

How Bob Rae Sold Out Ontario Hydro!

Bob Rae, the former NDP Premier of Ontario has answered the call by prominent Liberals to re-enter politics. The perennial populist has been spotted attending rallies in protest of tasers and in support of war resisters. For many, Bob Rae is the social democrat who championed causes like public auto insurance, the rights of same-sex couples and a fair deal for workers under Free Trade. Bob Rae's populist image is boosted by his epic battle to bring Ontario Hydro under control and thereby shield us from electricity rate increases for nearly a decade.

When the NDP came to power in 1990, Ontario Hydro was the largest publicly owned utility in North America. Previous provincial governments had used Hydro as an engine for economic development. Hydro's board of directors were political appointees. Often decisions were based on political considerations that were not always in the best interest of the utility. It was common practice to have Hydro sell electricity below its cost of production and so Hydro's debt had been growing for over a decade.

The Canada-US Free Trade Agreement deepened the recession of 1989-92. Ontario lost over 300,000 manufacturing jobs in that period. The demand for electricity fell. Delays at the Darlington nuclear power station added billions to Hydro's debt, forcing Hydro to raise electricity rates. Premier Rae was determined to bring Hydro under his firm political control. Hydro's chair Marc Eliesen thought the debt was manageable and the outlook for Hydro was generally positive. Eliesen and Rae came to differences and in August 1992 Eliesen announced that he was leaving to become the head of B.C. Hydro. Bob Rae went ahead and hand picked Canadian businessman Maurice Strong to become Hydro's new Chairman and CEO.

As UN Secretary-General, Strong had just put on the 1992 Rio Earth Summit. Strong was founder and the first president of the Canadian International Development Agency, the federal agency that provides grants for foreign projects that often involve Canadian businesses. Strong had been selected by Prime Minister Pierre Trudeau to head-up Petro-Canada, the national oil company. Strong was a past President of Power Corporation of Canada. He was a close advisor to Paul Martin and was acquainted with Saul Rae, a career diplomat. Strong was a frequent guest at the Rae family home when Bob was growing up.

The Rae government put an end to plans to build more nuclear power plants that forecasters had said Ontario would need. With Ontario in a recession and with the Darlington nuclear station coming on-line, Ontario had a surplus of electricity. Strong restructured Hydro internally and cut \$1 billion per year from Hydro's annual budget. When Strong announced in March 1993 that he would lay off 4,500 Hydro employees, Premier Rae said Strong was being "courageous." Strong would pension-off and buy-out 10,000 employees in total. Strong also created a new subsidiary, Ontario Hydro International Inc. (OHII), to drum up business internationally. OHII teamed up with an American holding company and paid \$100 million for shares in an electric utility and a construction company in Peru. Strong also spent millions buying rain forests in Costa Rica. Strong's internal restructuring is reported to have cost \$3 billion.

In the late 1980's other countries were selling off their public owned utilities and deregulating their electricity markets. Within weeks of being appointed head of Hydro, Strong made public his plan to solve Hydro's debt through privatization. In April 1993, Strong told the Empire Club: "On the issue of privatization, I would only say at this point that I see it as a means, not as an end in itself. In my view the real test of the efficacy of private ownership of all or any part of Ontario Hydro will be the degree to which this would ensure that the interests of its customers and of Ontario would be better served." Later that year Energy minister Brian Charlton told *The Toronto Star*: "We're looking at everything and anything. If you don't consider every option, you are subject to criticism."

Strong hired Bill Farlinger, the former chairman of accounting firm Ernst & Young to prepare a report in support of privatization of Hydro. Bill Farlinger was a close advisor

of Mike Harris and had headed up the fund-raising for Harris's leadership campaign in 1990. Farlinger sought input for his report from investment bankers, lawyers and privatization academics and executives at ENRON. Strong also brought on-board Eleanor Clitheroe as VP of Finance to work with Farlinger and the advisory group. Clitheroe supported the break-up and the sell-off of assets as a way to counter Hydro's growing debt. **(Editor's Note: Hydro prices were still at the lowest rate in North America; there was no need to sell the publicly owned and financed Hydro to private corporations for their profit and higher rates that would ensue)** When Ontario Hydro was completely overhauled in 1998, Clitheroe became president and CEO of Hydro One. In July 2002, the board of directors of Hydro One dismissed Clitheroe for expenses she

had charged to the company while she was being paid \$2.2 million which included \$174,000 for a vehicle and \$172,000 in vacation pay. **(Editor's note:**

It was rumoured that Mike Harris was having another affair with Clitheroe).

