



**Business Council
of Manitoba**

**2020-2021
PROVINCIAL BUDGET SUBMISSION**

BUSINESS COUNCIL OF MANITOBA

FEBRUARY 20, 2020

February 18, 2020

Honourable Scott Fielding
Minister of Finance
Province of Manitoba
Legislative Building
Winnipeg, Manitoba

Minister Fielding,

The Business Council of Manitoba is again pleased to submit our comments and recommendations in advance of your 2020 provincial budget. Our annual submissions covered a broad range of issues important to our progress as a province; some but not all repeated here. We stand by our recent recommendations, particularly those on improving Manitoba's competitiveness and the need for infrastructure investments.

Since 1998 the Business Council of Manitoba has offered advice to successive provincial governments; our objective to make Manitoba a better place to live, work and invest. That objective is consistent with your government's commitment to making Manitoba the 'most improved province' leading to a prosperous future for Manitobans. The Manitoba government's commitment to collaboration with key stakeholders will help ensure we advance as a province. We repeat here what we said last year:

We earnestly believe it is private sector investments that create long term wealth and sustained prosperity. We also believe the public sector has a very important role in ensuring conditions are set and foundations are sound to allow the private sector to invest, to create opportunities for all business and to employ Manitobans. Public policy, and public investments in education, health, communities and infrastructure are the primary purview of government. We succeed and excel when we are all working together. That cooperation and partnership is necessary if your government's commitment to Manitobans to be the province with the "most improved job creation and economic growth" is to be achieved. Long term sustainable growth and prosperity driven by private sector investment is what will ultimately produce a balanced budget and make Manitoba "most improved in public finances".

The Business Council will work with you to help achieve the government's new target of 40,000 net private sector jobs over the next 4 years. It is an aggressive target and there are headwinds that will make success even more of a challenge.

Over the past four years you have made significant progress in meeting the province's fiscal challenges, with increased federal transfers contributing to the improvement. Continued fiscal prudence is necessary while you pursue your government's agenda for growing Manitoba's economy. However, given your government's successful efforts yielding an improved fiscal capacity we recommend that there now be a strong commitment to making strategic investments to support and enable key sectors that will contribute substantially more to the economy if these investments are made. Underinvestment in public infrastructure will constrain private investment, job creation and economic growth.

We look forward to receiving an update on multi-year infrastructure investment intentions and in particular learning in your budget what specific infrastructure plans are in place for federal-provincial cost shared infrastructure initiatives over the next year.

The challenge to diversify our agricultural, manufacturing, resource, financial and service sectors to strengthen our capacity for export, create jobs and grow the economy requires both public and private investments within a climate of confidence and certainty. Increased coordination between governments and the private sector will make increase the likelihood our efforts will be successful.

We have consistently recommended actions to “Grow Manitoba’s Economy”, and hence our support of your plans for job growth. We recommend a focus on high skill jobs with higher earning potentials knowing that many such jobs are now vacant and unfilled because of a lack of talent, compromising our ability to expand. As we stated last year progress requires a predictable and stable means of producing, attracting and retaining the talent we need in an increasingly competitive global marketplace.

We are pleased the province has linked economic development and training and has endorsed our Council’s cooperative efforts with the Post-Secondary Presidents Council resulting in the ‘Horizon Manitoba Report’. Working together with government we can develop the strategy needed to ensure success in enhancing post-secondary education in Manitoba and contribute to growing our economy.

Also, we are pleased the Manitoba government continues as a key financial partner in the Aboriginal Education Awards program. Together our partnership has enabled over 2500 awards valued at more than \$6 million supporting students pursuing their educational goals, demonstrating the benefits of public-private collaboration. Our partnership allows increasing numbers of indigenous students to participate in our economy.

Improving Manitoba’s Competitiveness

The Business Council of Manitoba is not alone in recommending the need to improve our competitiveness. It is a widespread concern across Canada and most business organizations echo these concerns.

