FW: QP Briefing: December 11, 2017

From: "Adams, Laura (CAB)" <laura.adams2@ontario.ca>
To: "Moore, Karen (CAB)" <karen.moore4@ontario.ca>, "Hindmarch-Watson, Tim (CAB)" <tim.hindmarch-watson2@ontario.ca>
Date: Mon, 11 Dec 2017 17:56:23 -0500
Attachments: 20171211 - QP Briefing.doc (182.78 kB)

This was what P was asking about at P's brief, but DM connected with DM at Energy, no action required .Gillian said she'd connect with MO.

Laura Adams
Senior Policy Advisor, Health & Social Policy
Cabinet Office
T: 416-325-3727

From: Law, Sally (CAB)
Sent: December-11-17 5:52 PM
To: @CAB-QP Briefing
Subject: QP Briefing: December 11, 2017

QP BRIEFING

December 11, 2017

Note: This material is copyright protected and not to be redistributed outside of Cabinet Office under any circumstances.

Click links below to view article:

Articles

1). Ontario's fiscal watchdog warns of deficits ahead

By: Jessica Smith Cross

Ontario's fiscal watchdog says the Liberal government is being overly optimistic in its economic projections — instead of being in position for balanced budgets in the coming years, it's primed for significant deficits.

The Financial Accountability Office (FAO) took a look at the government's Fall Economic and Fiscal Review and found two major points of departure from it: The government's revenue projections are too high and it ignores the auditor general's accounting treatment of the borrowing associated with the Fair Hydro Plan and certain pension assets.

It's of particular concern for the opposition Tories, who hope to take power in June and have already released a platform with a spending and revenue plan based on the government's accounting and economic forecasts.

The FAO is projecting a budget deficit of $4 billion this fiscal year, instead of the $0.5-billion surplus before reserve the government included in its fall statement.

http://www.qpbriefing.com/wp-content/uploads/2017/12/Ont-Budget-Balance-EN.gif

The difference in 2017-18 is due to the government's dispute with the auditor general over her recommended accounting treatment of the Fair Hydro Plan borrowing and certain pension assets.

Auditor general Bonnie Lysyk maintains that borrowing associated with the hydro plan should be recorded on the province's books, an assertion the government strongly disagrees with. Lysyk also says assets of the co-sponsored Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan should not be counted on the government's books unless the government has explicit access to those assets — and again, the government disagrees.

By not adopting the auditor general's accounting, "it is becoming more difficult for legislators and the public to assess the government's fiscal projections," the FAO cautions.

Going forward over the next few years, the FAO's projections depart more sharply from the government's. While the fall economic statement projected balanced budgets with small surpluses going to reserves for 2018-19 and 2019-20, the FAO projects a $7.1-billion deficit next year (the 2018-19 fiscal year), growing to $9.8 billion by 2021-22.

That fiscal gap is more than just the accounting difference. The FAO is projecting strong growth for Ontario incomes and household spending — leading to high tax revenues — but says the government's projections are even stronger. The FAO provided a breakdown of its figures on the projected deficit to QP Briefing, which shows that in 2019-20 — when the government projects a balanced budget — the FAO projects a $7.8-billion deficit, of which $5.8 billion is attributable to the issues of the accounting dispute and $1.9 billion is attributable to the FAO's less optimistic economic outlook.

http://www.qpbriefing.com/wp-content/uploads/2017/12/Screen-Shot-2017-12-11-at-1.15.42-PM.png

The FAO breaks down its economic projections, versus the government's, as follows:

http://www.qpbriefing.com/wp-content/uploads/2017/12/Growth-in-Key-Tax-EN.gif

Still, the FAO's outlook on the province's near future is bright and includes strong job growth.

"Over the outlook, sustained economic growth is expected to support average annual employment growth of 1.1 per cent, just slightly faster than the growth in the labour force," the report says. "As a result, the unemployment rate is expected to trend lower, falling from 6.2 per cent in 2017 to 6.0 per cent by 2021."

The FAO had warned that the minimum wage increase would result in the loss of 50,000 jobs, and that is figured into the FAO's projection that unemployment will continue to fall.

