Evening Media Scan: Hydro Rate Reduction Plan - April 26, 2018

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Evening Media Scan: April 26, 2018

Media Scan: Hydro Rate Reduction Plan

April 26, 2018

Click links below to view article:

TV Transcripts

CBLT : CBC Speaks With Economist And Former Liberal Strategist About Hydro

Source: CBLT

Apr 26, 2018 6:51 PM (21)

Anchor: We are counting down the days until the next provincial election, one that is poised to be all about your bank account. The pain of sky high hydro bills is something everyone can relate to. I spoke to an economist and former Liberal staffer about how the government has handled hydro and the consequences of their actions.

Anchor: Part of the criticisms of this government and how they handled the file, the auditor general released a report saying Ontario is on the hook for billions of dollars more in hydro debt than the province is actually reporting because of the Fair Hydro Plan. Talk about the impact then on taxpayers down the road, because it feels like we are pushing this off to our kids.

Dan Moulton, Crestview Strategy: Well there's certainly no impact on taxpayers, I mean the electricity system is self-financing so you pay for an electricity system through your electricity bill.

Anchor: Did I say taxes? I mean the people of this province.

Moulton: Haha of course, of course. You know the bills – we had a situation in which the government rebuilt the electricity system. Massive investments in poles and wires, massive investments in generation, and that led to a really sharp up front cost. What the government did when they reduced the price by 25 per cent last year, was essentially refinanced the mortgage. We went from a 10 year mortgage to a 30 year mortgage. So will we pay off the mortgage longer? Yeah. But bills will be a lot shorter throughout that time period.

Anchor: A lot of people blame some of the issues on this file to privatization but you don't see it that way.

Brady Yauch, Consumer Policy Institute: I don't think that's the case. So yes, Hydro One has been privatized. It's only one portion of your bill, it's the delivery side, but most of the rate increases you have seen for Hydro One happened prior to it being privatized. Post privatization now is asking for more rate increases but they are not significantly different than they were under public ownership and we get what they are asking and some of the proposals they put in the rate application are actually moving into more customer centric mode which is obviously better for ratepayers across the province.

Anchor: How big of a topic do you think this will be in the upcoming election? We were talking about it for a lot for a while. It has kind of moved off a little bit but as this campaign goes forth people are going to be bringing this back up.

Moulton: Well I think you will see the Conservatives try to make it an issue, you know. We certainly saw Doug Ford out there a few weeks ago saying he would fire the CEO of Hydro One, something he actually can't do but you know –

Anchor: He's saying today we can't balance the books anymore because of this.

Moulton: Well look. He's gonna try to make it an issue. But the rate cut that the government brought forward really did reduce the pressure on the topic. I actually don't think we will hear a lot about hydro prices in this upcoming election. It just doesn't have the same registry that it used to. There are enough other issues for the parties to focus on. I don't seem to think hydro will be one of them.

Yauch: I think he is right in the sense the Fair Hydro Plan I think essentially – I think it bought their way out of the problem, and they use your own money to buy themselves out of the problem. So yes they ream mortised the mortgage as we talked about but it's gonna cost you more in the long run than if we didn't do anything. So yes, you're getting a rate cut today, yes you're less angry at Queen's Park but you're gonna pay for that in the long run. I think that's concerning and I think we need to continue to have a conversation on that and whether that's good policy or not.

CFTO : Premier Wynne Says Discrepancy Of AG's Report Was Due To Accounting Dispute

Source: CFTO

Apr 26, 2018 12: 11 PM (7)

Anchor: Premier Kathleen Wynne said the discrepancy was due to an accounting dispute. When pressed on the auditor general's report in question period, Finance Minister Charles Sousa responded by saying independent agencies have already found Ontario to be financially sound.

Charles Sousa, Finance Minister: Dated April 24th, a couple days ago, by a rating agency. And this is what they said, DBRS limited says this, "The province of Ontario has and respectively has confirmed Ontario's electricity, financial, corporation, long term obligations as well as the province's rating as double 'A', the trend on all ratings are stable." Including OPG, ISO and the province of Ontario. They know what is going on and they are supporting Ontario all the way, Mr. Speaker.

Anchor: The Liberal government says it disagrees with auditor general Bonnie Lysyk on how to calculate interest costs and the value of assets jointly held in public pension plans. Lysyk said yesterday she thinks all political parties should include plans for an increased deficit in their platforms for the coming election.

CKCO : PCs Criticize Government Over Auditor General's Report

Source: CKCO

Apr 26, 2018 12:18 PM (13)

Anchor: Yesterday's announcement by the Ontario Auditor General that the provincial deficit is $5 billion higher than previously stated is drawing the ire of PC Leader Doug Ford who said this morning, he would launch an independent inquiry into the budget if elected in June.

Doug Ford, Ontario PC Leader: So, we get in there, this is the thing. We do not trust anything the Liberals have done now. And until we get in there, we think it is even higher than what they are projecting. And that is why we have to make sure that we have a outside to confirm to go line item by line item. I think the people of Ontario, our own government will be shocked at the scandals we are going to find out. This is the biggest financial scandal in Canadian history that I've ever seen it.

Anchor: Ford said his party would balance the books if elected but said that was not likely to happen the first year. Premier Kathleen Wynne said the discrepancy was due to an accounting dispute. When questioned on the Auditor General's report in question period. Finance Minister Charles Sousa responded by saying independent agencies have already found Ontario too be financially sound.

Charles Sousa, Ontario Finance Minister: Dated April 24th, a, couple of days ago by your rating agency, and this is what they said. DBRS Limited said this, the province of Ontario has, and respectively has confirmed Ontario's electricity, financial, corporation, long-term obligations, as well as the provinces rating as AA. The trend on all ratings are stable, including OPG, ISO. And the province of Ontario. They know what is going on and they are supporting Ontario all the way.

