day period would not begin to run until First Source accepted the customer's offer.

First Source probably will not know whether it has a valid contract for 45 days or longer after the customer originally sent the contract, and of course the customer won't know either. Also, it will be unclear whether, or when, First Source should notify the relevant distributor that a customer has been enrolled.

It's our belief that this proposed process will cause more confusion for the customer. We strongly believe that fixed-rate contracts offer customers protection from variable prices. That's the basis of the market, ladies and gentlemen: the option to choose. It would be unfortunate if customers were dissuaded from entering into contracts

they truly understood and wanted, due to the confusion of a prolonged process.

We propose that the legislation be amended to differentiate between good and bad behaviour. The bill would still give additional protection for sales that are initiated on the doorstep or on the phone, but it would not affect low-pressure marketing approaches that give customers an opportunity to make informed choices when and how they want. Earlier, I distributed the draft amendment that we believe would have this effect.

We hope the committee will give strong consideration to our proposed amendments to the bill and avoid punishing retailers who have been behaving responsibly.

The Vice-Chair: It's time for the official opposition to ask questions.

Mr Patten: Thank you very much for coming. It's good to see an actual retail outlet come and present at the committee.

You say it discourages low-pressure mail-in sales. I would have to get into what your recommendation is, and maybe you could elaborate on it. The intent is that we don't want people to be taken advantage of, particularly seniors—we've had a lot of complaints from seniors. The minister has said he would clamp down hard, and the energy board said it would do certain things. I guess the intent is to keep people from being locked in if they feel they have been duped over a particular period of time.

You're describing a three- or four-step process which on face of it sounds quite cumbersome to me. I might suggest another way to do that: if there is interest in the first instance, then someone may show up and talk or arrange a meeting with somebody. Is that an added expense that makes it much more unrealistic for your business to respond to?

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Mr Clark: We have no problem with answering questions, where they're phoning. We don't hire door-to-door salespeople, even at the behest of a customer. That's not in our business plan. We're not going to send people out door-to-door.

The situation we're worried about is: in our case and in our process, it's the customer who really initiates the offer to the retailer. If the customer has initiated that contact and the legislation also requires the customer to do a reaffirmation of that contract, which is what's in there right now, it's just going to be difficult for this kind of process to be successful. It's just asking too much of the customer.

When sales contracts have been signed as a result of somebody coming to your door or by telemarketing, that's at the initiation of the energy retailer. That's a situation where we certainly understand a step should be required by the customer to make sure that customer has had time to review the contract, has not been subject to high pressure and takes that additional step to ensure that's what they want to do.

But our process is a situation where the initiative has in fact come from the customer. So you're asking the customer to do two mail-ins, and there's a long period of time and uncertainty as to when those time periods apply.

Mr Patten: In the scenario you gave, I receive in the mail a blank contract from First Source with an invitation to sign up to receive their services. Presumably it's not just a blank contract, but there's information and a sales pitch as to why your company is the best and things of that nature.

Mr Clark: Absolutely.

Mr Patten: You say that's not initiating. It is initiating the opportunity. If someone sends it in, they're beginning the process of trying to arrive at an agreement with you. I fail to see what difference there is between that and receiving a phone call.

Mr Clark: If you're on the phone, you're not going to have a day or two or a week to review the information the person on the phone is giving you. If you receive information from First Source, it's in writing. You sit down and look at it, and if you don't like it, you throw it away. There's no pressure: there's nobody at the other end of the phone; there's nobody standing at the door. I would submit that's quite a different situation.

Mr Patten: Somebody can't sign up over the phone. They'd have to receive something in the mail in any case, wouldn't they?

Mr Clark: That's correct. But there are situations where certain vulnerable citizens may think they've signed a contract and are under an obligation to send something back. Again, it's a situation I think we can distinguish from the type of process that First Source uses.

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

Mr Gilchrist: Thank you for your thoughtful presentation; it's quite distressing.

We've had countless people come before us to say, "Throw out the whole bill." Presumably, while we're damned for being ideologues, that sword cuts both ways, it seems. Every one of those people would have us throw out all the increased consumer protections that are the other half of this act. So I appreciate you at least raising the issue.

