



Hydro One Ltd. Stock: The Pros and Cons of Investing in a Company With Government Ties

Description

The woes of being an investor in a privately run but publicly traded company can be enough for even the most plain vanilla company. For firms such as **Hydro One Ltd.** ([TSX:H](#)), however, the realities of a century-long-plus relationship with government involvement can prove complex for investors looking to forecast futures.

It goes without saying that different governments have different agendas, and with provincial politics in Ontario taking a hard left turn in recent weeks, the future of Hydro One and its ability to raise rates, vote in higher compensation packages for executives, or run the business as usual may become much more difficult in the near term if Premier Ford decides to put the government's 47% stake in Hydro One to use. The "[Fair Hydro Plan](#)" that has been proposed and the Ontario Energy Board's previous resistance and incrustation of proposed rate increases by Hydro One could potentially take a more conservative turn under a Ford government.

Premier Ford has [spoken out](#) against the compensation packages of some of Hydro One's most notable employees, thereby indicating that the government could potentially get rid of the board and senior executives at the company could cause rates to decline – moves that would undoubtedly cause turmoil. While this is all speculation at this point, it appears the market is taking a negative view of potential government intervention, with investors largely staying on the sidelines with respect to Hydro One.

Bottom line

The degree to which government intervention in the private sector affects stock price performance in a positive or negative manner really depends on the company in question. With hydro in Ontario being a hotbed for discussion and a potential vote-changer moving forward, I expect the situation will turn out to be much less rosy for Hydro One than numerous Bombardier interventions from various of the Canadian government.

Stay Foolish, my friends.

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Date

2025/07/21

Date Created

2018/07/03

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