September 8, 2017

MANITOBA HEAVY CONSTRUCTION ASSOCIATION
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The Heavy News Weekly

INSIDE:

Business groups unite, call on Ottawa to drop federal tax changes

Canadian Chamber of Commerce, August 31

Image courtesy of Pexels

35 organizations from across the country have come together to form the Coalition for Small Business Tax Fairness—a unified voice to oppose the federal government's tax proposals that would dramatically change the way incorporated small businesses are taxed in Canada.

"These proposals, while intended to target the wealthy, will hurt middle-class business owners from every sector of the economy. These are shopowners, farmers, doctors, financial planners, homebuilders and trades in all sectors—the entrepreneurial families who are the backbone of the economy and responsible for the majority of the job creation in Canada," said Dan Kelly, President of the Canadian Federation of Independent Business (CFIB) and member of the Coalition. "Our coming together highlights the urgency of combatting these proposals which, if legislated, would signify the biggest changes to the business tax system in decades."

"In 10 years at the Canadian Chamber, I've never seen an issue that has generated greater concern among our members. To make matters worse, allotting only 75 days for comment in the midst of the summer holidays is not a consultation, it's a stealth attack on farmers and family businesses. The vast majority of our network's more than 200,000 members across Canada are SMEs. They will be contacting their MPs to say that these proposals must be scrapped and replaced with measures that support Canada's entrepreneurs," added Perrin Beatty, President and CEO of the Canadian Chamber of Commerce.

If implemented, the proposals will restrict small business owners from sharing income with family members; limit certain forms of saving in the business, making the firm more vulnerable in bad economic times and less able to innovate and grow; and change capital gains rules which could make it more difficult for business owners to transfer their business to the next generation.

The 35 business groups – on behalf of the hundreds of thousands of members they represent – have presented a letter to Finance Minister Bill Morneau asking the government to take these proposals off the table and instead meet with the business community to address any shortcomings in tax policy affecting private corporations.

Footnote:

The MHCA has heard broadly from members, their concerns about the proposed tax changes. The MHCA has been in ongoing communication with the Canadian Construction Association which is playing a leading role at the national level, assembling business concerns and exerting pressure upon MPs and government. At the provincial level, the MHCA was instrumental in initiating a meeting of five significant business organizations who represent the vast majority of Manitoba's economy to consider a common message and its appropriate distribution. That meeting will take place on September 8, 2017.

Chris Lorenc
MHCA President

CCA joins coalition for small business tax fairness

Thirty-five organizations from across the country, including the Canadian Construction Association (CCA), have come together to form the Coalition for Small Business Tax Fairness — a unified voice to oppose the federal government's tax proposals that would dramatically change the way incorporated small businesses are taxed in Canada. The following is from the letter that the coalition sent to the Minister of Finance

Dear Minister Morneau,

We are the Coalition for Small Business Tax Fairness. Together, our organizations represent hundreds of thousands of independent businesses, professionals and taxpayers across a wide range of sectors and regions. As you and your colleagues frequently say, small businesses are the backbone of the economy and responsible for the majority of job creation in Canada. We generate economic growth, provide critical services, and support quality of life for all Canadians. We are writing to express our concern with proposed changes to the tax treatment of privately held corporations. After a careful review of these complicated changes, we strongly believe they will have very negative impacts on the ability of independent businesses, including professionals and farm families, to survive in challenging times, help finance growth, innovation and job creation, and encourage and support entrepreneurial families. These are not minor amendments, but are sweeping changes that will affect all sectors of Canada's business community and we ask that you not move forward with these proposals. Instead, the organizations listed below stand ready to meet with you and your officials to offer our support and ideas for measures to address any shortcomings in tax policy affecting private corporations.

Background:
While your government has suggested these changes are targeted to close tax loopholes aimed at the wealthy, they will affect the majority of business owners who are firmly in the middle class. Data collected from Statistics Canada and other official government sources shows that two thirds of small business owners earn less than $73,000 per year and half of those earn less than $33,000. These proposals will also make an already complex Income Tax Act even more difficult to interpret and understand. As such, the government will not achieve its goal of simplifying the Act, but will instead increase the challenge for CRA auditors to correctly interpret the rules. These proposals will lead to a significant increase in business uncertainty for independent business owners who already find CRA compliance a significant undertaking. In addition, if the goal of the government is to ensure fairness for the middle class, we question why publicly held corporations are completely exempt from the discussion.