A key risk to the outlook, according to the FAO, is the uncertainty over the renegotiation of the North American Free Trade Agreement (NAFTA).

"Most economic forecasters, including the FAO, continue to assume that NAFTA will largely be maintained in its current form. However, the U.S. administration is demanding significant concessions from Canada and Mexico, and has threatened to leave NAFTA altogether," the report says. "Some businesses may already be postponing investment decisions outside of the United States due to the uncertainty surrounding NAFTA. If the renegotiation of NAFTA leads to a deterioration in Ontario's terms of trade or restricts access to the U.S. market, there would be significant negative implications for the province's growth prospects."

The FAO also notes that one-time revenues are expected to drop off in the coming years, with a $4.5-billion decrease next year and a further $1.6-billion decrease the year after. Those one-time revenues include declining equalization payments, hydro debt retirement charge payments, and lower one-time profits from asset sales and rentals, which include the sale of Hydro One shares this fiscal year.

As for spending, the FAO said program spending is expected to grow by 5.7 per cent this year from last, but in 2018-19 and 2019-20, the government is planning to keep increases to an average of 2.4 per cent, which the FAO notes is "below the growth in underlying spending pressures."

After 2019-20, the FAO projects program spending will grow by 4.2 per cent a year on average, as aging baby boomers will put pressure on the health-care system and a growing youth population will put pressure on education.

The FAO has warned the government it must start running small surpluses to avoid the pressure of demographic factors and the province's increased debt from becoming too great a burden down the road.

"Balanced budgets are not enough, deficits are certainly not enough either," said David West, the FAO's chief economist. "You need to make those adjustments today. To the extent the government delays making those adjustments today, the cost will become greater in the future, and you're shifting the burden to the future, to future generations as opposed to dealing with it today."

Finance Minister Charles Sousa was not available for comment Monday. However, he released a statement that highlighted the bright spots of the report.

'The FAO confirms that Ontario's economy is growing and he expects this growth to continue. The FAO also confirms that under the accounting presentation we've been using for the last 16 years the budget is balanced and is in fact in a small surplus for 2017-18," he said in the statement. "The report shows that our plan is working, the economy is growing, our unemployment rate is the lowest it has been in 17 years and more than 843,000 net new jobs have been created since the recession."

The temporary FAO is currently J. David Wake, Ontario's integrity commissioner, who took over the post when former FAO Stephen LeClair resigned. The legislative assembly is currently trying to fill the position.

Opposition reaction

PC finance critic Vic Fedeli told QP Briefing he was the only person at the briefing on the report for MPPs that morning.

"Every report he's ever had concludes the same thing: We're going the wrong way, so you have to either have to cut spending or raise taxes," said PC finance critic Vic Fedeli. "That's how he concluded yet again."

Fedeli said the PCs are prepared to cut costs — the party's platform includes a value-for-money audit that would cut 2 per cent of spending — or $6.1 billion over a four-year term.

"There are savings to be found to achieve what the FAO is asking for," Fedeli said. "One way to do it is to find efficiencies, which is not to say 'cuts.' "

However, the PCs are also planning a carbon tax, income tax cuts and new spending.

All told, their platform, costed based on the same Fall Economic Update that the FAO reviewed, projects a PC government would run a $2.8-billion deficit in its first year, followed by three years of small surpluses that add up to almost $1.3 billion in total over three years.

Asked if the FAO's contention that the government's economic projections are too optimistic spells trouble for the PCs' plan to balance the books in the latter years of their mandate — if they get one — Fedeli said that PCs' plan will support the economy.

"Overall, we have 149 platform proposals and for the most part, they are designed to kickstart the economy and put people to work and we believe that revenues under a PC government will grow because, A) we're cutting taxes, and we know that cutting taxes creates jobs and job creation brings more income, more revenue for the government," Fedeli said. "We believe that our People's Guarantee will create a better economy."

"We also believe that spending will be controlled by two cents of every dollar," he added.

While Fedeli said a PC government would be transparent in its accounting, he declined to say the Tories would use the audit general's presentation of the province's surplus or deficit if in power.