Anchor: The Liberal government says it disagrees with Auditor General Bonnie Lysyk on how to calculate interest cut costs and the value of assets jointly held in public pension plans. Lysyk said yesterday she things all political parties should include plans for an increased deficit in their platforms for the coming election.

Online Coverage

Toronto Star : Doug Ford promises inquiry into Liberal government's accounting, commits to budget cut of four per cent

By: Robert Benzie

Thu., April 26, 2018

https://www.thestar.com/news/queenspark/2018/04/26/ford-promises-inquiry-into-liberal-governments-books-and-commits-to-4-per-cent-budget-cut.html

Progressive Conservative Leader Doug Ford says he will launch an "independent commission of inquiry" into Ontario's books in the wake of a damning auditor general's report into the Liberal government.

Ford said Thursday that budget watchdog Bonnie Lysyk's finding that the deficit is at $11.7 billion, not $6.7 billion, has exposed "a betrayal of the public trust."

Premier Kathleen Wynne, however, countered that the larger shortfall calculated by Lysyk stems from "a dispute that's been going on between professional accountants for a couple of years now.

"We appreciate her perspective and I think that that disagreement, that dispute, between the accountants will go on for some time," said the premier.

There are two key points of contention between the government and Lysyk.

The auditor is concerned about the way the Liberals have structured the Fair Hydro Plan that borrows money to reduce electricity rates by 25 per cent, but is kept off the books because it is bankrolled through government-owned OPG Trust.

She also disputes whether $11 billion in government co-sponsored Ontario Public Service Employees' Union Pension Plan and Ontario Teachers' Pension Plan holdings should be counted as assets.

While Ford promised his own hydro scheme to replace the Liberals' rate cut, he pointedly would not rule out a future PC government booking the pension billions against the bottom line.

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National Post : Doug Ford pledges inquiry into Liberal government's understated deficits, calls it 'biggest financial scandal in Canadian history'

By: Tom Blackwell

April 26, 2018 7:35 PM EDT

http://nationalpost.com/news/canada/ford-pledges-commission-of-inquiry-into-government-spending-if-elected

Doug Ford is not one for nuance and subtlety, and Thursday offered no exception as he sought to exploit a damning report from Ontario's auditor general.

The watchdog's conclusion a day earlier that the Liberal government had understated the provincial deficit by billions of dollars pointed to "the biggest financial scandal in Canadian history — that I've ever seen," the Progressive Conservative leader said.

To address it, Ford promised to call a commission of inquiry to get to the bottom of the provincial accounts, saying its mandate would be similar to a 2004 investigation into the federal Liberal sponsorship scandal. "We cannot trust anything about the Liberal estimates or projections," he told a news conference in Toronto. "Their budget is no longer worth the paper it is written on."

But when asked about his own plans should he win the June 7 election, Ford was characteristically less explicit.

He revealed for the first time that he would not initially balance the budget if elected, but would move in a "modest and responsible" way to eliminating the deficit. Beyond that, he offered scant detail of how much his own platform would cost, or how it would affect the government's bottom line.

"Until we get in there, we can't start guessing, because every single day there is a new financial scandal with this government," Ford said, before the media questioning was abruptly cut off.

His caution may be understandable — the Tories' promise to eliminate 100,000 public-sector jobs in the 2014 election is widely seen as key to their loss.

The pre-election finance report auditor general Bonnie Lysyk issued Wednesday was, ironically, required under a "transparency and accountability" law brought in by the Liberals themselves in 2004. It concluded the deficit for this year and the following two had been underestimated by at least $5 billion annually, as the government employed unorthodox accounting methods and deliberately froze out the auditor.

On Thursday, Finance Minister Charles Sousa again dismissed her criticisms as another round in a longstanding dispute over how the books are presented to the public, and nothing scandalous. And he scoffed at Ford's idea of a commission of inquiry.

"We have an independent auditor and now Mr. Ford is suggesting that we audit the auditor. She's already done her job," said Sousa. "The people of Ontario should realize and appreciate that the work being done by government and the civil service and professional accountants is accurate."

Ford had already announced that he would order an external audit of the government's books if he becomes premier, and struggled to explain how an inquiry would be different — or why it was necessary after the auditor general's report.

He said his two promised reviews would operate "hand in hand," and compared the proposed inquiry to one conducted by Sheila Fraser — who then held the federal equivalent to Lysyk's job, and was not an outside investigator.

Fraser exposed the sponsorship scandal, where advertising contracts were awarded to Liberal-linked firms for minimal work. Her probe resulted in the much longer Gomery Commission, whose $14-million cost well exceeded the extent of improper contracts it identified.

A source in the Ford campaign stressed later his commission would be like Fraser's, not a public judicial inquiry with witnesses.

Meanwhile, Ford has made some pricey commitments, including almost $2 billion in tax cuts and adding 15,000 long-term-care beds over the next five years, at an unspecified cost. He has also pledged to reduce provincial spending by four per cent — about $6 billion — but has yet to specify how he would do it.

Nor has Ford explained exactly how he would accomplish another key promise, lowering electricity rates.

The way the Liberals financed their controversial 25-per-cent rate cut last year was a key criticism in Lysyk's report.

Globe and Mail : Ontario Liberal budgets have been panned. Can PCs do better?

theglobeandmail.com

Thu Apr 26 2018, 10:24am ET

Section: Business

Byline: David Parkinson

Ontario Liberal budgets have been panned. Can PCs do better?; What the fiscal watchdogs and voters need to know is whether the PCs are prepared to present something more fiscally sound, prudent and realistic

The Ontario Liberals' pre-election, back-to-deficits budget may or may not win over voters when they go to the polls on June 7. But it clearly has not impressed the public- and private-sector bean counters.

The conclusion from the province's Auditor-General and from credit-rating agencies is that the budget has paved a potentially precarious fiscal path for the province. The easiest way off it is for the Liberals simply to lose the election. But what we don't know is whether the next government's fiscal plan will be any more sound.