Our recommendations last year for improving our competitiveness remain relevant:

- improving taxation policy to ensure it is fair, equitable and efficient;
- reforming provincial and municipal regulatory systems providing for public safety and health protection, and doing so without overburdening compliance, but ensuring timely decision making by authorities;
- supporting and encouraging innovation in both the public and private sectors;
- investing in our transportation infrastructure to ensure it moves goods and people efficiently and enables trade;
- investing in community assets to strengthen and support our communities;
- improving access to capital;
- promoting Manitoba more aggressively to expand our markets and attract capital; and
- addressing labour market issues including growing the critical supply of the talent we need.

While progress is being made more can be done as stated in the “Growing Manitoba’s Economy” report.

The competitiveness of our manufacturing sector, in particular, is a serious concern. We continue to encourage the Manitoba government to make a review of our competitiveness a priority issue.

The Business Council is on record advocating the benefits of tax policy reform and we encourage the Manitoba government to establish a tax commission. A more efficient tax system is key to ensuring Manitoba is competitive in an increasingly competitive global marketplace.

We believe more can be done to encourage increased capital investment in Manitoba to allow our manufacturers and agri-food processors to expand to take advantage of emerging trade opportunities and demand for their products.

We suggest the government consider the targeted approach we shared in December. Specifically, we ask the government to remove or provide credits for PST on major capital investments. These capital investments lead directly to gains in competitiveness, capability and capacity, all keys to growth, increased exports and job creation.

We are pleased the government accepted our previous recommendation and in the Throne Speech its renewed commitment to enhance the film tax credit program and boost production in what is a quarter billion dollar industry benefiting communities throughout the province. The provincial investment is justified by the increasing returns.

We also support the government’s efforts to address climate change. From our members’ perspectives corporate risk management is increasingly addressing means to mitigate the effects of climate change and the impacts on the individual businesses. To that end the impacts of a carbon tax as a tool to achieve needed reductions in Greenhouse Gas emissions on our overall competitiveness should not be ignored. An additional tax without appropriate credits may compromise our efforts to grow and support other needed investments.

We support the government’s continued implementation of the Manitoba Climate and Green Plan and its important initiatives. Investing in conservation, electrifying parts of the transportation network, examining the feasibility of new interprovincial and northern power grids, rural reforestation and urban tree canopy efforts are all important elements.

The new conservation trusts are an interesting example of how government may address important issues where public investment complementing private and community actions is required. In these cases, the return on investment includes not only financial measurements but outcomes important to the broad public interest. We encourage further examination of this model and its applicability to arts and culture.

Trade and Tariffs

Marketing and trade promotion are critical to expanding and diversifying our international markets.

With trade diversification a priority for both the federal and provincial governments the Business Council is on record as being prepared to participate in government efforts to expand international markets for Manitoba businesses and to participate in trade missions.

Internal Trade

Similarly, we encourage the Manitoba government to continue with its leadership among Canadian premiers to forge ahead with reducing interprovincial trade barriers. No matter how they maybe be justified interprovincial trade barriers are economically inefficient, costly to consumers and impede economic growth and job creation.

Winnipeg International Airport

The Winnipeg International Airport is a provincial asset enabling substantial economic development. For more than twenty years we have had the means to assure the strategic direction for the Province was not thwarted by approval of incompatible land use or development within the City of Winnipeg which might risk the 24-hour air operations of the airport. The requirement came to light through understanding the impact of potential for increased noise complaints from residential users when specific development proposals arose in the affected areas. The Airport Vicinity Planning Area (AVPA) limits new residential development in one area but allows for reasonable new residential development in another area.

There are now proposals before the City requesting exemptions or “spot amendments” to the AVPA to allow new residential development in an area now excluded.