NDP Leader Andrea Horwath wouldn't comment on what the FAO's projections mean for her party as it prepares its platform.

"We're looking forward to taking over in this province," she said. "We know that this Liberal government has disappointed families over and over again. We're going to do our darn best to turn things around for people."

Top

2). Andrea Horwath moves to ban pre-paid hydro meters

By: David Hains

Andrea Horwath proposed to ban pre-paid hydro meters on Monday as part of an attempt to head off an application from the province's largest electricity provider.

The third party leader introduced a bill (see below) in response to Hydro One's Ontario Energy Board (OEB) application, which includes in its section on delinquent payments a request to introduce pre-paid meters.

Horwath charged that the proposal represented a workaround for Hydro to collect funds from overdue accounts in winter, despite the moratorium program which the company voluntarily introduced.

"Make no mistake. If pre-pay meters are allowed in Ontario — if Kathleen Wynne lets that happen — Hydro One customers — families, seniors — will lose their power automatically if they can't afford to feed the meter," she said in a Monday morning presser.

"I think this is a ploy by Hydro One to install the meters in homes where people are struggling to pay the bills."

Horwath added that pre-paid meters represent a Margaret Thatcher-style policy, pointing to U.K. policies in the 1980s that led to the technology eventually being banned.

But Energy Minister Glenn Thibeault rejected the NDP leader's calls to ban pre-paid meters.

"There's nothing to ban at the moment," he said. "(The NDP) is jumping the gun." Thibeault said that the request to introduce the pre-paid meters was a small part of a large OEB application submitted by Hydro One, and the regulator has not made any decision to introduce the technology.

If pre-paid meters gain approval, Thibeault says ratepayers would be able to choose whether to opt-in to the devices, which have been framed by Hydro One and the government as a matter of choice for ratepayers, who, the rhetoric goes, may find the devices useful.

Adding confusion to the issue is that the pre-paid hydro meters were originally included in the application section on delinquent accounts and the technology could be used for consumers who were deemed a "high collection risk." Through a spokesperson, Hydro One claimed at the time that the NDP were taking that part of the application out of context.

In an OEB hearing last Thursday, Hydro One executive vice-president of customer care Ferio Pugliese said the following:

"Our intention with looking at the prepaid meter option is strictly to add it to the plethora of options we want to give to customers. I want to just underscore that in no way, shape, or form would we ever be forcing a pre-paid meter option onto any customer. It would never be used to circumvent our collection policies, our winter moratorium or our winter relief programs; that is not the intention of that service. What we are trying to do is offer as many menu items for our customers so that they can choose which they feel is best in their level of service. And in fact, some customers have asked for prepaid meters."

Asked whether Hydro One is customer-focused in line with its company goals for the past two to three years, Horwath criticized executive pay and application for rate hikes.

"That's not ratepayer-focused, that's Hydro One-focused."

Text of Horwath's motion:

An Act to amend the Electricity Act, 1998 and the Energy Consumer Protection Act, 2010 respecting prepayment meters

Her Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:

Electricity Act, 1998
1. Section 29 of the Electricity Act, 1998 is amended by adding the following subsection:

Prepayment meters prohibited
(3.1) A distributor shall not install or require the installation of a prepayment meter with respect to a residence.

Energy Consumer Protection Act, 2010
2. Section 34 of the Energy Consumer Protection Act, 2010 is amended by adding the following subsection:

Prepayment meters prohibited
(8) A suite meter provider shall not install or require the installation of a prepayment meter with respect to a residence.

Commencement
3. This Act comes into force on the day it receives Royal Assent.

Short title
4. The short title of this Act is the Protecting Hydro Consumers Act (Prepayment Meters), 2017.

Top

3). In Brief: An MPP's poem against partisanship, and Wynne's child care

By: Christopher Reynolds

NDP MPP Percy Hatfield summoned his inner Wordsworth on Monday.

Hatfield, heretofore known as the Bard of the Backbench, delivered himself of an oration to the legislature that reflected on the excesses and absurdities of partisanship in the house.

