

Fedeli Focus on Finance

The numbers speak for themselves

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The numbers speak for themselves

A lot of numbers crossed our desks last month. Many were in the billions – some just too large to fathom. Especially the number \$133.4 billion. That's what the Auditor General eventually signed off as the 2015/16 expenses. And that's greater than the revenue of \$128.4 billion. So the government produced another deficit – their 8th deficit in 8 years. I want to spend this entire issue looking at various numbers – how they came to be, and what they mean to you and me.

308

That's the amount of millions the government spent on another abandoned initiative. Through a Freedom of Information inquiry, we learned the government spent \$308 million over the last two years on their plan to modernize the OLG. They spent \$190 million in 2012-13, \$69 million more in 2013-14, and a further \$49 million in 2014-15. When we asked for the details of where the money was spent, the reply was "access to the records is denied." The money was spent with no paper trail and absolutely nothing to show for it in return. I asked the Minister of Finance to release a detailed account of where the money went – sadly there was no response. To pay for this, the government cut \$107 million from OLG's transfers to hospitals, taking the money away from frontline healthcare services.

300

A further \$300 million was lost in a two-week period through a succession of hydro-related missteps. First, it was revealed that most of the \$12 million to be spent on a plan to offer discounts to low-income electricity customers went to consultants. There was \$9.3 million spent on consultants and \$2.4 million on media and advertising.

Then we learned the government was on the hook for \$28 million in damages after a NAFTA tribunal ruled in favour of Windstream Energy. The ruling follows the government's decision to place a moratorium on offshore wind projects in 2011, cancelling a \$5.2 billion, 300-megawatt contract with Windstream. The

company also stated the tribunal ruling makes it clear the contract it signed with the province is still in force and has not been unilaterally terminated by the government. Stay tuned!

In the 2015-16 Public Accounts, the Independent Electricity System Operator reported a "previously unrecognized actuarial loss and past services costs" of \$80.6 million. This is further to the Auditor General's instructions regarding how to account for pension funds, covered in last month's issue. The provincial agency says it will raise fees it charges the power industry to recover the losses as part of its accumulated deficit charge.

Finally, a further court ruling has forced the Ontario government to pay out \$179 million due to a miscalculation in a power purchase agreement five years ago. Northland Power and their various companies received retroactive payments from the Ontario Electricity Financial Corporation as a result of the court ruling on the interpretation of their power purchase agreements with the OEFC. This has been a very costly two weeks for Ontario electricity ratepayers!

10¢

Sticking with the hydro file for a moment, let's look at the real savings vs cost of the much trumpeted electricity trade agreement with Quebec Hydro. The government has agreed to import 2-terawatts of water-generated electricity from Quebec, replacing gas-generated power made in Ontario, as part of their climate change action plan. They stated this will reduce costs by about \$70 million over seven years. In a radio interview, the Energy Minister was pressed about what that means for the average consumer. He eventually said the savings would be "somewhere about ten cents." When pressed whether this was monthly, or annually, he fessed up ... it was "ten cents overall." Now, think about how many of the small natural gas non-utility generators will not have their contracts renewed next year, and how many Ontario job losses that will mean.

70

What started out as a \$10,000 request to evaluate deer numbers in southwestern Ontario turned into the disclosure of a \$70 million fund that was wrung dry. Licence fees from angling and hunting are collected by the Ministry of Natural Resources and placed in a Special Purpose Account (SPA) to be spent on programs to improve hunting and fishing in the province. When the request was turned down, the group asked how the fund – worth more than \$70 million a year – is being spent. It took the group over four years to finally get their answer, and they were shocked at the response. The spending included \$65,000 to buy and sell a house, \$12,251 for psychologists, money for dentists and doctors, and the list goes on. What was not on the list was even more shocking. The group said they failed to find money for angling and hunting projects.

+1.5% Auto insurance rates increased 1.5% in the 3rd quarter. This follows a .33% increase in the 2nd quarter. Despite the government's 2013 promise to reduce rates 15% by August 2015, rates are only down 8.5%. Recall that the Premier said her deal – which was in exchange for the 3rd Party's support for the budget – was actually a "stretch goal."

