

The Empire Club Presents



THE HONOURABLE CAMERON FRIESEN, MANITOBA'S MINISTER OF FINANCE

WITH: KEEPING OUR PROMISES: ECONOMIC AND FISCAL UPDATE

Welcome Address, by Barbara Jesson, President of Jesson + Company Communications Inc. and President of the Empire Club of Canada

April 12, 2018

Good afternoon, ladies and gentlemen. From the Imperial Ballroom at the Royal York Hotel in downtown Toronto, welcome, to the Empire Club of Canada. For those of you just joining us through either our webcast or our podcast, welcome, to this meeting. Before our distinguished speaker is introduced today, it gives me great pleasure to introduce our Head Table Guests. I would ask each Guest to rise for a brief moment and be seated as your name is called. I would ask the audience to refrain from applauding until all of the Head Table Guests have been introduced.

HEAD TABLE

Distinguished Guest Speaker:

The Honourable Cameron Friesen, Minister of Finance, Province of Manitoba

Guests:

Ms. Megan Boyle, Director, Public Affairs, Red Bull Canada; Director, Empire Club of Canada

Mr. Rob Brown, Managing Director and Co-Head, Canadian Debt Capital Markets, RBC Capital Markets

Mr. Jonathan Hunter, Global Head, Fixed Income and Currencies, RBC Capital Markets

Mr. Chris Morley, Vice President, Government Relations, OMERS; Director, Empire Club of Canada

Ms. Kelly Simonson, Managing Director, Koch Fertilizer Canada

Mr. Damani Thomas, MA Candidate – Finance, Rotman School of Management, University of Toronto

Mr. Jan Westcott, President and Chief Executive Officer, Spirits Canada

My name is Barbara Jesson. I am the President of Jesson + Company Communications and the President of the Empire Club of Canada. Ladies and gentlemen, your Head Table Guests.

If provinces were siblings, I would say Manitoba is the quiet, thoughtful one. It is neither the confident elder sister—that would probably go to Ontario, I think—nor the youngest prankster, Newfoundland. It is not the joyous Québec, the rowdy, athletic Calgary or the independent British Columbia, but it does have something.

Early in my working career, I had an opportunity to travel fairly often throughout Manitoba, making the drive from Kenora to Pine Falls and then on to Winnipeg. Then, one of my closest girlfriends up and married a farmer from Rosser,

just outside of Winnipeg. That meant even more frequent and longer visits. We did excursions to Brandon and summer drives to Gimli. I never got to the far north, but I have been to Komarno with its iconic statue of a giant mosquito standing by the roadside as you drive into town. It looks like something out of a 1950s horror film.

I developed a very healthy respect for Manitobans who could survive those ferocious winters only to be greeted by swarms of mosquitos during the few months of summer. I came to know and understand the rich, cultural life that sustained the people of Winnipeg through those long winter months.

The province has quietly nurtured the east from its rich breadbasket and provided us with some of our finest authors, musicians, artists and an outstanding dance company. It has fielded great athletes and delivered a rare, fine whiskey, Crown Royal Northern Harvest, selected as the best whiskey in the world in 2015.

There are those who will say that they find the landscape flat and uninteresting, but I can tell you, honestly, that if you have never stood on the Manitoba prairie at dusk, gazing out across miles of rustling grain fields to that hazy place where the earth meets the horizon, you have missed something extraordinary and very special. It is one of those few places from which you can actually get a sense of our planet's curvature, truly moving and almost mystical. Then, just to ground you and ensure you do not get out of touch with reality, you are jolted out of bed in the middle of the night by a

loud train whistle, those trains rumbling across the track that bind Canada and deliver Manitoba's bounty to the rest of the country.

Here to tell us more about the thriving Manitoba economy and the solid, consistent support it provides for all of us in this country, is the Honourable Cameron Friesen, Minister of Finance for Manitoba. I learned that we share some Mennonite heritage and that Mr. Friesen taught in the public school system in Manitoba for 12 years before election to represent the constituency of Morden–Winkler in the Manitoba legislature.

Under Premier Brian Pallister, he is responsible for the Manitoba Civil Service, and Chair of the Treasury Board. He is also a member of the government's Planning and Priorities Committee.

Mr. Friesen's third budget, delivered on March 12th, this year, demonstrated significant progress in reducing the deficit, provided record tax relief to Manitoban families and continues the government's moderate and balanced approach.