Residential development close to airports creates friction between citizens, airports and government, which frequently lead to restrictions on airport (particularly nighttime) operations. Winnipeg is a Canadian air cargo hub. Today’s reality of Winnipeg as the largest freighter airport in Canada was realized by marketing the benefits of our geography, climate and airport availability. Over 22 per cent of all landed freight is driven by the increased operations of the overnight integrator operations. Manitoba companies have access to networks otherwise unachievable in a market of this size. WAA is investing to further grow cargo operations for the benefit of Manitoba business. The AVPA is critical to ensure the airport can continue to connect Manitoba business with the world.

Spot amendments are not the right way to change a plan of this importance. More applications await the outcome of this process.

The Business Council believes we should learn from history and the experience of other regions and embark upon a full review of the existing AVPA, to understand the state of the science of aviation related noise and to ensure we are making important decisions based on a plan for our community and a process which enables that future. We ask the province to provide leadership by initiating that review.

Coupled with other investments planned by the Winnipeg International Airport Manitoba will be able to capture the benefits of increased trade possible through the new Trans-Pacific Trade Agreement and the Canada-EU Agreement.

CentrePort Canada

The government's commitment and support of CentrePort Canada, North America's largest tri-modal inland port, is producing results with significant new private investment. The plans for the 700-acre Rail Park are proceeding. The Business Council encourages the Province to make timely decisions in support of this important capital region project.

Access to Capital

Improved access to venture capital will contribute to Manitoba hitting its jobs target. We believe that a government commitment to complete the work this year on a venture capital framework for Manitoba is essential. Increased access to venture capital will unleash significant potential in the Manitoba economy.

On a related point the Business Council is on record as supporting the 'Passport System' for harmonization of securities regulation in Canada. Manitoba investors and issuers have benefited from the efficient and timely access a national system and an international interface provide. We continue to recommend Manitoba support the Manitoba Securities Commission remaining a part of the national 'Passport System'.

The removal in 2018 of the Special Tax Deduction for Credit Unions is negatively impacting their ability to retain capital and support small and medium size businesses particularly in rural Manitoba.

Credit Union Central of Manitoba submitted options for consideration. We urge the government to consider them. Access to capital for small and medium size businesses and startups was identified as a major concern in the 'Growing Manitoba's Economy' report.

Mining

We previously commented that more needs to be done to ensure development of our significant mineral potential. Statistics show that even with a welcome increase in 2019 junior mining company expenditures in Manitoba are only half of what they were in 2007. The downward trend has been continual to the point Manitoba at 2.8 per cent now accounts for less than half of the Canadian mineral exploration expenditures it did in 2001.

In much of northern Manitoba mineral development is the only option for employment and is the key to future jobs and prosperity including indigenous communities. To build on the progress under 'Look North' and the establishment of the Manitoba Mineral Development Fund we encourage immediate action on new streamlined processes for mineral permitting and development. Recognizing the significant lead time between exploration permits and development we recommend the government target having these new processes in place as early in 2020 as possible. This will help assist the decade long decline in exploration expenditures.

Often inconsistent and unpredictable permitting times and an uncompetitive tax regime further hamper Manitoba's ability to attract increased private investment.

Depending on the outcome of investment decisions by existing operations mining employment may shrink further. Failure to act to encourage more exploration and mine development may lead to more employment declines.

Tourism

We support the government's commitment to promoting more tourism to Manitoba. The merits of the decision to adopt an innovative approach to supporting the marketing mandate of Travel Manitoba with a stable, predictable funding model are demonstrated by the significant return on the investment.

Attracting major events is a logical step to build on Manitoba's natural assets and our diverse cultural and community assets. We repeat our recommendation that to remain a top world destination we must continue to invest in developing new tourism product and experiences and to pursue collaborative public and private investments in museums, galleries and cultural facilities. The creative industries in Manitoba including our major and community performing arts and cultural groups are tourism related assets to be supported, expanded and promoted.

Arts and Culture

The Arts and Culture sector contributes substantially to the economy, to the well-being of our community, and adds to our international image as a vibrant modern province. Our cultural assets enhance our tourism marketing and attractiveness as a destination. In the first term your government completed an important arts and cultural policy review that reported on how "Manitoba's cultural and creative industries have emerged as an economic powerhouse" accounting for more than 22,000 jobs and contributing more than \$1.6 billion to GDP. The review went on to report that "building strength and resilience in cultural organizations yields direct economic benefits".

