

**Remarks by John D. Murphy, Past President, Power Workers' Union and and Senior Vice President of Human Resources, Ontario Power Generation  
Delivered at the 6th Annual Conference on Public-Private Partnerships  
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The Power Workers' Union (PWU) is entirely supportive of competition in the electricity industry because it will benefit consumers, workers and taxpayers. It means more choice, more jobs, reduced taxpayer exposure to new capacity-related debt. It will also bring more export earnings into Ontario through Genco's penetration of U. S. markets, which will benefit its owners, the people of Ontario.

Over the next 10-15 years there are going to be massive opportunities for public-private partnerships in Ontario's electricity industry.

The Ontario Market Design Committee (MDC) has recommended Genco's control over total electricity generation capacity in the province (excluding exports) be reduced from its present 86% to no more than 35% in the ten years following the opening of the marketplace. We recognize that the market power issue had to be addressed to attract new market entrants and make competition a success. This solution makes sense as it provides for an orderly transition.

MDC recommendations do not require Genco to sell the physical assets, just control over decisions on the amount of energy produced, its dispatch and its price. PPPs are a viable way of meeting this capacity decontrol requirement and it would be attractive for private sector partners because they could get into the generation business without having to build new capacity.

Genco will also get into new ventures and other lines of business in which it will want to partner with the private sector, such as new generation technologies, large-scale energy efficiency projects, distributed generation, etc.

Ontario Hydro Retail and many of the municipal electric utilities (MEUs) will be moving aggressively into unregulated energy services and convergence deals with gas, telecom, cable, home security (wires and pipes). Most, possibly all, of these new lines of business are going to involve the private sector in partnerships and joint ventures.

Even on the regulated side of the business, the transmission and distribution systems, there are very likely to be private sector opportunities to partner with the wires owners on construction and upgrading projects, of which there are likely to be many over the next decade. We see all of this as creating many new jobs, which is why we are supportive of the MDC's recommendations.

We are very interested in some degree of employee ownership where it is possible and we believe that public-private partnerships open up opportunities for this to happen. The industry should be interested in this as well. Employee ownership has been proven to be a significant advantage for corporations that practice it. But only if that employee

ownership, whatever its degree, is also accompanied by an open management style in which employees are encouraged to contribute their ideas and information and participate meaningfully in many areas of business decision-making that have traditionally been left entirely to management.

Evidence from the U.S. that these two factors significantly contribute to business success is very persuasive.

#### U.S. Employee Ownership and Corporate Performance:

Growth rate advantage - 8-11%/year: A study published in the Harvard Business Review a few years ago showed that when employee ownership is combined with a management style that encourages employees to share ideas and information, companies grow 8% to 11% per year faster than would be expected otherwise.

Productivity Gains - 35%: The link is strong when it comes to productivity. A study published just this past August in Scientific American found that manufacturing companies that were unionized and had a broad-based employee ownership plan in place and involved the employees in at least some business decisions, had on average over 35% greater productivity than non-union companies in similar businesses with no employee ownership and a more traditional management culture.

Stock Price Performance: A study this year by American Capital Strategies, found that an investment of equal amounts in corporations with more than 10% broad employee ownership would see a return in the 1992-97 period that beat the Dow Jones Industrial Average by 27%, S&P 500 by 51%.

Stability - 99+%: A 1995 study by Michael Conte at the University of Baltimore found that fewer than one out of 100 ESOPs (employee share ownership plans) have been terminated because of the bankruptcy of the plan sponsor.

Employee Turnover is a big problem for many U.S. business sectors. Overall turnover in the U.S. has reached 15% a year, which means high recruitment and training bills as well as the lost productivity from having so many inexperienced employees. While there are no widely agreed upon figures on employee turnover in companies like those in the previous slide, all studies show it to be much lower where employees have a stake and a say.

We've been in favour of PPPs with a degree of employee ownership before Bill 35, the Energy Competition Act and the MDC recommendations. The PWU made a proposal more than a year ago to the Select Committee on Ontario Hydro Nuclear Affairs for a PPP to rehabilitate and operate idle generating assets that could be revenue producing if some investment were made in their upgrading. We also proposed at the same time that a considerable portion of the financing for this project could come from a special fund created from the historical surplus in the Ontario Hydro Employees Pension Fund.

The pension surplus investments would create more jobs in the electricity industry and would upgrade our infrastructure, providing dedicated capital in the early years of the competitive marketplace, when new investment is critical. And it is a form of employee ownership that we think makes sense.

But we're interested in partnerships that go well beyond this type of ownership, the returns from which must be for the exclusive benefit of existing pension plan members. It's true that most of the pension plan members are still working, but only a portion of them would be working in those businesses in which the fund has directly invested.

What we're looking for is a greater stake in the success of every business our members work for. In the case of publicly-owned companies, like Genco, Servco and MEUs, employee ownership is problematic, but gainsharing is not. We see no reason why gainsharing cannot be implemented in public utilities and there are many reasons why it should. Remember that employee ownership or gainsharing is only one side of the equation, the other is employee participation.

The PWU is taking the first step down the road to greater participation in the business through our responsibility program that encourages our members to act as business partners and owners. The union is taking this approach because we believe it is necessary if the businesses we work for are to succeed and because we want to establish that we can be valuable business partners who should be given a stake in the success of the business.

We believe this responsible approach will be more likely to attract the private sector into PPPs that would involve our union. We recognize that potential private sector partners may be hesitant about getting involved in a unionized situation and we want to turn that hesitation into enthusiasm. What we want in return is an opportunity to buy into the business, so that we can all share in our joint success.

**In summary, we think that PPPs in the Ontario electricity industry are the wave of the future because so much of the infrastructure and expertise in the industry is currently in the public sector, but this has to change in order to bring the new investment into the industry that is needed to fuel competition and job creation.**

We in the PWU want to be an integral part of that future, not just a source of labour. And we are taking the steps we believe are necessary to demonstrating the seriousness of our intentions and the advantages of partnership with us.