

# Hydro tells one-sided GST story - Turner

In protesting that the Federal Government's Good and Services Tax, (GST), shouldn't apply to electricity, the Halton Hills Hydro Commission has only presented one side of the story, Halton-Peel MP Garth Turner argued in an interview Monday.

The commission has sent out a letter to its 13,000 subscribers asking them to write the Senate committee on Banking, Trade and Commerce protesting that seven per cent GST, when it takes effect Jan. 1, 1990, shouldn't be applied to electricity. Electricity, argues the commission, is a basic public requirement like food, water and medical supplies, all of which will be exempted from the tax and therefore should also be exempted from the GST.

The commission predicts that in 1990 the hydro bill of area residents will increase by almost 20 per cent over this year's bill and part of the increase is due to the GST.

But Mr. Turner notes when the GST is introduced the three other taxes that utility commissions currently pay - the 13.5 per cent tax on purchases of manufacturing goods, 11 per cent on telecommunications purchases, and nine per cent tax on building supply

purchases - will be eliminated. As well, the commission will no longer pay the federal sales tax, said Mr. Turner.

That means, explained Mr. Turner, the commission's operating costs will be less next year because the seven per cent GST will be applied to the above mentioned purchases and it is less than the current applicable taxes. If the utility's operating costs are cheaper then it won't have to pass along the full seven per cent of the GST to the consumer that the commission will have to pay on its purchases, said Mr. Turner.

The public should have to make a decision on the advantages or disadvantages of the GST once it knows both sides of the story, argued the MP.

Mr. Turner predicted if the commission passes on the full amount of the savings incurred by a reduction in operating expenses, the GST will increase people's hydro bills by between four and five per cent instead of seven per cent.

The commission attributes the expected overall 18 to 20 per cent increase to next year's hydro bills to the GST, and a 10 to 12 per cent increase in the price Ontario Hydro will charge local utilities for

electricity in 1991.

Mr. Turner said he contacted the commission Chairman Muri Allison and the General Manager Gerry Trudell and said both acknowledged that the utility's operating expenses would decrease once the GST comes into effect.

Mr. Trudell confirmed the conversation with Mr. Turner but said he disagrees with Mr. Turner that the commission has only presented

one side of the story to its customers.

Mr. Trudell acknowledged that the utility's operating expenses might decrease because of the GST, and he stressed that if this is the case all savings will be passed on to the consumer.

At the same time, he argued the utility's operating costs only amount to approximately three per cent of the commission's \$25 million budget. Eighty-five per

cent of its budget covers the cost of buying electricity from Ontario Hydro, said Mr. Trudell. Therefore a savings of one or two per cent might reduce the utility's operating costs but because this cost is a small percentage of the utility's overall costs reflected in an individual's hydro bill, Mr. Turner's argument doesn't change the fact that people's hydro bills will still increase close to the predicted 20 per cent, he said.



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