QP BRIEFING

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1). HYDRO ONE PRIVATIZATION COULD COST MORE THAN $150 MILLION

By: Geoff Zochodne

You've got to spend money to make money — and the Liberal government's privatization of Hydro One could cost the province more than $150 million over three years.

The money spent on the stock offerings, which will reduce Ontario's stake in the company to less than 50 per cent, could include up to $130 million in fees paid to banks and financial institutions that participated in the three share sales, according to financial filings.

A high-level look at the costs comes from a table in the 2017 Ontario budget, which contains an expense for “Strategic Asset Management and Transformation Related to Hydro One.” That expense was projected to be $44 million for 2015-16, $44.6 million for 2016-17, and $100 million in 2017-18, the current fiscal year.

But a spokesperson for Energy Minister Glenn Thibeault said the 2017-18 cost isn't expected to be more than $62 million.

"We planned for $100-million in the 2017 Budget for Strategic Asset Management and Transformation for 2017-18," said Colin Nekolaichuk in an email. "This reflected a preliminary estimate of what expenses related to Hydro One could potentially amount to. It’s not unusual to plan for a projected amount, and then return unused funds into the treasury. In regards to consultant fees needed to execute the share sale, the Province has been able to achieve a fee structure that is significantly lower than in recent public offerings by other issuers."

The government’s latest share sale was announced last week, and it could reduce the province’s share of the company to as little as 47.8 per cent. But the most recent stock offering is also bigger than the first two, putting more than 20 per cent of Hydro One on the market.

The Hydro One initial public offering was held in November 2015, and the second share sale was held in April and May of 2016. Both offerings sold about 15 per cent of the company, reducing Ontario’s stake in Hydro One to 70 per cent.

Hydro One, Ontario’s largest electricity transmission and distribution company, said the latest stock offering was made using "a syndicate of underwriters led by RBC Capital Markets and CIBC Capital Markets.”

A Hydro One prospectus supplement for the May 2017 stock offering said the fees paid to the banks involved in the deal could be as high as $55.8 million. The fees will be paid from money raised in the share sale. They could also increase to as much as $61.4 million if the underwriters exercise an option to buy more shares.

The 2016 share sale's fees were up to $39.4 million and the 2015 offering fees' could be as much as $29.3 million, according to prospectus supplements. Both offerings sold out, including the "over-allotment" option that allowed the banks to buy additional shares.

The underwriters also receive a different fee depending on who the shares are sold to; in the May offering, the banks received 23 cents for each share sold to institutional investors and nearly 70 cents for shares to other investors. No more than two per cent of the profits from any of the three share sales will be spent on fees.

The prospectus supplements also say that the province agreed to pay the expenses of the offering. The three offering had costs of about $14.5 million, according to the prospectus supplements.

The government estimates it will receive about $2.8 billion in total profits from the May share sale, which it says should be its last. Those proceeds could rise to $3.1 billion if the province’s banks exercise their option to buy another 12 million shares of the company, but the Globe and Mail has reported that the underwriters have only sold about half of the shares they bought from the latest Hydro One stock offering, which means they may not want to buy any more. The banks have 30 days to decide if they’ll purchase additional shares.

Including the final offering, the share sales have reaped about $6.6 billion for the government thus far. When the final offering closes, the Liberal government says it "will have exceeded its objective to raise $9 billion in gross proceeds and other revenue benefits from broadening the ownership of Hydro One." This includes a $2.2 billion tax benefit and a $1 billion special payment from Hydro One that Ontario received as a result of the privatization. Of that money, $4 billion will go to fund infrastructure projects and $5 billion will be used to pay down debt.

2). Tories double down on contempt charge over Liberals' hydro plan ads

By: Sabrina Nanji

The Tories are taking a second stab at a contempt ruling over government ads promoting the Liberals' “Fair Hydro Plan” now that the accompanying legislation has been tabled.

Rising on a point of privilege Monday morning, Progressive Conservative MPP Steve Clark charged the Liberals were in contempt of provincial parliament for airing government ads trumpeting the overall 25-per-cent hydro price cut before Bill 132, the Fair Hydro Act, is even law.

The Tories had unsuccessfully made similar accusations when the ads first aired in March, but because Bill 132 was tabled last Thursday, Clark decided to raise the point again in Monday’s question period.