Titled "Heckling," the 28-line poem (precisely twice the length of a Shakespearean sonnet) mused, "Why do we look across the aisle and see a minister or critic as a conspirator / Then turn our daily question period into a circus of political theatre?"

Almost existential in its self-awareness, in rhyming couplets the speech implored MPPs — or perhaps the heavens — to no longer charge unto the breach "Why do we get so personally involved / That we act as children yelling at recess out in the yard?

"No one was elected to come here and do nothing but heckle / So why do we turn into Mr. or Mrs. Hyde and then Dr. Jekyll?" he queried.

As battle lines form amidst a looming election, Hatfield made an ultimate plea for "Just one day – no heckling" and "A more collegial reckoning."

On that cold front, he may be wandering lonely as a cloud.

On Monday, Premier Kathleen Wynne affirmed her allegiance to educators and offered no new plans to reform oversight of school boards after the auditor general highlighted the cost of skyrocketing teacher sick days.

“I believe that people take sick days when they need them. There was lots of negativity about sick days before that process unfolded," Wynne told reporters, referring to when the Liberal government cut teachers' sick days and removed their ability to bank unused days for a retirement payout in 2012.

"But do I have confidence in the teachers and the support staff in our schools? Yeah, I do. It is up to the school boards to work with their staff to make sure that everyone is behaving responsibly, and that everyone’s behaving within the rules, which is, as I understand it, is exactly what’s happening now."

That statement stands in stark contrast to remarks from auditor general Bonnie Lysyk last Wednesday, who pointed the finger at the government for re-allocation of funds earmarked for priorities such as special education toward costs stemming from teacher sick days.

"It's not school boards' fault," Lyskyk said, calling for better monitoring. "We would assume you're following up to make sure that priority is going to be achieved somehow."

Ontario teachers are taking 29 per cent more sick days than they were five years ago, leaving school boards to spend cash intended for at-risk students or other priorities on substitute teachers, Lysyk said in her annual report last week. Salary costs at four boards scrutinized by the auditor general spiked by one-third to $42.7 million over the same period as a result of sick days, she found.

On Monday, the premier rolled out plans to build nearly 500 new child-care rooms – serving more than 8,400 children under 4 – at 188 schools across the province.

The $231-million announcement is the first phase of the Liberal government's five-year child-care expansion plan, which was unveiled last June.

Wynne's first public appearance since returning from her trade mission to China and Vietnam late last week saw her kick off the expansion by pledging $1 million to create two new child-care rooms at Santa Maria Catholic School in Toronto's Mt. Dennis neighbourhood.

"One of the biggest sources of stress young families tell me about is finding and affording quality child care. If you can’t get child care, you don’t know when you’ll be able to go back to work," Wynne said. "That’s not fair, and it is up to government to step up and do something about it."

The five-year plan rests on a proposed $1.6-billion investment in capital projects to allow 100,000 more children up to age 4 to access about 45,000 new licensed child-care spaces in schools and other community settings.

NDP Leader Andrea Horwath said she viewed the announcement through a "jaded" lens.

“We have a lack of access, we have a lack of affordability and we have a lot of private, for-profit child care," Horwath said. "I think the government is trying to scramble to fix something that they’ve avoided for 14 years."

[Top]

4). The premier is suing Patrick Brown for $100,000 over his c trial

By: QP Briefing Staff

Premier Kathleen Wynne is suing PC Leader Patrick Brown for saying she "stands trial" in the Sudbury bribery case when, in fact, she was a witness and not charged — and other statements in which he said she was "debased and humiliated" by the experience.

Brown has refused to withdraw the statement he made to reporters last September. According to the premier's office, Wynne will follow through with the case if Brown does not apologize.

"Earlier today a Statement of Claim was filed in the Toronto Courts to preserve the ability to continue with a defamation case against Patrick Brown," spokesperson Jenn Beaudry said in statement. "We continue to remain hopeful that this issue can be resolved with an apology from Patrick Brown for his defamatory remarks. It should be that simple. However, if he continues to refuse to apologize we will have the ability to continue legal action."

The allegations in the statement of claim have not been proven in court.

Ultimately, the Sudbury trial ended with a directed verdict acquitting the two Liberal operatives who had been charged.

