

**Transparency for Crown Corporation Divestment
Timmins Chamber of Commerce, Greater Sudbury Chamber of Commerce,
and Sault Ste. Marie Chamber of Commerce**

Issue:

Provincial Crown corporations may be divested without a complete, comprehensive business case or socio-economic impact study. This lack of transparency or oversight can inadvertently incur considerable costs, both short- and long-term, to Ontario taxpayers and businesses.

Background:

Wholly owned by the province, Crown corporations serve particular policy needs or services that may otherwise go unfilled by the private sector.

This means that policy shifts within the Government of Ontario may lead to the divestment of a Crown corporation; however, this can occur without first requiring a rigorous business case or socio-economic impact study.

Government officials are therefore able to make divestment decisions without being fully informed about their impact, potentially generating a host of unforeseen costs.

A key example of the uncertainty that can result from this lack of oversight is the ongoing effort to divest the Ontario Northland Transportation Commission (ONTC). This Crown agency provides telecommunication, rail refurbishment, freight rail and passenger motor coach services, primarily throughout northeastern Ontario.

In March 2012, the provincial government announced the divestment of the ONTC as a cost-saving measure. This resulted in an immediate outcry from many, including industrial firms who indicated the lack of freight rail would pose steep financial and operational challenges.

However, a December 2013 report by Ontario Auditor General Bonnie Lysyk revealed that the government only built an initial business case four months after the divestment announcement, and subsequent iterations of the business case continue to lack details around the true cost of the move.

This after-the-fact business case study indicated that the projected short-term savings of \$265.9 million would instead represent an immediate cost in excess of \$820 million. Moreover, the Auditor General's investigation into the divestment found that "there may well be socio-economic benefits to justify subsidizing the ONTC."

Though the provincial government has since relented somewhat in this particular case, the ongoing uncertainty resulting from the lack of adequate information in the government's decision-making process has harmed business' ability to operate with confidence in Ontario.

Recommendations:

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Commit to divesting a Crown corporation only after producing a comprehensive business case and socio-economic impact study, subject to stakeholder review.