After spending a few weeks analyzing the government's March 28 budget and pre-election financial report, Auditor-General Bonnie Lysyk said on Wednesday that the plan to bolster social spending will spill more red ink than the government has projected. She says the government is underestimating the "true financial impact" of its electricity rate cuts under last year's Fair Hydro Plan, and has understated its future public-service pension expenses.

Related: Ontario Liberals substantially understated deficits, province's Auditor-General warns((www.theglobeandmail.com»))Read more: Bad books: How Ontario's new hydro accounting could cost taxpayers billions((www.theglobeandmail.com»))

Her report estimated Ontario's budget deficit at $11.7-billion in fiscal 2018-19, substantially higher than the $6.7-billion estimate in the budget. It projects deficits of $12.2-billion for 2019-20 and $12.5-billion for 2020-21, nearly double the government projections of $6.6-billion and $6.5-billion, respectively.

To be clear, the Auditor-General isn't passing judgment on the prudence of returning Ontario to deficits. That's not her job. Rather, her report focuses on the reasonableness of the government's financial projections, based on what it has planned in its budget. And other than the concerns about the electricity and pension impacts, Ms. Lysyk concluded that the government had been suitably "cautious" in its assumptions on revenue and expenses. The wisdom of running deficits is a question for someone else.

That someone else would include the private-sector credit-rating agencies - two of which gave the budget a thumbs-down in reports issued in the past week.

Moody's Investors Service last week lowered its outlook on Ontario's debt ratings to "negative" from "stable" - a signal that the deficit plans have brought the possibility of a rating cut onto its radar screen. It warned that with economic growth likely to slow over the next few years, revenues will be hard-pressed to cover the government's growing spending commitments - raising the spectre of rising debts to cover the expected budget shortfalls.

This week, rating agency DBRS Ltd., while maintaining its ratings for the province, issued an even more blunt assessment.

"The policy shift clearly demonstrates the elected government is no longer committed to disciplined fiscal policy," DBRS said.

DBRS said the government is accelerating spending at a time when the business cycle is near its peak and the economy is at or near full capacity. That flies in the face of standard Keynesian fiscal logic that governments should lean against the economic cycle - increasing fiscal stimulus in bad times and cooling their spending in the good times.

The agency argued Ontario is opening the door for bigger debt troubles in the event of a serious economic downturn - not comforting in a province already saddled with more than $300-billion in net debt, and rising.

"In past recessions, budgetary results have weakened and the debt-to-GDP ratio has increased sharply. If such circumstances were to materialize, Ontario's ratings could be adversely affected," DBRS warned.

But DBRS rightly points out that if the Liberals are defeated six weeks from now - and recent public-opinion polls suggest they could lose in a big way - then the spending commitments contained in their budget might never see the light of day. The Progressive Conservatives, who are leading in the polls, have been critical of the Liberals' spending plans, and have pledged to balance the books - although their leader, Doug Ford, has conspicuously avoided presenting hard numbers on how he intends to deliver.

On budget day, I called this budget a Hail Mary pass for the Liberals - changing their fiscal course in a last-gasp attempt to win back voters. But a colleague of mine recently floated another theory: that this is a budget not designed to try to win the election, but with an expectation of losing it.

The idea is that the Liberals are making a lot of bold, expensive promises knowing full well that they won't have to pay for them. Instead, the budget essentially forms the seeds of a new policy position for a party in opposition.

While I don't quite share the cynicism of my colleague, I agree that the likely fate of this budget is its death on election day. What the fiscal watchdogs both inside and outside the government need to know, then, is whether the PCs are prepared to present something more fiscally sound, prudent and realistic. The voters need to know, too.

Mr. Ford, let's see your plan.

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Globe and Mail: Ontario Liberals substantially understated deficits, province's Auditor-General warns; Bonnie Lysyk says Ontario's government has misstated the projected deficit by billions while Finance Minister Charles Sousa defends the financial presentation

theglobeandmail.com

Thu Apr 26 2018, 10:20am ET

Section: National

Byline: Matthew McClearn

Ontario's Auditor-General says the Liberals have understated the province's projected deficits by billions of dollars, casting doubt on the government's fiscal forecast weeks ahead of a spring election.

It's the latest development in a long-running dispute between Bonnie Lysyk and Canada's second-largest government. Finance Minister Charles Sousa repeated his assertion on Wednesday that the Liberals had delivered a small surplus for the fiscal year ended March 31 - the first balanced budget in Ontario since the financial crisis of 2008-09. However, during the release of last month's budget, he projected deficits of more than $6-billion over each of the next three years and further shortfalls for the following three.

Ms. Lysyk presented a much different picture on Wednesday when she released her review of last month's pre-election report, a financial document that the government is obliged to present to Ontarians before an election. She concluded that the report substantially understated expenses and deficits and "is not a reasonable presentation of Ontario's finances."

Opinion: Ontario Liberal budgets have been panned. Can PCs do better?((www.theglobeandmail.com»))Read more: Bad books: How Ontario's new hydro accounting could cost taxpayers billions((www.theglobeandmail.com»))

Using proper accounting, she said, this fiscal year's deficit should have been forecast at $11.7-billion, or 75 per cent higher than the government's estimate of $6.7-billion. By 2020, Ms. Lysyk's estimate of the deficit is nearly double that supplied by the government.

Ms. Lysyk warned that understated deficits could lead officials to authorize new spending "when the money is actually needed to pay for expenses they've already incurred."

The discrepancies arise from two distinct issues. The first is the Fair Hydro Plan, introduced last year to lower electricity rates for Ontario consumers. Ms. Lysyk said the government will now have to borrow to pay power generators for providing electricity. But neither those expenses nor the resulting interest costs, she said, were included in the pre-election report's estimates, resulting in distortions that add up to more than $2-billion each year over the next three years. Ms. Lysyk said last year that the government deliberately structured the rate-reduction plan to avoid showing a deficit and rising debt on its books.

