

# Ontario presses ahead with privatization of electricity utility

A correspondent  
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Ontario's provincial Tory government has announced that the province's electricity market will be open to competition by May 2002. In pressing forward with the privatization of the province's electrical generation and distribution networks—in April 1999 the Crown-owned utility Ontario Hydro was broken up into five companies and partially privatized—the Tories have both ideological and practical motivations.

Ideologically, big business and the right hope that the breakup and privatization of Canada's largest Crown corporation will lend legitimacy to their campaign to privatize all public services, including health care and education. Practically, privatization represents a major "business opportunity" for the Tories' big business supporters, and not just those who hope to become active in the generation and distribution of electricity. The largest industrial power consumers hope to lower their energy costs by way of block purchasing, public assumption of outstanding Ontario Hydro liabilities, and the assault on utility workers' jobs, wages and working conditions that will accompany the introduction of market competition.

The Tories' target date for deregulation of the electricity market falls approximately 18 months later than was set out in their 1998 Energy Competition Act. Supposedly, the delay is the result of governmental caution aimed at ensuring Ontario avoids the disastrous effects deregulation has had in California and Alberta.

In California, the deregulation of the energy market enabled power suppliers and energy brokers to engage in price-gouging. The result has been rolling blackouts and enormous price increases, ranging from 12 to 47 percent—price increases that have fallen disproportionately on those with higher residential bills, in particular those with large families or poorly built homes.

Alberta became the first Canadian province to fully deregulate its electricity market, at the beginning of 2001. Electrical bills are now commonly twice what they were before deregulation. A recent report prepared by the Calgary-based consulting firm Optimum Energy Management

forecasts that the price of electricity to Albertans will be high for years to come. It estimates that in 2001 the spot price will be between 7.5 and 13.2 cents per kilowatt hour (kwh), better than 2000's 13.3 cents, but a far cry from 1999's 4.3 cents or 1996's 1.4 cents per kwh.

The sharp increase in the prices of oil and natural gas has generated a sizeable tax revenue windfall in the fossil-fuel rich province, some of which Alberta's Conservative government is using to diffuse public anger over soaring electricity bills. The government has announced temporary energy grants to households and businesses.

In Ontario, the process of handing electrical power over to "competition" has been several years in the making. Prior to the beginning of this process, Ontario Hydro was among Canada's largest corporations, and by some measures (such as total assets) its largest. Canada's first provincially owned utility, Ontario Hydro was created by a Conservative government at the beginning of the last century to promote industrial development and the opening up of northern Ontario. It expanded rapidly under the succession of Tory governments that held office during the post-Second World War boom and was long lauded by Tories and social democrats alike as exemplifying how publicly owned corporations could promote the interests of both capital and working people.

But, as part of the drive to increase capital's rate of return, the Tories under Mike Harris have reversed course. Ontario Hydro's assets are being sold off so as to allow big business to directly profit off power generation, while its debts and liabilities remain a public responsibility.

Under the terms of the Tories' Energy Competition Act, Ontario Hydro was split two years ago into five successor companies. These include: Ontario Power Generation (Genco), the transmission/distribution company Ontario Hydro Services and the Ontario Electricity Financial Corporation (OEFC), which has assumed the multibillion-dollar debt of the former public utility. Genco and Servco are "capitally structured" corporations, while OEFC remains under government ownership. Genco and Servco carry a

debt to OEFC, but are only expected to carry as much debt as would not prevent them from competing in a privatized electricity market. In other words, cheap energy is to be supplied to big business by insulating it from the liabilities of its former energy generation strategy. These debts and liabilities instead remain the responsibility of the state and will be borne by the public in the form of reduced state spending on health care, education and other services.

At present, Ontario Power Generation, which is still a Crown corporation, supplies 80 percent of the electric power consumed in the province of Ontario. The public utility is supposed to cut its share of the provincial market by 35 percent over the next 42 months. This process has already begun, with the lease of the Bruce nuclear power plant to the Bruce Power Partnership, which is 95 percent owned by British Energy. The terms of the lease exempt the British company from responsibility for future liabilities, such as the waste storage and disposal, and, particularly, the decommissioning of the station. These too remain under “public ownership.”

Ontario’s Energy Minister Jim Wilson attempted to justify the fact that under the new regime there will not even be a price cap to protect consumers with the tired argument that competition among the various capitalists will drive prices down: “I think over the long haul you will see that prices are lower than they would have otherwise been under the monopoly system.”

Even before California’s and Alberta’s energy crises, the disruptive and destructive impact of privatization on workers’ jobs and wages and ultimately on consumer prices and consumer choice has been shown by the privatization of North America’s airline and telecommunications industries.

The response of big business to the Tories’ initiatives in recent years has been one of impatience—the government of Mike Harris has not advanced quickly enough with the so-called “Common Sense Revolution.” Business groups have criticized the Tories’ handling of the deregulation along these lines.

One such group is the Association of Major Power Consumers in Ontario (AMPCO). AMPCO’s membership, which includes companies like Stelco and Falconbridge, accounts for 15 percent of Ontario Hydro’s former electrical load. AMPCO President Arthur Dickinson says his members expect the introduction of private sector energy suppliers will cut his members’ costs by 10 percent or more. Regarding the delayed target date for deregulation, he said, “We were concerned that an opportunity was going to be missed.”

It is more surprising, perhaps, although indicative of the way single-issue politics is easily co-opted by capital, that an environmental watchdog group, Energy Probe, is among the

voices criticizing the Tories for being too slow to implement deregulation. Tom Adams, the group’s director, champions the free market on the rather bizarre grounds that it would be inherently better for the environment: “The fundamental basis for our advocacy is environmental. We believe that the environmental basis of a market-based system would be much better. We think nuclear power would be rapidly phased out.”

The Power Workers Union of Ontario (PWU), which together with the Society of Energy Professionals owns a 5 percent share in Bruce Power, has gone on record as a strong supporter of further privatization of Ontario Power Generation. Last year the former president of the PWU, John Murphy, left his job to become executive vice president for human resources at Ontario Power Generation.

Bruce Silano, the president of CUPE Local 1, which represents Toronto Hydro Workers, has indicated his union’s opposition to privatization: “The government is going in a direction contrary to where the majority of citizens want to go. Poll after poll show citizens don’t want choice when it comes to electricity, they don’t want competition and they don’t want privatization. They want reliable and affordable power.”

The Power Workers Union is also affiliated with CUPE. Thus, the country’s largest union speaks out of both sides of its mouth on the question of Ontario Hydro’s privatization, with a section of the bureaucracy and labor aristocracy actually hoping to benefit from an initiative which puts working people even more at the mercy of the capitalist market, and which will undoubtedly be accompanied by major attacks on utility workers’ jobs and living standards.



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