Evening Media Scan: Hydro Rate Reduction Plan - May 2, 2018

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Evening Media Scan: May 2, 2018

MEDIA SCAN: HYDRO RATE REDUCTION PLAN

May 2, 2018

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Toronto Star: Watchdog warns of 'sharp' jump in Ontario deficit to $12B this year
Hamilton Spectator: Ontario deficit will jump to almost $12 billion in 2018: FAO
The Post: This week's letters to the editor
CBC News: Liberals deficit would be nearly $6B more than forecast in 2018 budget, watchdog says
iPolitics: Budget watchdog flags Ontario's skyrocketing debt

TV Transcripts

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Online Coverage

Toronto Star ***Watchdog warns of 'sharp' jump in Ontario deficit to***
thestar.com
Wed May 2 2018
Section: News
Byline: Kristin Rushowy

Ontario's financial accountability office is warning the province's deficit will triple to $12 billion this year given the Liberal government's spending promises in its budget and amid lower revenues.

The Financial Accountability Office (FAO) says promised services such as free child care for preschoolers, more pharmacare and dental care will mean an extra $4 billion alone.

It says over the next three years, deficits will run about $12 billion annually - numbers similar to what the auditor general last week reported - creating a "fundamental imbalance."

Read more:

In scathing pre-election report, Ontario auditor general says deficit is $11.7B, not $6.7B((www.thestar.com»))

Opinion Martin Regg Cohn: Auditor general's report could spell trouble for all three of Ontario's political parties((www.thestar.com»))

Doug Ford promises inquiry into Liberal government's accounting, commits to budget cut of four per cent((www.thestar.com»))

"The 2018 budget introduced significant new spending without adequate new revenues to pay for them," said J. David Wake, the province's temporary financial accountability officer.

By 2025, the government will haves under its own recovery plan to get out of the red, which is to chop spending growth from 4.2 per cent in 2017-18 to 2.1 per cent from 2020 through to 2026.

Such "severe spending restraint" could lead to balanced books by 2025, the FAO says.

But Wake cautioned that means shifting "the burden of stabilizing Ontario's public finances from current taxpayers to young Ontarians" and will also leave the province vulnerable should a recession hit or when it comes to managing future health care needs with an aging population.

The province's net debt will be $400 million by 2020-21, and "even with the significant spending restraint planned by the government, Ontario's debt burden would remain elevated," Wake said.

Ontario's net debt-to-GDP ratio is projected to hit 42 per cent by 2020-21 and close to 43 per cent by 2023-24, adding $500 million more in interest payments that will total $13.6 billion.

The government's target was 35 per cent by 2023-24.

Progressive Conservative Finance Critic Vic Fedeli slammed the Liberals, saying they "cooked the books. They aren't telling the people of Ontario the whole story. They're trying to bury the true costs of their scandal, waste, and mismanagement.

"An Ontario PC government led by Doug Ford will respect the taxpayer. We will commission a full audit of the government's books and will deliver responsibility, accountability, and trust back to Queen's Park."

NDP Finance Critic John Vanthof noted his party's platform, which also calls for deficits - lower than the Liberals by about half, at $3.3 billion this year - also had additional revenue sources such as corporate tax rates and personal income tax boosts for high-income earners, among others.

The FAO's numbers are similar to those of Auditor General Bonnie Lysyk((www.thestar.com»)) - though arrived at using different methods - and Wake agrees the accounting practices she is using regarding the Fair Hydro Plan and pension plans are appropriate.

Her report said the Liberal government has an $11.7 billion deficit this year, not its stated $6.7 billion. Lysyk says the government cannot apply billions in holdings in two pension plans toward its bottom line.

Hamilton Spectator

Ontario deficit will jump to almost $12 billion

thespec.com
Wed May 2 2018
Section: News

TORONTO - For the second time in a week, Ontario's Liberals were dealt a blow by a legislative watchdog, this time with the Financial Accountability Office saying the government's deficit projections are inaccurate.

Just weeks before Ontario's provincial election, the FAO said Wednesday the province's deficit will jump to almost $12 billion this year as a result of higher spending in the Liberal government's 2018 budget and weak revenue gains.

Those figures - released in the FAO's Spring 2018 Economic Outlook - stand in stark contrast to the $6.7 billion deficit projected by the Liberals in their spring budget and already called into question last week by Ontario Auditor General Bonnie Lysyk.

FAO chief economist David West said at a basic level the government's current spending levels are unsustainable.

"We use the word structural deficit," he said. "There is a fundamental imbalance between revenues and spending. The 2018 budget just added to that imbalance. The conclusion of that ... is that economic growth alone will not be sufficient to allow the government to eliminate the deficit."

The Liberal government's spring budget has projected six consecutive deficits to fund billions in new spending on child care and health care.

