

QP Briefing: May 15, 2018

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Q P B R I E F I N G

May 15, 2018

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Articles

1). Hydro One beats earnings expectations as politics loom large over the company

By: David Hains

LONDON — Hydro One released its first-quarter earnings amid a flurry of political acrimony that saw all parties criticizing the publicly traded company.

Ontario's largest electricity transmission and distribution utility, which is 47 per cent-owned by the Ontario government, increased its quarterly dividend 5 per cent, to 23 cents a share. Profit 33 per cent to \$222 million from a year earlier. Adjusted earnings came in at 35 cents a share, beating analyst expectations of 33 cents.

But Hydro One's revenue was underwhelming, as the company reported \$1.58 billion, far short of the \$1.78 billion the Street had expected, and lower than the \$1.67 billion posted in the same quarter last year.

Hydro One's share price closed at \$19.34, up 6 cents, on the Toronto Stock Exchange Tuesday.

Some analysts have expressed concern about the charged political environment that surrounds Hydro One, with UBS issuing a "sell" rating on the stock in early May. PC Leader Doug Ford has repeatedly used Hydro One as a punching bag on the campaign, asking that the board of directors and the CEO resign, and saying that, as premier, he will turf the board in order to fire chief executive Mayo Schmidt, who he refers to as the "\$6-million man" in reference to his 2017 compensation.

The politics of executive compensation at Hydro One received more attention on Tuesday as the party leaders were asked about the fact that the 14 board members gave themselves \$25,000 raises for their part-time positions.

Liberal MPP Glenn Thibeault, who served as the most recent energy minister, stated: "As the largest single shareholder in Hydro One the government of Ontario was dissatisfied with the specific proposals for executive compensation when they were brought forward by the board. We expressed our dissatisfaction clearly and succeeded in securing from the board a commitment that a review of the compensation model would be conducted relying on additional third party experts."

To signal its displeasure, the Liberals said that the government would abstain from Tuesday's vote at the Hydro One annual general meeting. The Grits said the tactic helps to force a review on executive compensation at the company while avoiding a confrontational "no" vote, which could negatively impact the share price.

Despite the criticism, in Toronto, the Hydro One board remained steadfast. Board chair David Denison defended the \$25,000 pay increases, saying that it put the board compensation in line with comparable companies, and that the pay was "appropriate." Asked by media whether the compensation review was a "sham," Denison said it was not.

Asked by a shareholder about the political turmoil, Denison struck an optimistic note. "We really do believe that calmer heads will prevail."

Liberal Leader Kathleen Wynne expressed her frustration as she campaigned in Waterloo. "I've been very clear that I was not happy," she said. "That's why there will be a review of the compensation package, that review is beginning now, and it's happening because we made clear that we were not supportive, did not think that the compensation package that was brought forward was reasonable."

The board compensation is part of the broader review, which will also look at the pay of senior executives. The review was only initiated after weeks of sustained criticism by the PCs and NDP.

Wynne added that she was hopeful the review would lead to lower compensation. "I do expect that there will be a change, that's why we've asked for there to be a review."

However, she stood by her decision to sell off part of Hydro One, saying that cashing in half of Hydro One in order to spend the money on other priorities was the right move. "I made a commitment to do exactly what we're here talking about today, which is to build infrastructure."

Meanwhile, Ford held a campaign event in Toronto, where staffers and some supporters held a protest outside of Hydro One's annual general meeting. Bearing anti-Hydro One signs and saying critical chants, the PC campaign looked to make political hay out of anger over hydro prices that are perceived by some ratepayers as too high.

Chris Reynolds @ChrisAReynolds

Hydro protestors resort to acid jazz rhythms to be able to chant, " Hey, hey, Ho, ho, The \$6-million man has got to go."

9:35 AM - May 15, 2018

See Chris Reynolds's Other Tweets

Ford has also promised to reduce hydro prices by a further 12 per cent. The PCs, unlike the NDP, have not expressed any intention to roll back the Fair Hydro Plan that is the Liberals' signature energy policy.

In London, NDP Leader Andrea Horwath pitched her plan buy back Hydro One using the

dividends from the stock. Horwath argued that Ford would just replace Wynne's "cronies" on the board with his own, and pointed to comments made by controversial London candidate Andrew Lawton where he opposed restrictions on high executive compensation.

More to come.

With files from Jessica Smith Cross in Waterloo and Christopher Reynolds in Toronto

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2). NDP within striking distance of PCs with highest campaign

By: David Hains

On a rainy Tuesday morning in London, Andrea Horwath's campaign staffers were decidedly sunny: The latest poll puts them within striking distance of the PCs, and appears to be their best campaign poll numbers since the party formed government in 1990.