For the record, I tend to agree with you about the need to make a distinction between high-pressure and low-pressure sales. I spent 25 years as a retailer, and I'm struck by the challenges to walk that balance between recognizing there are bad apples out there. We've had a lot of problems, perhaps not as a percentage but in absolute numbers. Even if it's 100, and certainly if it's 1,000, that is a significant problem, and government has a responsibility to deal with those problems. There are fines and penalties, but that doesn't deal with the issue of letting the consumer off the hook.

Let me ask you: as an alternative to what has been proposed in the bill, if there was a requirement for you to remind the consumer after two weeks that they had signed a contract, and you do that in writing in some form you have mutually agreed on at the time the contract is originally signed—fax, e-mail or registered mail—and the customer is reminded in 16-point type that he or she has another couple of weeks—so that mailing

would go out any time between the 14th and 18th day. They're reminded that up to the 30th day they can, for whatever reason and with no penalty, withdraw from the contract. Would that be a reasonable alternative and something that would be easier for you to administer?

Mr Clark: The answer is yes, and I'll raise you one. I would even say, give them an additional 15 days to cancel after their first bill if they so wish.

Mr Gilchrist: In that regard, you would be identical—I think we heard from a group yesterday, and I don't want to misname the company. It was Ms MacDonald and Ontario Energy Savings. I believe that is their practice for gas marketing right now. They say, and I quote, "Finally, the first bill after flow clearly spells out that we are now the supplier and again gives our number. If, following receipt of that bill, any customer believes they did not understand what they signed up for, our policy is to release that customer from their contract at that time."

You're suggesting you would be quite amenable to allowing another 15 days after that?

Mr Clark: Very much so.

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

CITY OF OTTAWA

The Vice-Chair: Alex Cullen from Ottawa city council. Welcome.

Mr Alex Cullen: Thank you very much, Mr Chairman and members of the committee, for coming to the nation's capital.

My name is Alex Cullen. I'm a member of Ottawa city council, representing Bay ward. I'm here to convey the position of the city of Ottawa opposing the provincial government's proposed legislation, Bill 58, which would permit the privatization of Hydro One.

The city of Ottawa, as you may know, is newly amalgamated from 11 previous municipalities plus regional government, with a population of some 774,000 people. It's Ontario's second-largest city as well as the nation's capital. It is also the owner of the second-largest municipal utility in Ontario.

Ottawa residents, like other residents in Ontario, are vitally interested in the future of such a basic public service as the supply of electricity. Their interest stems in part because some 87% of them will receive their electricity from Hydro One and have it distributed through our local utility, Hydro Ottawa, but also because some 100,000 people in Cumberland, Osgoode, Rideau and West Carleton in the new city of Ottawa receive their electricity directly from Hydro One.

The government's proposals to privatize Hydro One, announced without public consultation just a few short months ago, have captured the attention of Ottawa rate-payers. They have already faced electricity rate increases to pay for profits that the government's legislation permits. They now face the possibility of paying more for profits as a result of privatization.

On April 24, 2002, Ottawa city council unanimously adopted a motion. You have the text in front of you. The

salient point is that the city of Ottawa expressed its concern to the Premier of Ontario and the Minister of Environment and Energy about the negative consequences of privatizing Hydro One, and the city of Ottawa urged the government of Ontario not to proceed with any proposals relating to the sale of provincially owned electricity assets before there has been the opportunity for a full and public debate on this issue, both in the Legislature and elsewhere.

Members will be aware that this motion adopted by Ottawa city council resembles many others that were passed by municipalities across Ontario. There is, and continues to be, a large amount of public interest and concern in this matter.

Since then, the Minister of Environment and Energy conducted a hastily organized, ill-prepared set of public hearings, not on whether to privatize Hydro One but on how to. However, the reaction from the public and the efforts of the opposition and the media, and perhaps the proximity of some by-elections at the time, led the Premier to announce that the sale of Hydro One was “off the table.” Despite that assurance, today we are faced with Bill 58, which contains explicit provisions that would permit the privatization of Hydro One.