Coupled with Energy Minister Glenn Thibeault's statements in the house and at a news conference describing the "necessity of this legislation," the Liberals are "presupposing the will of this legislature," Clark said. The ads were broadcast on social media and the radio and explained households will see an average 25-per-cent reduction on hydro bills this summer (including the 8-per-cent rebate that took effect Jan. 1).

“The advertisement in question not only definitely states a result of the legislation, which was 25 per cent off your hydro bill, but also presents an unqualified timeline, which was starting this summer,” Clark said. “I again contest that (the energy) minister’s actions were a prima facie case of contempt for the government running advertisements presupposing the will of this legislature by outlining a clear timeline and result of the legislation.”

This is the second time the Tories have alleged the promotions are in contempt of parliament. In March, PC House leader Jim Wilson charged the Liberals committed a prima facie case of contempt because they aired before promised legislation was tabled, debated or passed by the legislature, which undermined due process.

Speaker Dave Levac disagreed at the time. “It is not open to me to interpret or presume what might be in that possible legislation. Consequently, I cannot find that a prima facie case of contempt has been established,” he said.

Levac will reserve his ruling on Monday’s motion for a later date, to give the government and NDP a chance to weigh in with written submissions.

Government House leader Yasir Naqvi defended the government's actions. He said there is “no temporal link” between Bill 132 and the ads.

"The examples submitted this morning by the member were from back in March, before any bill was before this House. The role of the House was crystallized at the introduction of the bill. Prior to that, there was no role for the Speaker to consider," Naqvi said.

He noted “government communications” since the bill was tabled have “clearly stated” the caveat, “if passed.” That “has been accepted as appropriate deference to the role of the legislators in this House,” Naqvi said.

He called the accusation the PCs "second kick at the can" against the hydro relief plan and "yet another distraction from the fact that the Conservatives really don't have a plan."

Meanwhile, Bill 132 is scheduled for second-reading debate Monday and Tuesday this week. While it’s likely to pass given the Liberal government majority, the New Democrats and PCs say they will vote against it — especially in the wake of leaked cabinet documents that suggest hydro bills will begin to rise again after dropping in 2017. The Liberals say those documents are out-of-date.

3). MPPs PREPARE FOR MIDNIGHT DEBATES BEFORE SUMMER BREAK

By: Sabrina Nanji

Prepare for the late, late show at Queen's Park.

With just two sitting weeks left before the house rises, MPPs are getting ready for the possibility of debating major pieces of legislation, such as the Liberal government's budget measures as well as housing and hydro affordability plans, until the wee hours.

Government house leader Yasir Naqvi tabled several motions last week that would extend sitting time until as late as midnight on all but one of the days remaining before MPPs break for summer June 1.

On Monday, MPPs voted to stay until 9:30 p.m. to debate Bill 132, which will enshrine the government's additional 17-per-cent hydro bill cut into law. But there are still several other motions on the order paper, including ones that would extend Tuesday and Thursday's sittings until midnight. Midnight sittings are rare, but the standing orders allow the motion to be put forward without amendment or debate.

Naqvi said the extension was necessary to get big pieces of legislation through due process, including the government's omnibus budget bill, which has been time-allocated, its Fair Housing Plan legislation, including expanded rent control (also time-allocated), and to implement the non-resident speculation tax.

"We need the time for these bills to go through the house and if the opposition plays games, which is unfortunate, that would deny what Ontarians want ... We will work as many hours as it will take for us ... to get these important pieces of legislation passed," Naqvi said.

He said "the ball is in the opposition's court" and accused the PCs in particular of engaging in procedural delay tactics at committee, such as tabling hundreds of amendments to the photo radar bill, the Safer School Zones Act, which is slated for third-reading debate during Tuesday's late-night sitting.

There are twin late-night motions filed for each of the remaining sitting days, with the exception of Wednesday. The first motion would prolong daily sitting until 9:30 p.m., while the second motion would extend it to midnight.

Both the opposition parties have accused the government of ramming legislation through the house without giving enough time for debate or public feedback.

PC Leader Patrick Brown said he was just fine with burning the midnight oil.

"Unfortunately, they're using midnight sittings to try to show that they're not cramming stuff through, but they are. There's supposed to be a level of debate here in the legislature and they're trying to diminish that," Brown said.

NDP Leader Andrea Horwath took particular issue with the hydro legislation introduced last Thursday. By tabling Bill 132 with just eight sitting days before the end of the spring session, "which effectively shuts down the public's right to take a look before the vote."

