



CFIB Presentation to the Public Utilities Board:

Manitoba Hydro's General Rate Application

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Good morning everyone, on behalf of the Canadian Federation of Independent Business (CFIB), thank you for the opportunity to present the small business perspective of Manitoba Hydro's general rate application.

My name is Jonathan Alward and I am the Manitoba Director of Provincial Affairs for CFIB. At CFIB, we are passionate about small business. Because of their massive contributions to our economy, employment and communities, we believe small businesses deserve a strong voice in government decisions. CFIB provides a reasonable, credible and effective way for small businesses to participate in the political process – just like big businesses and unions do.

CFIB represents 109,000 independently owned and operated businesses across Canada, including 4,800 in Manitoba. We are a strictly non-partisan, not-for-profit organization. Our members are located in every region of the province, and in sectors that closely mirror the provincial economy.

Every CFIB policy position is set by direct feedback from our members through accurate, regular surveys, which operate under a one member, one vote system. Our views are strictly based on results from these surveys. It is with great confidence that I can present here on behalf of our 4,800 Manitoba members, to express the concerns that small business owners have with the proposed 7.9 per cent rate increase being debated.

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®.

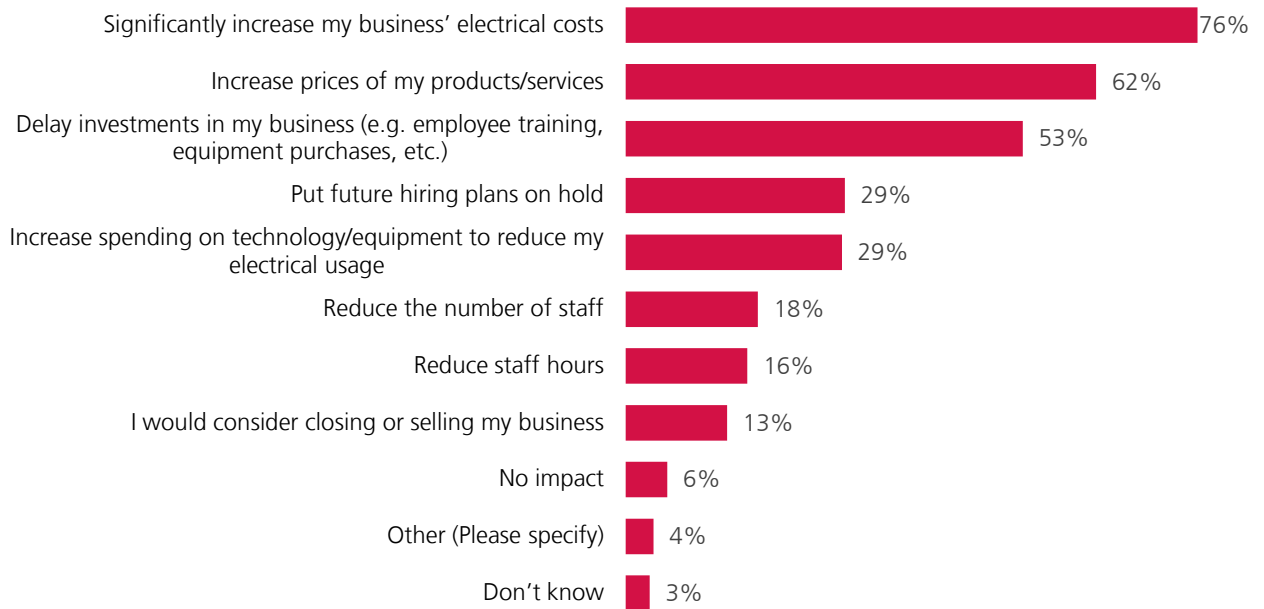
Low electricity rates are important to keep Manitoba's businesses competitive in a global economy. Higher hydro costs mean small businesses have fewer resources to create jobs, invest in their businesses, and contribute to the economic growth of the province. If costs continue to increase without more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

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.

Figure 1:

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



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

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.

Instead of pursuing significant rate increases, we believe Manitoba Hydro should further its efforts to curb operating spending. It is important to note that CFIB commended Manitoba Hydro's "necessary first step" to reduce its workforce by 900 positions in early 2017. We understand this will save Manitoba Hydro approximately \$65 million each year when fully implemented. However, a recent CFIB survey found a strong majority (87%) of Manitoba small business owners 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.

Thank you again for considering the concerns of Manitoba small business owners outlined today. It is our hope that the Public Utilities Board will limit electrical rate increases, and instead emphasize the need for Manitoba Hydro to continue reducing its costs.