

Briefing for February 7

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Your morning briefing

07.02.2018

Headlines

Premier **Kathleen Wynne** has vowed retaliation against New York State's "Buy American" law, the *Globe and Mail* reports. The province will gear up for a trade war against the Empire State by restricting companies from bidding on certain government contracts in response to parallel legislation south of Lake Ontario, Wynne said Tuesday on a visit to Washington D.C. "We have to respond if we're going to be pushed," the premier said at the Canadian Embassy, demanding a last-minute exemption to the state law. Critics of protectionist procurement policies have said they end up costing taxpayers cash by driving down competition, the *Toronto Star* writes.

Patrick Brown has uttered his first public words since stepping down as PC leader in the dead of night two weeks ago over allegations of sexual impropriety. In a Tuesday Twitter post, Brown, who has denied the accusations, expressed gratitude to his supporters, his qualified support for the #MeToo movement and his faith that "The truth will come out."

Patrick Brown

I am immensely grateful for all the support expressed to my family and myself. #metoo can be a tool to lift society and I applaud that effort.

False allegations however undermine that good work.

The truth will come out.

Thank you to all.

2:36 PM - Feb 6, 2018

Broadcast journalist **Steve Paikin** defended his name Tuesday, calling accusations of sexual harassment from two-time Toronto mayoral candidate **Sarah Thomson** "100% false," the *Star* reports. "To say I was gobsmacked by the allegations in her email is the understatement of my life," Paikin wrote in a statement on Facebook. The *Star* also spoke with five people who were with her 2010 mayoral campaign, who said they have no knowledge the incident. Thomson responded that she has someone who has given a statement backing her up, but is waiting to consult a lawyer before releasing it. TVO CEO **Lisa de Wilde** said Monday Paikin would continue to host "The Agenda" pending the outcome of a third-party investigation.

A Liberal candidate in a Toronto-area riding was disciplined for professional misconduct after 155 complaints of "harassing and threatening" behaviour by staff at her law office acting on behalf of a collection agency, Global News reports. The Law Society of Ontario reprimanded **Deanna Sgro**, would-be MPP for Humber River—Black Creek and daughter of the federal riding's MP, in 2013. The provincial Liberal party said Sgro would not be commenting on the matter but had been "completely open and transparent on this topic," and that the party is pleased she's running.

Our freshest takes:

- Tory nomination campaign staff mutinies in Cambridge

- Patrick Brown and Steve Paikin respond to respective allegations on social media
- Debt markets show approval for Fair Hydro Plan financing
- The veteran, the fresh face and the firebrand: Pitching the PC people
- Explaining the \$4.3 billion carbon tax problem in the PC platform

In other news:

How did such a cataclysmic bombshell as the Brown scandal barely rattle the polls? TVO's "The Agenda" chats with pollster **Greg Lyle** about the scattershot fallout (*QP Briefing* mulled the same question here).

Doug Ford tells Postmedia he is gunning for a two-per-cent drop in government spending and "going to find efficiencies" to do so. That's on top of his plans to scrap the cap-and-trade windfall. Those efficiencies, hanging like ripe fruit, would amount to roughly \$2.8-billion in savings — not enough to cover the \$4.8-billion loss of expected carbon market revenue.

The *Star* lays out what happened in the hours leading up to an Ontario inmate's death after a fight with correctional officers in 2016.

Jagmeet Singh, the young stud with fine duds who once called Queen's Park his home, makes his first major national appearance in front of a live audience as the NDP leader sits down in conversation with *Maclean's*.

More doctors are graduating from northern medical schools and practising in northern communities, but unique challenges still confront physicians beyond the French River, TVO reports.

A Chatham woman is suing her former live-in boyfriend for half of a \$6.1-million Lotto 6/49 jackpot after he took off with the golden ticket, the *Star* reports.

From the opinion pages:

- **David Reevely** uses an emoticon to illustrate the city of Ottawa's lax attitude to a tardy light-rail project.
- **John Michael McGrath** highlights how the Tories have a \$4-billion carbon-tax problem.
- The *Toronto Sun* says all three PC candidates are emissaries of change, and therefore a step up from the Liberal status quo.
- **Tom Stamtakis**, president of the Canadian Police Association, argues that Ontario's sweeping police oversight bill will make it too easy to dismiss officers who seek treatment for serious health problems.

