



MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)
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Memo to: Manitoba Sustainable Development

From: Chris Lorenc, B.A., LL.B.,
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Subject: **Made in Manitoba - A Climate and Green Plan for sustainable infrastructure investment**

The MHCA has reviewed and considered the Manitoba Climate and Green Plan. Following early discussions with senior political officials and recent exploratory discussions with Sustainable Development, the MHCA proposes the following suggestions and recommendations.

The industry recognizes its role and responsibilities in reducing greenhouse gas emissions. Its response to the Green Plan outlines the implications of the Green Plan's proposed initiatives on the heavy construction industry, which in turn has implications for public infrastructure programs and investment. The goal is to reduce the "carbon footprint," while protecting competitiveness and economic growth.

CARBON TAX:

As a tax at distribution of combustible fuels, the carbon tax would increase diesel price at the pump by 6.7 cents per litre. Fuel accounts for as much as 30% of our industry's operating costs. It is difficult to estimate the full impact of this tax on our industry, as it would be felt in a number 'input' costs, as well. However, a quick, back-of-the-envelope calculation by one member found that at 6.7 cents per litre, company fuel costs alone would rise by \$500,000; another member estimated fuel costs would rise by \$1 million.

This is an illustration of the magnitude of the impact facing our industry members -- as a starting point.

On the carbon tax, industry recommends:

- ***As soon as possible, announce an implementation date for the carbon tax.*** Industry owner/operators prepare bids on tenders advertised well in advance of the construction season/project start, and must be able to forecast reliably the input costs, such as fuel prices. Fuel price affects not only the cost of operating vehicles and machinery, but also the production of materials for heavy construction. While provincial tender awards allow for some fuel cost adjustment, that policy is unique among project owners. A rise of 6.7 cents per litre will significantly impact tender bids and project completion cost.
- ***Do not tax a tax:*** ensure the carbon tax is not subject to the federal excise and provincial fuel levies at the pump
- ***Do not tax cleaner fuel:*** ensure the carbon tax is not applied to the biodiesel component of fuel

GREEN TECHNOLOGY:

Innovation in trucking design has had real impact on the highway trucking industry. But the technological innovations that have demonstrated payback to that transportation sector have vastly different effect and implication for the heavy construction industry, the vehicles and machinery employed in the industry and the circumstance in which some infrastructure work is carried out. For these reasons, we caution the provincial government on how the transition to newer generation vehicle technology is pushed upon this industry.

As of 2018, only Tier 4 Final engines, which have significantly higher capital costs, can be sold in Canada. Experience of industry members with Tier 4 Final indicates concerns with performance and, therefore, the impact on productivity. Tier 4 Final runs significantly 'cleaner' in that exhaust particulate is reduced dramatically. But, performance is compromised in colder temperatures (they de-rate), which carries elevated risk for operators and company owners in both productivity and maintenance costs.

Further, there is minimal reduction in fuel consumption, such that there is no payback of capital costs. Older technology can continue to be sold second-hand. Older HDDV technology lasts many decades, and those who do not move to new, more expensive Tier 4 retain a competitive bid-price advantage. Therefore, a carbon tax on diesel acts as a double disincentive, as it is universally applied to all at the pump.

Anti-idling devices and after-market technology effect cost savings through dramatic reduction in fuel consumption. Greater take up of anti-idling technology rests on education within the industry and can be encouraged through tax policy.

Given the expense and risk born by 'early adopters' of Tier 4 Final, the MHCA recommends:

- **Incent take up of Tier 4 Final through rebate/refund** of carbon tax on fuel consumed by Tier 4 Final
- **Incent take up through procurement policies**, ie. including in tender awards a requirement for a portion of fleet to be Tier 4 Final; This approach must be cautious, and phased-in to account for industry capacity to manage capital and operating costs. The competitive market must be preserved
- **Increase biodiesel mandate**: new technology can accommodate up to 15% biodiesel
- **Press federal government to accelerate rate of depreciation** for Tier 4 Final, via capital cost allowance
- **Require anti-idling controls in procurement policies/tender advertisement**: this would include proof of purchase of anti-idling technology and tracking/reporting of idle hours
- **Consider regulation of idling restrictions** province-wide, with due regard for engines/machinery engaged in work on site and for the climate/remoteness of project worksite
- **Remove PST from purchase of anti-idling technology**

GREEN INFRASTRUCTURE

The heavy construction industry would like to assist in the strategic use of green infrastructure policies and initiatives and makes these recommendations, beyond the items within the Green Plan. They include improving infrastructure planning/design and recognition of the value of recycled materials in heavy construction.