As a result, Ottawa city council, at its June 12 meeting, unanimously adopted a motion stating, in part, “That the province of Ontario retain Hydro One in public ownership,” which brings me to Bill 58.

For clarity, the key points of Bill 58 that I will be commenting on today have to do with the amendments to the Electricity Act that allow for the sale or disposal of Hydro One assets and for the possible restructuring of Hydro One into a non-profit corporation under the Corporations Act.

I understand there are other changes proposed in the bill to the Electricity Act and to the Ontario Energy Board Act as well, chiefly the retention of Hydro corridors by the crown and the addition of an energy consumers’ bill of rights to the OEB act. In general, these appear to be positive steps, although it is clear that neither of these would have happened without the strong intervention of both opposition parties and the media.

In particular, the inclusion of an energy consumers’ bill of rights addresses an issue of which I as a city councillor and others at the municipal level have been highly aware, since we are often the first people who get phone calls when consumers have been badly treated by door-to-door salespersons.

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Giving consumers some protection is clearly something that should have been done a long time ago, and the lack of this protection in the earlier versions of the act, first passed in 1998, reflects both bad planning and a naive assumption that the market will take care of everything if it is let loose. This error is compounded when the protections offered by the present bill do not apply to those million or so consumers who have already signed contracts with retailers. This is one area where the government can atone for its previous mistake by making these provisions retroactive.

Now I would like to focus on the proposed privatization of Hydro One from a municipal perspective. One point often overlooked in these discussions is that Hydro One is not only the monopoly transmission company in the province, as recognized even by the Premier; it is also now the largest distribution company in the province. Let me quote from the preliminary IPO that was released to the investment community just a few months ago, intended to promote the sale of Hydro One—the IPO that was ultimately withdrawn:

”Its distribution system is the largest in Ontario based on assets as at December 31, 2001, and spans approximately 75% of Ontario, serving approximately 1.2 million customers.... Customers of its distribution business include 42 local distribution companies that are not directly connected to our transmission system, 41 large industrial customers and approximately 1.2 million rural and urban customers. Since April 1999, the company has acquired 87 rural local distribution companies and one urban local distribution company, which increased its distribution customer base by approximately 25%.”

Until the year 2000, most cities and towns in Ontario were served by non-profit public utilities, which supplied reliable electricity to residents and local businesses at cost. These utilities were locally controlled. This arrangement goes back to the very beginning of the electricity system in Ontario and was part of the system by which the people of Ontario governed themselves at the local level.

As a result of the Electricity Act—which, if we were to follow the government’s usual style in naming legislation, should have been called the less local democracy act or the pay for profits from your pockets electricity act—these locally controlled utilities were converted into commercial corporations in 2000. They were owned by municipalities, as Ottawa’s still is, but they were one step removed from the local control that people had been used to and were forced to act as commercial corporations, not as agents of public policy.

In the case of a large number of local distribution companies, their local control was put one step further away when Hydro One bought them. At that point, they weren’t locally controlled or owned in any sense at all, but at least Hydro One was still publicly owned. Now the final step: the government’s intention to sell Hydro One to private investors, as is permitted in Bill 58.

The people in these local communities have gone in roughly two years from being in control of their own fate to becoming customers of an impersonal corporation that sees them as a source of profits, rather than as citizens. The point here is that the privatization of Hydro One, and through it the privatization of a large number of local distribution companies, is not simply a commercial transaction; it is a basic, fundamental change in the way Ontarians govern themselves. Such basic, fundamental change requires, in our democratic society, consultation with the residents, ratepayers and voters of Ontario to determine if this is their will through referendum or through a general election. This the government has not done. In our view, it should.

The government's proposal does not, in our view, have the approval of the population. Residents in this city have clearly told me they wish to see this important piece of public infrastructure delivering a basic public good—electricity—stay in public hands, delivering electricity at lowest cost. They already pay more because of the government's insistence that local utilities must operate commercially and pay profit. They do not wish to pay yet higher prices to accommodate somebody else's profit from owning Hydro One.