The FAO report said the government's spending plan will add about $70 billion to the province's net debt, increasing it to almost $400 billion in 2020-21.

It also warns that the Liberal government's plan to balance the books by 2024 involves a dramatic cut in spending growth, and said the government has provided few specifics about those spending cuts.

It would need to find $15 billion in reductions by 2025, or the equivalent of an eight per cent drop in program spending, to achieve its goal, the report notes.

J. David Wake, the Temporary Financial Accountability Officer, said the government's plan "shifts the burden of stabilizing Ontario's public finances from current taxpayers to younger Ontarians and leaves the province with less flexibility to respond to future crises, including recessions."

The report echoes some of the findings from the auditor general who said that the government had understated its deficit numbers in the 2018 budget, saying they were off by 75 per cent for 2018-2019, with that jumping to 92 per cent for 2020-2021.

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

Finance Minister Charles Sousa said his financial projections incorporate restrained estimates, and he isn't concerned the FAO's warnings will come to pass.

"We've always beaten those expectations," he said. "We will do so again because I've been taking very cautious measures and I have put in contingencies and reserves to ensure that we track back."

Progressive Conservative Parliamentary Leader Vic Fedeli called the FAO's findings another "damning" report about the state of the province's finances. The watchdog's findings confirm again that the government's projections aren't accurate, he said.

"They did not slay the deficit, as they said, they did not balance," he said. "You cannot trust anything that Kathleen Wynne says ever again."

The Post: This week's letters to the editor

By: Karen Gventer
Wednesday, May 2, 2018 12:40:16 EDT PM

http://www.thepost.on.ca/2018/05/02/this-weeks-letters-to-the-editor

Editor,

I welcome Francesca Dobbyn, joining Kathleen Wynne and the Liberals, in the race to be elected MPP on June 7. While we both agree that Bill Walker's Progressive Conservative promises to cut spending will cut our needed services, such as health care and education, it seems that our agreement ends there.

It is interesting that Dobbyn, known for fighting against hydro cut-offs in the winter, is now running for a party which has promised to install prepaid hydro meters that automatically shut down someone's hydro – with no warning.

Under the Liberals, hydro rates have skyrocketed by 300 per cent, 50 per cent under Kathleen Wynne's leadership alone. Wynne sold-off Hydro One – against the wishes of 80 per cent of Ontario families and to the severe detriment of our province. That is a revenue generating public asset – one of the oldest in the province and that money should be going to undo the damage done to our hospitals and schools by decades of Conservative and Liberal cuts. Instead – that revenue is lining the pockets of wealthy shareholders. Not exactly what folks bargained for the last time they voted Liberal.

Now Kathleen Wynne is playing a shell game with the Auditor General and Ontario families. She says she cut the cost of our hydro bills – but her plan does nothing but re-finance hydro debt and push it on to the next generation – our kids and grandkids – while our bills will go right back up again after the election. She is hiding the debt and ignoring Ontario's non-partisan Auditor General who has called her out on the bogus accounting practices she is using to do it.

Doug Ford's hydro plan is simply to adopt Wynne's $40 billion borrowing scheme.

Only the NDP has a full plan which will lower hydro rates by about 30 per cent. In the short term, the cost of buying back Hydro One will be paid for by the dividends the province receives from the private company – this will not increase rates. After about 8 years, the utility will be paid for, and the profits can be reinvested in Ontario, rather than going into the pockets of private owners. Further to that, the NDP will address the electricity oversupply issue in Ontario. It is a problem when we sell electricity below the cost of generating the power. That costs Ontario ratepayers money.

The people of Ontario, and the people of Bruce and Grey counties, have real choices this election. They can continue to elect an MPP whose party has committed to making cuts, doing more damage to services we need like hospitals and schools. They can elect an MPP whose party will continue to give us more of what we've had for the past 15 years – escalating hydro rates and concerns about our increasing costs with fewer services. Or they can be bold and elect a new government. The NDP will look after the needs of Ontarians. Andrea Horwath and myself, Karen Gventer, will deliver change for the better to families in this region, and across the province.

Sincerely,

Karen Gventer

Bruce-Grey-Owen Sound NDP Provincial Candidate

CBC News: Liberals deficit would be nearly $6B more than forecast, watchdog says

By: The Canadian Post
May 02, 2018 12:41 PM ET

http://www.cbc.ca/news/canada/toronto/fao-liberal-deficit-budget-audit-1.4644946

Ontario's fiscal watchdog says the province's deficit will jump to almost $12 billion this year as a result of higher spending in the Liberal government's 2018 budget and weak revenue gains.

The Financial Accountability Office also says the government's spending plan will add about $70 billion to the province's net debt, increasing it to almost $400 billion in 2020-21.

