



May 8, 2012

Time to Expand the Manitoba Advantage.

There has been much discussion about the direction Manitoba Hydro (MH) is heading in and the role it should play in our province. It's an important discussion to have because MH is one of the most significant drivers of our economy.

As a Crown Corporation, MH wields great potential as a tool for regional development within the province and expanding the role of Manitoba in Western Canada's economy. Substantial investment has created a competitive public utility with billions of dollars of capital assets - and great capacity for the creation of profit. This capacity makes it a constant target for privatization, a threat that persists despite assurances from those who would privatize that they have no such aspirations. Privatizing MH would have dire consequences for Manitobans, including the removal of the corporation's ability to steer economic development through its procurement policies and training programs (tools not available to private corporations). Others point to MH's lower than private-market rates and argue that an increase would boost profitability and convince people to conserve. However, our low rates attract businesses to the province, keep existing businesses competitive and make our province one of the most affordable places to live in Canada (the so-called "Manitoba Advantage").

MH has played other important roles in our economic development. It has ensured that remote communities - that would not have been serviced by privately-owned power companies - have access to electric energy. Publically-owned utilities also acted as risk taker or insurer of last resort in the development of large hydro projects - projects the private sector never would have taken on, but which now, ironically, make the corporation a target for privatization. MH also engages in leading edge research and development. Indeed, Hydro is internationally recognized as a leader in high voltage transmission technology of the DC variety. This ability to advance new technology should drive a comprehensive regional development plan to replace fossil fuel energy.

MH does a good job of educating Manitobans about the virtues of conserving energy through its Power Smart program. In his book *Build Prosperity: Energizing Manitoba's Local Economy* (2012), Shaun Loney describes how more can be done to use our energy resources more efficiently. As well, the possibility of implementing a sliding price scale that would increase with high volume use could be considered, but such a scheme would have to consider the overall economic and social objectives of the province.

Recently MH has come under fire for its medium and long-term plans to increase exports to the US. There is concern that demand for hydro



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power will decrease as lower-cost natural gas from fracking technology (the process of injecting high-pressure water into shale rock to extract natural gas) comes on board. The jury is still out on whether or not this new technology is going to be a major player in the energy market, particularly given environmental concerns. We are also waiting for the US economy to recover from the Great Recession so that demand for energy is restored. These developments demonstrate that future demand is impossible to predict one way or the other, but it is unlikely that demand for our energy is going to disappear. Two foreign customers (Wisconsin and Minnesota) are committed to buying energy classified as sustainable: MH's product meets their criteria.

Another way that MH could boost demand for its product AND boost local development is to formulate a comprehensive plan for local public transportation using electric vehicles.

The province and the city are currently working on the development of a rapid transportation system for Winnipeg which, as critics have noted, is a laggard in this regard. The Vancouver Sky Train (1986), the Calgary C-Train, the Montreal Metro (1960s) and the Toronto subway are cited as examples of modern transportation systems. All of them are powered by electricity. Why are we not exploiting hydro-electric power to build and run a modern transportation system?

In fact the province is already encouraging the development of an electric bus with a recent \$1 million investment in collaboration with locally-run New Flyer Industries, Mitsubishi, Manitoba Hydro and Red River College. Slated to be ready for testing one year from now, this new technology could be the basis of a comprehensive economic development initiative that would allow Winnipeg to finally realize its transportation master plan as it phases in electric busses to an expanded rapid transit system.

A modern rapid-transit system should be at the heart of our vision for future development.

Indeed, one could argue that failure to develop such a system will impair, at great cost, the growth potential of both the province and our capital city.

There would be no reason to stop at busses. The province is also partnering with Red River College to develop an "electric vehicle learning and demonstration centre". It makes perfect sense to encourage technological development in this area and to provide incentives to Manitobans to adopt electric-car technology. This demonstration centre could lead to a new program at Red River that would attract new students to the province. With MH as an active partner, Manitoba could become a hub for the development and use of new electric transportation technology and expanded generation and transmission of wind and solar energy.

Even a divided Winnipeg City Council could not deny the benefits of such a plan. Not only would Rapid Transit get the support of provincial investment in the form of new technology, it would see local industry and employment grow at the same time. By expanding in the value-added manufacturing sector, important backward and forward linkages would be established that would benefit both the private and public sectors. A bilateral agreement between the city and province could herald a new era of inter-governmental cooperation that would result in substantial economic, environmental and social improvements in our province. Demand for hydro power would increase, thereby raising Hydro's profits, allowing it to keep rates low, provincial revenues high and even increase subsidies for municipal public transportation and green technology research.

Our export market will continue to have its ups and downs, whether from new technology, weather variations or the vagaries of our volatile economic system. One way of smoothing out demand is to exploit our own potential here at home: MH gives us the perfect vehicle to do just that.

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