Ontario's Sell-Off of Hydro One Stopped

by Eric Alexander and Marcia Merry Baker

On May 1, what was to have been the biggest Initial Public Offering in Canadian history—the intended C$5 billion (U.S. $3.2 billion) sell-off by the Province of Ontario, of its electricity transmission grid Hydro One, Inc.—was postponed, amidst growing public furor against energy deregulation. However, the same day, a deregulated provincial market began for wholesale electricity trading. The conclusion? Nothing is settled.

At issue is one of the largest power systems on the continent. The battle pits growing public outrage against some of the most wily elements of the "British-American-Canadian" financial club, who have long schemed to carve up, and sell off the government-owned company, Ontario Hydro, the parent of Hydro One.

Adding potential to alter the course of Ontario events, are developments such as the Mexican Senate halting electricity deregulation in that nation, in their 42-28 vote on April 24; and the Mexican Supreme Court's April 25 ruling that power deregulation is unconstitutional.

Then there is the raunchy documention pouring forth, on how Enron, Dynegy, El Paso, and other dereg firms, bilked California of several millions of dollars, the pioneer of power deregulation. Canada's western province of Alberta was also thwacked with California-style energy hyperinflation last year, directly as a result of deregulation.

How can Ontario dare proceed with energy deregulation in the face of these proven facts, which sufficed to convince Mexico's lawmakers? That is the political question of the hour in the Province.

Ontario Hydro Prepped for the Kill

Two years ago, the Lyndon LaRouche Presidential campaign focussed intensely on the swindle nature of energy deregulation. Over the 2000-2001 period of the California debacle, the campaign issued millions of exposé documents in California and internationally—especially in Mexico—to mobilize to stop the power scams. Collaborators in Canada are now circulating the need-to-know facts of the deregulation hoax to key policymakers in Ontario and Ottawa.

Demanding deregulation, regardless of the California and Enron record, are such Wall Street/City of London/Bay Street (Toronto) voices as the Toronto *Globe and Mail.* "Don't Fear the Deregulation Reaper," was their lead editorial on May 2, stating, "The bogeyman has arrived. And so far, he ain't so bad [referring to electricity trading on May 1]. . . . Ontarians still face significant questions, most notably the future ownership structure of Hydro One, the power-transmission company the Ontario government may or may not sell."

In 1998, the Ontario legislature passed the "Electricity Competition Act of 1998," to initiate the deregulation and privatization of Ontario Hydro—not only the largest in Canada, but also a significant supplier of power to the U.S. grid. When Ontario Hydro had been formed in 1906, it was to ensure reliable public service, by regulating it under direct government ownership. Over the decades following World War II, it grew into a world-class system, with modern nuclear plants and technologies. Then, in recent decades, a network of Wall Street/City of London operatives nested in Ontario Hydro, using it as a political power base, and also "restructuring" the company into the ground, only to then say in the 1990s: "Privatization is the only answer."

This take-down plot was described in detail by Sydney White, in her article against the passage of the Ontario deregulation law, in *Discourse & Disclosure*, November-December 1998, entitled, "Mission Accomplished, Amidst Stealth and Deceit; Legalized Robbery of the Public's Largest Asset, Ontario Hydro." She pointed out that over the five-year period from 1993 to 1998, some 12,000 jobs were cut from Ontario Hydro. There was "wholesale destruction of technical staff," and such assets as the nuclear power generation were not properly maintained.

White asked, of all the downsizing, "How was this gross inefficiency accomplished, and by whom? It was accomplished by Maurice Strong when he was head of Ontario Hydro, with the aid of John C. Wilson, a member of the slash-and-burn 'Hospital Restructuring Commission' and of Ernst & Young" accounting firm. White documents the financial and political associations and methods of these individuals.

As of 1998, Ontario Hydro had some $38 billions in debt; the Province of Ontario itself had similarly sizable debts. Throughout the 1990s, the public had been told, in standard Thatcherite terms, that privatization and deregulation would pay down these debts, get cheaper electricity, bring efficiency, encourage "alternative" energy, and allow competition. In Ontario, this was called by conservative Premier Mike Harris, and his then Finance Minister Ernie Eves (now Ontario's Premier), the "Common Sense Revolution."

