QP BRIEFING

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1). ONTARIO GETS GOOD OMEN FROM LATEST CAP-AND-TRADE AUCTION

By: Geoff Zochodne

The cap-and-trade market run by California and Quebec — which Ontario intends to join in 2018 — is showing signs of life again.

Results from the May 16 cap-and-trade auction held by California and Quebec were released Wednesday, showing the two jurisdictions sold all of the 75.3 million carbon credits for 2017 that they had put on the block earlier this month. Another 2.1 million cap-and-trade allowances for 2020 were sold as well, about 22 per cent of the available permits in the May auction.

The California-Quebec carbon market has now held 11 auctions since 2014, but it has been on a roller-coaster ride over the past year, with results ranging from as little as 11 per cent of available permits being sold to as much as 88 per cent. The weak results have cost the two jurisdictions millions of dollars in revenue that would have been earmarked for methods of mitigating climate change.

Ontario had been keeping an eye on the California-Quebec market, as it plans on linking its own cap-and-trade system with those two in 2018. Cap and trade is a carbon pricing system that aims to curb climate change and reduce greenhouse gas pollution by forcing businesses to buy permits for their emissions, giving them an incentive to reduce those emissions.

Cap and trade began in Ontario in January, and the province held its first-ever cap-and-trade auction in March, which was a near sellout. All of the 25.3 million carbon credits for the 2017 vintage year were sold, and another 812,000 allowances for 2020, about 26 per cent of those available, were also purchased.

Ontario's March auction earned the province about $472 million in proceeds that will pay for a variety of greenhouse gas-reducing measures. The Liberal government initially estimated the carbon-pricing system would yield between $1.8 billion and $1.9 billion in annual proceeds, but reduced that figure in the 2017 budget to approximately $1.4 billion a year, starting in 2018-19.

Environment Minister Glen Murray has said the $1.9-billion projection was predicated on every quarterly auction selling out, so the government is leaving itself some wiggle room with its projections.

However, a proposal has popped up in the California Senate that could hike the minimum price for a carbon allowance, which would force Ontario and Quebec to increase their price to keep all three systems linked. Murray has shrugged off the threat, saying it is just one of several ideas that will considered during the state’s brokered budget process.

The Liberal government is relying on cap and trade to fund up to $8.3 billion in GHG-reducing programs, such as rebates for the purchase of electric cars. The ceiling on Ontario's carbon emissions will also be lowered by about four per cent every year, helping the government with its goal of lowering the province's emissions to 15 per cent below 1990 levels by 2020.

2). Liberals' hydro plan to cost Ontarians $21 billion, watchdog says

By: Christopher Reynolds

Guzzling on the cheap today means a costly hangover tomorrow.

The Liberal government's hydro plan, while saving ratepayers an average of 25 per cent on their electricity bills in the short-term, will leave Ontarians with a $21-billion headache over three decades, according to the province's budget watchdog.

In a report released Wednesday, Financial Accountability Officer Stephen LeClair said that Premier Kathleen Wynne's "Fair Hydro Plan" will cost $45 billion over 29 years, but save ratepayers $24 billion, resulting in a net $21-billion cost.

It's a precarious figure. The projection presumes the government will balance its books every year and that interest rates will remain low. The financial accountability office has forecasted budget deficits until at least 2020, although the Liberals foresee only black ink. Interest rates on potential loans down the line may creep upward in a thriving economy.

Should either of those two factors change, Ontario could wind up more than doubling its costs, LeClair said. If lower electricity rates spark higher consumption or if generation and delivery costs rise, for example, the government might be forced to borrow more, meaning a bigger debt and more interest.

"If the province is required to fund the FHP [Fair Hydro Plan] through debt, then the cost to the province could increase to between $69 billion and $93 billion," the Financial Accountability Office stated in a release.

Energy Minister Glenn Thibeault countered that these "outlier scenarios … are extremely unlikely."

Surveys show the hydro plan has helped buoy the Liberals' flagging prospects ahead of next year's election following plummeting poll numbers amid fast-rising electricity rates.

If Bill 132, the Fair Hydro Act, passes next week, consumers will see their rates tethered to inflation for the next four years, inching up about 2 per cent annually.