While we respect the need for integration in tax policy, we believe this is already in place and these changes would instead unfairly increase the burden of middle income independent business owners to levels higher than those affecting other taxpayers. Our members, including many professionals, feel unfairly targeted, intentionally or not, by the changes and painted as "tax cheats" by the federal government simply for accessing tax planning tools that they have been encouraged to use for decades.

Many of these policies were put in place by previous Liberal and Conservative governments in order to support the growth of independent busines and reflect the disproportionate burden they face in complying with regulations and accessing financing.

These changes are coming at a time when business owners are already facing a myriad of additional costs, including Canada Pension Plan and Employment Insurance premium increases for the next several years, as well as new provincial policies around carbon pricing and labour reforms. Creating additional business tax uncertainty is particularly unwelcome at a time when lower commodity prices and NAFTA negotiations are already causing stress among Canada's entrepreneurs.

Income Sprinkling:
The proposed changes demonstrate a lack of understanding on the part of the government on how independent business truly functions. When an entrepreneur opens a business, her or his family is often deeply involved in either formal or informal ways. This is particularly true on Canadian farms where each member plays a vital role, often from a young age. The comparison of an entrepreneur with a salaried employee is completely inappropriate. Many business owners not only use their family homes as collateral against loans taken to support the business, they also do not have access to safeguards such as employment insurance for job security. When the spouse or children are also involved in the business, the risk is exponentially larger as the entire family runs the risk of losing any means by which to support themselves.

Passive Income in a Corporation:
There are many important reasons why businesses may need passive investments. These types of investments serve as insurance against emergencies and unforeseen costs. The proposed change will limit certain forms of saving in the business, making the firm more vulnerable in bad economic times. In recent years, many business owners have had to cope with an unsteady economy, often depending on other investments as important means to help avoid layoffs and business closure. Passive investments also help them save for major investments, expansion and innovation. We believe these changes are not in line with the government's innovation agenda and would significantly reduce the ability of business owners in all economic sectors to make important investments in their business. These changes may also lead to instances of double taxation and retroactive taxation for small businesses.

It is also important to note that small business owners do not have access to the generous pensions, benefits and income security offered to many employees, including civil servants, across Canada. They rely on the value of the business, including any passive investments in their business to ensure they have enough resources for their own retirement.

Capital Gains:
Although this tax planning tool is very complex, the proposed changes could affect business value appreciations from the past, as almost a form of retroactive taxation. These changes could also result in the double taxation of some estates, and could make it more difficult for business owners looking to do intergenerational business transfers. We note that your government has opened the door for feedback on how to allow genuine intergenerational business transfers in the Income Tax Act and encourage you to make this an important priority moving forward. Allowing for intergenerational transfers would be of significant help with succession planning, encouraging businesses to remain in the family and in their community.

Conclusions and Recommendations:
Independent business owners, including professionals, are telling us that these changes have the potential to discourage entrepreneurs from going into business and could hurt employment and growth as business owners look for other ways to offset the added costs to themselves and their business.

The members of our associations are disappointed that the proposals were launched in the dead of summer with a very restrictive time frame. Many leading tax experts are saying that the proposals represent the most significant changes to small business tax provisions they have seen over the course of their career. Canadian entrepreneurs, and their millions of employees, deserve better.

Should there be worrisome abuses of the current tax system, we stand ready to work with the federal government to pursue ways to tighten rules. The current proposals are not the solution and are instead creating unnecessary uncertainty for business owners.

We make the following recommendation:

- Take these proposals off the table.
- Launch meaningful consultations with the business community to address any shortcomings in tax policy without unfairly targeting independent businesses.

Please do not hesitate to reach out to any of the undersigned groups and sectoral associations should you have any questions or comments about the contents of this letter. We remain committed to working with you.

To read the full letter visit http://www.mhca.mb.ca/

Imagination could give Arlington Bridge new life

Brent Bellamy, Winnipeg Free Press, September 5

The three graceful arches of the old Arlington Bridge have cast their curving shadows on Winnipeg's central rail yards for 105 years. It's become a quintessentially Winnipeg experience to ascend the bridge's steep ramp and cross its narrow deck as the rhythm of steel girders ticks by. The sweeping panorama – a rarity in a flat city – lays out below, with rows of trains vanishing into the horizon, the downtown skyline rising over an elm tree canopy beyond.

With all its quirks, calls for the bridge's replacement go back more than 70 years. This month, the City of Winnipeg will begin public consultation for the design of a new $300-million bridge, with more lanes, better emergency vehicle and transit access and less-steep ramps for pedestrians and cyclists. Public art will attempt to make the modern roadway more visually appealing.

