

June 13, 2011

Martin Regg Cohn

Campaign platforms are built on tall tales, and all parties play political games at election time.

The Tories released their platform last month, the NDP will do its "vision" thing later this month, and the Liberals had planned an August launch (though campaign strategists meeting later Tuesday are debating a July unveiling).

But it's rare to see a serious politician play a shell game quite as blatantly as Progressive Conservative Leader Tim Hudak. He persists in promising Ontarians that he'll provide relief on their hydro bills by sparing them any more debt payments.

What Hudak doesn't admit is that he's not a magician. He can't wish away the debt left over by the old Ontario Hydro when a previous Tory government dismembered the provincially owned utility in the late 1990s.

In a recent column, I deconstructed Hudak's campaign promise to eliminate the controversial Debt Retirement Charge (DRC) from monthly hydro bills. I won't repeat all the dreary details here, but [the column generated some static electricity](#) — and credibility questions that Hudak still can't shake (j.mp/Tstar-DRC).

In 1999, when the Harris government was trying to privatize Ontario Hydro, it had to unburden it of a \$21 billion debt load (guaranteed by the province). The Tories called it the Stranded Debt, to be serviced by the future earnings and taxation stream of Hydro's successor companies.

But that future cash flow still didn't cover the unfunded liability. To make up the shortfall, the Tory government of the day dreamed up a novel name for that leftover debt, or residue: the Residual Stranded Debt.

Hudak's new spin is to claim the debt has magically been paid off: It was set at \$7.8 billion by the Tories in 1999, and the Liberal government had collected almost precisely that amount by last year. But as any homeowner with a mortgage knows, debts must be serviced. You can't simply repay the principal to your bank a decade later and claim it was interest-free all along.

In fact, the Tories acknowledge that the residual stranded debt still exists. They just claim that the Liberal government has been diverting the DRC on your hydro bill for other purposes (though the provincial auditor general has found no evidence of this).

Now, the political games: Hudak said he'd remove the DRC for residential ratepayers, at a cost of \$400 million. His office later clarified that farmers and small businesses would also get relief (and reduced the total estimate, remarkably, to \$360 million). In fact, a confidential cabinet document prepared last fall more accurately pegs the cost at \$500 million.

But here's an obvious question Hudak still hasn't answered: If he believes the DRC is a rip-off, why is he going to keep collecting it from the large corporations that are also hydro ratepayers?

The Tory leader claimed last week that he'd force electrical utilities to make up the difference. But he still intends to bleed other corporate ratepayers for the supposedly unjust and unjustified DRC. Corporations would inevitably demand the same relief that Hudak is giving voters in his platform.

Here's why he won't do it: First, it would cost *an additional* \$500 million, according to the cabinet document, to completely eliminate the



Ontario Progressive Conservative leader Tim Hudak

MARK BLINCH/REUTERS

DRC from companies, which is more than Hudak is bargaining on.

Second, corporations don't vote. And for a party leader trying to maximize his vote count per campaign promise, that's a poor return on the political capital he'd have to invest.

Hudak is selling voters a bill of goods on their hydro bills by pretending he can cover up a \$500 million hole he is digging — \$1 billion if he extends it (as he logically should) to *all* ratepayers.

He can't make debt disappear with rich rhetoric. Instead of ratepayers, taxpayers will make up the difference. It doesn't add up, and Hudak should stop pretending it does.

Martin Regg Cohn's provincial affairs column appears Tuesday, Thursday and Sunday. mcohn@thestar.ca, twitter.com/reggcohn.