But, starting in 2021, the FAO projects electricity bills to shoot up 6.8 per cent each year through to 2027 — higher than leaked Liberal cabinet documents suggested. Rates would climb back up to current levels in 2026, levelling out to about 4 per cent higher than they would have otherwise between 2027 and 2045, according to LeClair.

The average monthly hydro bill now sits at $156 per household. With the 25-per-cent rate cut it would fall to $123. The slash is slated to take full effect by July 1, pending passage in the house.

The hydro plan's refinancing component will take an $18.4-billion load off of electricity costs that ratepayers would otherwise bear. Ratepayers, spared that repayment and $21 billion in accumulated interest for a decade, would then begin to pay down both in 2028, ultimately forking over $39.4 billion over 17 years.

“The electricity cost refinancing initiative does not ‘smooth out’ the cost of electricity,” the report states, contradicting a previous statement from the energy minister.

Thibeault said the government has always acknowledged the plan’s higher long-term costs, adding that the fresh assessment was in line with the government’s projections. “It’s important to remember that the FAO’s projection of electricity costs reflects a point-in-time estimate that demonstrates how we can ensure greater fairness and affordability in the short and medium term.”

LeClair recommended the government get assurance from the auditor general that the “complicated accounting structure” for refinancing electricity costs — a move that will provide for more than half of the projected savings to ratepayers — meets public sector accounting standards.

Auditor General Bonnie Lysyk told QP Brieifing on Wednesday that “the transaction as proposed is legislated accounting and does not meet public sector accounting standards.”

Progressive Conservative energy critic Todd Smith called the overall plan a “quick fix” that achieves “very short-term satisfaction … for long-term pain.”

“It’s fantasyland,” he told reporters Wednesday. “It’s not just unfair for those of us who pay the bills now, but it’s unfair for the next generation, and quite possibly the next generation to come.”

PC Leader Patrick Brown dubbed the “unfair hydro plan” a “sham” that would have “a devastating impact on household budgets and the economy.”

NDP energy critic Peter Tabuns brushed off concerns about a popularity boost for the Grits. “There’s no question that people feel real hunger for some relief, but they don’t like the idea that they’re going to get hit real hard in a very short period of time.”

He compared the plan to taking out loans to pay the rent. “We’re just pushing the costs down the road by a few years. And ultimately we’re going to have to pay them all back, plus interest. That isn’t a good deal.”

Thibeault highlighted his party’s upcoming Long-Term Energy Plan, set to be unveiled this summer, to take out more costs “out of the system.”

He got no sympathy from Green Party Leader Mike Schreiner. “The Liberals' hydro shell game is the most expensive band-aid in Ontario's history,” he said in a statement.

3). *Auditor General and Liberals at odds over accounting of hydro relief plan*

By: Sabrina Nanji

Another accounting spat is brewing between the Liberals and the Auditor General, this time, over the government's hydro relief plan.

On Wednesday, Auditor General Bonnie Lysyk told MPPs on the legislative committee studying Bill 132, the Fair Hydro Plan Act, that the Liberals are setting a "dangerous precedent" by keeping the cost of borrowing off of the province's financial statements, which she said defies good public sector accounting practice.

"There are a lot of people investing a lot of time and money to set this up [and] structure it in such a way that it doesn't affect the bottom line," Lysyk said.

The AG testified at the standing committee on justice policy on the same day Financial Accountability Officer Stephen LeClair reported the Liberals' Fair Hydro Plan, featuring an additional 17 per cent hydro rate reduction, will cost $45 billion over three decades to save ratepayers $24 billion – a $21-billion cost of borrowing for Ontarians, assuming an average interest rate of 5 per cent and that future budgets remain balanced.

LeClair said refinancing the electricity system involves "a complicated accounting structure" that will increase Ontario's gross debt by about $26 billion by 2027-28, but does not impact the province's net debt, which is estimated at nearly $312 billion for 2017-18. That's because the plan creates a regulatory asset through Ontario Power Generation Trust – a new entity that would cover the cost of borrowing for the next 10 years, after which ratepayers will start seeing the charge on their bills.

Per the FAO, the OPG Trust would finance 55 per cent of the cost, while the province finances 45 per cent. The Independent Electricity System Operator (IESO) would establish a regulatory asset to account for future repayments, which would be purchased and controlled wholly by the trust.