Mr. Friesen loves Manitoba—the people, the history, the family focus, the work ethic and the commitment to helping others. He is here with us, today, to share his commitment to ensuring Manitoba's strong path towards financial stability and economic prosperity.

Ladies and gentlemen, please, join me in welcoming the Honourable Cameron Friesen, Minister of Finance, to the Empire Club podium.

The Honourable Cameron Friesen

Good afternoon, everyone. It is a pleasure and an honour to be here at the Empire Club and speak with all of you. Things are looking up. Someone located my speech. In the absence of a speech, I was intending to read from the “Estimates of Expenditures” starting on page 39—that is the Department of Infrastructure—but they located the speech. Barbara, thank you for your warm introduction and thank you to our Head Table, our sponsors today, who make these events possible.

It is great to be in Toronto. I found a Toronto citizen this morning who was wearing a Leafs jersey. I went up to him, and I said, “Go Jets.” In typical Toronto style, he looked at me and said, “What, are they in this, too?” Only in Toronto, centre of the universe, but great to see both of these teams in the playoffs, great to see the prospect of them looking ahead toward what is possible. We will not jinx anything here. We will just say we were excited to see that first win from Winnipeg yesterday and looking forward to many more of those. I see there are a few fans in the room.

[Remarks in French] Mesdames et Messieurs, je suis très heureux d’être ici avec vous aujourd’hui, pour parler au sujet de Manitoba.

We have a good-news story to tell in Manitoba. We could not be more excited to be telling it at this point in time. I recognize that I have been in this role for two years less about eight days, at least when we were elected in 2016. Many of you have heard my premier speak. You have certainly heard

it in our budget remarks that we inherited challenges. We are not the only ones who inherited challenges. We recognized very early on that it was incumbent upon us to make progress on behalf of all Manitobans in three key areas.

We said we were elected to fix the finances; we were elected to rebuild our services; and we were elected to rebuild the Manitoba economy. When you are new in this role, you come with not a lot of results, but a lot of enthusiasm. What we have appreciated now is that with almost two years in our mandate, we have results to talk about, and we have been able to demonstrate what we said we would be equal to taking on, which was this enormous challenge of eliminating a deficit, creating a framework for more tax fairness in our jurisdiction, being a powerful spokesperson and sponsor for doing business in the province of Manitoba and creating the framework in which families can keep more of their hard-earned money and according to which businesses and new investment comes into our jurisdiction.

You may recall me saying earlier that I remember one of my first briefings with the Treasury Board Secretariat. The secretary came into my office and said, “Minister, you are new here, but I want to explain something. If left unaddressed, we have just done the pre-estimates call for expenditures, and the implication of this on your budget is a deficit of \$1.2 billion,” from \$900 million at that time. “In three years, you will be at \$1.7 billion.” For the size of Manitoba’s economy, for the size of our revenues and expenditures, it is an extraordinarily large number. When we took government, we inherited a

\$900 million deficit. We inherited more than that. A loss of fiscal discipline is how one credit rating agency had put it. ‘Adjustment fatigue’ is the way another credit rating agency put it, but, in a nutshell, Manitoba’s problem was on the expenditure management side. Clearly, it seemed, on the face of it, through the examination, as many of you have done, of the province’s position, own-source revenues are good. It is a balanced and steady and stable economy that is growing. Yes, it is one of the top performing economies in Canada, measured over ten years on average, avoiding some of the lows and steady, stable growth forward.

Yet, on the expenditure side, put simply, in an eight-year period, before we took power, the average expenditure increase was 3.4%, and the average increase in revenue was 2.6%. That is not sustainable, and it meant we had to get to work, and get to work we did.

Two years ago, when we were here with an enthusiastic message of how we would do better, we talked, at that time, about our commitment to arresting that out-of-control rate of growth, of expenditure, and we did it. Our first budget was called “Correcting the Course.” We set out to get better systems in place, to set targets that government would have to meet in all departments, to get a better line of sight on other reporting entities within government, including the Crown corporations and health organizations, school divisions, because we said we were all in this together. We needed to take a view that said we must all make progress. Why? For a better, more stable, more prosperous Manitoba.

