

# Ontario Tories' Hydro One debacle: the political issues

David Adelaide  
26 March 2003

Privatizing Ontario Hydro was a key objective of the Ontario Tories when they came to power in 1995, vowing, in the name of a "Common Sense Revolution," to cut taxes for the well-to-do, slash social programs, and confront the unions. Not only did significant sections of Canada's financial elite expect to reap riches from the privatization of the electrical industry. The dismantling of what had been Canada's largest crown corporation was meant to demonstrate the Tories' commitment to the privatization of public services and the removal of all regulatory restraints on big business.

In preparation for privatization, the Tories passed legislation during their first term that broke up Ontario Hydro into several companies. However, their plans to privatize Hydro One, the newly-created electrical distribution company, unravelled during 2002 and recently the Tories announced that they have shelved plans to sell off even a minority interest in Hydro One.

It is instructive to briefly review the events of the past 18 months:

\* In October 2001, Premier Mike Harris announced his resignation, amidst a series of political crises, including public outrage over the role that Tory cuts to the Environment Ministry had played in the tainted-water deaths of seven people in Walkerton. As a parting gift to big business, Harris subsequently announced that Hydro One would be privatized. The share sale, which was expected to reap \$5 billion, would have been the largest initial public offering in Canadian history and would have netted Bay Street's brokerage firms some \$200-300 million in commissions.

\* In the spring of 2002, Ernie Eves, Harris's former finance minister and deputy premier, was chosen to succeed him. Whereas Harris had revelled in the role of bully and "free-market" ideologue, Eves promised a "kindler, gentler" approach, including dialogue with teachers, health care workers and the union officialdom. In fact, this new approach was a balancing act—an attempt to recast the image of the Tory government so as to cling to power, the better to intensify the assault on the working class.

\* Shortly after Eves' accession to power, a court challenge launched by the Canadian Union of Public Employees (CUPE) and the Communications, Energy and Paperworkers (CEP) union successfully halted the impending public offering of Hydro One (even as the province's electrical generation market was opened to competition). The court ruled that the Tories did not have the legislative authority to sell Hydro One, since they had not included

any mention of privatization in their legislation breaking up Ontario Hydro. The Eves regime then had the option of simply adopting a law allowing for the sale and proceeding with the privatization. But faced with mounting public concerns about the impact of privatization—fuelled by Walkerton, the revelations of corporate fraud at Enron and elsewhere, and the results of deregulation of electricity markets in Alberta and California—the Premier retreated, announcing his government would sell off only a minority stake in Hydro One.

\* In December of 2002, in response to public outrage over the doubling and trebling of electricity bills, the Tories imposed a subsidized rate-cap on the privatized electrical generation market until 2006. Seeking to garner electoral advantage, the Tories issued rebates to cover any amounts greater than 4.3c per kWh paid for electrical generation during the period of free competition that began last May. The first \$75 in rebates were issued in the form of a cheque mailed to every residential power customer.

\* In early 2003, the Eves Tories back-pedaled still further on the sale of the Hydro One distribution utility, cancelling the sale of even a minority interest. Opinion polls showed the decision to cancel the sale was the politically popular thing to do. But the Tories had a second reason for abandoning the partial privatization of Hydro One. Canadian and international investors made clear they had no interest in assuming only a minority share, especially as the government had revealed itself susceptible to public pressure to control energy prices. Complained an anonymous Bay Street insider to the *Financial Post*: "The investor would get the asset as is, without any say and no minority protection. And everybody who got that [offer] from the government said, 'Stuff it. Thanks but no thanks.'"

The Tories' core constituency—Canada's big business elite—is increasingly angered with the Eves government, believing the Hydro One debacle is symptomatic of a government that has lost its bearings. To their mind, Eves has wobbled far too much and far too often in the face of popular opposition. The *National Post*, the mouthpiece for the most rapacious sections of big business, has mocked Eves as a poor imitation of Ontario Liberal leader Dalton McGuinty and suggested that the Tories need a spell in opposition to regain their right-wing edge.

The Hydro One debacle highlights the crisis-ridden state of the Tory regime and underlines the extremely narrow and fragile social basis upon which it has rested.

A press release from CUPE proclaims "CUPE wins Hydro One

fight” and goes on to say that “the unions’ successful court challenge helped energize a strong grassroots campaign led by CUPE Local 1 and the Ontario Electricity Coalition (OEC), opposing the dismantling of public power in Ontario.” Ontario NDP leader Howard Hampton has also hailed the halting of the Hydro One sale, calling it a “first step to full victory.”