If the refinancing structure – something the government has likened to extending the terms of a mortgage – does not meet public sector accounting standards, LeClair said the province's annual deficit could take a $26-billion hit over the next 11 years, but improve by the same amount over the following 18.

It did not pass Lysyk's accounting test.

"[The government] plans to record anticipated revenue as an asset to offset borrowing in its consolidated financial statements," she said.

"As we know, accounting deals with past transactions, not future ones. So, to anticipate that private-sector electricity generators will reduce their costs in the future and to use legislation to make this potential future benefit an asset is also not allowed under Canadian public-sector accounting standards," Lysyk said.

To earn her unqualified opinion, "the difference between the amounts paid to power producers and the amounts collected from consumers would show up eventually as an impact on the bottom line of the government’s financial statements.” That’s the difference between what the IESO pays energy producers for the electricity they generate and the actual market value, otherwise known as the global adjustment charge.

But an audit prepared by KPMG for the IESO concluded the regulatory asset can be established based on U.S. accounting standards, and that it should not be counted on its bottom line after being transferred to the OPG Trust, “as IESO no longer has rights or future economic benefits associated with the asset.”

“The variance account created by Bill 132 is subject to rate regulation by the [Ontario Energy Board] and the variance account will be established with the right to collect funds against the variance amount in the future. In these circumstances, the IESO is able to establish a regulatory asset,” KPMG's audit reads.

KPMG also said public sector accounting standards don’t provide specific guidance on rate regulated accounting, but allows the government to apply other frameworks, like the U.S. Generally Accepted Accounting Principles.

Meanwhile, Bill 132 is due back to the house for third reading next week and is expected to pass before the house rises for summer.

It would not be the first time Lysyk has given a qualified opinion – she would not sign off on last year’s financial statements because of an accounting clash over two of the province’s co-sponsored pension fund surpluses.

4). Pressure mounts as Ontario readies response to Changing Workplaces review

By: Sabrina Nanji

Pressure is building on the Ontario government as it readies its response to a sweeping review of labour laws after two years of studying how to tackle the increasingly precarious nature of employment.

Reaction to Tuesday's 419-page final Changing Workplaces report and its 173 recommendations has, perhaps unsurprisingly, been split into two major camps – organized labour and worker advocacy groups, and business and employer organizations.

But the huffing and puffing might be all for naught because the government has not indicated if it will implement any recommendations, which are aimed at extending legal protections to a wider range of workers, expanding unpaid personal emergency leave and vacation leave, and eventually doing away with the minimum wage for students and servers.

What Ontario decides to do with the final report from the special advisers, C. Michael Mitchell and John C. Murray, will be shared "within the next week," according to Labour Minister Kevin Flynn, who received the report several weeks ago. When asked by reporters in Sudbury Tuesday if and when new legislation would be coming, Premier Kathleen Wynne only said, "Stay tuned."

Although the timeline is unclear, there is a possibility the government's version of a Workplace Rights Act – new legislation to combine the Labour Relations Act and Employment Standards Act as recommended in the report – could come next week, the last sitting week before the house rises for the summer.

In the meantime, business and labour groups are being a bit more vocal with what they think the Premier's course of action should be.

The Ontario Chamber of Commerce has long called for the government to do an economic impact analysis and warned of "unintended consequences" `

The OCC has also come out against removing certain occupational exemptions that allows employers not to pay certain benefits, such as overtime or statutory holiday pay. They have also called for better education and enforcement – something Changing Workplaces also recommends.

"These standards come at a cost to employers, and consumers, and will impact our economic health and the ability of employers to create jobs. The Government of Ontario should not proceed to invoke changes until they can fully identify the scale of the impact," the OCC said in a release.

The Canadian Federation of Business is backing up the chamber, saying small businesses face an added risk because they do not usually have the financial resources to take on further regulatory costs associated with some of the recommendations.

Both employer groups were pleased that the advisers want to maintain a secret-ballot vote when it comes to unionizing.

“We are concerned, however, that several of the recommendations could significantly increase the cost of doing business in Ontario and impact the ability of small firms to create jobs and grow,” said Plamen Petkov, CFIB Ontario’s vice-president, in a release.

At one point, employers had to be prodded into providing more robust responses to public consultation hosted by the special advisers. It prompted a draft of a 300-page interim report that laid out several options for how to update the law, and was never part of the initial mandate but a means to engage businesses.