The second issue involves how the government calculates pension expenses. The Auditor-General says the government is erroneously recording revenue from the Ontario Teachers' Pension Plan, and "insufficient" expenses from the Ontario Public Service Employees' Union Pension Plan.

Eleanor McMahon, president of the Treasury Board, Mr. Sousa and Ms. Lysyk met on Tuesday to discuss their differences; all three characterized the discussions as respectful, but no resolution was reached. "Our opinion hasn't changed," Ms. McMahon said.

Mr. Sousa defended the government's financial presentation. "Ontario has been noted for having the most transparent numbers by the Conference Board of Canada," he told reporters. "Nothing is hidden."

The Conference Board said it doesn't rank provincial governments on transparency or quality of financial reporting. "I've talked to all different people, and nobody seems to know where this is coming from," spokeswoman Yvonne Squires said. "We don't have research in this area."

The C.D. Howe Institute, which does rank provincial financial reporting, said Ontario scored very well relative to other provinces until a couple of years ago. "And now it is on the decline," research director Alexandre Laurin said. "They're not going to be on top at all" in C.D. Howe's next ratings, expected in the coming weeks. "They're being downgraded."

Mr. Sousa said the Auditor-General's arguments were not with his government, but rather the large accounting firms the government consulted in designing the plan on reducing Hydro rates. He asserted that those firms had "prepared and provided for the structure that we have before us ? and affirmed by them."

"Trust KPMG. Trust Deloitte. Trust E&Y," Mr. Sousa urged Ontarians. "Trust the professional accountants and the professional civil service that have provided for these initiatives."

But the accounting firms themselves have taken issue with the government's characterization of their work.

KPMG had confirmed that it was consulted by the government about accounting matters relating to the rate-reduction plan. "While KPMG was among those consulted, we are not the auditors, and we do not have a formal role in the selection or approval of accounting policies or practices of the Province," it said in a statement to The Globe and Mail in March.

Deloitte, meanwhile, has disputed previous government statements that it had approved the plan; the firm clarified in a statement to The Globe earlier this year that it provided an opinion on whether a public-sector entity could use a technique known as "rate regulated accounting" under Canadian government accounting standards, which was employed in the plan. "The Deloitte Report did not include in its scope an assessment of the specific regulatory assets or liabilities recognized," it stated.

Ms. Lysyk said Mr. Sousa's statements were unfair to the accounting firms involved. "That's passing the buck," she said. "I think you need to accept responsibility for your own decisions and your own financial statements."

Opposition parties hammered the government for producing what they said were unreliable books. "It shows that Kathleen Wynne and the Liberals can't be trusted," said Vic Fideli, the Conservative Party's finance critic. "I believe they deliberately misled the people of Ontario and the legislature."

NDP finance critic John Vanthof said, "It's obvious to us that the government is doing everything it can to portray the books in a way that's advantageous to the current Liberal government, but not open and transparent to the people of Ontario."

Apart from the two contentious issues, the Auditor-General said the government's estimates on revenue, expenses and interest costs in their pre-election report were based on "cautious assumptions."

Follow this link to view this story on globeandmail.com: Ontario Liberals substantially understated deficits, province's Auditor-General warns((www.theglobeandmail.com»))

Globe and Mail: Accounting tricks have no place in Ontario’s government

By: Alexandre Laurin and William Robson

APRIL 26, 2018

https://www.theglobeandmail.com/opinion/article-accounting-tricks-have-no-place-in-government/

William Robson is president and CEO of the C.D. Howe Institute, and a member of the Auditor-General of Ontario’s panel of senior advisers. Alexandre Laurin is director of research at the C.D. Howe Institute.

This week's review of the Ontario government's pre-election financial report from the provincial Auditor-General reconfirmed what The Globe and Mail reported last weekend: The government is using an accounting trick to shrink its reported deficit and debt. It is hiding the cost of borrowing to subsidize electricity prices over the next few years by inventing an "asset" – revenue from the higher prices Ontario's electricity consumers will pay later on – to keep the borrowing from showing in the government's bottom line.

Auditor-General Bonnie Lysyk's review concludes that the pre-election report is not a reasonable presentation of Ontario's finances. Her concerns deserve wide attention – not just in Ontario, but throughout Canada.

Although electricity is not the only element in the pre-election report Ms. Lysyk comments on, the province's Fair Hydro Plan – and the way the government is trying to hide its costs – is the most concerning problem she finds. The plan will subsidize 25 per cent of the cost of households' electricity bills for more than 10 years. But the government plans to record only 9 per cent of this subsidy in its spending for those years. The remaining 16 per cent will be offset by a recently invented asset: planned future excess electricity revenues that would come from charging higher electricity rates to future consumers. Because the government has a legislated right to charge higher electricity rates to future customers, it claims it can book these future excess revenues as if they were already earned.

But nobody knows for sure what future prices will be – electricity policy has been anything but stable in Ontario – and the revenues will depend on power that may or may not ever be generated and sold. Inventing assets that turn out to be worth less or nothing is a hallmark of scams in the private sector, and the fact that Ontario can legislate its own accounting standards does not make it okay for a government.

For most observers, this budget's sleight-of-hand would be a slap in the face of transparency. The Auditor-General of Ontario strongly denounced the practice, arguing it runs against generally accepted standards of accounting for governments. And other governments could be tempted to pull this manoeuvre if Ontario gets away with it. But one question on many people's minds is this: Why should we care?

Governments are elected for a short period of time, and their primary incentive is to focus on re-election through the welfare of their voters, who demand immediate results. Yet government decisions affect the welfare of many generations to come. Voters concerned by these intergenerational transfers have only a few indicators to rely on to evaluate their magnitude. The primary indicator is the increase in accumulated deficits.