According to the statement of claim in the case, Wynne is suing for $50,000 in general damages and another $50,000 in "aggravated, exemplary and punitive damages," as well as a requirement that Brown post a retraction on all websites where the comments were published and a press release correcting the statements.

The statement of claim transcribes Brown's comments as follows:

http://www.qpbriefing.com/wp-content/uploads/2017/12/Screen-Shot-2017-12-11-at-4.33.31-PM.png

The lawsuit takes issue with three parts part Brown's comments: That he said Ontario has "a sitting premier sitting in trial," that Wynne "stands trial" in Sudbury, and that the Ontario Provincial Police were investigating her for criminal acts, the statement of claim says.

The statement of claim goes further, and says a subsequent statement Brown released was also defamatory. It said:

http://www.qpbriefing.com/wp-content/uploads/2017/12/Screen-Shot-2017-12-11-at-4.38.08-PM.png

The lawsuit takes issue with an alleged implication that the premier is facing two trials for political corruption, as well as the assertion that she was "debased and humiliated" by her testimony.

In a statement, Brown's spokesman Nicholas Bergamini said Brown hasn't seen the statement of claim yet:

“It’s disappointing that the premier chose to give her Statement of Claim to the media instead of to PC Leader Patrick Brown or his counsel. Mr. Brown has not been served with or seen the Statement of Claim. This is yet another effort to distract attention from her government’s record.

"It's no coincidence that this baseless suit comes the same day the PCs called for an OPP investigation into ineligible expenses claimed by insider energy executives. While Premier Wynne has refused to answer questions on calls for an investigation, she's found time to make baseless claims against opposition parties.

"If Kathleen Wynne really wants to pursue a lawsuit, she should stop delaying and bring it to a public hearing as soon as possible. Our lawyer has already suggested an expedited timetable for the exchange of pleadings, document production, and examinations.

"In the meantime, we'll keep doing our job of asking tough questions and holding the Liberal Party to account. Efforts to gag Her Majesty's Loyal Opposition will be ignored."

Top

5). PCs ask OPP to investigate energy company overcharging s

By: David Hains

The Progressive Conservatives called on the Ontario Provincial Police (OPP) to investigate nine energy companies that filed ineligible expenses such as raccoon traps, scuba gear and car washes that they claimed were related to firing up their plants.

Saying that the OPP has the independence necessary to investigate the situation, energy critic Todd Smith said, "With no other options available, I've written (OPP) Commissioner (Vince) Hawkes to ask that the OPP look into this matter."

Smith argued that the government had ample opportunity to prevent the overcharging before it became a major problem.

"The government never acted to reform or discontinue the program despite repeated warnings from the ratepayers."

The government ignored five warnings from the Ontario Energy Board (OEB) about the Independent Electricity System Operator (IESO) program that was used for ineligible claims, according to the auditor general's report released last week.

Smith was particularly concerned that Crown-owned Ontario Power Generation (OPG) financially benefitted from this lack of action, as it was one of the nine companies that took advantage of the loophole and lack of oversight.

OPG would not say how much it paid back, and those details are confidential due to the rules that govern the IESO audit process. In a statement, the company said:

"OPG did not intentionally misuse the market rules, and OPG was not sanctioned as a result of our participation in the program. The audit did determine that there were differences in understanding of what constituted eligible costs under the program, particularly given the uniqueness of OPG's coal stations compared to the other participants in the program, which were natural gas generators.

"In respect of some of what were thought to be eligible costs, OPG repaid certain claimed amounts after discussions concluded on what constituted eligible costs. OPG promptly repaid the amount to the IESO in full in 2015, and the matter was concluded."

The ineligible claims, filed from 2009 to 2015, cost ratepayers hundreds of millions of dollars. While the auditor general claimed last week the items were worth $260 million, the Independent Electricity System Operator told QP Briefing that its estimate is $200 million. The IESO reached settlements with nine companies worth $168 million. Brampton's Goreway gas plant, the worst offender, paid $100 million of that money, including a record $10-million fine.