- **Package tenders for larger road renewal projects** to reduce the inefficiencies, cost, impact and disruption of mobilization and demobilization of equipment;
- **Tie public/provincial infrastructure investment dollars to regional co-operation** and coordination of municipal infrastructure planning/investment/priorities, against criteria set by regional/provincial body;
- **Improve transportation-asset design of roads and intersections**, synchronize traffic controls to reduce the stop-start and jams in traffic, measurably reducing transportation emissions;
- **Use available technology to set spring road restrictions** through condition assessment in real time. (Restrictions come on/off through the season, rather than have a seasonal start and a seasonal end date);
- **Encourage/compel recycling** of materials such as engine oils, used asphalt and shingle-sourced oils. The industry has been a leader in recycling old asphalt, concrete, gravel, shingles and other materials. Waste oils are used in industrial burners to dry aggregates at highway infrastructure sites. Such responsible materials management has reduced the cost and environmental footprint of sourcing materials such as aggregates and asphalt cement;
- **Remove PST from recycled materials**; it is counterproductive to incenting such stewardship;
- **Adopt new construction/processing/production methods** that have been proven for infrastructure and are applicable in our climate. They may include:
 - use of glass in asphalt

- use of FRP (glass-fiber reinforced polymer) rebar in road and bridge construction; reduced heat loss reduces life-cycles costs, balances higher material costs
- **Evaluate infrastructure assets based on life-cycle costs** for improved ROI – technology to improve assets, (ie. roads) exists but is more expensive

PROTECT MANITOBA'S FINITE AGGREGATE RESOURCES

Manitoba's medium- and high-quality aggregate locations are increasingly being sterilized by competing land-use development. Manitoba's authority over aggregate mineral deposits is set out in the Planning Act and the Mines & Minerals Act. Yet, municipalities restrict access to or sterilize deposits through bylaws, such as conditional uses.

- **Assert provincial authority through the Planning Act and the Mines and Minerals Act to protect Manitoba's finite aggregate mineral resources** from sterilization; proximity of pits and quarries to urban centres (ie. Capital Region, where the bulk of projects occur) is environmentally beneficial, having saved millions of litres of fuel from being consumed, and preserves the value of public infrastructure budgets

EXEMPTION

The Green Plan provides a carbon tax exemption for agriculture. This exemption must also carry responsibility. We recommend a hard cap on the sector's GHG emissions. The five-year review of the Green Plan must address any rise in emissions, reflecting that the goal is to influence behaviour for meaningful impact. Further, we advise increased monitoring to ensure there is no diversion of fuel from exempted activities to other areas of business.

CONCLUDING RECOMMENDATION

Lastly, and importantly, we recommend that an inter-departmental working group be established at the senior levels of departments with representation from the MHCA to review and address the carbon tax impact on department budgets.

For Manitoba Infrastructure, increased fuel costs will be reflected in tender bid prices, which would immediately reduce the value of capital (already reduced) and maintenance/preservation program budgets.

The MHCA recommends that government protect program value by adjusting its capital budget levels, which preserves a competitive industry -- non-adjustment of program budgets will reduce volume of work/tenders advertised.

The above noted working group should also be tasked with devising and monitoring a carbon tax reinvestment strategy, including guidelines for revenue-return strategies that support the tax policy objectives in the short-medium- and long-term.

Respectfully submitted,
Manitoba Heavy Construction Association

Per:



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President

cc. MHCA Board of Directors