We did make progress in that first budget. We were able to hold expenditure increases in government. Last year, we came back with a plan that said we are making progress, again. We held expenditure growth right around 2%. From that historic 3.4%, that is very, very significant. At the same time, we launched a review of the tax regime; we engaged with KPMG to undertake an evaluation of government. What could we do better? Where are there opportunities? They clearly came back and said, “In terms of efficiency, effectiveness, you need to find new ways of doing things.”

I remember one time I was talking with a new civil servant I had. He leads the area known as BTT, Business Transformation and Technology. He came into my office one day, and he was hired for that position very much the same time I was hired for mine. He came in and said, “Minister, I want to give you a report on BTT. This is depressing. We are in bad shape. We need to modernize. We need to innovate. There is very little attention or appetite for risk.” He was depressing me. Then, he leaned forward and said, “I could not be more excited.” We kind of felt the same way. I remember. I will never forget that statement he made. Truly, for us, in the context of the need for growth was at least this recognition that there was the ability to make progress.

Now, Budget 2018. We are back, today, talking to bond rating agencies. We will be engaging with some investor groups, tomorrow. Our budget is entitled “Keeping Our Promises to Manitobans and Real Progress for Manitobans.” We are doing that.

This is a budget that, historically, raises the basic personal amount for Manitoba. We have lagged behind other jurisdictions. We indexed it last year as a signal of fairness, but, now, it is like we have supersized it, raising it within the next two years by \$2,000. That means more money in the pockets of every Manitoba household. It is good for moderate income families; it is good for retirees who are still earning some income and declaring some income; it is good for university students, and it helps.

In addition to that, we have been clearer on carbon pricing. We have brought what we call our “Made in Manitoba: Green and Climate Initiative,” which we think will work actually better than the federal government’s plan. It raises a \$25-per-ton charge to fuel, and we believe that by setting a more significant first target, you will actually shape and change consumer behaviour. Because of that, we believe it is significant, better for the economy, better for the environment, better for Manitobans, and, clearly, we are also saying that is important for the federal government and others to recognize that we are calling on people to make a commitment to green. We have made that in Manitoba. We are in the middle of making that in respect of billions of dollars of new investment in Keeyask Generating Station, in Bipole III, that transmission line connecting us to domestic markets and foreign customers. Those are very significant and legacy investments. They will near completion in the next year or two and three. As we stand up those new investments, it continues to reinforce this investment we have made in Manitoba Hydro, a 98% green

energy production capability, something that few provinces can boast, but something that clearly needs to be taken into account.

I understand that Mr. Morneau is in the next room, so if I would say that loudly enough, I could indicate to him, “Listen, we clearly said that Manitoba needs to do its part, and we believe that, over time, the federal government will come to understand, from an evidence base, how significant it is what we are doing in Manitoba.”

A few other things I want to highlight for you: We are gaining credibility, says one bond rating agency. It says now, beyond enthusiasm, you have the demonstration of results. I can tell you that for the current year that we are just finishing out for the 2017/2018 year, we started with a budget estimate of \$840 million, and, right now, that has revised on forecast to \$726 million. We are making some very significant progress on deficit reduction. At the same time, we budgeted for a \$521 million loss in the 2018/2019 year. That is more than \$300 million of deficit reduction in that one period of time.

We have strengthened our balanced budget legislation. We brought legislation, last year, that says, clearly, governments need accountability to keep on track towards deficit elimination, and they need accountability to stay in balance after the fact. We enhanced those provisions, now, to make sure that if government had the ability to go quicker, the framework we put in place was to say \$100 million of deficit reduction per year until balance. Some said that is not fast enough. We said it is that moderate and balanced approach because we

have got other challenges as well. Clearly, what we are saying now is if government had the opportunity to harvest savings in advance of more, why would we not provide the framework for government to take up that opportunity? Otherwise, we are going to slow this down. As a result of those changes, the budget papers show we are ahead of schedule in deficit reduction—actually, \$200 million ahead on that schedule. That has been well received, we believe, by markets, by citizens who want us on this path. We are pleased about that new trajectory that we are showing.

