Morning Media Scan: Hydro Rate Reduction - May 4, 2018

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Morning Media Scan: May 4, 2018

MEDIA SCAN:HYDRO RATE REDUCTION PLAN

May 4, 2018

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Print Coverage

National Post: Ending Ontario's electric agony; FP9; 2018.05.04

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Ending Ontario's electric agony

By all accounts, Doug Ford, a bruiser who polls predict will be Ontario's next premier, lacks a deep understanding of the intricacies of energy policy. The result for Ontarians, if he follows through on his election campaign's unsophisticated themes, will be basic, and beneficial: an end to the esoteric policies that have brought the province to ruin.

Ford vows to stop taxing carbon by scrapping the Wynne government's capand trade system, which currently costs a typical Ontario household $500 a year, projected to rise to $2,500 a year by 2022. Doing so would pit Ford against Prime Minister Justin Trudeau and the federal government, which threatens to carbon-tax Ontarians if Ford refuses to. But that seems an empty threat - the federal Liberals would be reluctant to impose a carbon tax on Ontarians when running for re-election next year. Even if the federal government does impose a carbon tax on Ontario, the Supreme Court may strike it down as unconstitutional - some legal scholars believe Trudeau has improperly intruded into an area of provincial jurisdiction.

Ford also vows to slash Ontario's skyrocketing power prices - the chief reason businesses are fleeing the province - by matching Premier Kathleen Wynne's 25-per-cent rate reduction and boosting it by another 12 per cent. Critics say he can't fulfil that promise simply through the trims he's stressing, such as cutting the remuneration of the power company's top brass and shifting conservation expenses away from electricity billpayers to taxpayers, and they're right. But Ford could easily keep his promise, and without the deep indebtedness Wynne would be incurring, by following through on what the Liberals fear most: repealing the Green Energy Act and challenging the odious renewable-energy contracts that Liberal governments parcelled out to their cronies.

"We're troubled by the fact that Doug Ford would recklessly tear up a contract, where an agreement had already been signed - a harmful signal to businesses looking to invest in Ontario," recently stated Ontario Energy Minister Glenn Thibeault, in trying to sidetrack any effort at ending the lavish deals with the wind and solar companies that enriched his party with donations, while impoverishing electricity billpayers. "And not just that, cancelling contracts would leave the province dealing with major lawsuits and penalties and likely increase electricity rates due to these costs."

Thibeault must know that he's wrong in law and in history: Governments in Canada - and especially Ontario governments - have a long history of tearing up ill-advised contracts they've entered into, most prominently in the electricity sector. The practice of governments tearing up contracts, in fact, is as old and well established as the electricity sector itself: The developers a century ago who built power plants and transmission lines on the basis of what they thought were ironclad contracts saw them later nullified, even when a contract was backed by legislation, when a new government amended the legislation in response to public outrage over sweetheart deals. To cut off any argument a developer might want to make in court, the province even passed a law denying companies legal redress. "If the Legislature says, it is your duty not to try such and such an action, it is my duty not to try it," Justice W. R. Riddell explained at the time. "I am here to carry out the laws."

A Ford government would be following a time-honoured practice in overturning the sweetheart deals cooked up by its Liberal predecessors and their cronies, and it would be immune to any penalties, as long as the contracts were torn up the right way.

"The right way is to legislate: to enact a statute that declares green contracts to be null and void, and the province to be free from liability," explains Bruce Pardy, professor of law at Queen's University, a former adjudicator for the Ontario Environmental Review Tribunal and author of the 2014 Fraser Institute study, Cancelling Contracts: The Power of Governments to Unilaterally Alter Agreements. "Statutes can override ironclad provisions in a contract because that is the nature of legislative supremacy: Legislatures can pass laws of any kind, as long as they are within their jurisdiction and do not offend the Constitution. Legislating on electricity production is clearly a provincial power."