To be sure, the WSWS is opposed to the privatization of Ontario’s electrical industry—a process that will force the working class to fund profit margins for a commodity of crucial importance to everyday life, while also facilitating an assault on the wages and working conditions of utility workers. The sale of Hydro One to investors would certainly be nothing to celebrate.

But the claim made by the NDP and by trade union bureaucrats that the Hydro One debacle represents a victory for the working class of any magnitude, great or small, is ridiculous.

Electricity pricing remains an affair of the private market, while the rebates for electrical generation above 4.3c per kWh effectively represent a public subsidy to the electrical generation industry. As many noted at the inception of the rebate scheme, the taxpayers are being bribed with their own money. Moreover, with their repeated avowals that they will maintain a balanced budget while reducing taxes still further, the Tories have made clear that the cost of the rebate program will have to be defrayed through cuts to other public and social services. According to one recent estimate the cap has already cost the province \$1 billion.

More fundamentally, the Tories remain in power and are pressing forward with their offensive against the working class. Recent actions include: pressing the federal government to jail all undocumented refugee claimants; authorizing an expansion of for-profit health diagnostic clinics; reiterating their intention to provide tax breaks for private school tuition fees; and prosecuting three Ontario Coalition Against Poverty activists on trumped-up riot charges.

The Tories have callously rejected the results of last year’s inquest into the suicide of 40-year-old welfare recipient Kimberly Rogers. The coroner’s jury, composed of members of the general public, laid the blame for Ms. Rogers’ death squarely at the feet of the Tories, condemning their punitive cuts to welfare rates and recommending that the policy of denying benefits in perpetuity to those found guilty of cheating the welfare system be dropped. Within hours of the jury presenting its recommendations Community Services Minister Brenda Elliot dismissed them in their entirety, proclaiming that the Tories’ welfare “reforms” are working.

Which leads one to the crucial political question: How is it that the hated and crisis-ridden Ontario Tories have remained in power for so long?

To answer this question, it is necessary to draw a balance sheet of the role played by the unions and their political allies, the social-democratic politicians of the NDP.

It was the NDP government of Bob Rae which paved the Tories’ road to power. It carried out enormous cuts to public services, attacked the collective bargaining rights of public sector workers, levied tax increases on working people, and even touted workfare as a replacement for the welfare system.

Then, when mass popular opposition erupted against the Harris

government, the Ontario Federation of Labour (OFL) used its organizational clout and financial largesse to bring the anti-Tory movement under its stewardship, so as to control, contain, and ultimately terminate it. This they did in November 1997 when a political strike by teachers against Tory plans to cut education spending, implement regressive curriculum changes, and gut teachers’ working conditions threatened to become the spearhead of a general strike. When the courts refused to give the Tories an injunction declaring the strike illegal, for fear that such action could provoke a wider working class offensive, the union leaders declared that the government’s refusal to bargain meant any further job action was futile. Within a few months, the OFL even terminated its protest campaign against the Harris Tory government.

In the almost four years since the Tories’ June 1999 reelection, the unions have not so much as organized a protest demonstration against the government, let alone sought to initiate a movement aimed at mobilizing the strength of the working class to drive the Tories from power. The Walkerton water tragedy, the revelations of corporate malfeasance and the crisis in the province’s schools and hospitals have greatly eroded support for the Tories even among sections of the middle class that initially responded to their right-wing demagoguery. Yet the unions and NDP seek to channel all opposition into the straitjacket of collective bargaining and parliamentary protest, telling workers that they must wait for the next election and place their hopes in replacing the Tories with the big business Liberals or the remnants of Bob Rae’s NDP. Thus last summer, when workers at the Navistar truck plant challenged a Tory-backed scabbing operation and 20,000 Toronto city workers struck against a Tory-inspired campaign to privatize the provision of city services, the unions moved to isolate these struggles and shut down them down. In the case of the city workers’ strike, the NDP went so far as to vote for back-to-work legislation.

Having said this, one final key point must be made. If the unions and NDP leaders continue to be able to sabotage working class opposition to the Tories, it is because workers have yet to draw the necessary conclusions from the past two decades of betrayals and broken strikes. To defeat the big business offensive, workers need to base their struggles on a new and radically different political program. The claims of social-democratic reformism and trade unionism that the needs of working class can be reconciled with the subordination of economic life to the profit hunger of big business have proven to be false. To defend even its past conquests, the working class must reconstitute itself as an independent political force through the building of a mass political party based on a socialist and internationalist program.



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**