The Business Council recommends there now be a strong commitment to additional investments in the sector recognizing not only is there a positive return on those investments, but our cultural assets are critical to our collective future success. We remain committed to working with the provincial government in support of our arts and culture community.

Sustaining our cultural organizations and working together to enhance our cultural infrastructure should be priorities both government and the Business Council can agree on.

Education

The Business Council previously shared its vision for education. We emphasize that education and training underpin all our collective efforts for economic growth, with numerous reports attesting to that, including the government's economic growth report last year.

The commitment to a major reform of the Kindergarten to Grade Twelve educational system with improved outcomes is an important step. As the government makes its decisions for implementation of the review's findings, we recommend a system-based approach recognizing the importance of early childhood education as crucial to ensure more positive results in senior

years. Numerous studies show too many ill prepared students fall behind in elementary school never to close the gap. Failure to address this problem negates any progress being made in senior years and post-secondary education.

A New Water Strategy

We have advocated for a new water strategy encompassing water management, conservation and use within the province. We are pleased the Manitoba government shares the value of working together with the private sector and recognizes not only the importance of water conservation but the urgency of drought proofing, flood protection, wastewater treatment and the economic importance of water in sustaining local economies.

Changing practices within the agricultural sector combined with the impacts of climate change and significant new opportunities for increased food production and the export of agricultural commodities and processed products are creating additional demands for water on farm and in communities.

A new comprehensive water strategy is critical to supporting increased private sector investments and to the success of the Province of Manitoba's Agricultural Protein Strategy. The leadership of the province is essential to ensure we safeguard our water supplies, and provide for sustainable agricultural, residential, commercial and industrial use. The Government of Canada has expressed its interest in participating in development of water strategies to meet the same objectives of sustainable economic growth and water conservation. Cooperation is essential.

Flood Protection

The Lake Manitoba outlet channel is a critical provincial infrastructure project; the type envisaged when Manitoba and Canada signed the Red River Flood Agreement during the Flood of the Century in 1997. Both governments foresaw the need for additional major capital works in the future, the first of which was the Red River Floodway expansion followed by additional work on the Assiniboine River Diversion and the Shellmouth Reservoir. The Lake Manitoba outlet channel is a logical next step following these other works providing flood protection in Manitoba.

We encourage both the federal and provincial governments to reach an early agreement on cost sharing consistent with the spirit of the 1997 agreement that lead to increased protection in the City of Winnipeg and other communities in southern Manitoba.

Winnipeg Wastewater Treatment Facilities

The Business Council is on record supporting the modernization of Winnipeg's wastewater treatment facilities. This is an important issue ecologically and economically.

It is important to acknowledge that Winnipeg's city water treatment was once ahead of its time when installed in 1937 and upgraded in 1960, but it is the collective fault of successive City and Provincial governments since 1960 to upgrade infrastructure that has placed us in the unfortunate state we are in. The Business Council sees the urgency for all levels of government

to act collaboratively to solve the problem today. It is imperative that the need for significant improvements to the wastewater facility be started and completed on a timely basis.

The Business Council applauds the recent attention the Province has paid to the issue of the Lake Winnipeg Phosphorus levels as they relate to the Winnipeg North End treatment facility. This is an issue the Business Council has had on its radar in recent months. We offer summary observations relating to responsibilities of all levels of government.

City of Winnipeg:

While the city missed deadlines with respect to emissions for the North End facility, we believe the City Engineers are taking an appropriate and responsible approach to the problem as it exists today. We believe the proposed province/city committee is a positive step to ensure provincial/city coordination leading to early decisions on solutions especially on the reduction of phosphate emissions and financing.

