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Canadian Centre for
Policy Alternatives
Manitoba Office

900 Manitoba Hydro Workers Thrown Off Deck

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The news that Manitoba Hydro will shed 900 employees hit the community like a tonne of bricks. The new government said cutbacks were coming, but 900 is a staggering number; 15 percent of Hydro's workforce. Not only is this a tragedy for the workers and their families, it is a real blow to our economy. It is unclear how this will impact hydro services we rely on.

Manitoba Hydro is one of Canada's top 100 employers and one of the most important employers in the province. It provides high-quality jobs with solid pay and benefits, helping to boost incomes in a province with lower than national-average wages. These are the jobs we'll lose; jobs that give workers disposable income that help keep the local economy humming.

We shouldn't take any comfort from the promise to include retirements and attrition in these numbers – we don't know what percentage will fall into this category—because it means that decent jobs will be lost to young professional people hoping for a career with a decent employer.

MB Hydro Board Chair Sandy Riley's assurances that Manitobans can shoulder the coming annual double-digit hydro increases will come as cold comfort to low-income customers, many of whom are energy poor. Yes, hydro rates are enviably low compared to other provinces, but for those who live in older, poorly insulated homes, energy bills eat up a disproportionate amount of the household budget. This will be another blow for low-income Manitobans who were already hit on the income side when the Conservatives refused to increase minimum wage, even by the rate of inflation.

Premier Pallister and Mr. Riley will need to answer some serious questions. How many of these workers are young or mid-career employees? Where will these workers go to find equivalent, professional jobs? Will the layoffs include front line workers who repair power lines when customers lose power? How can customer service not be affected? What will the loss of 900 decent jobs mean to Manitoba's future?

The Hydro board, Premier and Crown Services Minister Ron Schuler all claim that Hydro's finances are in trouble. Schuler went so far as to claim that the crown was bankrupt, a statement even the Premier agreed was over the top.

What is actually true is that the Crown's finances are in the same condition they were when the Public Utility Board gave the green light for borrowing and investment in Keeyask and Bi Pole III. Furthermore, the Public Utility Board/Needs For Alternatives To (PUB/NFAT) report found that: "Single digit equity ratios were not highlighted as a significant risk when projects (were) approved" and that the ratio should recover to 20 percent by 2025. What equity ratio are Riley and the Tories aiming at, and over what period? Certainly we should not be applying private sector standards to a fully guaranteed crown corporation in the middle of a huge capital program when it is normal for debt to be higher.

Premier Pallister and board chair Riley have also justified taking drastic measures by pointing to Manitoba's credit

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IN LABOUR ISSUES

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rating. Last summer, the credit-rating agency Moody's expressed concerns about the government's finances because of the combination of Manitoba Hydro's debt — which the province is responsible for — and the provincial debt. The year before, Moody's downgraded the province's long-term rating slightly, to AA-2 from AA-1.

Then S&P Global Ratings followed Moody's 2015 downgrade in July 2016 and slightly lowered its rating. Much hand-wringing accompanied the news, but no background was included in the announcement.

It's worth looking at what the credit rating agencies say about Manitoba. Moody's report found that: “[Manitoba's] rating outlook is stable, reflecting our assumption that the anticipated deficits and increasing debt burden will be balanced by strong provincial economic performance and high debt affordability”. Another agency, Dominion Bond Rating Service or DBRS, which uses a different rating system, reported in September 2016 that the province's debt rating was AA R1, or high and stable, for both long-term and short-term debt. It noted that “initial indications from the new government suggest a reluctance to raise taxes or make sharp and immediate spending reductions. The focus appears to be on continuing to invest in strategic infrastructure and slowing expenditure growth without significantly affecting frontline services”.

To be sure, the bond ratings agencies are watching Hydro's equity ratio closely. They will be in favour of these layoffs and rate hikes for the simple reason that in the short-run they protect their clients' investments, even if the long-run effect on our local economy is negative.

But we must remember that it is not within a credit agency's mandate to recommend broader economic or social policy. In fact, their short-sighted pronouncements can seriously damage an economy. In Manitoba's case, the small downgrade simply signals to bondholders that the situation is marginally less ideal than it was before. Yes, we will pay slightly more interest, but the strategic nature of the infrastructure investment more than makes up for that in the long run, and that's good for Manitobans. It is up to the government to balance long-term goals with the narrowly focussed reactions of bond rating agencies.

So why is the new government's assessment of our finances filled with doom and gloom? If they're so worried about our deficit, why don't they, as alluded to by DBRS, increase taxes rather than lower them as they have promised? Because the doom and gloom scenario gives them the excuse they need to shrink government and go after public-sector workers. It also sets up Manitoba Hydro for a major intervention, perhaps of the private kind.

Premier Pallister claims his mission is to make Manitoba the “most improved province” in Canada. While it isn't clear how he intends to measure this improvement, it is difficult to imagine how the loss of 900 decent jobs in a small economy like ours and double digit increases to hydro rates will improve the lives of anyone.

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References available upon request.