Unions and worker advocacy groups on the other hand say the province is poised to make meaningful change for the betterment of workers, depending on how far it chooses to go.

The Ontario Federation of Labour said the report was a “missed opportunity” because it did not suggest a return to card-based certification or allow automatic access to first contract arbitration. The report recommended keeping the secret ballot vote required to certify a union, and would only allow automatic access to first contract arbitration if the employer acted in bad faith during negotiations for the very first collective agreement.

The OFL has been urging people to call up their MPPs before legislation is tabled and push for mandatory paid sick leave and improvements to vacation time.

“Without significant, meaningful and progressive action, Ontarians will continue to slip into poverty, while employers take advantage of workers who don’t have other options,” OFL president Chris Buckley said in a release.

Fred Hahn, president of the Canadian Union of Public Employees, said the final report missed some key asks.

“What happened to the major reforms that workers have been calling for with a virtually unanimous voice? What happened to card-based certification, anti-scab legislation, access to first contract arbitration and recognition of successor rights, they’re nowhere to be found. What happened to paid sick days for all workers?” Hahn said Wednesday in a release.

Hahn said it’s not too late for the government to include those goodies in legislation, otherwise unionization will be “out-of-reach” for those struggling with temporary or unpredictable work with little or no protection or standardized working conditions.

That was echoed by the Elementary Teachers' Federation of Ontario Wednesday, which wants the government's legislation to include all 173 recommendations, plus the omissions pointed out by organized labour.

"Otherwise, the province will fail to move forward and make changes to labour law to ensure that workplaces provide fairness for all workers," said ETFO president Sam Hammond in a release.

5). HUNDREDS OF ONTARIO PUBLIC-SECTOR WORKERS REPORT THEY'VE EXPERIENCED VIOLENCE ON THE JOB

By: Geoff Zochodne

More than 1,000 Ontario public-sector employees may have encountered violence on the job, a recently published workplace survey suggests.

The results of the 2017 Ontario Public Service employee survey were announced earlier this month on the webpage of Cabinet Secretary Steve Orsini, the province's top civil servant.

More than 34,000 workers are said to have responded to the now-annual survey, which was conducted from February 22 to March 8 of this year.

One sentence from the results states that: "In both 2017 and 2014, 3% of respondents said they had experienced violence on the job."

http://www.qpbriefing.com/wp-content/uploads/2017/05/harass.png

Three per cent of 34,000 is 1,020. According to the government, more than 60,000 people work in a wide variety of roles in the ministries, agencies and Crown corporations that make up the Ontario Public Service. Three per cent of that workforce would be approximately 1,800.

A spokesperson for Treasury Board president Liz Sandals said the government is "working hard to create and maintain safe workplaces for all OPS employees."

"Ontario Public Service has a formal process to report and address issues of workplace violence available to all employees, and provide support to those who need it," said Gabrielle Gallant in an email.

Gallant added that the survey was open to employees who work in corrections and enforcement, and that those who said they'd faced workplace violence could provide additional feedback.

"Of those respondents who chose to tell us more about their experience, almost half (47.1 percent) indicated the violence was from an individual for whom the employee had a custodial responsibility – for instance, an inmate, offender, detainee or patient," said Gallant.

Overall, 14.82 per cent of those surveyed in 2017 reported they had been "a victim of harassment on the job," while 85.18 per cent said they had not. This was an improvement over the 2014 survey, which found that 16.2 per cent of respondents said they had been harassed.

Discrimination was down in the 2017 survey as well, with 12.56 per cent saying they had felt its effects. In 2014, that number stood at 14.25 per cent. In 2011, it was 17.64 per cent.

Overall, the survey reported stronger feelings of engagement and inclusion among bureaucrats.The message posted to Orsini's webpage said the "survey results confirm that we are heading in the right direction."

"However, you have also told us loud and clear that there is still much more we can do," adds the May 9 message. "Your feedback will help us assess our strengths and identify opportunities to further improve our workplace as we shape the OPS for the future."

Diversity improved in the 2017 survey, as 22.6 per cent of respondents considered themselves to be a visible minority, up from about 20 per cent in 2014.

Job satisfaction also increased, to 63.6 per cent in 2017 from 59.6 per cent in 2014.