

## Industry leaders react to province's Hydro One sale

by [Lindsey Cole](#) Apr 22, 2015

The provincial government's move to sell 60 per cent of Hydro One in order to raise \$4 billion for infrastructure projects has some industry leaders cautiously optimistic about where the province is headed.



**Andy Manahan, executive director of the Residential and Civil Construction Alliance of Ontario (RCCAO)**, says he's pleased the province is "moving forward on an issue which is long overdue: determining whether capital assets held or controlled by the province can be leveraged in order to provide better returns to taxpayers."

David Frame, director of government relations with the Ontario General Contractors Association (OGCA), was also optimistic about the government's decision.

"It's encouraging to see that the revenues from the sale of assets will go to a capital fund so that they're growing our assets not depleting them," he says.

Based on final recommendations from the Premier's Advisory Council on Government Assets, chaired by Ed Clark, the government will plan to sell off Hydro One through an initial public offering (IPO). The Clark panel report suggests selling it off over time stating the "IPO market could accommodate at least \$3 billion of Hydro One shares at any one time. We propose that the initial tranche should offer approximately 15 per cent of the company to the market."

In all, the sale would generate about \$9 billion, Clark stated, with \$5 billion going towards debt. The report came out just before the province is slated to unveil its budget on April 23.

The government will still be the largest shareholder and "by law" no other shareholder or group would be allowed to own more than 10 per cent, resulting in the province retaining "de facto" control.

"The government intends to introduce legislation this spring that would, if passed, guarantee that net proceeds from the ownership changes to Hydro One and any net proceeds from the merger will go to the Trillium Trust and be used to finance transit, transportation and other priority infrastructure projects across the province," a release explains. This trust is a dedicated tool for transit and infrastructure and supports Ontario's investment plan of \$130-billion over 10 years.

The Liberals also plan to merge Hydro One Brampton with Enersource, PowerStream and Horizon Utilities. According to the report, the consortium would have the option of acquiring Hydro One's interest in Hydro One Brampton "for either a 17 per cent interest in the new consolidated entity or for an enterprise value of \$607 million."

Manahan states some of the Clark panel's recommendations echo a December report commissioned for the RCCAO by Michael Fenn on asset recycling. It called for a more aggressive approach to selling Crown assets to finance "critical infrastructure."

"Early in the budget process we were concerned that with budget revenues under pressure and with the government having to find a way towards a balanced budget, that they may reduce their commitment to long-term infrastructure financing," states Frame.

"I believe what we saw with the endorsement of the Clark panel, is that the long-term commitment to infrastructure financing is continuing."

Ian Cunningham, president of the Council of Ontario Construction Associations, says he sees this as a benefit to the construction industry.

"This is, at least, a one time commitment to public transit," he says.

"It would be interesting to look ahead 30 years to see if those investments might have value that could be unleashed at that time. If this makes for the construction of more bus and transit ways and rapid light rail transit, it's good for construction. We'd be supportive."

As a result of Clark panel, the RCCAO is also suggesting to the Liberal government that other revenues sources such as High Occupancy Toll (HOT) lanes be seriously considered.

"It wasn't just that HOT lanes is the be all and end all," Manahan explains. "The RCCAO has always been saying it's not just a case of raising revenue to build transit but what do we need to have in order to positively impact congestion. Things like road pricing have to be looked at. I think at some point the province needs to step on the pedal a little bit more in terms of implementing HOT lanes."

Another area the province plans to change is expanding the sale of beer to 450 more locations across Ontario in order to generate more revenue.

"It's a pretty big step compared to the kind of the foot dragging that's happened over the last 30 or so years," adds Manahan. "The fact that this is the first time since prohibition that we're making some major changes, to that particular institution, speaks volumes."

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