In the fall of 1993, Rae publicly stated that he would approach Hydro reform in a "non-ideological way and not let the government be bound by NDP public-ownership policies on when it came to Hydro. Others in the NDP including Finance Minister Floyd Laughren and Environment Minister Bud Wildman were opposed to any privatization of Hydro. Rae realized that he did not have enough support in the party and among the public to privatize any part of Hydro before the next provincial election. **(Editor's Note: Bob Rae was a traitor to the NDP and the public)** To do so would be political suicide. In February 1995 the Premier told a conference of business people: "I do not think that a wholesale or fire sale of assets of this magnificent public institution is in the public interest."

In July 1995, only a month after Mike Harris was elected Premier, Bill Farlinger presented the Premier Harris with the report that Strong had commissioned. The report called for the privatization of all Hydro assets including the nuclear stations. In Nov. 1995 Strong vacated the chair on Hydro's board to make room for Bill Farlinger. When asked about privatizing Hydro, Farlinger replied: "I don't know why this should be the last publicly owned company in the country."

Suitors like British Energy and Enron were lining up to pick up the pieces of a busted-up Hydro. IPPSO FACTO, a magazine published by the Independent Power Producers' Society of Ontario, reported in July 1996 that French Trade Minister Yves Galland had had talks with Premier Harris, Quebec Premier Lucien Bouchard (Quebec Hydro) and Prime Minister Jean Chrétien, stating that France was interested in Ontario Hydro's sell off. "In any privatization project, we could be there to help" he said. France's electric utility EDF "has the know-how and experience" to successfully privatize Ontario's utility. Neither Premier Harris nor Galland gave specifics on what the involvement of the French would be. A leaked brief from the Ministry of Foreign Affairs said that representatives from Bombardier and Power Corporation were involved in the talks. Why? Was there a plan to set up a subsidiary of Bombardier and Power Corporation as a cover for France taking control of Ontario's electric utility? The Ministry of Foreign Affairs claims the leaked brief is a fake. Bob Rae's brother John Rae is presently Executive Vice-President at Power Corporation, where he has worked as an executive since 1971. John Rae was advisor to Jean Chrétien and had led Chrétien's leadership and election campaigns. John Rae also ran brother Bob's recent campaign for the leadership of Liberal Party of Canada **(Editor's Note: With a donation of \$750,000).**

The fallout from melted reactor fuel at the Three Mile Island nuclear power plant in Pennsylvania and the explosion of the Chernobyl reactor in the Ukraine should have been a wake-up call to the bosses of Hydro.

In the fall of 1993, Canada's nuclear watchdog, the Atomic Energy Control Board (AECB) took note of the deteriorating safety of Hydro's nuclear stations. Conditions continued to deteriorate and in December 1996 the AECB warned Hydro that the Pickering 'A' station was in danger of regulatory shutdown. Hydro bosses responded by having a team of American experts brought in. The findings of the team were presented in a report to the Ontario Hydro board of directors in August 1997. The report was "highly critical of virtually all aspects of management and operational performance". The Report identified that one of the causes of the utility's deteriorated performance were "Serious shortages of key management, supervisory and some technical skills". The president of the AECB, Dr. Agnes Bishop's response was that the report "contained nothing substantially different from what the AECB has been saying."

The same day that the Hydro board received the report of the American experts, the board decided to shutdown the older reactors at the Pickering and Bruce sites and concentrate resources to make improvements to the 12 newer reactors. The estimated cost of the rescue plan was \$8 billion. Replacement power was to cost an extra \$2 billion. Electricity exports worth \$100s of millions were stopped. Coal power plants that had no pollution controls were fired up. The health and environmental damages from running the coal plants cost Ontario \$3 billion per year. **With 8 nuclear reactors idled and rusting away, the Ontario government leased the reactors at the Bruce site to a private consortium at fire sale prices.** The consortium earns over \$500 million in profit annually.