It is because electricity is such a fundamental public good that the government of Ontario should consult fully with its taxpayers and ratepayers on the future of Hydro One. We all depend on electricity. For families with young children, for those living on low or fixed incomes and for seniors, having a reliable supply of this necessity at the lowest cost is absolutely paramount. Indeed, the reasons that prompted Premier Eves to pull the sale of Hydro One off the table remain valid today. This element of Bill 58 that would permit the privatization of Hydro One must be eliminated.

Lastly, I would note this bill would amend section 50 of the Electricity Act to allow Hydro One to be set up as a non-profit corporation. I have no idea whether this back-to-the-future section will actually be used; I have my doubts. But the proposed legislation clearly allows it, so it can't be accidental. If the bill allows the province to hold ownership in Hydro One in the form of a non-profit corporation, then why does it not extend this right to municipalities? If it's a good idea for the province, it should be a good idea for the municipalities as well.

It is true that many, but not all, municipalities have taken advantage of the province's new electricity regime to charge for profits from their local utilities, thereby creating the circumstance that hydro ratepayers are contributing to municipal buses or parks through their hydro bills instead of through their taxes. However, this profit-picking has not gone by unnoticed by ratepayers, and I suspect that many of these policies will be reversed in the next municipal elections, on the basis that hydro bills should pay for electricity and that's all.

From the point of view of good governance, local democracy and the interests of giving consumers of electricity control over an important part of their lives, I would urge you to amend the legislation to allow municipalities the same right that the province has taken with respect to the form in which it holds ownership of its hydro assets. I would challenge each member of the committee to tell me, if they are not willing to do this, why this is not a good idea for the people of Ottawa and for the people of the municipalities in which you live. If local hydro utilities worked well on delivering reliable electricity on a non-profit basis for many years in our province—and they did; they are not the authors of Ontario Hydro's misfortunes—supporting local communities and their businesses, then it should be left to the municipalities to be able to choose the best form in which to deliver electricity to their residents.

I'm available for questions if we have any time.

The Vice-Chair: Thank you very much, Mr Cullen. You've used up all your time. We appreciate your coming in today to make your presentation.

KEEP ELECTRICITY PUBLIC

The Vice-Chair: Is the Keep Electricity Public organization here? OK. If you could please introduce yourself. You have 10 minutes for your presentation, or you can leave time for questions if you choose.

Mr Hal Ade: Good afternoon, members of the panel. My name is Hal Ade. I'm the chair of the Keep Electricity Public organization here in Ottawa. As you can tell by our name, we're very concerned about maintaining public ownership and control of Ontario's grid-based electricity supply.

Today we're focusing on the potential sale of all or part of Hydro One, our transmission lines, into private hands. Even if a small portion of this system were sold off, at the very least private shareholders would demand profits as a return on their investment. Of course, it would probably mean a further rise in electricity rates to provide those profits. It could be argued that competition would ensue to ensure that such rates would actually decline, but this begs the question, what competition? It's doubtful that private entities would build additional transmission lines on more land, operating at a lower cost than the current Hydro One system for a lower rate for the end user. More likely, we would have the same old single system with the same type of maintenance, selling transmission at a higher price than we're now paying. In other words, there would no value added for that higher rate.

Assuming Hydro One is partially or wholly privatized, let's just suppose for a moment that government permitted competing transmission lines to be built by entrepreneurs enthused about the income they could be getting by transmitting electricity at much lower costs. This, of course, would not take into account the costs to the environment, an environment in which people are immersed. There is evidence that the resulting increase in electromagnetic and electric field intensity from these additional facilities would greatly impact the health of anyone residing near them. Though not immediate, it could result in an increased incidence of cancer as little as 10 years down the line. With children, who are far more vulnerable, it could be five years or less for the onset of leukemia or other grave cancers.

Besides that, more land would be taken out of agriculture, potential transportation corridors and, yes, wild lands, which many of us would like to keep if at all possible. This obvious overcapacity built at great expense by private concerns would allegedly be to eventually provide lower transmission rates to distributors and ultimately end users, whatever time frame that eventually means. Business knows that the risk of losing its investment in this new capacity would be too great, so I doubt it would be done.

