

## MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)  
2019/2020 GENERAL RATE APPLICATION  
HEARING

Before Board Panel:

Robert Gabor, Q.C. - Board Chairperson  
Irene Hamilton - Board Member  
Carol Hainsworth - Board Member  
Robert Vandewater - Board Member

HELD AT:

Public Utilities Board  
400, 330 Portage Avenue  
Winnipeg, Manitoba  
October 26, 2018  
Pages 1162 to 1333



“When You Talk - We Listen!”



1 policy rate can only change when the Bank of Canada  
2 meets to consider that, and that only happens once --  
3 what is it, every second month, or I think maybe eight  
4 (8) times a year.

5                   So it's infrequent and it's not going  
6 to -- it's only changed five (5) times in two (2)  
7 years, the bank -- the 10-year bond rate changes  
8 daily.

9                   MR. ROBERT WATCHMAN:   Now, Kristen if  
10 we go to the last page, under recommendations, and  
11 recommendation 2, you recommend the use of the 50/50  
12 interest rate forecast. And that the -- the last  
13 sentence there reads:

14                   "The naive interest rate forecast  
15 ignores recent monetary policy and  
16 economic events that indicates  
17 rising interest rates that are more  
18 consistent with the standard  
19 interest rate forecast."

20                   Can you tell us why that observation  
21 doesn't lead you then to advocate the use of the  
22 standard interest rate forecast as opposed to the  
23 50/50.

24                   DR. WAYNE SIMPSON:   When I wrote this  
25 it was slightly less apparent to me that events were

1 moving towards a higher -- immediate higher interest  
2 rates.

3                   Since then, we've had an actual rate  
4 increase. We've had some very good economic news in  
5 terms of growth and unemployment. We've also had some  
6 news that inflation is beginning to push the 3 percent  
7 boundary, at least the consumer price index.

8                   And so that information wasn't  
9 available to me at the time, I suspect -- I can say  
10 that if I wrote this today I would -- I would argue  
11 for the standard interest rate forecast rather than  
12 the 50/50.

13                   MR. ROBERT WATCHMAN:    Okay, so in --  
14 perhaps just ignoring for the moment or setting aside  
15 the Board's prior position on interest rate  
16 forecasting, what would your best estimate be for the  
17 interest rate forecast?

18                   DR. WAYNE SIMPSON:    The SIRF. I don't  
19 think I can do better than the banks. They spent a  
20 lot of money on this and they employ experienced and  
21 credible people.

22                   MR. ROBERT WATCHMAN:    Thank you, Dr.  
23 Simpson. Thank you, Ms. Sherry.

24                   Mr. Chair, those are all my questions.

25                   THE CHAIRPERSON:    Okay, I would ask