The starting point for public consultation assumes the old bridge will be demolished, specifically identifying that it cannot be repurposed to another use. The steep ramps and aging structure are provided as anecdotal reasons for this decision, but no formal study identifying the criteria used in this assessment has been made public.

It is undoubtedly easiest to simply demolish the Arlington Bridge and build a new concrete roadway, but without thoroughly investigating its reuse, are we missing an important opportunity to create something special for our city?

Cities across North America have demonstrated that with a little imagination, bridges at the end of their service lives can be reborn as important community spaces and even tourist attractions that breathe new life into inner-city neighbourhoods.

Most closely related to the Arlington Bridge is 11th Street Bridge in Washington, D.C., where a modern span was constructed next to a decommissioned older bridge that was slated to be demolished. Community groups rallied together to propose an ambitious project; using the old structure to create a 300-metre-long, multi-functional community space, connecting two neighbourhoods and new public parks on either side.

Through a public fundraising campaign and support from the civic government, much of the US$50-million construction cost has been raised and the park is slated to open in 2019. When complete, a simple roadway will be reborn as a cultural and social amenity for the entire city, bringing new opportunity to a struggling neighbourhood.

Ambitious community-led projects such as the 11th Street Bridge should inspire us in Winnipeg to dream and to be creative when it comes to our infrastructure investments. We should ask ourselves, is the old Arlington Bridge an opportunity to create something that is a similar source of pride, recreation and economic growth? The reuse of the old Disraeli Bridge piers to support a new active-transportation corridor is an excellent precedent for this type of creative thinking.

The Arlington Bridge and its importance to the surrounding communities deserve a unique effort to investigate its reuse within the current public consultation exercise. There are many creative ideas to be explored that might use the old bridge in new ways without the structural requirements of vehicular traffic.

With the new span slated to be built beside the old, is there an opportunity to connect the two in the middle? Maybe we demolish all but the centre arched spans, transforming them into a dramatic public space for the new bridge. Could the money earmarked for public art be redirected to develop the old bridge into a public space accessed from the new, with its lower slope ramps and bike lanes? Could the old bridge become the active transportation component of the new, with new ramps built only for cyclists and pedestrians? Could the ramps become landscaped terraces? Should we hold a design competition to invite the world to dream about the possibilities?

Imagine public gardens, vendors, gathering and performance spaces on the old bridge, connecting parkland and recreational pathways that reach into the surrounding communities.

Imagine watching the sunset between those steel arches, surrounded by trees and grasses, an injection of nature uniquely floating over an industrial site. Imagine a children's playground and interpretive centre, teaching future generations about our city's history on a piece of its history. Imagine a public place that improves quality of life in the inner city and is powerful enough to draw together residents from every neighbourhood.

Just imagine, Winnipeg.

Brent Bellamy is chairman of CentreVenture's board and the creative director at Number Ten Architectural Group.

Provinces will bear burden of legalized marijuana

Malcom G. Bird, Policy Options, September 4

The federal government is making marijuana legal, but the provinces will wind up tackling the most complex public policy decisions.

The Trudeau government is set on legalizing marijuana by the summer of 2018. While it will enjoy the political payoff of appearing progressive on this file, all of the associated problems and logistics of legalizing pot will fall on the shoulders of the provincial governments.

There are strong correlations between how a recreational drug or other indulgence, such as gambling, is made available to the public, the propensity for individuals to indulge in it and the negative health and social outcomes associated with its use. So how we legalize marijuana matters.

Canadian provincial governments might want to draw lessons from the last time an illegal substance was legalized — alcohol — following its prohibition in the late 1920s, as well as noting insights from the current public health efforts to eliminate tobacco use. For starters, it might make sense to make acquiring recreational marijuana somewhat difficult, by restricting where it can be sold, and reasonably expensive, by controlling the price and taxing it.

All provincial governments (except Alberta, which eliminated its liquor board) should consider selling recreational (but not medicinal) marijuana only in government liquor stores, because they have the secure infrastructure in place to deal with a drug with narcotic properties. They also have well-trained and professional staff and secure logistical facilities to ensure it is distributed in a socially responsible manner. Using government liquor stores will eliminate the potentially enormous political problem of licensing dispensaries and determining where (and when) they will be permitted to open and operate. It will also eliminate the possibility of organized criminal elements establishing and operating dispensaries.

Most critically, provincial governments should control not only the retail side of marijuana sales but the wholesale side as well. They should sell recreational marijuana as a “store brand” in plain packaging and offer only a few different types. This approach will prevent manufacturers from developing specific brands of pot and promoting them through advertising campaigns.

