

INTRODUCTION

First of all I would like to thank all members of the Standing Committee for the opportunity to make a submission to you on behalf of the Greater Charlottetown Area Chamber of Commerce.

As a preliminary comment, it is the Chamber's view that organized societies such as ours require institutions like the Island Regulatory and Appeals Commission to provide an efficient forum for the regulation of certain activities and services and for the timely and cost-effective resolution of disputes.

IRAC is a creature of statute. As a result, IRAC only has the jurisdiction and the powers given to it by the provincial government. Sometimes IRAC gets criticized for its activities, but at the end of the day, it is the government that defines and limits IRAC's powers.

IRAC is involved in a number of different areas but I understand the focus of your hearings is on two of these: energy costs and rent increases. I will briefly make submissions on both of these areas.

ENERGY COSTS

First of all, energy costs. The past few years, in particular, have seen dramatic changes in energy prices. Electricity rates have been a high-profile and legitimate issue of concern for our members.

IRAC is responsible for regulating the activities of Maritime Electric Company Limited and, at the end of the day, must approve rate increases before Maritime Electric can pass them on to Islanders.

The world of electricity pricing is a complicated and constantly changing one, and I do not pretend to be an expert in this area. However, if we look at the last rate case hearings that IRAC conducted, it is apparent that most of the rate increase stems directly from an energy purchase contract signed by Maritime Electric.

Prior to the hearing, IRAC retained an independent expert to review Maritime Electric's energy purchase contract. At the hearing this expert testified that, in his opinion, Maritime Electric was getting the best price that it could, and that a variety of factors beyond the control of Maritime Electric, such as the price of oil, foreign exchange rates, and the move to prices based upon the New England market, were behind the energy price increases. We understand that no evidence was introduced

to question the expert's conclusions and that IRAC accepted his conclusions.

The role of IRAC, as defined by its enabling legislation, is to scrutinize the evidence presented and render a ruling, based on that evidence. With such complicated subject matter, IRAC's decision to engage an expert to assess the submissions of the utility was a prudent one.

RENT INCREASES

I would like to now speak for a few minutes on the second issue, rent increases.

Many of our members question whether IRAC even needs to be in the business of regulating rent increases. If one believes in the law of supply and demand, there is no reason to control the amounts that landlords charge. If a landlord charges more than the market will bear, he or she will find that apartment sitting empty.

Assuming for the sake of argument that some form of rent regulation should continue to exist, our view is that more attention must be paid by IRAC to the realities of the marketplace. For example, IRAC adjusts fuels prices on an as-needed basis in order to try to ensure that the cost charged to the consumer bears some relationship to current market prices. This

doesn't happen in the world of rental properties. As a result, as has happened recently, a small annual rental increase can be approved and subsequent to approval, there can be large increases in, for example, oil costs, and the landlord has no practical way to recover those costs.

Getting a 1% rental increase from IRAC in a year where the cost of oil doubles is unacceptable. We need changes in this area.

The decision of IRAC in late 2008 to reduce the 2009 rental increase that had already been approved was salt in the wound. Basically, IRAC did nothing to come to the aid of landlords in 2008 but then denied them the chance to recover at least a portion of their losses in the following year. Not only was this frustrating since most landlords had already provided their tenants with written notice of the 2009 rental increase, but more significantly it showed a lack of concern for maintaining balance between the rights of landlords and the rights of tenants.

Currently the act allows for rental rates to be reviewed annually. It is the view of our members that rates should be reviewed semi-annually so that the rapidly changing circumstances in the marketplace can be more adequately reflected in rental rates. Additionally, the 90-day notice period provided to tenants should be adjusted to 45-days.

Finally, rental rates are established when a building is opened. Increases from that point onward are tied to the annual increases allowed by IRAC, even when the apartment is rented to a new tenant. This “grandfather” clause does not allow landlords to reflect the new market reality in rental rates, or to recoup the costs of renovations required to market their units to new tenants.

CONCLUDING THOUGHTS

In conclusion, IRAC serves an important role in our society.

In the area of electricity rates, IRAC's role is to monitor the activities of Maritime Electric. In the last rate hearings, IRAC discharged its responsibilities by retaining independent expertise to review Maritime Electric's energy purchase contract in order to make an informed decision regarding rate increases.

In the area of rent regulation, if there is to be rent regulation, rent increases must bear some relationship to actual cost increases. Regulation must also have the capacity to respond to unforeseen cost increases. Finally, the importance of maintaining balance between the interests of landlords and the interests of tenants must always be kept in mind.

Thank you once again for the opportunity to present this afternoon.



Sean Casey
President