

December 12, 2017

Honourable Cliff Cullen
Minister of Crown Services
Room 314 Legislative Building
450 Broadway Avenue
Winnipeg, MB R3C 0V8

Subject: Manitoba Hydro's Proposed Electrical Rate Increases

Dear Minister Cullen:

We are writing you today to raise our members' concerns regarding Manitoba Hydro's proposed electrical rate increases, and their impact on Manitoba small and medium sized businesses.

As you know, CFIB represents 4,800 independently-owned small- and medium-sized enterprises across Manitoba. Our members have made it clear that electrical rate increases of 7.9 per cent annually until 2023-2024 would severely impact their businesses and employees. In fact, energy costs are already among the top three cost pressures identified by Manitoba small business owners in CFIB's November 2017 Business Barometer®.

Low electricity rates are important to keep Manitoba's businesses competitive in a global economy. Higher hydro costs mean small businesses have fewer resources to create jobs, invest in their businesses, and contribute to the economic growth of the province. If costs continue to increase without more significant relief measures, Manitoba's small business climate will suffer.

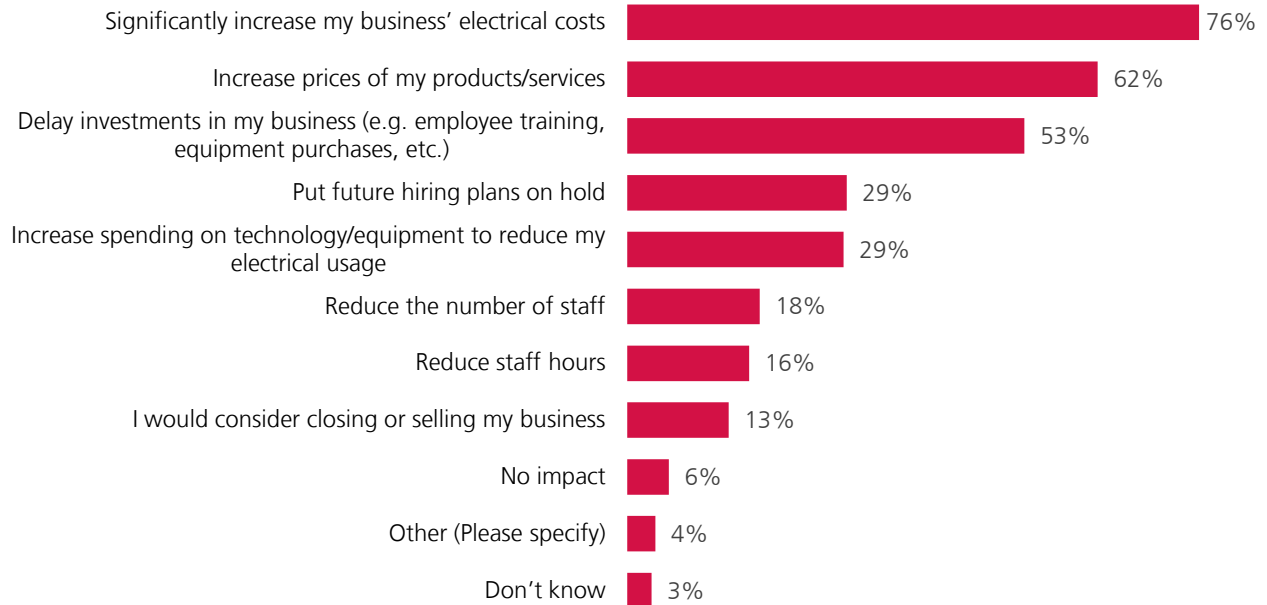
CFIB surveyed its members on this important issue between October 26 and November 10, 2017, and results were collected from 223 small business owners. When asked: "*If Manitoba Hydro increases consumer electrical rates by 7.9% annually until 2023-2024, what would the impact be on your business?*" a majority (76%) of respondents said it would significantly increase their electrical costs; 62 per cent said they would increase prices of products/services; and 53 per cent said they would delay investments in their business, such as employee training, equipment purchases, etc (see Figure 1). Even more concerning is the fact that 29 per cent said they would put future hiring plans on hold, 18 per cent said they would reduce the number of staff, and 16 per cent said they would reduce staff hours.

The government must recognize that Manitoba business owners are already dealing with much uncertainty related to the concerns about the federal government's proposed tax changes, the NAFTA renegotiation, the Made-in-Manitoba carbon tax, and looming increases to Employment Insurance premiums and Canada Pension Plan premiums. A large increase to electrical rates will have a major negative effect on the small business climate in Manitoba.

Furthermore, one of the intentions of the Made-in-Manitoba carbon tax is to incentivize consumers to make the switch from natural gas to electricity, by increasing the price of fossil fuels. However, we worry a massive hike in electricity would nullify any financial incentives to switch to renewal energy consumption.

Figure 1:

If Manitoba Hydro increases consumer electrical rates by 7.9% annually until 2023-2024, what would the impact be on your business? (Select as many as apply)



Source: CFIB Manitoba Pre-Budget Survey 2018-2019, December 2017, n= 223.

Instead of pursuing significant rate increases, Manitoba Hydro should further its efforts to curb operating spending. CFIB commended Manitoba's Hydro's "necessary first step" to reduce its workforce by 900 positions in early 2017. However, CFIB members were surveyed in April, 2017, and 87 per cent still believed that Manitoba Crown Corporations should reduce the size and cost of their civil service through attrition. More can and must be done to further reduce Manitoba Hydro's labour costs.

Furthermore, one of CFIB's 2018 pre-budget recommendations to Minister Friesen included targeted tax relief measures to help small businesses facing many rising costs. We recommended the removal of PST charges on Manitoba Hydro bills for all small businesses. When surveyed in November, 2017, 79 per cent of members agreed that the provincial government should "*Remove PST charges for small businesses on MB Hydro bills to help alleviate the impact of increases in the electrical rate.*"

Thank you for your attention on this important issue. CFIB would be pleased to discuss this topic further with you or your staff. If you have any questions, please contact our office at (204) 982-0817.

Sincerely,

Jonathan Alward
Director of Provincial Affairs, Manitoba

cc. Grant Doak, Deputy Minister of Crown Services