Assuming any privatization of Hydro One and no additional transmission lines built, we'd obviously have an effective monopoly of the grid at least partially in private hands. Returning to the matter of profits, would there be a cap on transmission kilowatt hour rates, and how would we arrive at it? And really, how much more would the people of Ontario be expected to pay to provide those profits, which would not give them any additional value in return?

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The other somewhat dreaded alternative would be that these private owners would cut costs by cutting quality of service. Perhaps the voltage would not be regulated very well, because that would cost money. Voltage spikes resulting from poor power conditioning have resulted in damaged appliances, which are designed and built for a specific and very narrow voltage and frequency range. Poorly maintained transmission lines would deteriorate due to corrosion and other effects of weather and the stresses of carrying current. Would the private owners spend the funds to install the extra cabling to carry the increased current due to increased demand? With increased market demand with the same capacity as before, how very easy it would be to raise rates, assuming it is permitted by law, without increasing the capital investment. Market demand would mean the consumer could only look forward to paying more, with the blessing of the provincial government and the provisions of NAFTA, the FTA and, God knows, even the World Trade Organization.

Since I've come here, Mr Gilchrist has given us some additional information, which I didn't have when I prepared this presentation. I didn't know until today that the price of the raw current has actually gone down for a particular period of time. I contend that what people were doing was trading through the IMO. They may have bought electricity at, say, three cents a kilowatt hour, found that they were holding too much, and had to dump it. The municipalities took advantage of this and perhaps bought it at—what did you say, sir?—one or two cents a kilowatt hour, something like that. I contend, sir, that this is only temporary. Nobody trades in electricity or any other commodity without expecting that the price will eventually rise above what they paid for it. So you'll have fewer traders over time and the general trend will be up. Over a period of five years, expect to pay more, not because of increased costs of generation or transmission but because of the need to make money.

Due to these profit demands alone, not to any rise in transmission costs, many consumers would find invoices to come—not the next invoice—to be unbearable. These increased costs to businesses, especially those which are in no financial position to generate their own electricity as an alternative, would obviously necessitate price increases to their customers not only in Ontario, but in the rest of Canada, the United States—our major trading partner—and their customers elsewhere in the world. It's not rocket science to figure that Ontario would gradually lose its comparative advantage in electricity for trade

purposes, because for decades we've depended on cheap electricity to provide that advantage.

The members of KEP know that profits are necessary to ensure the provision of quality goods and services from private businesses which were not previously public. Electricity transmission, however, is now public, and is different from other consumer products, as it were, because electricity cannot be stored economically. Batteries are too expensive. Therefore it is used as soon as, or almost as soon as, it's produced. It has also become over the decades a necessity of life, akin to food, clothing and shelter. To provide a decent living standard to us all, we must have electricity at a very affordable rate.

It is not unfair to expect residences to use up to 1,500 kilowatt hours a month to live in decency, especially during hot weather, when many folks, mostly elderly, must have air conditioning to maintain their health. That takes a lot of electricity. Adding profits to this under a private system just increases costs to the consumers who must use a lot of it.

Contrary to certain free market dogma which insists that all goods and services would eventually decrease in price to a very comfortable level due to competition, the extreme improbability of competition with electricity transmission can only result in yet higher prices than at present, even if it takes five years for that to occur, since we know of no new technology ready for installation to reduce transmission costs. Therefore, eventually, when it comes to reduced rates, it means at least several months, if not years, of paying what to KEP and many others would be extortionate rates, albeit illegal. During that period, of course, no matter the preachings of the deregulators that this would only be temporary, whatever "temporary" means, the consumer would have to pay and pay and pay, and some would go into poverty or extreme debt as a result. The only real advantage that we're going to get in electricity cost improvement would be in the matter of generation, and that has yet to come.