Despite the Auditor-General's recommendations, the Ontario government continues in its budget to understate the true value of the deficits for years to come. After properly accounting for the impact of the Fair Hydro Plan and certain employee pension assets, annual deficits reported in last month's budget through to 2021/22 would total more than $50-billion, double the $25-billion shown in the budget. For a government that had pledged a balanced budget, this makes a sizable difference.

Not all intergenerational transfers are the same. Some are backward-looking. For example, social security benefits for injured war veterans are easily defensible. Some forward-looking transfers, such as running government surpluses to reduce the burden of the public debt on future generations, are also well grounded. Others have their origins in demographic changes; for example, an aging population means that the cost for financing the public health-care system will be greater on future generations.

But other intergenerational transfers stand on shaky moral grounds because they are pure windfalls for the current cohorts of voters at the expense of future generations. The generous subsidization of electricity rates for current customers, which will mainly be paid for by the next generation of Ontario families, clearly enters this category. Yet most of this debt is nowhere to be found on the government’s books.

If such blatant intergenerational transfers can be hidden from view, how can voters hold their governments to account? With election time coming, they can demand responsible accounting practices. We condemn misleading financial statements in the private sector. They are no more acceptable from governments.

Ottawa Citizen: Reevely: Surprised by unsurprising news about Ontario's finances, Ford promises major public inquiry

ottawacitizen.com

Thu Apr 26 2018

Section: Local News

Professing shock at the provincial auditor's condemnation of how the Liberals have kept Ontario's books, Progressive Conservative Leader Doug Ford is promising a major inquiry into provincial finances if he wins the June election.

"We will initiate a full, independent, end-to-end commission of inquiry that builds on and includes the work of the auditor general (and) includes the independent participation of outside auditors and investigators," Ford said in a Toronto news conference Thursday. The commission "will be mandated to investigate and recommend options for how to restore integrity in the government of Ontario's financial reporting."

Auditor general Bonnie Lysyk reported this week that the province is running an $11.7-billion deficit - not the $6.7-billion deficit the Liberals claim.

This is simultaneously (a) true, (b) bad and (c) known to anyone who was paying attention to Ontario politics before a few weeks ago.

Especially during campaigns, political leaders all try to appeal to ordinary decent people who don't pay a ton of attention to politics but study up a bit when an election is coming. It's one thing for politicians to play to "low-information voters" - that's democracy. They aren't supposed to be low-information voters.

"(Lysyk) uncovered that in their desperation, the Wynne Liberals have cooked the books. We thought they were cooking the books and she just confirmed that they have been cooking the books on the taxpayers of this province," Ford said.

No. What Lysyk did Wednesday, in a review she's required to file on the provincial finances before an election((www.auditor.on.ca»)), was re-state things she's been saying for a long time: The Liberals shouldn't treat several billion dollars in two public pension funds as if the government owns them; and the

Liberals' "Fair Hydro Plan" uses Ontario Power Generation to borrow a bunch of money to lower consumer electricity bills for a few years without putting the debt on the government's own books.

Doing both of these things makes the Ontario government's budget look $5 billion better than Lysyk says it is. Lysyk is the final authority on the books and what she says goes, or ought to. The Liberals are defying her. That is bad. But also not newly discovered.

Bonnie Lysyk, Ontario's auditor general.

Lysyk complained publicly in 2016((ottawacitizen.com»)) about how the government was treating the pension money, forcing the Liberals to release an annual financial report without a routine auditor's signoff because Lysyk refused to give it.

The auditor has renewed her complaint repeatedly((ottawasun.com»)). The legislature's separate financial accountability office has echoed it((www.thestar.com»)). The opposition parties have pounded the Liberals in the legislature on it. Tory finance critic Vic Fedeli has done so in question period almost every day for weeks at a time

Then last fall, Lysyk issued a 50-page special report((www.auditor.on.ca»)) on the financial jiggery-pokery in the Fair Hydro Plan. Here's the title of Chapter 1: "Government Legislated an Accounting/Financing Structure to Improperly Avoid Showing a Deficit and an Increase in Net Debt." That's unwieldy wording but it's hard to miss the message.

What the Liberals have done is self-serving but it's all been executed in the open. Figuring out how to fix it does not require a team of forensic accountants. You just move those two items into a different section of the spreadsheet.

Of course, if you're intending to balance the provincial budget, that deepens the hole quite a bit and you have to find the $5 billion somewhere. In their now-inoperative People's Guarantee, the Tories used both of the Liberals' tricks. The New Democrats' platform does the same thing. Which isn't great if behaving this way is one of the largest financial scandals in Canadian history.

"We are putting out a costed plan," Ford said. (He'd once promised a blueprint for his government with financial figures attached, then backtracked, and now he's tracked forward again.) "We're going to do this in a modest, a responsible fashion. We never knew there was an additional $5 billion (to find)."

Again, that is false. Maybe Ford didn't know. His party definitely did. Fedeli, for one, predicted the $5-billion figure before the auditor announced it because he can read and add two numbers together.

The @OntarioAuditor((twitter.com»)) will release her pre-election report tomorrow. Here is the Conclusion of my new Focus on Finance 5 book, at the printers now and due out May 3rd ... pic.twitter.com/0upOOCYmGS((t.co»))

- Victor Fedeli (@VictorFedeli) April 24, 2018((twitter.com»))

Ford said his party does intend to balance the budget if he becomes premier but not in its first year in power. That will be hard, and not something an inquiry can easily help with. Re-committing to generally accepting accounting principles is ultimately simple; deciding what taxes to raise or what budgets to cut is what we have politicians for.

Dalton McGuinty had economist Don Drummond oversee a detailed report on government efficiencies and reforms((www.fin.gov.on.ca»)) in 2012. Just one item - pay doctors less for procedures that technology has made easier - meant a war between the health ministry and the Ontario Medical Association that's still being fought six years later. Another bit of advice was to cancel full-day kindergarten, a signature McGuinty policy. Hahahano, the Liberals said.