"The only poll that matters is the one on election day," said more than one NDP staffer to QP Briefing, each trying to contain their grin.

The latest Ipsos poll had the PCs at 40 per cent, the NDP at 35 per cent, and the Liberals a distant third at 22 per cent. It was the closest the NDP has polled to the leading PCs during the young campaign, besting a seven percentage point gap in a Forum poll released last Thursday.

The Ipsos poll surveyed 1,000 Ontarians from May 11 to 14, with a margin of error of 3.5 percentage points.

In a review by QP Briefing of past Ontario opinion polls, it appears this survey is the first time the NDP has polled at this level during a campaign since a Sept. 1, 1990, Angus Reid-Southam poll. Five days later Bob Rae and the NDP won that year's election.

Horwath continued to campaign in southwestern Ontario, beginning the day in London where her party holds two seats (Teresa Armstrong and Peggy Sattler) and is looking to take the third from the Liberals, where Deb Matthews is retiring. Horwath also made a campaign stop in Paris where the local riding of Brant represents an open seat following the retirement of Liberal incumbent Dave Levac. Horwath also made two campaign stops yesterday in ridings where the Liberal candidate has dropped out, or where the Grits have struggled to field a candidate. The NDP hold five of the 10 ridings in southwestern Ontario.

While the Horwath campaign has targeted ridings with soft Liberal support as the Grits continue to flounder in the polls, the NDP may have to convert some PC voters to their camp in order to make up the gap. The Tories have consistently polled around 40 per cent, and some polls have showed that their supporters are particularly energized.

Asked by QP Briefing how she plans to persuade Ford supporters to throw their support to her, Horwath stuck with her rhetorical game plan, focusing on her party's policy priorities, such as increased funding for health care.

"I think when people look seriously at what it is that has been failing them and their families over the years, they'll see they're things like our health-care system is underfunded, which is what Conservatives do," she said. "It includes things like the privatization of Hydro One, which is what Conservatives do."

"They're the ones that started privatization in our electricity system," she added, alluding to another key platform plank, whereby the NDP would bring Hydro One back into public hands.

Asked whether she was concerned that an "orange wave" could lead to the kind of Tory majority Stephen Harper enjoyed when Jack Layton's NDP formed the Official Opposition in Ottawa, Horwath focused on the positive. "There is some kind of excitement that is happening. People are actually embracing our message that it doesn't have to be the same way it's been for the last couple of decades in this province," she said, repeating a frequent refrain on the campaign trail.

But the Grits don't want to be counted out of the game just yet. A distant third in the polls, Liberal Leader Kathleen Wynne was asked by the media at a campaign stop in London what it felt like to be the underdog. "You mean what does it feel like every time I've been going into an election?" she asked rhetorically. "It's actually pretty familiar."

With files from Jessica Smith Cross in London.

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3). In Brief: 'Lock her up,' Wynne's political horizon, and an a

By: QP Briefing Staff

Less than an hour after Liberal Leader Kathleen Wynne called him out for it, Progressive Conservative Leader Doug Ford disavowed a suggestion shouted by a PC rally attendee to "lock her up," a line borrowed from Donald Trump supporters.

"I don't believe in that. Let me be very clear, I don't condone that, simple as that," Ford told reporters Tuesday morning.

A man yelled out the phrase — often chanted at Trump events in reference to Hillary Clinton during the lead-up to the 2016 election — at a Ford rally in Niagara Falls Monday evening. Ford chuckled along with the crowd of more than 300 people before moving on with his remarks.

Chris Reynolds @ChrisAReynolds

Someone shouts "Lock her up!" when Kathleen Wynne's name is mentioned in the context of rising hydro rates. The crowd chuckles, as does Doug Ford. He quickly says, "Okay," and tries to get the Niagara Falls rally back on script. #onpoli

7:06 PM - May 14, 2018

4 Likes See Chris Reynolds's Other Tweets

At a campaign stop in Waterloo Tuesday morning, Wynne noted the Trump connection and called the rhetoric "disturbing" and "irresponsible."

"It's indicative of a style of campaigning that's angry, that's divisive, that is about slogans and bumper stickers and angry division more than it is about responsible decision-making, principled policies ... that respond to the needs of people," she said.

At a campaign stop in London Monday, Wynne suggested she doesn't believe she'll still be the province's premier in 2025.

Wynne was making her second announcement of the day on her party's plans to build a high-speed rail line between Toronto, London and Waterloo. She took a question on the politics of making a promise that won't come to fruition until years down the line.

