# MEDG / MRIS / MSB Daily Clippings: August 10, 2017

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Ontario **Small Business/MEDG/MRIS**

**August 10, 2017**

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## CWR / Minimum Wage

Local businesses to province: Fair Workplaces and Better Jobs Plan 'too much too fast' (Wellington Advertiser (Online))
Date: Aug 10, 2017
Local businesses have a number of concerns with the Ontario government's proposed Fair Workplaces and Better Jobs Plan. The issue of increasing the minimum wage from $11.60 to $15 per hour within 1.5 years seems to be just the tip of the iceberg for business...

NDP Leader Andrea Horwath calls for beefed up labour reforms to help workers (Toronto Star (Online))
Date: Aug 10, 2017
The New Democrats are calling on the Liberal government to beef up looming labour reforms. NDP Leader Andrea Horwath on Thursday disclosed her party's proposed amendments to Bill 148, which is currently being studied by a legislative committee.

## Energy Sector/Environment/Clean Tech

Hydro One's takeover of Avista is a big negative for Ontarians (Financial Post (Online))
Date: Aug 10, 2017
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## Trade and Exports

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Read the complete article.
Back

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Read the complete article.
Back

# Energy Sector/Environment/Clean Tech

## Hydro One's takeover of Avista is a big negative for Ontarians

**Financial Post (Online)**

**By:** Parker Gallant

**Date:** Aug 10, 2017

On March 28th, a few weeks after Ontario Premier Kathleen Wynne and Energy Minister Glenn Thibeault held their press conference about the "Fair Hydro Plan," Andrea Horwath, leader of the NDP, delivered a motion to the Ontario legislature calling for a buy-back of Hydro One. The motion failed and later resulted in Thibeault calling the NDP motion "short on details and long on hollow promises." He noted that many of the NDP's proposals "rely on a vague and yet-to-be-determined 'expert panel' that will be convened in the future." Buying back $4 billion in Hydro One shares is costly, the energy minister added, and "will not take one cent off electricity bills. What it will do is send billions to the stock market instead of making much needed infrastructure investments in communities across Ontario."

Fast forward to July 19(th), when Thibeault was beside himself with excitement because Hydro One will be paying US$5.3 billion ($6.7 billio to purchase Avista, a much smaller electricity and natural gas utility headquartered in Spokane, Wash., 3,200 kilometres from Toronto. Hydro One offered a 24-per-cent premium on the traded value of the stock price over its July 18th closing and, based on Avista's 2016 annual profit, it will take Hydro One 38 years to recoup the $6.7-billion price tag. Thibeault's press release announcing the takeover carried this obtuse claim: "It is to the shared benefit of Hydro One's customers, employees and shareholders to see the company strengthened and growing." He also stated that, "In particular, we welcome the fact that this proposed acquisition will not impact the rates that Ontario customers pay. Neither will it have any impact on local jobs."

Based on that press release, and the requirement to get shareholder approval, we must assume Thibeault gave his blessings to the acquisition and dilution of the province's holdings, which will decline from 49 per cent to 44 per cent. He presumably also blessed Hydro One's borrowing program, which will add US$2.6 billion ($3.7 billion) in new debt, not including another $1.4 billion via a convertible debenture paying 12 per cent per annum in interest prior to its conversion to common shares.

Thibeault and Wynne believe it's wrong for the province to borrow $4 billion, as the NDP suggested, to reacquire Hydro One shares, but OK for Hydro One to borrow $5.1 billion while diluting the province's interest in it. The privatization of Hydro One and dilution of the province's shareholding keep its debt off of the province's balance sheet.

So, is the acquisition all that Thibeault and Hydro One's CEO, Mayo Schmidt, claim it is or is the spin meant to distract ratepayers into believing the takeover will lessen pressure on future rate increases? Let's examine a few facts:

- The acquisition of Avista will result in Hydro One's debt (short and long term) increasing by 46 per cent, or $5.1 billion, to reach in excess of $16 billion. Should interest rates increase Hydro One will submit an application to the Ontario Energy Board (OEB) for a rate increase, an accepted OEB process.

- Hydro One's 2017 first-quarter report notes it currently has five rate applications awaiting approval by the OEB and plans to file another nine rate applications over the next four years.

- Washington, where Avista's electricity ratepayers are located, pays the second-lowest rates of any state on average, with all-in residential rates of 9.43 cents/kWh as of April 2017. Only Louisiana can claim lower rates at an average of 9.35 cents/kWh (U.S. rates expressed in U.S. currency).

- Based on the information in Avista's 2016 annual report, it appears the all-in cost of a kilowatt-hour delivered to its ratepayers was 8.68 cents/kWh.

- Hydro One, on the other hand, has the highest rates in Canada and in most of North America. It is difficult to see how Washington ratepayers will see any benefit from this acquisition. Based on the data supplied by Hydro One to the OEB for 2015, its average cost of a kilowatt-hour was almost double Avista's at 17 cents/kWh.