- **Tim Harper** says a **Caroline Mulroney** win on June 7 would bring **Brian Mulroney's** baggage into Queen's Park.
- **Ed Keenan** warns the Toronto subway crowding crisis has reached "house-on-fire" status.

Events

9 a.m.

Peter Milczyn, Minister of Housing and Minister Responsible for the Poverty Reduction Strategy, will make an announcement. 118 Balliol St., Ground Floor Party Room, Toronto.

10 a.m.

Rocco Rossi, President and CEO of Ontario Chamber of Commerce, to release Ontario economic report. Media Studio, Queen's Park, Toronto.

11 a.m.

Mitzie Hunter, Minister of Advanced Education and Skills Development, will be joined by **Ann Hoggarth**, MPP for Barrie to make an announcement. United Association Local 46, 295 Edgehill Drive, Barrie.

1 p.m.

Indira Naidoo-Harris, Minister of Education and Minister Responsible for Early Years and Child Care, **Daiene Vernile**, Minister of Tourism, Culture and Sport, and **Charles Sousa**, Minister of Finance, will make an announcement. St. Michael's Choir School, 66 Bond St., Toronto.

Debt markets show approval for Fair Hydro Plan financing

06.02.2018

Investors gave Ontario Power Generation a boost as they piled into bonds sold for the province's Fair Hydro Plan.

OPG issued \$500 million worth of debt on Tuesday, earning a low interest rate of 3.357 per cent from markets hungry for a safe investment.

Ratings agency DBRS gave the debt security a triple-A rating, while Moody's gave slightly less than its top grade, declaring it to be Aa2.

The debt issuance came amid a roller coaster market that saw the Dow Jones fall by more than 1,000 points yesterday, its largest one-day decline in six years. But OPG, which pitched the investment to investors last week on a road show that took them to Montreal, Toronto, Winnipeg and Vancouver, decided to pull the trigger to send the debt to market.

The funds will help pay for the province's Fair Hydro Plan, which was passed by the majority Liberal government in June 2017. A large part of the plan effectively reduced short-term hydro bills by deferring some costs to future bills. A complicated security was created to finance the plan, and it came in for criticism from Ontario's auditor general for, in her analysis, adding \$4 billion in costs in order to keep the proposal off of the government budget. Officials from the Treasury Board and Ministry of Energy said at the time that it was not the case, and they were being diligent about following proper procedure.

Energy Minister **Glenn Thibeault** praised the debt issuance and the government's hydro plan in a statement.

"Today's announcement by Ontario Power Generation (OPG) regarding the successful issuance of secured debt in relation to Ontario's Fair Hydro Plan is a positive sign that our plan is working."

The 3.357 per cent effective interest rate is a strong one for OPG, and bodes well for keeping the borrowing costs for the Fair Hydro Plan low. The rate is 15 basis points lower than Toronto Hydro, OPG noted, and more competitive than industry peers.

In a conference call, OPG said that the final interest rate was slightly better than expectations. The ministry of energy previously stated that they expect a 4.5 per cent average interest rate over the lifetime of the debt issuance for the security.

OPG plans to issue debt tranches two to three times a year to secure \$300 million to \$500 million worth of debt each time. Bond durations will vary, but the first issuance is 15.25 years.

A second round of financing is anticipated in the second quarter of 2018.

Explaining the \$4.3 billion carbon tax problem in the PC platform

06.02.2018

The carbon tax is shaping up to be a fault line in the PC leadership race, with **Doug Ford** strongly against it and **Caroline Mulroney** and **Christine Elliott** sharing different degrees of reservations.

While some grassroots members of the party strongly dislike the carbon tax – creating a strong incentive for candidates to oppose it in a leadership race – overturning or modifying the proposal would cause some serious policy headaches.

We walk through what that could look like, and why the path is fraught with difficulty for the PCs.