Privatization and Deregulation Started

By 2000, Ontario Hydro was reorganized into five separate companies, in preparation for sell-off to the "markets." This privatization plan was worked out by an agency called

SuperBuild, created in the Ontario Finance Ministry, to focus on privatization of public assets. Consultants to SuperBuild were CIBC World Markets and Goldman Sachs. Personally involved during this entire process was Ernie Eves, who, after serving as Finance Minister, spent last year with Crédit Suisse First Boston, part of the syndicate planning to privatize Hydro One.

The idea of the super-scheme was that, as of May 1, 2002, Hydro One—the electricity transmission grid of the province—was to be sold off in shares to private investors; other parts of the destructured Ontario Hydro would follow in the future.

The ruckus against the sell-off broke out in April. Justice Arthur Gans, of the Ontario Superior Court, ruled on April 19 against the IPO, as illegal, stating that the government had no authority to go through with the privatization, because the legislature had not approved the sale of state property. The bombshell ruling came in response to a lawsuit against the privatization, filed by two unions: the Canadian Union of Public Employees, and the Communications, Energy and Paperworkers. The government pursued counter-action.

Public Hearings

Under pressure, Premier Eves was forced to agree to public meetings. On April 29, at the first public meeting on Ontario Hydro's fate, the public was barred, because the Conservatives said the room was too small! The morning of April 30, at the second meeting, the public stormed through the door, against an attempt to restrict a participation. A furious Conservative Energy Minister Chris Stockwell walked out. The opposition party leaders present, then took over and held a hearing.

Amidst all the fuss, Eves faced a by-election on May 2, to return to the legislature and retain his premiership. "Alternatives" to the sell-off were floated, and on May 1, the IPO was postponed. Stockwell said on April 30, that privatization of Hydro One would proceed, but in a different form—perhaps a "long-term lease," rather than an outright sale. Eves said that the government would also look into the idea of an "income trust," where the government would retain ownership of Hydro One, but would sell units to investors, who would receive a portion of the company's cash flow. The units could be listed on the Toronto Stock Exchange; the plan could expire in 25 years.

Eves won his seat on May 2, by running in the rock-Conservative riding (district) of Dufferin-Peel-Wellington-Grey. Even there, polls showed that constituents were 70% against privatization of Hydro One, but would "give Eves a chance" to find an alternative to sell-off.

Wall Street is less forbearing: Pro-deregulation journalist Andrew Willis, columnist of "Streetwise" for the *Globe and Mail*, warned Eves after his election, to get on with privatization.

The 'Misfortune 500' Lead U.S. 'Recovery'

by Art Ticknor and Richard Freeman

The U.S. economic recovery has become truly an extraordinary thing, filling the Springtime with such statistical finery of surprising percentage points, shimmering delusions of confidence, and spreading tendencies to improve, that Fed Chairman Alan "Greenspin" can't contain his "frabjous joy." But as one stock analyst's newsletter put it, in his own way, "The economy looks great, but business is terrible." Indeed, when one but looks at the forward-marching ranks of the army of the American recovery, they are filled, shoulder to shoulder, with massed layoffs, grim-faced collapsed stock and pension plans, grizzled bankrupts, vacant-eyed ex-steel plants, new-made junk-bonders, and silently cancelled capital spending plans. These are the ranks of the "Misfortune 500," America's corporate leaders, and the tale they tell is one of economic depression.

The Misfortune 500 are a forlorn bunch, and don't hesitate to ask for sympathy and public bailouts, even while continuing the private money-printing, debt-concealment and other accounting frauds which have exposed the 1990s boom for a thorough illusion. In early May, Worldcom, the second-largest U.S. long-distance communications company with 15,000 layoffs under its belt, became a veritable penny stock and an actual junk-bond-rated company, while its founder, Bernard Ebbers, mournfully resigned as CEO.

General Motors—15,000 layoffs over the past year—sees a future just as grim, and holds objectives just as crazy. To "help meet our goal of earning $10 a share mid-decade," it plans to cut $2 billion from its North American material costs, $1.3 billion from its manufacturing, engineering, and health-care budgets, and $1 billion from capital spending, executives told securities analysts at a meeting in Detroit on March 19. Engineering staffs will be slashed, in favor of unscientific, and deadly, "benchmarking"; less expensive generic drugs will be promoted; and the number of suppliers will be reduced.