Fixing the accounting is simple. Reforming the government the accounting describes will be hard. Making a fuss about the simple problem distracts from the much tougher one.

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Hamilton Spectator: Auditor's deficit allegations could be bad news for all parties

thespec.com

Thu Apr 26 2018

Section: Opinion

Byline: mcohn@thestar.ca

History, like politics, has a way of repeating itself. Especially at election time.

In opposition 15 years ago, Ontario's Liberal Party smelled a rat. They accused the Tory government of the day of cooking the books.

Playing the reformist card in the 2003 campaign, Dalton McGuinty's Liberals proposed that all future pre-election budgets be reviewed by the auditor. Upon winning power, McGuinty ordered a special audit that uncovered a deficit of more than $5 billion "hidden" by the previous Progressive Conservative government.

Fast forward to 2018. Now, the PC opposition is accusing the governing Liberals of playing with numbers - and this time, the auditor general of the day, Bonnie Lysyk, is on their side.

Lysyk held a news conference Wednesday to declare the Liberals are understating the true deficit by $5 billion.

The law of unintended consequences has a way of catching up to you. All that Liberal reformist zeal from 2003 is now fresh ammunition for the PCs as they accuse McGuinty's successor as of fudging the numbers.

There is nothing new in the auditor's latest report. But in auditing as in politicking, timing is everything. Which makes the Liberals electorally unlucky.

Few paid the auditor much heed two years ago when Lysyk suddenly declared she was reversing the accounting rules established by previous auditors: Accumulated surpluses in major public sector pension plans could no longer be counted as budgetary assets, as they had been since Tory times.

The effect of her ruling was to produce a gaping multibillion-dollar hole in the government's accounting framework at the very moment they were striving to meet a 2017-18 target for deficit elimination. The government convened an outside panel of accounting and pension experts, who declared that Lysyk couldn't have it both ways: Just as pension shortfalls count as a liability on the balance sheet, a pension surplus should count for something - not nothing, as the auditor insisted.

Lysyk still wouldn't budge. But Bay Street didn't bite, ignoring the auditor's alarm bells. Credit rating agencies also looked at the books but didn't buy into her alarmist assessments.

But if the pension fight was a professional disagreement that eroded Lysyk's credibility, the next battle - over an ambitious borrowing scheme to reduce hydro rates - was more complicated. Under opposition pressure, Wynne's Liberals dreamed up a refinancing plan that would put off today's bills for tomorrow, supposedly smoothing out the cost curve.

Politically, the plan had some success. But fiscally, the plan looked like aggressive accounting, by off-loading the debt onto a new financing arm of Ontario Power Generation.

The auditor general's proof point that she's right and everyone else is wrong. Her opponents are in the pay of the Liberal government - from the public servants contesting her arguments, to the private auditing firms and outside experts who disagree with her: "They paid their advisers well," she said dismissively at a news conference Wednesday.

Which suggests that any auditor or accountant who charges a fee has been bought - lock, stock and budget. Except for Lysyk, who boasts of her independence as an officer of the legislature.

The opposition PCs and New Democrats have embraced the auditor's critique, but not her numbers. They should be careful what they wish for.

The NDP's campaign platform uses the government's fiscal framework as its starting point, and so did the PC "People's Guarantee" released last November (suspended after the party's leadership race). If the opposition parties abide by the auditor's latest analysis, that means they too will have to explain how they will handle deficits that are billions of dollars higher than they were banking on, for years to come.

Does that mean more program cuts? Reduced campaign promises? Pretending that pension surpluses don't exist, until they do?

An arcane accounting dispute is now a pressing political issue on the eve of the campaign, and may well be in the aftermath: The new PC leader, Doug Ford, is taking a page from the McGuinty Liberals of 2003 by promising to bring in an outside auditor to settle the budget question that Lysyk has thrown into such confusion.

The Tories know well their political history. As they should, given the budgetary events of 15 years ago, when they were last in power.

Martin Regg Cohn is a columnist based in Toronto covering Ontario politics. Follow him on Twitter: @reggcohn

Simcoe: Ontario understates deficit by billions: auditor

By: Shawn Jeffords

April 26, 2018 05:32 PM

https://www.simcoe.com/news-story/8569053-ontario-understates-deficit-by-billions-auditor/

TORONTO — Ontario's governing Liberals were dealt a blow Wednesday as the province's auditor general said their financial statements "dramatically understate" their deficit by billions of dollars.

The finding from Auditor General Bonnie Lysyk was part of a report released just weeks before a spring election and built on past criticism of accounting principles applied by the Liberals, which Lysyk says make Ontario's deficits appear smaller than they are.

The government has not accurately reflected the true cost of its borrowing plan to cut hydro rates by 25 per cent, Lysyk said, while also raising questions about how the province accounts for revenues related to two teacher pension plans it includes on the books as assets.

"The consequences of these major differences between the governments projections and the likely actual deficits are significant," Lysyk said. "They create the perception that the government has more money available to it than it actually does."

Lysyk said the government's deficit projections are off by 75 per cent for 2018-2019, with that jumping to 92 per cent for 2020-2021.

That means the $6.7 billion deficit projected by the government for 2018-2019 will instead be $11.7 billion, Lysyk said, and the projected $6.5 billion for 2020-2021 will actually be $12.5 billion.

"It dramatically understates the expense estimates for two major items," Lysyk said of the government's financial statements.

Under its Fair Hydro Plan, the government will borrow money over the long-term to cut rates immediately. Lysyk said the government has not included the cost of compensating power generators or interest on the money borrowed for the plan.

"The plan gives ratepayers a discount on their hydro bills but someone else still has to compensate power generators for their reduced revenues resulting from the discount," she said. "That someone is the government. And it must borrow to pay this compensation."

Lysyk also raised the issues with the accounting of the Ontario Public Service Employees Union Pension Plan and the Ontario Teachers' Pension Plan, which are jointly sponsored with the government.