Store brands are more profitable for retailers, largely because the retailers gain more control over manufacturing and cut out supplier middlemen. As the sole wholesaler in a province, a provincial liquor board will be able to drive hard bargains with manufacturers and return gains from its strong bargaining position to public coffers.

Governments must also impose significant taxes on marijuana. But taxes will not bring in significant net revenues because governments must also cover the costs associated with the use and misuse of marijuana. Overall government revenues from the sale of pot will be limited given the decline in pot prices over the last 25 years: a gram of pot in the 1990s cost $15, while a gram today costs less than $10 on the illegal market.

Contrary to popular belief, the legalization of marijuana will require an increase in law enforcement efforts to stamp out the black market. When government liquor commissions took over alcohol distribution, bootleggers had to be eliminated so that they would not undercut either the state’s monopoly on sales or its ability to control how alcohol was sold and consumed.

Policies and techniques will need to be developed to allow the police to determine which pot has been legally procured and which has not. Since federal legislation will permit individual Canadians to grow their own marijuana plants at home, verifying legally procured marijuana will be considerably more difficult.

Provinces should be wary about offering edible pot for sale. Ingesting marijuana substantially increases its potency. Edible pot is often sold in the form of products attractive to children such as brownies and gummi bears, substantially increasing the potential for accidental consumption — including by children. If provinces do decide to sell edibles, they should offer only one type with an established dosage amount so users are well aware of how much marijuana they are ingesting.

Governments should consider setting the minimum age for purchase at 21, as recommended by many medical practitioners. In order to limit consumption and normalization of its use, there should be no advertising or promotion of marijuana.

I make these suggestions as a way for provincial governments to make the best of a very difficult situation. Legal access might very well increase the consumption of marijuana as well as the associated costs of dealing with its effects on individuals. Like many issues in Canadian federalism, this is a classic case where the federal government is wholly detached from the reality of implementing its policy and from the real costs associated with it.

Procurement Perspectives: Procurement compliance related to the MFIPPA

Stephen Bauld, Daily Commercial News, September 5

The Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) should be of great interest to contractors bidding on government projects.

It may necessitate disclosure of a good deal of information provided by contractors who bid for municipal contracts, and also with respect to the decision-making process followed by the municipality with respect to the award and administration of contracts.

The MFIPPA applies no matter how that information may be stored, whether on paper, microfilm or computer disk, and the right of disclosure extends to include things like photographs, plans and maps. Municipalities, local boards, agencies and commissions covered by the Municipal Act are required to prepare directories listing the type of information they have available. A growing number are now providing these directories online.

In order to request the disclosure of information under the act, an applicant must complete a written request form or write a letter to the municipality requesting the disclosure of information under the act. Standardized request forms are available from each municipal government. The completed request form or letter must be sent to the freedom of information and privacy co-ordinator for the municipality. A small fee must accompany the request, payable to the municipality.

No fees are charged for the time required to locate and prepare records that contain an applicant's own personal information, although the applicant may be charged for photocopying costs even for those records.

For all other records, the applicant may be charged for photocopying, shipping costs, the time required to locate and prepare the records request, or any other costs associated with replying to the request.

Once the municipality receives a request and the application fee, the applicant is entitled to a response within 30 calendar days.

If the municipality denies the applicant access to the requested information, it must provide written reasons for so doing and inform the applicant that he or she may appeal that decision to the Office of the Information and Privacy Commissioner. A nominal fee is payable for such an appeal to the provincial minister of finance.

Normally, any appeal must be filed within 30 days of receiving a decision from the municipality. A person dissatisfied with a decision of the privacy commissioner may ask for a reconsideration of the decision of that officer, which is essentially an internal appeal, or may take judicial review.

While all this information may be relevant to the procurement decision of a municipality, it is far from clear what public interest is served from disclosure of this information, other than the oft-repeated adage that disclosure is generally in the public interest.

Doubts may be expressed about this view, at least in the procurement context.

For one thing, widespread disclosure of purchase information facilitates bid rigging, which is hardly in the public interest.

Information about existing costs compromises the ability of a municipality to negotiate a better contract when the existing contract runs out. Moreover, even if the adage is true as a general principle, it certainly is not if the effect is to discourage potential contractors from participating in a competition for a municipal contract.

Oral legend has it that some municipalities seek to limit their exposure under the MFIPPA by allowing applicants to see but not make copies of records relating to municipal procurement.

Unfortunately, such an approach would appear to be inconsistent with section 23 of the act. In particular, subsection 23(1) provides that: "Subject to subsection (2), a person who is given access to a record or a part of a record under the Act shall be given a copy of the record or part unless it would not be reasonably practicable to reproduce it by reason of its length or nature, in which case the person shall be given an opportunity to examine the record or part."