It could be said that the publicly owned and regulated electricity supply has been rife with waste and general inefficiency, since there is no drive to minimize costs to make profits. But that has only been true in the last 30 years or so due to a refusal or an inability of some past Ontario governments to oversee cost control in a businesslike manner—very little diligent auditing. But a public system doesn't have to be that way. With the last remaining fully publicly owned and regulated and publicly controlled component of Ontario's electricity supply system, there are superior reasons to keep these, our transmission lines, public, let alone statistics showing that end-user rates of public utility systems in the United States, where the profit motive drives so much of life, are about 18% lower than their privately owned cost-conscious counterparts in that country. The people of Ontario could elect an Ontario Energy Board beholden to all the voters of Ontario, not to government politics, and certainly not to special self-interest organizations. Its mandate would be to provide electricity to Ontarians at the lowest feasible price, covering all costs of course, and

bearing in mind that wages must be what most of us would consider fair for the job performed and complying with all environmental requirements. A constitution must be developed to enshrine that in an ironclad Electricity Act complete with spot audits. By the way, the public should decide in a referendum on whether any more of Ontario Hydro is to be sold.

The price of electricity itself has been deregulated since May 1 and we believe that eventually it's going to result in higher rates, which we'll see in subsequent bills. Let's not add to that burden by privatizing the only part of our electricity system which is still under public control. Let the public continue to exercise that control through good government. Thank you very much.

The Vice-Chair: Thank you very much, Mr Ade. You've used up all your time. We appreciate your coming in today to make a presentation.

OTTAWA AND DISTRICT LABOUR COUNCIL

The Vice-Chair: Is the representative of the Ottawa and District Labour Council here? Good afternoon, and please state your name. You have 10 minutes to make your presentation and/or leave time for questions.

Mr Sean McKenny: OK, and I thank you. Perhaps just before I commence, to the Chair, you could make a concentrated effort to keep Mr Gilchrist in line—a very, very disruptive individual.

Good afternoon. My name is Sean McKenny, secretary to the Ottawa and District Labour Council, which represents over 45,000 Ottawa-area working women and men.

I often have to pause and reflect as to the purpose or relevance of a supposed public process, as with this standing committee, hearing from interested citizens as to a direction or planned direction by government. A part of that reflection incorporates whether or not any purpose is served by appearing in front of such a committee to express an opinion. A part of that reflection incorporates whether or not the setting up of a standing committee for public consultations or hearings is solely for the appearance of fairness, for the appearance of public involvement, for the appearance of—dare I say it?—listening to the people, the key word in all of this being “appearance,” and the “listening” component in practically all like forums, as far removed from the process as the moon from the earth.

The people have spoken. The organizations, the businesses, the vast majority of those who will be impacted by a privatized Hydro have said, “Don't do it,” and yet the government continues to want to do it. Our city council in Ottawa and numerous other city councils in Ontario have said, “Don't do it,” and yet you continue to want to do it. The law has said, “Don't do it,” and yet you continue to want to do it.

With an incredible arrogance our provincial government says, “OK, we've heard you and we've listened and as a result we are only going to privatize a part of Hydro.

Let's say, well, how about 40%, 49%?” I suppose most governments intent on staying in their governance role for a lengthy period of time would like nothing more than to have a naive electorate. I can assure you that the vast majority of people are not naive. A smoke-and-mirror approach to Hydro privatization under the guise of 49% is probably more insulting to the people of this province than your original full private ownership ever was.

You have to learn to understand and to listen. The few people whom you've allowed before you speak with knowledge, and that knowledge is driven by a passion, a passion developed through direct exposure to the issue of Hydro privatization. It is truly a weak individual and a weak government that continually get their back up against the wall suspecting anyone, especially those with opposing views, as a threat to their ideologies or power base, and act with such venom and arrogance that even if those opposing views are in fact the correct ones, the admission to that fact is never, ever made. Never mind the destruction, and we have all seen this over the last few years with the Ontario Conservative government.

1650

We have in Ottawa a man by the name of John Taylor, Professor Taylor, an urban historian and long-time member of the history department at Carleton University. Professor Taylor wrote an incredibly fascinating book on Ottawa and I highly recommend it to all committee members. Published in 1986, it's called simply Ottawa: An Illustrated History. This is what it looks like, Mr Gilchrist.