Province of Manitoba:

The City is not the only source of Phosphorus in the lake. At present other municipalities report their emission levels to the Province, but this data is not public. We recommend this information be made public such that an appropriate discussion can take place with regards to other Municipal sources that may need attention.

Agricultural sources as they relate to ground water runoff are also a factor in this discussion. We note and applaud the province for taking some action on this front. It appears there is a lack of consensus on how to approach this problem in each of the Manitoba ecosystems. It is further believed that possible solutions may also have positive impacts on agriculture as we struggle with the coming effects of Climate change and irrigation needs. We recommend this matter be studied further, and, test sites be created in order to bring certainty to any future investments.

Provincial regulatory requirements:

In addition to Phosphorus regulation, the province also imposes a maximum Nitrogen level target be achieved. In the case of the City of Winnipeg, that would only be addressed in full with phase three of the North End facility. The Business Council has encountered numerous sources on all sides of the debate that are openly questioning the imposed limits and their benefit. We believe the Province should review this Nitrogen target considering recent science on this topic.

Canada:

Federal cost sharing is critical and justified based on precedents of federal participation in similar projects across Canada.

The three-phase plan set out by the City is a good start if we move quickly with implementing this needed infrastructure investment.

Public Administration

We note in the Throne Speech the commitment to innovation and modernization within government operations. The Manitoba Civil Service has a long and proud tradition of serving successive governments and Manitobans irrespective of political orientation and external circumstances be they crisis, floods, or forest fires. Change is necessary to ensure our services remain among the highest performing in the country with the highest expectations for performance. However, we urge the government to maintain the fundamental principles that have enabled the Civil Service of the Province of Manitoba to be stable and as effective as it has in serving the best interests of all Manitobans.

Specifically, we feel strongly that the merit-based principle for entry into, and promotion within the Civil Service be maintained. Unlike in some jurisdictions we do not believe there should be shortcuts into the Manitoba Civil Service. Just as government and the public are best served through a competitive bidding process for goods and services, the public can best be assured its Civil Service is high performing and impartial if all employees within the Civil Service are hired on merit through open postings and competitions. All civil servants should be subjected to the merit-based system.

Human resources management is another area critical to the success of our companies as well as the Civil Service. Many of our members are supportive of the Chartered Professional in Human Resources (CPHR) association and its programs. They serve to strengthen and uphold the highest standards of professional and ethical practice.

In that regard we recommend the government adopt legislation for the self-regulation of the Human Resources profession, a growing and important professional body. All employers, public and private, will benefit from such legislation which should be considered part of the modernization process. Several provinces have already adopted or introduced legislation.

Concluding Comments

The “Manitoba brand” is in good shape. As respected suppliers of goods and services around the world our reputation is positive, but it could be enhanced. Our brand reflects our improving fiscal position, our economic climate and capacity, steady private sector investment, competency in new and emerging economic sectors, a highly regarded post-secondary system, and talented people. All of this positions us to strengthen our reputation and our economic prospects.

Given the importance of downtown Winnipeg revitalization to further growth as well as to sustaining existing commercial and public investments there is another matter impacting our reputation.

Related to our economic performance and ability to attract investment is the challenge of ensuring public safety and wellness in our communities; and in dealing with the conditions that lead to the unfortunate circumstances now plaguing our capital city in particular. Those circumstances colour the perception of our province when attracting investment and recruiting and retaining much needed talent.

All three levels of government have a role to play and we support the province making an unwavering commitment to actions now and throughout 2020 to ensure we have measurable progress as we celebrate our 150th anniversary as a province. These actions need to attack the root causes, with responses being found in the fields of health care, addictions treatment, and mental health, all areas where the province has rightfully initiated work.

Reputation and brand management requires ongoing actions just as the continuous improvement the province committed to in its internal operations. Success yields a growing economy, prosperity and sustainable employment for Manitobans. With concerted efforts to improve our competitive advantages and with key investments we may become the most improved province.

Respectfully submitted,

Business Council of Manitoba

Fiscal and Economic Competitiveness Committee

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