In 2016, the auditor general told the government it did not have a legally enforceable right to unilaterally access the assets, so they should not appear on the balance sheets. She repeated that message Wednesday, adding that if the government could produce a letter proving the co-sponsors agreed it could access the funds she would change her assessment.

Premier Kathleen Wynne, whose Liberals have been trailing in recent polls ahead of the spring election, downplayed the discrepancy, calling it a long-standing "accounting dispute" between her government and the auditor general.

"Those are old discussions and they are ongoing," Wynne said.

Finance Minister Charles Sousa acknowledged that the government and the auditor general's office have been at odds over the issue for years, but said the government is not changing its position on the issue.

"This is an ongoing disagreement between professional accountants. That hasn't changed," he said. "But what I am confirming today, what the auditor general has confirmed, is that the plan that we put forward is prudent, it's cautious, it's appropriate."

Lysyk said that in her office's opinion, any party drafting an election platform should assume the province's books in 2018-2019 will have a $5 billion deficit because of forecasted expenses the government has not included in its projections. But with the fiscal year underway those figures could still change, her office added.

Progressive Conservative parliamentary leader Vic Fedeli said the Tories accept the Auditor General's numbers but could not say how they will impact the Tories' as yet unreleased platform.

"Because these numbers are so new we're going to spend some time to review precisely what the auditor general has revealed today and you will be seeing our plan," he said.

Fedeli also said the Liberals were trying to make their books look better ahead of the spring election.

"We the MPPs have been deliberately mislead and so have the people of Ontario," he said. "They have purposely deceived the people."

NDP finance critic John Vanthof said the auditor general has pointed out what should be basic accounting principles used by the government.

"When the government makes a decision ... to spend money it should show up clearly and transparently on the books," he said.

Vanthof said if the NDP win the spring election, the party will sit down with the Auditor General and the province's Financial Accountability Officer to ensure the government is using the proper accounting practices.

Meanwhile, Ontario Chamber of Commerce President Rocco Rossi said the government needs to settle the accounting dispute at the heart of Wednesday's report. If the province were a publicly-held company, shareholders would "demand clarity and accountability" from the government and its auditors.

"The Government of Ontario, and through them the people of Ontario, either respect our legislative officers or we do not," Rossi said in a statement. "This disagreement undermines the whole of government."

Ontario heads to the polls June 7.

CBC News: Doug Ford promises 'commission of inquiry' into Liberal deficit numbers

CBC.CA News

Thu Apr 26 2018, 11:57am ET

Section: Toronto

Byline: CBC News

Ontario Progressive Conservative Leader Doug Ford would appoint an independent commission of inquiry to investigate the $5 billion difference between the deficit numbers of the governing Liberals and the auditor general.

Ford made the campaign pledge Thursday, one day after Auditor General Bonnie Lysyk reported the government's deficit for 2018-19 should be calculated as $11.7 billion, not the $6.7 billion figure the Liberals tabled in their March budget.

This is "one of the largest financial scandals in Canadian history," Ford told a news conference in downtown Toronto. "In their desperation, the Wynne Liberals have cooked the books."

The Liberals characterize the difference in the budget figures as an accounting dispute over two issues: the funding of their Fair Hydro Plan to cut electricity rates and the expenses related to two provincial pension plans.

"What we are witnessing is a betrayal of the public trust," Ford said. "We cannot trust anything about the Liberal estimates or projections. Their budget is no longer worth the paper it's written on."

Ford said the inquiry would recommend options to "restore integrity" to the government's financial reporting.

He likened the inquiry to former federal auditor general Sheila Fraser's probe of the sponsorship scandal. However, he stopped short of alleging any criminal activity in the provincial Liberals' deficit numbers.

Maclean's : An unimpeachable source lobs an unavoidable bomb into Ontario's election

By: Andrew MacDougall

Apr 26, 2018

http://www.macleans.ca/opinion/an-unimpeachable-source-lobs-an-unavoidable-bomb-into-ontarios-election/

In politics, the identity of your critics matters.

Every government expects attacks from the opposition parties, pundits, and ideologically hostile special interest groups. Most don't connect, and even those that do can usually be framed as predictable partisan behaviour. Indeed, the news would be if the attack dogs didn't bark. As The Wire's urban philosopher Omar Little once observed, it's "all in the game, yo."

But when an independent arbiter of public life jumps in to land a heavy blow on a sitting government in the run-up to an election, as Ontario's auditor general Bonnie Lysyk did yesterday when she accused the Liberals of misstating this year's budget deficit to the tune of $5 billion (Lysyk says the deficit will be $11.7 billion, not $6.7 billion), people sit up and take notice. Auditors general might not be papal in stature, but their words are treated as gospel in political circles.

"When expenses are understated, the perception is created that government has more money available than it actually does," Lysyk noted in her brutal pre-election report. "Government decision-makers might, therefore, allocate money to initiatives and programs that is actually needed to pay for expenses the government has failed to record properly," she added.

For those of you who don't speak Auditor Generalese, Lysyk is essentially saying that the government isn't being upfront about how much money it's spending on things they've already sold to voters which is allowing them to sell voters other stuff they think they might like more. It's not exactly the script a government already under the cosh wants to hear, especially given it confirms the narrative already established by the Liberals' cash-happy pre-election budget.

The AG's broadside presents a rather obvious problem for Premier Kathleen Wynne: an unimpeachable source has lobbed an unavoidable bomb into the path of her re-election campaign. And only a fool would take a run at an auditor general in mounting a defence, which is why voters will soon be hearing the words "accounting dispute" from the Liberals more often than the attendees of an actuarial convention.

Indeed, Wynne moved quickly to portray the report as part of an ongoing "discussion" with the auditor general over an accounting "disagreement." Here, the premier is technically correct, as the auditor general and her predecessors had booked the Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan's holdings as an asset starting in 2002, until Lysyk changed course in 2016. But change it she did, and the Liberal refusal to acknowledge the change is the source of the current disparity in the budget deficit figures.