It is difficult to believe several of the claims in Hydro One's July 19th news release. As an example, it states the acquisition of Avista "will be accretive to earnings per share in the mid-single digits in the first full year of operation." Politicians and regulators in Washington may be tougher than those in Ontario when Hydro One seeks a rate increase! It gains increases in Ontario from the OEB and via political tampering, which recently resulted in a requirement that taxpayers pick up a part of Hydro One's bad debt allocations via the Ontario Electricity Support Program.

Another quote is also a stretch: "Efficiencies through enhanced scale, innovation, shared IT systems and increased purchasing power provides cost savings for customers and better customer service, complementing both organization's commitment to excellence." This claim comes from the company that had the distinction of being singled out by Ontario's ombudsman for issuing over 100,000 faulty hydro bills. Moreover, last October Global TV found Hydro One had almost 226,000 clients in arrears, which represented 20 per cent of all its residential clients and 40 per cent of all ratepayers in arrears in the province.

Ratepayers and taxpayers should view the Hydro One takeover of Avista as negative. To re-purpose Thibeault's comment to the NDP leader, this action "will not take one cent off electricity bills."

Financial Post

Parker Gallant is a retired bank executive who looked at his power bill and didn't like what he saw.

Read the complete article.
Back

# Trade and Exports

## Canadian unions want to pick your pockets with this NAFTA 'overhaul'

**Financial Post (Online)**

**By:** Matthew Lau

**Date:** Aug 10, 2017

Imagine ordering a medium double-double at Tim Hortons, but the worker behind the counter instead hands you a latte and charges you extra. "The government permits us to change your order to a latte," he informs you, "since forcing you to pay for the more expensive item brings in more revenue, and so better supports our employment."

Most reasonable people would consider that madness. But conscripting consumers to serve producers like this is exactly what labour unions demand. Last week, Unifor, Canada's largest private sector union, issued a statement in conjunction with the United Automobile Workers calling for a "massive overhaul" of NAFTA to force consumers to support expensive unionized labour.

Similarly, in a recent article for the Institute for Research on Public Policy (IRPP), an economist with the Canadian Labour Congress called for a "repudiation" of trade liberalization, to be replaced by a "progressive trade agenda" complete with "environmental, human rights and gender audits."

The author cites the popularity of Donald Trump as potential evidence that the economic consensus on the benefits of trade "is flawed and failing many." Among the alleged failures of trade is that "a disproportionate share of economic growth has gone to the very, very wealthy" since the signing of NAFTA.

Economist Stephen Tapp raised a similar point in his own piece for the IRPP's trade policy series, producing graphs showing high income growth among top earners, with little growth for average workers since the early 1980s. But any suggestion that middle- and lower-income

Canadians are no better off today than a generation ago is empirically absurd.

Most Canadians today can afford technological gadgets unheard of a generation ago. And household appliances that did exist 40 years ago have gotten much cheaper. A study last year( (www.fraserinstitute.org») ) by economist Don Boudreaux (who deserves credit for inspiring the Tim Hortons analogy above) and three co-authors from the Fraser Institute found that from 1976 to 2011, the number of hours an average Canadian would need to work to buy a refrigerator from Sears fell by 84 per cent.

By the same measure, the prices of dishwashers, clothes washers and dryers, vacuums, microwave ovens, and televisions fell by similarly large amounts - all as the quality and sophistication of these products only improved. Against this backdrop, any complaints that the middle class and working poor have been deprived of the benefits of economic growth are little more than an excuse for a more interventionist government.

Nevertheless, Tapp advocates an "inclusive" trade policy that takes a "predistribution" approach. According to sources Tapp cites, "predistribution" involves "new and inventive ways of restructuring the market economy," but basically boils down to letting the government centrally engineer the economy to try and spread out jobs and income in ways it considers more fair, rather than letting market forces work. But surely allowing individuals to make their own decisions in a free market is more inclusive than having politicians set the economic agenda.

Tapp argues that we need "active labour market policies" to help firms and workers adjust to trade. The implication is that markets and prices cannot adjust on their own, and need guidance from politicians. But politicians won't know which workers will be displaced by trade, nor whether these workers would prefer to retire or go back to work, nor what skills these workers should acquire if they want to find employment again, nor what industries will grow when trade expands - or even if such industries or jobs even currently exist.

All of this knowledge is decentralized, and out of the grasp of any group of politicians. And even if such a central planning endeavour was possible, why must politicians "predistribute" income by restructuring markets every time workers are displaced? What reason is there to believe politicians should decide the "correct" distribution of income? There is none.

Essentially, the issue of trade boils down to one question. Do domestic companies and labour unions have a claim to ownership of your wealth, or does your money belong to you?

Financial Post

Matthew Lau is a Toronto writer.

Read the complete article.
Back