The findings come in the FAO's Spring 2018 Economic Outlook, released just a week before a provincial election campaign kicks off.

The Liberal government's spring budget had said the deficit for 2018 would be $6.7 billion, with the books expected to stay in the red for six years.

The FAO report warns that the plan to balance the budget by 2024 involves a dramatic cut in spending growth.

It says the government has provided few specifics about those spending cuts but says it would need to find $15 billion in reductions by 2025, or the equivalent of an eight per cent drop in program spending, to achieve its goal.

J. David Wake, the Temporary Financial Accountability Officer, said the government's plan "shifts the burden of stabilizing Ontario's public finances from current taxpayers to younger Ontarians and leaves the province with less flexibility to respond to future crises, including recessions."

The report echoes some of the findings from the auditor general who said last week that the government had understated its deficit numbers in the 2018 budget, saying they were off by 75 per cent for 2018-2019, with that jumping to 92 per cent for 2020-2021.

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

iPolitics: Budget watchdog flags Ontario's skyrocketing debt

By: Marieke Walsh
May 2, 2018 10:38am

https://ipolitics.ca/2018/05/02/budget-watchdog-flags-ontarios-skyrocketing-debt-missed-financial-target/

Ontario's budget watchdog says debt will skyrocket to nearly $400 billion and the province will fall well short of a key financial target under the Liberal's budget plan.

"There's a fundamental imbalance between revenues and spending, the 2018 budget just added to that imbalance," the Financial Accountability Office's Chief Economist David West said about the report tabled Wednesday in the legislature.

It's the second bombshell report to drop in as many weeks, and it spells more trouble for the Liberals as they face a tough re-election battle.

The report rejects the numbers put forward by Finance Minister Charles Sousa in his March budget. Instead of the balanced budget heralded by the government, the budget watchdog says the government closed the books on a 3.6 billion deficit in 2017-18.

And in keeping with Auditor General Bonnie Lysyk's report released last week, it predicts deficits near $12 billion for each of the next three years compared to the approximately $6.5 billion projected by the government.

The discrepancy comes from a longstanding disagreement between the government and its independent watchdogs — including the auditor general — about how the province is accounting for the debt it incurred when it cut hydro rates. Last week Lysyk said the government was able to arrange its debt differently because it "legislated" new accounting rules.

A second dispute centres around whether the Liberals are improperly counting assets from two pension funds.

In the next three years, the FAO says net debt will rise by $70 billion and sit at $394 billion by 2020-21.

The FAO also says the government's debt-to-GDP ratio will be seven points higher than targeted. In 2023-24 the FAO says debt-to-GDP will be at 42.7 per cent instead of the planned 35 per cent. Sousa maintained his government's goal is to reach that the 35 per cent target but his own budget says he will miss it — although by a much smaller margin of 2.7 points.

According to Interim Financial Accountability Officer J. David Wake, the effect of the Liberal's budget measures is to shift the "burden of stabilizing Ontario's public finances from current taxpayers to younger Ontarians."

To return to balance Liberals would need to cut eight per cent
The report also says the ramped up program spending promised by the Liberals on top of the disputed accounting practices means the Liberals will have to cut eight per cent from program spending by 2025-26 to reach balance.

In her pre-election budget, Premier Kathleen Wynne promised free pre-school daycare, expanded pharmacare and dental care, and more mental health services.

The FAO said the government had "few" specifics on how it would keep those programs while returning to balance — as it has promised.

Importantly, the FAO notes that the coming level of spending restraint will be stricter than the austerity the Liberals imposed to climb out of the deficit hole after the 2008 recession. It says the savings will have to total $15 billion by 2025-26.

Government dismisses report as a 'dispute' among accountants
Just one week before the writ drops on the June election, Sousa tried to punt the issue to other people.

The FAO and auditor general are in a "dispute with other auditors and experts I'll leave that dispute to them, I'm managing what I can control," Sousa told reporters.

"The assumptions for the increased spending is one that the FAO is making not one that I'm making," he added.

Last week Progressive Conservative Leader Doug Ford told reporters that if he forms the next government he will follow the accounting rules recommended by the auditor general.

"I trust the auditor general," Ford said.

His party has made billions in new spending promises such as cutting corporate taxes, a subsidy for children in day care, and further slashing hydro rates. Ford said he would bring the province's books back to balance in a "modest and a responsible" way. The party has not yet released a platform to show how it will be done.

The New Democrats' platform, meanwhile, promises billions more in spending and tax hikes on the wealthy to partially cover the gap. It's five-year plan promises smaller deficits than the Liberals, but it doesn't spell out a return to balance in the first five years of government.

It would also use the same accounting on pensions that the FAO and auditor general have rejected.

NDP Finance Critic John Vanthof said his party is focused on "productive debt" that invests in Ontarians.