Background

Former PC leader **Patrick Brown** surprised many in the party when he made his March 2016 announcement in favour of carbon pricing. For years, the PCs had opposed any form of carbon pricing, reasoning that Ontarians are already overtaxed.

The about-face caused some skepticism in the party, including a campaign to ~~axe the carbon tax~~. But the carbon tax was part of Brown's practical politics on two fronts – it would help pull the party to the political centre, and it also acknowledged the reality that the federal Liberals would tax Ontario regardless.

In the People's Guarantee, the PC platform that was released in November 2017, moving from the current Ontario cap-and-trade system to a carbon tax was made a key campaign promise.

The carbon tax helps make the numbers add up

The first thing to understand about the carbon tax is that it would actually bring in more revenue than the current cap-and-trade system. Whereas cap-and-trade would bring in \$1.9 billion annually by 2019-20 and flat-line thereafter, the carbon tax would bring in \$4.3 billion annually by 2021–22.

That additional \$2.405 billion pays for myriad promises in the People's Guarantee in that year, including:

- \$3.27 billion in tax cuts
- A \$589 million Ontario sales tax credit
- \$389 million in child care tax rebates
- \$150 million in small business tax cuts
- \$70 million in children's arts and fitness tax rebates

That's a lot of popular platform promises to forego in the name of the carbon tax.

And it's in a platform that already runs an initial deficit based on the current Liberal budget numbers, which the PCs have previously stated wrongly hides the current deficit, based on auditor-general reports.

We reached out to former parliamentary budget officer **Kevin Page**, who previously reviewed the PC platform for its financial assumptions, but he was unable to respond by publication. We'll update the story when he does.

The federal government's role

Part of the reason why the PCs under Brown pursued the carbon tax is that there wasn't much practical choice. The party could get behind the cap-and-trade system set up by the Liberals, which the Tories have criticized as a glorified slush fund. That's because the federal government forces provinces and territories to implement some form of carbon pricing, or default to the federal carbon tax.

If a province or territory doesn't play nice, then the federal government will implement it on behalf of the jurisdiction, provided the relevant legislation is passed by the majority Liberal government.

"If they do nothing, then the federal law will apply," explains Environmental Commissioner of Ontario **Dianne Saxe**.

"If the federal government imposes the tax and collects the money, who gets the money?" she asks, adding a wrinkle to the legislation. "Anyone who plays ball with the feds – the minister has said the province will get the money. If they don't, the federal government has the right to decide what they're going to do with the money.

"They have said they will return the money to the province, but they might write the cheques themselves rather than letting the province do anything with it ... and they might like to have **Justin Trudeau's** picture on the letter that goes with the cheque," Saxe said.

That means that Ontarians could be taxed the same way by the federal Liberals as they would by the PCs under the promises in the People's Guarantee, but wouldn't have a way to fund all those tax cuts and rebates.

The candidate responses

For his part, Ford appears to relish a confrontation with **Justin Trudeau**. In his first rally address for PC leadership, the former Toronto city councillor said the following, "Folks, I am not going to introduce a carbon tax and if the prime minister tries to make me, well, in the words of his father: 'Just watch me.' "

Doing so could be more difficult than Ford promises. In the relationship between the premier and the prime minister, the former holds little power, and another province provides a case study. Saskatchewan is choosing to launch a legal challenge to the carbon tax, arguing that imposing it is unconstitutional. Most legal and political observers believe the challenge will be unsuccessful, in part because the carbon tax is revenue neutral.

Ford was asked by reporters at his rally how he would pay for the People's Guarantee promises in lieu of the revenue from the carbon tax, given that the federal government could implement it against his wishes and allocate the money according to their own priorities. Ford said he would find "efficiencies" in government, without specifying what those might be, and how they might add up to \$4.3 billion.

The Ford campaign did not respond to a request for comment.

Mulroney told a friendly crowd at her campaign launch that, while she doesn't like taxes and wants to hear from the grassroots on the carbon tax, she'd also rather have the province collect the revenue and give the money back to Ontarians.

Elliott has said that she "personally" opposes a carbon tax, and is also soliciting grassroots views on the subject, including a Twitter poll that contrasts her with the Prime Minister.