I'll refer to a section of that book. I'll be providing a copy of my presentation to the committee, but for the record, I'm looking at page 100, and we're now—here you go again, Mr Gilchrist—in about the early 1880s in Ottawa. This is a quote from the book:

“The city also moved past the stage where a ‘juvenile police’ was sufficient to rid the streets of cows and pigs; where carters were sufficient to supply water; and an annual spring cleanup and liberal spreading of lime fully served the needs of public health. Growth, congestion and the pretensions of being a modern capital all demanded the provision of modern services; gas, street lighting, water, sewers, roads and sidewalks, telegraph and telephone, garbage collection, horse-drawn trams, and electric power. It was in Ottawa, as elsewhere, the age of urban infrastructure. And it altered city government as much as it altered city landscape, producing in its wake not only a modern police force and fire department but an expanded and more professional ‘civic’ service to manage and regulate a city converted to ‘gas and water socialism.’ An expanded local government quickly filled the new city hall.”

I'm still reading from the passage.

“Gas, the horse-car line, electric power and traction, all developed in Ottawa as private monopolies, controlled by the most powerful of its economic and political elites. Their access to money and to politicians at the senior levels of government, and their influence in municipal government, generated a running battle between the city

and its service monopolies for nearly two generations. As for the public monopolies—roads, the market, sewer and water—their development reflected cleavages between the rich in property and the poor, and inevitably revolved around racial and religious divisions.

“Civic experiments with electric street lighting, for example, were made as early as 1882 when power, generated at the city waterworks, was applied to a bank of carbon arc lamps, attached to a tower or ‘mast’ overlooking the Flats.” That’s Lebreton Flats, Mr Gilchrist. “There was apprehension among some members of the community regarding the effects of turning ‘night into day.’ The light was ‘brilliant’ enough ... but the difficulty in its efficient working appears to be ample steady power for driving the dynamo machine.”

I’m still reading from the passage.

“City council was still, by 1883, somewhat ambivalent about moving into the light business. There was risk, though also the possibility of profit. And there was, even in the Victorians’ enthusiasm for innovation, scepticism. ‘In short,’ said Mayor C.H. Mackintosh in an 1891 report, ‘daylight has been such a cheap blessing hitherto, that the payment of \$150,000 per annum for a little more of it, will scarcely meet with the approbation of those who take a practical view of the subject.’

“A range of influences—including the opinion of the city engineer, and possibly the new mayor, C.T. Bate—tipped the council in the direction of the private sector, when two offers to light the city were placed before it on 15 September 1884. One was from the Royal Electric Co of Montreal, the other from two local entrepreneurs, Thomas Adhearn and Warren Y. Soper, who in 1882 had incorporated a partnership to carry out electrical engineering and contracting. The latter, after some nimble and murky politicking, won the contract in the name of the Ottawa Electric Light Co (OEL).

“In May 1885,” again, still reading from the passage, “electric lighting commenced. The fire and light committee reported at year’s end that ‘the city is the best lighted one at the present time, being the only city in Canada that is entirely lighted by electricity.’ It is to be noted, however, that Francis Clemow, long-time manager of the gas company, the displaced supplier of street lighting, was by 1888 managing director of the electric company.

“On the strength of the street-lighting contract and the franchise awarded by the city, Adhearn and Soper and their partners—like Erskine Bronson—would build an empire,” Mr Gilchrist, “consolidated in 1908 as Ottawa Heat, Light and Power, and in doing so, generate a running battle with city council, which for twenty years would itself be divided over public versus private power.

“The city’s chief method of checking the OEL was to franchise competitors. The OEL’s counter-strategy was to buy them up. It struck a rock, however, on Consumer’s Electric ... which the city had tried to protect by making sale to OEL impossible under the charter. Adhearn, a political Liberal, was well connected with the Liberal government in Ontario and lobbied successfully to have

the clause removed. But just before the removal became legal, the city in 1905 purchased the company for \$200,000. With a distribution network, but no generating plant, it formed the core of the municipal electric department and subsequently Ottawa Hydro.”

Even back then, Mr Gilchrist, 100 years ago, this was a no-brainer. Private ownership of hydro didn’t work.

The Vice-Chair: I would ask you to address your speech to the Chair, please.

Mr McKenny: OK. I’m trying to give him the attention that he so desperately seeks.