She answered that politicians past have been hesitant to build long-term infrastructure because they won't reap the political rewards, but that she doesn't take that approach.

"I'm not going to be cutting the ribbon on high-speed rail, I'm not going to be cutting the ribbon on all of the infrastructure we're building, and I believe it's the responsibility of government to go ahead and make investments today that may or may not have political salience for me as an individual."

The first phase of the high-speed rail project is scheduled to open in 2025, which would come after the term of the government elected on June 7.

When asked if that means she doesn't see herself as premier in seven years, she laughed a hearty laugh.

"I'm just saying, you know, highly unlikely that I will be around for another two or three terms," she said. "As politicians, you have to be realistic about what your objective is. My objective is to put in place the supports that are going to allow us to continue to grow and thrive ... It's not

about the four-year window."

Kiiwetinoong PC candidate Clifford Bull has fired his campaign manager after a tweet surfaced that allegedly showed her advocating for the eradication of Muslims.

Jesse Brown @JesseBrown

This appears to be a deleted tweet from Anne Ayotte @Annie4NorthON (formerly @annie4wo), who is running the campaign of Clifford Bull (@votebull2018), Doug Ford's candidate in Kiiwetinoong. Note that she is calling for the eradication of people, not beliefs.

12:58 PM - May 15, 2018

73 Likes 89 People Are Talking About This

The tweet was floated by Canadaland's Jesse Brown on Monday afternoon. Bull released a statement shortly afterward, announcing the campaign had parted ways with a staffer, and the PCs confirmed Bull had fired Anne Ayotte.

My statement on campaign staff change #OnPoli pic.twitter.com/8WGCmwJdA1

Clifford Bull @VoteBull2018

My statement on campaign staff change #OnPoli

2:44 PM - May 15, 2018

6 Likes 15 People Are Talking About This

In a news release, the Liberals described the initial tweet as "advocating genocide," which is a crime, and tied it to Ford's controversial "taking care of our own first" comment at the Northern debate.

"Doug Ford will disavow these remarks, just as he disavowed his plan to remove rent controls, or develop the Greenbelt. It is increasingly obvious that the Doug Ford being presented to Ontarians is nothing like the real Doug Ford," the Grits said in a press release.

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4). Ford reverses his stand against rent control

By: Christopher Reynolds

TORONTO — The New Democrats have lobbed a brick at Doug Ford after he walked back his words on rent control and pledged to keep it in place.

Ford said in a statement Tuesday he won't revoke the annual cap on rent hikes, which Liberal Leader Kathleen Wynne extended to all renters in a series of tenant-protection measures last year.

"I have listened to the people, and I won't take rent control away from anyone. Period," Ford said. "When it comes to rent control, we're going to maintain the status quo."

In March, the newly elected Tory chief had a different view on rent increase caps, which are tied to the consumer price index (the cap for 2018 is 1.8 per cent). "I don't like it. I like having the market dictate," Ford told The Globe and Mail three days after he won the leadership.

"Doug Ford is talking about rent control by, once again, saying different things to different audiences," the NDP said in a release Tuesday.

The party has pledged to build 65,000 affordable housing units over 10 years and table legislation to curtail "renoviction" loopholes and create a rent registry detailing how much landlords have charged in the past.

Renovictions are a tactic some landlords use to boot tenants from a property, carry out renovations then jack up the rent.

The New Democrats also slammed the Grits on housing, blaming them for a "pricey rental market they allowed to spin out of control."

Ford called Wynne and the Liberals "untrustworthy" and slagged the NDP and Leader Andrea Horwath for "unaffordable policies." Aiming to expose their opponents' own contradictions, the PCs highlighted a remark by Liberal MPP Arthur Potts.

"I would resist, tremendously, any amendment to this legislation which would bring back rent control," Potts told the house in October 2016, saying Bob Rae-era rent controls put the housing stock "into a dismal state of repair."

Ford has walked back several policy stances and candidate endorsements since becoming leader two months ago. Earlier this month, he reversed his position on the Greenbelt, pledging to protect it in its entirety after a video distributed by the Liberals recorded him saying he would open up a "big chunk" of it for building at the behest of "some of the biggest developers in the country."

A few days later, Ford dropped Tanya Granic Allen as a candidate after the Liberals alerted the media to an online video in which she said the promotion of "radical sexual education" and "gay marriage" in Croatia made her "almost vomit in disbelief."

In spring 2017, in the face of skyrocketing home prices and rising GTA rents, the government expanded rent control to all tenants — previously it applied only to units built before 1991 — brought in a standard lease and imposed a 15-per-cent foreign buyers tax on home purchases.

-with files from David Hains and Jessica Smith Cross

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