276.7

Metrolinx, the provincial transit agency in charge of the Presto program, has spent \$276.7 million dollars on the Presto card rollout. This is almost \$22 million more than the 2012 estimate of \$255 million, and there's more to come. The number is as at March 31, and much more has been spent since that time, including deployment on all subway stations, installing self-serve reload machines and fare vending machines, and fare card readers on 2,400 buses and vehicles. None of the parties involved, including the Ministry of Transportation, stated how much the final bill will total.

Sitting at the intersection of University and College in downtown Toronto, Ontario Power Generation's head office is on the block! The sale price is unknown – "The market will dictate what the ultimate sale price of the building will be," stated spokesperson Neal Kelly. The provincially-owned energy company occupies only four of the 19 floors and leases the remaining offices. While the government is quick to add that they are selling the building to use the cash for infrastructure spending, the Financial Accountability Officer (FAO) has shown previous asset sale proceeds have gone straight into general revenue. And I have pointed out in previous *Focus on Finance* issues that the government put a back-door clause that allows them to use their asset sale funds "To reimburse the Crown for expenditures relating to the construction or acquisition of infrastructure." It's really all about the one-time sale of assets to artificially balance the budget by 2017-18. Sadly, the FAO has also told us we will plunge back into deficit the next year. Earlier this year the government sold the LCBO head office lands for \$246 million.

3 Let me close off with the number 3, as in \$3 million. The Leader of the Official Opposition disclosed in the Legislature that the government had awarded a \$3 million contract to David Herle, their Party's chief electoral strategist, to do polling at the taxpayer's expense. When asked about it, the Deputy Premier said "Polling is an important way for the government to gauge the effectiveness of their programs and what people are thinking on various issues." When the Leader asked for the results of the polling and research to be released, the government would not agree. So I did a little Google work, and in a short time discovered what the government did not want us to learn.

Energy writer Scott Luft released a presentation David Herle gave to an energy association. Herle's first slide read "Rates are an increasingly major concern in Ontario. The cost of electricity is not just seen to be unreasonably high, it is widely seen as damaging to the provincial economy."



He then noted some characteristics of public opinion that now drive the government's public speaking on electricity; their talking points. He told the government people like: the elimination of coal, improved reliability, conservation, and renewable energy. This leads to a communications strategy that recognizes people don't want to blame cost hikes on things they like. As a result, the government's talking points blame increased rates on several hot-button issues, such as billions spent on transmission wire, because surveys show reliability is important.

None of the government's talking points are based on facts – after all, why let the facts get in the way of a good narrative? Instead, they are designed to explain away the skyrocketing hydro increases, with lines that appeal to the masses. After all, their \$3 million spent on polling told them so.

Conclusion

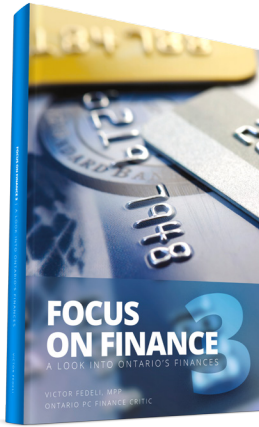
This really was a lot to digest, but I felt it was important to reveal that this kind of activity goes on month after month. Money, in fact hundreds of millions, is spent every month, often without anything to show for it. We will continue, through Freedom of Information requests, to dig deep, analyze, and present the real numbers to you.

Key Questions

How can the government justify the hundreds of millions of expenditures, yielding nothing in return?

Why does it always take the Auditor General, Financial Accountability Officer, or a Freedom of Information request to get the real numbers from the government?

How does the government justify spending \$3 million, then deliver talking points instead of facts?



Similar stories of waste, mismanagement, and scandal are disclosed in my newest book, **Focus on Finance 3**.

Please go to www.fedeli.com to download your own copy of the book.

If you would like to read previous issues of Focus on Finance, please go to www.fedeli.com or email us and we'll add you to our electronic mailing list.



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