The Vice-Chair: Please address the Chair.

Mr McKenny: All right. We had the reverse happen then. We went from private ownership to a public one, and there are all kinds of historical examples in different cities across this great province of ours, and indeed this country, similar to Ottawa’s. Yet now the Ontario government is suggesting that we in effect go all the way back to the early 1900s. It’s simply mind-boggling, Mr Chair.

There is absolutely no one who stands before you today or over the last while who has added anything new to the issue of privatization, in whole or in part, of Hydro. You’ve heard the vast majority speak in opposition to the move. You’ve heard incredibly knowledgeable people address, as part of that opposition, the main points that you use to promote the idea of a private Hydro, such as the debt, capital investment, efficiency.

On behalf of the working women and men of this city, I ask you to hear what the majority is saying. As a part of that hearing, we ask you to listen this time. As a part of that listening, we ask you to comprehend. That comprehension, if you in fact you can get there, we are confident will lead you to the only decision available to you.

It’s not a political one. It’s not one designed to appease this government’s Bay Street friends. Let’s use the Ontario Conservative government’s own highly touted words over the last few years, as in “common sense,” and in the process, let’s keep Hydro, the whole of Hydro, in the hands of all those individuals who call Ontario home.

The Vice-Chair: Thank you, Mr McKenny. It’s time for the official opposition.

Mr Patten: Thank you for your presentation today. That is a good book. I have a copy myself.

There are a number of things you raised which I think were important. You asked about the purpose of this committee, number one, and you pointed out that there wasn’t one company and today that is true. There was one retail company that was here but I didn’t hear the argument in favour of the overall privatization.

Ms Churley: Nowhere.

Mr Patten: Not anywhere. So your point is well taken and I think the government should heed just that fact, that there is no one coming forward with any degree of enthusiasm: “This is great. This is going to be a great thing for the people of Ontario.”

In terms of the relevance of this committee, at the end of day—I don’t think the government will do this—if the

government is serious, it will mean that they will entertain amendments. They will actually amend some of the legislation and they would come forward for some further reaction to those amendments in the House. I think what the government will try to do is ram this through in the next week because they want to get out of there by next week, by Thursday.

Mr Guzzo: Speak for yourself. I want to come back in July.

Mr Patten: That's right. Mr Guzzo and I want to be there in July, but I don't think the government does. In other words, we'll see at the end of the day whether they really adopt any of the amendments that were put forward, other than the ones that they put forward themselves, because that really is the test. But I want to thank you very much for your presentation.

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

QUOC-HUNG DANG

The Vice-Chair: Our next presenter is Quoc-Hung Dang. Welcome, Mr Dang. You have 10 minutes to make your presentation, or you may use some of it for questions, if you want. Go ahead.

Mr Quoc-Hung Dang: I am now a student at Ottawa university and I have been doing projects and the national council saw them. Many teachers and other students saw it, but the point is something that they saw. It's on paper; it's not realized but it's about at the point to realize it. It

is amazing because it just gives some free energy. That's why I'm a little bit uncomfortable saying these sort of things. So that's why I would like to comment; that's all. I may leave some documents back here so that people can take a look whenever.

The Vice-Chair: Yes, you're welcome to leave documents with the committee.

Mr Dang: Another thing I wanted to comment on: I have been studying at the university of Quebec at Trois-Rivières. I did a baccalaureate in electrical engineering. One of our teachers, when he taught the thermal dynamics course—I don't quite remember, but inside a closed container they put some liquid and they put too much pressure on it and at some point it disappeared, and when they took the pressure off, the substance reappeared. He said that nature hides things, because how can you apply theory with something that just disappears? So I would like to relate it to my device, which just gives free energy. That's all.

The Vice-Chair: Do you have anything you want to say on Bill 58 at all?

Mr Dang: That's it. That's all.

The Vice-Chair: Very good. Thank you very much for coming in. Does anyone have any questions for Mr Dang?

Mr Patten: I'd like to see his document.

The Vice-Chair: You'll leave your document with us.

Those being all the presenters, this committee stands adjourned until 9 am tomorrow in Chatham.

The committee adjourned at 1702.

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