Today Strong says the Harris conservatives did not keep up investments in Hydro and allowed things to fall apart. **Others say that Rae and Strong were focused on getting Hydro ready for privatization and used the Hydro debt to justify their actions.** With Rae's approval Strong cut billions from programs at the nuclear stations at a time when the nuclear regulator was warning Hydro of deteriorating conditions at the stations. **At the same time Strong had created a new subsidiary to buy shares in companies in Peru.** In 1996, three years after the creation of OHII, the Advisory Committee on Competition in Ontario's Electricity System recommended that OHII should be sold off. "The Advisory Committee cannot justify retaining such a business as a publicly-owned corporation. It is our opinion that electricity ratepayers in Ontario should not support OHII's international investment activities. These investment activities are best managed by private industry, rather than as decisions made on behalf of ratepayers by an entity controlled by a publicly-owned monopoly utility." **(Editor's Note: Hydro was very efficient until the private corporations took over the successful taxpayers' operation.)**

In December 2001 the Harris government announced that it was going ahead with the privatization of Hydro One, the Ontario Hydro successor company that operates the transmission system. Bay Street firms were expecting to earn \$300 million in fees and commissions for selling just the transmission assets of Hydro. "I can guarantee you that every single investment bank is looking at it and lining up their clients" said former Hydro board member and venture capitalist Andy Sarlos. However two unions representing hydro workers filed a court challenge and in April 2002 the Ontario Superior Court ruled that legislation did not permit the government to sell Hydro One. In addition to the Bruce nuclear units, some hydro electric plants have also been sold off. Contracts have been signed with private energy companies for inexpensive to build gas power plants like the Toronto's Portlands power plant. The hordes of new investors didn't materialize to solve the growing gap in

the electricity supply. Market instability caused spikes in rates and the government had to step in and freeze rates. Billions more were added to the debt.

In October 1990, the *New York Times* reassured the business community that Ontario was not going to become the next Cuba. "During the campaign, the owlish Mr. Rae pledged to introduce a minimum corporate tax, eliminate income taxes on the poor, raise the minimum wage by nearly 50 percent and generally levy heavier taxes against the rich in order to redistribute wealth. Bob Rae, up to now, has really behaved very well and in a reassuring manner," said Trevor Eyton, a newly appointed Conservative Senator and president of Brascan Ltd., a huge Toronto-based conglomerate controlled by the Bronfman family." "If he can carry it off in spite of being a social democrat, and in spite of some of the people around him and some of the planks in his party platform, then God bless him," Mr. Eyton added. Many people here believe that if any New Democratic leader can form a workable bond between the more conservative business and political establishment and the working class progressives who make up the rank and file as well as the upper echelon of the party, it is Mr. Rae." That same Mr. Rae laid-off workers, ripped up collective agreements, mandated pay cuts, hiked university tuition fees, cut places in medical schools and reneged on his election promise to bring in public auto-insurance. Many defend Rae's record, saying he was forced to reign in the deficit.

When Bob Rae left the Premier's office in 1995, he had sent Ontario down the road of privatization and de-regulation without a road map. Strong passed the baton to Farlinger and Mike Harris carried on where Bob Rae had left off. In opposition, Rae had presented himself as a fierce opponent of privatization. Privatization, Rae had said, was "a symptom of a diseased economic order". **(Editor's Note: Rae is an obvious liar!).**

In a letter to Energy Probe in January 1991, Ontario's Energy Minister Jenny Carter wrote. "The New Democratic Party government does not support a Thatcher-type privatization of Ontario Hydro. This government has no intention whatsoever of breaking up Ontario Hydro and lessening its accountability to government." Yet through backrooms, boardrooms and stacked advisory groups, with full knowledge of Premier Rae, the premier's appointee Maurice Strong furthered the agenda of the privateers. No one had asked the people of Ontario about their vision for the future of their public utility. This raises the question: Has Bob Rae lived up to his image as a populist and democrat?

— by nom de plume

Bob Rae's Maoist brother-in-law was rumoured to be working at smuggling Chinese into Canada (1971). Gary Perly of Perly maps lived across the street from me and tried to hire me to work for him. Later, as CEO at Perly he did get the contract to map Peking, China. The smuggling story didn't appear in the *Toronto Star* when they said he was a "good businessman" for getting the Peking map contract. We know better.

Bob Rae's wife Arlene Perly Rae threatened my printer and myself when we were a day late with their first-born's birth announcement card. She said the union printer would be investigated by Dale Goldhawk as a criminal (simply because his name was Italian?).

Apparently, we didn't have sufficient respect for her station in life.

Bob, nepotist that he is, hired his sister to run the NDP riding in Broadview-Greenwood at \$300 bucks a week a lot of money back in 1978. The riding really didn't have the money to pay but then again, I was told that she was currently screwing Trudeau at the time so it must be okay!! — VPF

**The Proven
Bob Rae
Conspiracy!!**