Companies were able to take advantage of a program first introduced in 2002 that paid the startup costs for plants to fire up and respond to peak-demand energy use. But there was little oversight. Companies filed non-itemized invoices with few controls over what was acceptable. Following an investigation by the OEB and a subsequent audit by the IESO, itemization and new price controls have been introduced. Annual claims have steadily declined since 2014,

and totalled $23 million in 2016 — less than 40 per cent of the amount two years earlier.

Asked if he still has confidence in the IESO, Smith said he does, and proceeded to blame the Liberal government for its handling of the energy file.

Energy Minister Glenn Thibeault said the responsibility for investigating the nine companies should rest with the IESO.

"They have the authority to audit these expenses and they can look into those and bring forward fines if necessary."

Thibeault cited Goreway as a prime example of the IESO properly exercising this authority.

"I know (the IESO) takes this seriously. I take it seriously as well."

Speaking last week to QP Briefing, the IESO's Terry Young said the agency never contacted the police for further investigation over the issue, and added that resolving the ineligible claims through settlements represented a quick and cost-effective strategy to protect ratepayer interests.

The OPP told QP Briefing that it just received the Smith's letter earlier today and has not had a chance to review it in detail.

"It will be looked into," said spokesperson Carolle Dionne.

Dionne did not put a timeline on the preliminary review of the PC request, noting that such work "depends on complexity" and "everything is relative to the situation." The preliminary review could be sent to a relevant OPP branch like fraud or anti-rackets, Dionne said.

Top

6). Provinces, Ottawa pledge to split pot tax revenue 75-25

By: Christopher Reynolds

Ottawa has agreed to a deal that gives 75 per cent of the tax revenue from legalized marijuana to the provinces and territories.

Finance Minister Bill Morneau made the announcement Monday after a daylong meeting with his counterparts from finance departments across the country, and in the wake of blowback over an initial offer of a 50-50 split on reefer revenue.

The agreement will allow provinces to "fairly deal with their costs ... so they can work with municipalities," Morneau said at an afternoon press conference on Parliament Hill.

Earlier in the day, Premier Kathleen Wynne reiterated concerns over provinces shouldering the lion's share of the financial burden associated with legalization, such as policing costs, roadside screening and retail overhead.

"We need to make sure that as revenue is available, it needs to come to the province and to municipalities to make sure that enforcement and supports are in place," Wynne told reporters.

The Parliamentary Budget Office has projected Ontario's annual cannabis retail sales could hit as much as $2.3 billion.

All 14 governments at the table Monday agreed to the newly conceived framework, Morneau said. The federal share of tax revenues will be capped at $100 million annually, with any extra cash to be forked over to the provinces and territories.

Ontario was the first provincial government to roll out a plan for pot distribution, pledging last fall to have 40 storefronts in place by July 1 — when legalization takes effect — and 150 by 2020, alongside online sales and snail-mail delivery to all parts of the province.

Municipal autonomy?

Last Friday, Richmond Hill Mayor Dave Barrow put forward a motion stating the city's reluctance to play host to any pot retail outlets, government-owned or otherwise.

Wynne declined to specify whether municipalities could simply opt out of the provincial plan.

“I’m not going to comment on a specific municipality’s objective at this point," she said Monday, but stressed the importance of "working with municipalities."

"No matter where anyone lives in the province, whether there’s a store in their community or not, there will be access to online legal cannabis," she added.

NDP Leader Andrea Horwath drew attention to the potential vacuum that a dearth of brick-and-mortar outlets could create, opening a door to black-market vendors.

“Even the 40 stores that the government’s talking about are not going to be an adequate supply to deal with the criminal element, which is one of the big problems that the government identifies," she said.

Horwath did not discount the voice of municipalities, but cautioned: “Do we want to have a situation where communities who make that determination are then inviting in the criminal element to fill the breach? I don’t think that that’s what anybody would want.”

PC MPP Todd Smith aimed to align the Tories more toward municipal concerns, comparing Wynne's pot bill to the Green Energy Act.

“We believe that municipalities should have a say in whether industrial wind turbines, for instance, are located in their communities. And I think we would give careful consideration to municipalities that don’t want them in their communities,” he said.

Top