Stephen Bauld is a government procurement expert and can be reached at swbauld@purchasingci.com.

Look who's emerging again

Peter G Hall, Vice President and Chief Economist

As we swing into the fall, exporters have a lot of issues to wrestle with. Top of the list is concern about the state of global trade, and the popular backlash to globalization. With NAFTA renegotiation is full swing, most are hoping for the best…but also considering opportunities in other markets. With CETA soon to be inked, eyes are on European possibilities. There are also rumblings about a future agreement with China, and the CEPA deal with India is still a possibility. Small wonder that there's now more talk about trade diversification than I have heard for awhile. With growth picking up in the US, Europe and other OECD markets, is there any sign of a spillover into the emerging world?

One key signal is export performance. When the Great Recession blew in, export-dependent emerging markets were pummeled. China's trade intensity – the sum of exports and imports as a share of GDP – went from almost 70% to less than 50% in a memorable two-year plunge. That would have been catastrophic for the economy had the government not stepped in with a very substantial stimulus package. What makes this shift far worse is that in the seven odd intervening years, it hasn't changed. That chunk of GDP never came back. Not every emerging economy suffered as much as China, but they have collectively realized much slower growth in export activity in the post-2010 period.

Until recently, that is. Since late 2016, inflation-adjusted export activity across emerging markets has been somewhat more animated. With inflation-adjusted exports averaging growth in the 2-3% range since 2012, year-on-year growth jumped through the first half of this year to 5%. That's still a far cry from the double-digit growth that was common early in the new millennium, but it does appear to be breaking with the gloomy post-recession trend.

What is the source of the action? Latin America is showing some signs of movement, but inconsistent from country to country. Collectively, Africa and the Middle East saw a flash of growth in 2016, but it has since faded. On the other hand, Emerging Asia seems to be moving upward in a way we haven't seen since 2012. Both exports and imports are rising enough to shift trade intensity upward in a manner we haven't seen for years. It also suggests that the region is dealing with some of those excessive inventories of goods that piled up during the slow-growth years. Emerging Europe is also putting out more impressive numbers.

Industrial production is another gauge. There's a notable shift in trend growth in developing markets during the past year, and again, it seems to be Emerging Asia and Eastern Europe that are taking the lead.

Prices of equities – a noted leading indicator of overall economic activity – are also on the march. The MSCI share price index for all emerging economies is up on a year-to-year basis by 20%, the highest annual growth since 2010, and the trend is currently up. The bearish sentiment that followed the 2014-16 commodity price plunge is now giving way to a dramatic rush of optimism, according to measures of the investor mood.

While these signals hint that something may be in the works in the emerging world, it is still too recent and too modest to suggest that there is a conclusive turnaround in the works. Emerging economies generally have some distance to go before past excesses will be sopped up, and uncertainty around global trading arrangements will keep exporters and investors the world over on tenterhooks until there is some form of resolution. Still, when that moment occurs, this growing segment of the world economy promises to impress again with annual increases in GDP that make the developed world blanch. Waiting for that moment to arrive is almost too late, as it runs the risk of getting lost in the rush of returning deal-doers. If a revival in growth is inevitable, then diversification is a good 'now' strategy.

The bottom line? Growth fundamentals suggest that emerging markets will soon catch the wave of growth that is washing through the developed world. Data point to early signs that the surf's getting up. Instead of watching from binoculars on the beach, maybe it's time to wax the board, paddle out and get ready to ride – before the crowd catches on.

Seeking industry input into the Heavy Duty Equipment Technician trade

WORKSAFELY™ Back to You with Don Hurst

Apprenticeship Manitoba has approached the MHCA for assistance in obtaining heavy construction industry participation on a Provincial Advisory Committee for a review of the Heavy Duty Equipment Technician trade. This committee will provide input on the development of:

- qualifications and experience required for certification in their designated trades
- standards, and the endorsement of certificates of qualification for people who meet the required standards
- regulations made or proposed to their trades.

The committee includes equal representation from employers and employees and a neutral chair. Committees conducting previous reviews of the Heavy Duty Equipment Technician trade have included representation from employers in the heavy construction industry.

Apprenticeship Manitoba is looking to receive applications by September 28, 2017. You may visit the Apprenticeship Manitoba website for more information at www.gov.mb.ca/wd/apprenticeship/boardpac/pac.html .

If you need assistance with your application please contact Jackie Jones at 204-947-1379.

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