Many would be repulsed at the thought of cancelling contracts between governments and developers - especially those Ford refers to as "the political elites and the establishment" who have been "lining their

pockets" - on grounds that all contracts are "sacred." Their views are mistaken. It is the rule of law that is sacred, and the rule is clear: governments in our democracy can and do cancel odious contracts. There's nothing sacred about contracts that threaten businesses, worsen the lives of 13-million citizens and place Ontario in debtor's prison.
With the stroke of a pen, a newly elected Premier Doug Ford could and should undo the grievous wrongs done to the Ontario economy and the Ontario citizenry, and set the province on a sustainable course for the future. It is the only just and honourable thing to do.
Lawrence Solomon is executive director of Torontobased Energy Probe. LawrenceSolomon @nextcity.com

Toronto Sun: Liberal budget hides massive cuts; A14; 2018.05.04

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Liberal budget hides massive cuts

Two independent provincial watchdogs have determined Ontario's Liberal government is low-balling its deficit numbers.
Auditor General Bonnie Lysyk last week issued a pre-election report required under Ontario law that concluded the government understated the costs of its hydro rate cut plan and improperly calculated pension costs for two public sector unions.
Both issues made the government's books appear better than they actually are.
The auditor pegged the real deficit number at almost double the government's estimate - $11.7 billion for 2018-19 instead of the reported $6.7 billion, $12.2 billion in 2019-20 instead of $6.6 billion and $12.5 in 2020-21 instead of $6.5 billion.
Then this week, J. David Wake, Ontario's financial accountability officer, issued a spring economic and budget outlook that confirmed the Liberals mixed a lot of fudge into their budget recipe. Wake's deficit estimates almost exactly match those issued by the auditor.
Finance Minister Charles Sousa dismissed both independent watchdog reports as an accounting dispute, which is a pitiful deflection.
The Liberals passed the law that mandates an independent, pre-election report but now find that inconvenient, and with good reason.
Wake in another part of his outlook estimates the government needs to cut $15 billion in spending (or 8% of the provincial budget) to meet its own "fiscal recovery plan" to bring the budget into balance by 2024.
That plan envisions "dramatically" cutting spending growth right after the current election, something the Liberals aren't broadcasting.
Meanwhile, Premier Kathleen Wynne is campaigning on free daycare, free dental and prescription drug programs, free tuition and a 25% hydro rate cut - with money the government doesn't have.
Wynne can't keep living off deficits, Wake's report suggests, because tax revenues and federal transfer payment growth isn't keeping up with government spending. The Liberals have run deficits for 12 of the past 15 budgets and plan deficits into the foreseeable future.
Massive tax hikes or massive cuts to public sector jobs and programs are inevitable if the Liberals continue to use borrowed money to spend on "free" programs.
Using job cut numbers Wynne attributed to Ontario PC leader Doug Ford's plan to dump federal cap and trade revenue - as many as 90,000 teaching, nursing and other public sector jobs.
That should be the obvious consequence of living so long on a credit card.

Ottawa Sun: Despite deficit predictions, Sousa stays course; A6; 2018.05.04

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Despite deficit predictions, Sousa stays course

Finance Minister Charles Sousa is confidently predicting a balanced budget in the province's future despite warnings from a second fiscal watchdog that he's got a baked-in $5 to $6 billion deficit.

The Financial Accountability Office has said that economic growth alone will not bridge the large gap between revenue and spending over the next few years, that instead new revenue sources or dramatic reductions in spending will be required.

When asked Thursday what if any significant spending cuts were planned to bring the province's books into the black, Sousa said the government would continue on its current track.

"The FAO has made projections in the past, as has everybody else, as have we. The budget is a living document. I adjust them as things proceed over the year," Sousa said. "Every year I put in prudence and I build in caution. Every year we've beaten the FAO's targets and we've beaten our own."

The FAO is basing its deficit projections on accounting assumptions made by Auditor General Bonnie Lysyk, and Sousa argued that other experts do not agree with her conclusions.

Jean-Paul Lam, an associate professor of economics at University of Waterloo, said there's nothing illegal about the way the government has come to the conclusion that it will have a $6.7-billion deficit in 2018-19, not the $11.8 billion forecast by the FAO.

"At the end of the day, it comes (down) to who do you believe in terms of the accounting standards they've used," Lam said.

For instance, the government has opted to count as current revenue the higher hydro fees it plans to collect, starting in 2028, to cover the cost of borrowing for its 25% break on hydro rates, known as the Fair Hydro Plan, he said.

However, if the public were to accept the auditor general and FAO numbers, that would mean that any government elected on June 7 would have to take the highly unlikely step of cutting spending by about 8% if it wanted to return to balance by 2028, Lam said.

Sousa argued the real question should be what would PC Leader Doug Ford cut since he has promised to end the cap-and-trade program, which brings in significant revenues, and to lower corporate taxes.

"(The Tories will) have to explain themselves ... that's over $15-16 billion," Sousa said.

When asked about Sousa's claim that Ford would need to make $15-16 billion in cuts, spokesman Melissa Lantsman said the extent of Premier Kathleen Wynne's "fiscal mess."