Horwath told reporters the NDP would be voting against Bill 132.

4). *Majority of Ontarians back Liberal pharmacare plan, poll says*

By: Christopher Reynolds

The Liberal government's free pharmacare plan for young people has majority support across the province, according to a new poll.

The program, which will offer free prescription drugs to Ontarians under 25, enjoys the approval of 56 per cent of voters, according to a Forum Research poll provided exclusively to QP Briefing. One-third of voters disapproved of the Liberals' drug program and 12 per cent said they weren't sure.

"A broad spectrum of support exists for the Liberals' pharmacare plan, from Liberals and NDP supporters and geographically across the province," Forum president Lorne Bozinoff said on Monday.

The Grits shouldn't get too giddy, though. If that support splits votes between the Liberals and New Democrats in next year's election, the Progressive Conservatives would come out on top, Bozinoff said. Nearly three-quarters of both Liberal and NDP supporters endorsed the pharmacare plan, the poll showed.

"The Liberals are crowding in on (the NDP's) progressive turf, just like what happened in the last election," Bozinoff said.

NDP health critic France Gélinas said the Liberal plan, dubbed OHIP+, hasn't overshadowed her own party's $475-million proposal for universal pharmacare covering 125 "essential" drugs.

"When it comes to health care, the basic value of universality is something that everybody gets," Gélinas said.

Slated to take effect Jan. 1 — six months before next year's election — the Liberals' $465-million pharmacare program will fund 4,400 different prescription drugs for four million young adults, teens and children.

The main plank in last month's $141-billion budget, it has more than 70 per cent support among voters under 35, the poll shows. That "massive majority" comes from a sizeable chunk of potential voters, Bozinoff pointed out — "potential" being the operative word.

"Young people are notoriously hard to get to vote. I think it was overly optimistic on the Liberals' part to think that this might pull away non-voters among that age group," he said.

Just one-third of residents age 18 to 24 voted in the 2014 provincial election, compared to more than 50 per cent turnout overall among Ontario's 9.7 million voters, according to government figures.

Four in 10 voters age 55 and over opposed the pharmacare plan in the poll, which was released on Monday.

Forum's findings also highlight the divide over OHIP+ between highly educated and less educated, and so-called 416-ers and their suburban Toronto counterparts.

Voters most likely to approve of free pharmacare included Toronto residents (66 per cent), women (60 per cent) and people with post-graduate degrees (69 per cent), the poll found. Meanwhile, one-third of residents of the 905 area, southwestern Ontario and northeastern Ontario frowned upon free pharmacare, along with people with a university degree or less.

Nonetheless, the free drug plan carries majority support in every region of the province, the poll indicates.

“(The Liberals) have been way behind in the other regions of the province. But the good news for them is this initiative is popular everywhere,” Bozinoff said. “They really needed some good news outside of Toronto.”

Bozinoff said OHIP+ — put forward less than a week after the NDP unveiled their program — is the latest example of Liberal “shadowing” of NDP proposals.

In April, the Liberals announced their plan to cut hydro bills by an average of 25 per cent. That followed the NDP’s proposal to slash electricity bills by 30 per cent, return Hydro One to public ownership and provide a consumer opt-out for time-of-use pricing.

Last month, the Liberals announced a 15-per-cent foreign buyer tax on real estate purchases in the Greater Golden Horseshoe area and expanded rent control, which was previously applicable only to units built before November 1991. That came before an NDP pledge to pay for one-third of the repair cost for Toronto’s crumbling social housing stock.

Progressive Conservative Leader Patrick Brown said last month he would cut waste like "exorbitant salaries and executive compensation," but has offered no alternate pharmacare plan. The Forum poll showed 54 per cent of PC supporters disapprove of the Liberals' drug plan.

Nearly two-thirds of residents with incomes between $60,000 and $80,000 a year backed free pharmacare, while about 40 per cent who earned $40,000 to $60,000 disapproved.

The poll results toss a life preserver to Liberal hopes, already buoyed slightly by a public opinion survey three weeks ago. A Campaign Research poll showed the Liberals trailing their PC counterparts with 36 per cent and 31 per cent voter support, respectively. The NDP came in third at 25 per cent.

The Forum Research poll released Monday surveyed 1,103 randomly selected Ontario voters by phone on May 9 and 10. Forum says a sample of this size would have a margin of error of three percentage points, 19 times out of 20.