SUBMISSION TO BCUC: SITE C

> *The reduction of financing costs…is enabled by transferring some of the financing costs from BC Hydro ratepayers to taxpayers…* (vii)

1. John A. Macdonald, Canada's first prime minister, was accused of shady deals financing the Great Canadian Railroad and lost the next election to Alexander (Sandy) Mackenzie, a newspaper editor from Sarnia. From the beginning, there were concerns about variations in the way life was supposed to be and the way things actually were.

The way everything was supposed to be: Government raised money to fund major projects through taxation.

Is Site C in the provincial budget?

1a. Unsubstantiated reports surfaced in recent years suggesting that guaranteed investment certificates (GICs) were offered to select government and corporate insiders to bankroll major civil projects. Should dividends be less than so stated, government would refund from the honey pot.

In other words, an elected representative with voting privileges on project approval could gouge tax payers for personal profit and gain. Should the project yield less than agreed on rates of return, based on low marketability, slack productivity or cost overruns; so much the better.

The Site C dam is hardly the Great Canadian Railroad but we seem to have entered a time warp. Anybody with a parliamentary seat can now vote the project, buy bonds, introduce tax increases to cover them, and bathe in the outstanding returns.

This is direct taxation collected by elected government officials for personal profit and gain. They may be the only ones to benefit. Maybe that's all they ever really considered: How much money they stood to make. They could vote "get rich quick," because that option was made available to them. First past the post was good enough for parliament.

1b. One basis for sound investment is its benefit to society. Adam Smith maintained that acting in self-interest is always beneficial because everybody else acts accordingly. Henry Ford justified success this way; good products save time, money or both. Utility is based on savings.

When it comes to major infrastructure, an advantage to the individual may conflict with social benefits if gain derives from losses suffered by others indiscriminately. The costs associated with the Site C construction project, a dam and reservoir, haven't been discussed with utility in mind.

No one knows whether the energy will be consumed because this hydroelectric project was *to stimulate future growth*. "If you build it, they will come" became the mantra in *Shoeless Joe* by W.P. Kinsella. Maybe such fond notions apply exclusively to the rites of baseball.

Is it prudent to allot over $8.3 billion to a hydroelectric project before considering its social benefits? The construction costs haven't been clearly delineated in prospective terms.

2. What will the end user pay for power in future? Will the electricity produced by this dam cost less than the power from other dams? Is the Site C project a deferral of savings until some rendezvous point in consumer heaven? How could that moment be tagged by announcing a specific date?

Time constraints are based on shaky notions of rising costs; a definite trend. Building a dam might be cheaper today than building one 20 years from now where growth demographics corroborated statistically, and needs met the test of use.

But promised consumer benefits will never accrue to the helpless buyer. People will probably earn more 20 years from now, too. That won't empower them to reimburse us with their disposable income, any more than we will have saved them money by passing on today's savings. They will pay; count on it. Value appreciates based on infrastructural decapitalization.

2a. If a hypothetical hydro dam cannot be shown to save time or money, why would anyone invest in it? At face value there isn't any benefit to society.

In answer, look to the investors. Who are these people?

As it turns out, the back room traders created an opportunity for investment by doing the paperwork to institutionalize GICs; guaranteed investment certificates.

If the project is a bust and the dividends aren't there payouts will be handled by tax increases.

2b.The idea of the GIC: Those with vested interests ensure project success. This includes corporate expansion projects sponsored by sales and staff, and government regulators; people with the power to license and smooth the approvals process. Environmental concerns can be circumvented by pulling strings, and thus the business venture is streamlined in a timely fashion.

When a GIC is paying out double the interest on a loan, the investor needn't be wealthy to become very well-off indeed.

If GIC dividends were provided by a portion of the revenue generated by dam construction, there wouldn't be a thing to complain about. Retrospectively investors must have known what they were getting into; if the project turns out to be a dud, who's fault… other than theirs?

Sorry about that. Actually, investors may ding the tax payer; in fact, curse the people who backed them at the polls. The same people paying their utility bills diligently. The same people excluded from investing in, and therefore denied the right to benefit personally from their support of, a sure thing.

3. The Site C project will pay dividends out of public revenue if the project flounders. Suddenly what difference if the power sells, whether it was needed, or what it eventually costs the consumer?

Utility becomes irrelevant in comparison to the financial benefits of investment. Not only will society pay a hydro bill in future, it may pay a surcharge based on profiting the very people who approved the project and saw it through to completion.

3a. On that basis it would appear that Site C should not have been granted public approval in the first place. Society suffers when individuals sell their precious time to those who have no choice but to pay for it, whatever the cost.

4. The absurdity of this situation is that rate payers are being asked to pay for power they will not use because they have consented to conserve it, having been asked to do so by the same people whose investment is guaranteed, no matter what the eventual outlays of a dam and reservoir.

Any deferral of cost overruns is a fiscal shift in onus from the hydro rate payer to the income tax payer, which amounts to "losing ground" by conserving hydroelectric power. It is a red policy; not a green policy.

Contrary conjunctions of bureaucratic consent contribute to inflation, resulting in cost overruns on projects of this scope.

4a. Inflationary effects might not be felt locally until project completion because the causes lie outside the margins of a provincial brief. *That is*, the Site C construction project will become subject to inflationary costs that compound beyond its ability to stabilize locally. Globalism comes home to roost.

5. Why wouldn't the government come right out and say it? *In future the cost of unused hydroelectric power, whether real or potential, will contribute directly to an increase in taxes.*

CONCLUSION

Of the $8 billion fund, only $1.8 billion has been allocated. Rate payers who get nothing should pay nothing. Pending termination, excluding middle men, the investors should be paid out an incremental loss: $**.**225 on the dollar.

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