

Weekly Commentary

WHERE DO WE GO FROM HERE?

May 20, 2002

RECONSIDERING THE CROWNS - Part 3 **Myths and Misunderstandings**

Because of the dominant role of Crown corporations in Saskatchewan's economy, any serious discussion about how to improve the province's economic situation would not be complete without considering the subject of privatization. Invariably, however, this topic is clouded with various myths and misunderstandings.

Recently, the Ontario Energy Association placed a one-page display ad in The Globe and Mail to dispel some of these myths surrounding the proposed privatization of Ontario's public power utility, Hydro One. As can be seen from the following excerpts, these myths are similar to those found in Saskatchewan, and are adequately addressed by the facts.

Excerpted from The Globe and Mail, Thursday May 9, 2002:

Why a Hydro One Public Offering is the Best Option for Ontario

The Ontario Energy Association commends the Government of Ontario on a successful opening of the competitive electricity market. This takes the province a step closer toward paying down the \$38 billion in debt of the former Ontario Hydro. The next crucial step is the public offering of shares in Hydro One.

Unfortunately, myths about the Hydro One Initial Public Offering (IPO) are clouding the issue. The Ontario Energy Association wants to set the record straight.

MYTH 1

Only big business will profit, not me.

FACT

No. Only a public share offering lets the people of Ontario invest in, and as shareholders have a say in, the future of Hydro One. The company will be operated in Ontario for Ontarians.

MYTH 2

Government ownership is better than private ownership

FACT

Recent history tells a different story. The old Ontario Hydro piled up a \$38 billion debt that will take years to pay off. A public share offering will help pay down this debt, generate savings in interest

costs, and transfer risk from taxpayers to shareholders, where it belongs.

MYTH 3

Selling Hydro One will lead to higher electricity rates.

FACT

Not so. Like shareholder owned natural gas utilities, under private ownership Hydro One's transmission and distribution rates would be regulated by the Ontario Energy Board, in the public interest.

MYTH 4

Jobs will be lost.

FACT

No. The Power Workers' Union which represents 3000 Hydro One workers, supports the Hydro One public share offering. They believe a widely held, Ontario-based Hydro One will keep and attract high quality jobs.

Myth 5

U.S. companies are going to end up owning Hydro One anyway.

Fact

Not true. The Ontario government will own a "golden share" preventing Hydro One's head office from leaving the province. And Ontarians will have the first chance at buying Hydro One shares through an installment purchase plan, with no investor owning more than 15% of the company.

- Craig Dockstader

Craig Dockstader is Coordinator with the Prairie Centre Policy Institute. "Where Do We Go From Here?" is a feature service of the Prairie Centre.