For her part, Lysyk considers the government's accounting on pensions "lawful" but "not right." The trouble for Wynne, other than the integrity of her critic, is the pension back-and-forth isn't the only dispute with the auditor general. Lysyk has also thumped the government for the record-keeping of its "Fair Hydro Plan," which the AG claims will add another $4 billion to its costs. Here, the AG was more pointed in her criticism: "The accounting proposed by the government is wrong."

The news will have an impact on the electoral tactics of the Tories and NDP, too. The particulars of the dispute are eye-glazing and hard to follow, which is why the Tories and NDP will try to keep their aim on the eye-watering top-line figure of $5 billion, but even here they'll need to be mindful. An old adage in politics is that voters are outraged over small numbers more than large—witness Bev Oda's infamous $16 glass of orange juice—so even a $5 billion discrepancy might be written off by voters as nothing more than the usual government tomfoolery. Perhaps that's why Ontario PC MPP Vic Fedeli was quick to brand the $5 billion as a "trust issue." This is the broader charge PC Leader Doug Ford will want to try to make stick against Wynne.

But Ford himself remained quiet on the subject of the Auditor General's report, with nary a tweet being fired—likely because Lysyk has calculated similar disparities in the deficit figures for 2019-20 and 2020-21, which will become Ford's problem should things go his way on June 7. Patrick Brown's soon-to-be-replaced "People's Guarantee" aped the Liberal accounting on both pensions and hydro. The NDP platform will also have to reckon with the AG's preferred way of tallying up the province's expenses. Something will have to give.

Fortunately for Ford and NDP leader Andrea Horwath, the auditor general won't be weighing in on their programs. Her mandate is limited to Wynne, and right now it's the Liberal record that's in the dock. And so Wynne's charge that her opposition faces the same accounting problems will be heavily discounted, if it's heard at all. Voters might not follow along too closely, but they do know who's responsible for putting the province in its current budgetary hole.

In the meantime, the opposition will gallop across the province making promises, appending the giant caveat of needing to take a good look at the (cooked) books once in office before knowing whether they can move forward with their plans.

It might not be fair for anyone—but it's all in the game, yo.

TVO: Ontario election agenda: What you need to know for April 26

By: Daniel Kitts

Apr 26, 2018

https://tvo.org/article/current-affairs/the-next-ontario/ontario-election-agenda-what-you-need-to-know-for-april-26

Here's our daily look at what's making news in the lead-up to the next provincial election.

Latest news

- Auditor General Bonnie Lysyk says Ontario will run an $11.7 billion deficit this year — not $6.7 billion as the Liberal government has claimed. There are two reasons for the $5 billion discrepancy: One, the government considers the $11 billion in two large public-pension plans it co-sponsors to constitute an asset; Lysyk says they should not be treated as assets, because the government can't readily access the funds. Lysyk also says that the government doesn't accurately reflect the true cost of its "Fair Hydro Plan," which is geared toward temporarily reducing electricity rates by 25 per cent. The Liberals downplayed Lysyk's report, saying it comes as part of an ongoing dispute between the Auditor General and the government's accountants. Progressive Conservative parliamentary leader Vic Fedeli said the Liberals have "deliberately misled" MPPs and the people of Ontario. NDP finance critic John Vanthof said that electricity bills will rise again as a result of the government's "bogus accounting scheme."

- Progressive Conservative leader Doug Ford says he supports Saskatchewan's decision to ask the courts to rule on the constitutionality of the planned federal carbon tax. "I have always been very clear; the people of Ontario can't afford a carbon tax in whatever name or form. Not now. Not ever," Ford said in a statement.
- Ontario's foreign buyers' real-estate tax seems to be working. According to new numbers released by the government, the tax, launched last year, has raised about $41 million and reduced off-shore property transactions. In May of last year, 4.7 per cent of property transactions in the Greater Golden Horseshoe area involved at least one foreign entity. By February of this year, that share had dropped to 1.6 per cent. The measure was originally taken because of concerns that foreign interest in the property market was contributing to skyrocketing housing prices.
- Steve Paikin writes that spurned Tories are crying foul over Ford's "brazen abuse of power" when it comes to nominating candidates.
- Another longtime Liberal MPP is calling it quits. Harinder Takhar, a former cabinet minister who represents Mississauga-Erindale, has announced his retirement. Takhar was first elected in 2003. He joins the 11 other Liberal MPPs who have already resigned or have announced that they won't seek re-election.
- Another Liberal MPP, however, has signed on for the campaign – and he'll be facing off against a formidable opponent. Shafiq Qaadri has held Etobicoke North for the Liberals since 2003. But this time, his opponent in the riding will be Ford.
- Bob Hepburn of the Toronto Star reports that Liberals are privately discussing a particular challenge they're having campaigning against Ford: his supporters don't seem to care about what he's done or said in the past.
- What to watch for
- Premier Kathleen Wynne was at Toronto's King Edward Junior and Senior Public School with Education Minister Indira Naidoo-Harris at 9:15 a.m. to announce 3,100 new daycare spaces in the province, part of a plan to create 100,000 spots over five years. Wynne will attend Question Period at 10:30 a.m. Her afternoon will be taken up with constituency appointments.
- Ford will respond to the Auditor General's pre-election report on Ontario's finances at the Toronto Hilton at 10:30 a.m.
- NDP leader Andrea Horwath will hold a press conference at Queen's Park at 10 a.m. to discuss her private members bill, A Time to Care Act.
- How will the political parties respond to the key challenges of energy, trade, housing, and competitiveness? The Toronto Board of Trade has released policy playbooks on all four of these areas. Board CEO Jan De Silva talks to The Agenda on Politics podcast about them and about how effective she thinks the parties' approaches to these issues are.