We have in place other measures to make sure we keep going down this path. We have Bill 28, which is a sustainability framework for the public services. It essentially says that the government's ability to pay must be taken into account during this recovery period. I am careful to spell out for people, in Manitoba, it is not forever. It is important to have hope. One individual to whom I was speaking, a president of a university, said to me, "Minister, you need to make sure that your provisions contain hope." I thought that is a very good point. Even in our labour sustainment legislation, it prescribes an escalating amount framework where negotiations could take place. It clearly signals that this will not be forever. As we recover, as a province, it means there is a benefit for all of us. We are happy about that. In addition to that, we have made some significant steps on red tape reduction. We have made some significant steps in healthcare transformation. If this speech had a subtitle, it would be "You Would Not Believe How Interesting the Boring Stuff Can Be." Truly, from Manitoba's perspective,

we needed to build better systems. We needed to build better structures to get the results we were looking for because we have structural costs we are trying to get at. That structural cost has to move down over time because we are in this imbalance, and the result of that is we pay far too much in debt service charge and far more, now, than we even did two, three years ago. Part of that, of course, is interest rates creeping up, but part of that is just about the capacity, the amount of borrowings that were undertaken.

We have done some very, very interesting things in a boring area called Treasury Board Secretariat. When we inherited government, that particular area of government, the government's central interface to departments and beyond on the reporting entity was somewhat impoverished. There was no capacity left at program review. We have hired talent in the private sector. We have tapped some prominent people on the shoulder and said, "Would you give us some time to help us do something very special in Manitoba?"

As Barbara was saying, I am not sure we would be considered to be the quiet and thoughtful ones in the family, but I appreciate that characterization of us. If there are some characteristics I know about Manitobans, I would say they are 'determined' and 'not risk averse'. That climate shapes us. We become a little stubborn, but we are very loyal to each other. You see that in social events in Manitoba, if you have attended them, and you see it in community spirit. You see it in volunteerism. When it came to this, we were able to tap some real talent on the shoulder. They said, "I will give you a few years.

I will give you some time.”

We are building something very special: New processes; a new line of sight into departments; a new framework for accountability; a return on investment framework for all capital investments. We are changing our thinking on capital instead of doing it balkanized in nine areas of government; we are creating like a super-capital committee that will oversee the whole process; we are revamping procurement because government has to shop smarter. That is a phrase that our premier uses. Manitobans are ‘smart shoppers’. They expect government to do the same. Manitobans save their Canadian Tire money, and they all show up at Costco in droves on a Saturday morning if they can save 12¢ on a box of Cheerios—I guess 10¢ now with the rounding. We have to do the rounding. Some of the areas that will actually demonstrate the value.

The reason Manitoba will, I believe, increasingly become not that problem child in the nation, but became that star child, the first one that mom and dad with their iPhone say, “Hey, let me show you what my kid is doing,” is because of that careful attention to detail. It will be because we are building a framework for accountability in innovation and projects through a scorecard system that ripples through entities, where we can identify problems, we can speed up timelines.

We have created a new subgroup within the Secretariat called the Transformation Unit. Think of it as an opportunities unit. This group of highly talented individuals—MBAs

and otherwise—goes out and assesses governments’ framework and looks for opportunity. The Treasury Board is busy, and we have got other work to do, so we can assign work to this group. We said in our budget that one such opportunity is air services. A lot of governments, a lot of provinces do not own their air services. Manitoba happens to. This Transformation Unit came and said, “Are you married to the idea of owning that?” We said, “We take an evidence-based approach. What is best?” They said, “We do not know what is best. It might be better to own it. It might be better to sell it and procure the service on a fixed-cost basis. Let us find out.” They are out there doing that work that we would not have the capacity or bandwidth to perform.

Even little things along the way. I am the minister responsible for, think of it as intergovernmental services—we call it ‘Central Service’. I am responsible for all the cars out there for the government, the fleet services, both large and small fleet. They are looking at opportunities there. Should we own it? Should we sell it? In the meantime, they said, “You do not have vehicle locators, GPS-enabled vehicle locators. Other provinces do that. You install this in the vehicles, and you save \$5 million overnight because people start to drive their vehicles differently.” Or maybe you do not show up at the lake on the weekend. It is amazing what accountability will do. There are stories there I could tell. I will not.

Back to page 39 of the budget and budget papers. I am going to get the hook soon, so I am going to start to wrap up.

Transformation capital. There is a part of our budget that

we have actually printed up, which is strange for a finance minister who is preaching the value of going in the opposite direction. We have printed up an internal services adjustment. We think it is appropriate to do so.

Regarding cannabis legalization, we were having engaging conversations here, a tremendous challenge to all of us. Regardless of your view on it, it is moving fast, and it is coming at us. We take a view that says we have an obligation to those who will use these products and those who choose not to. The principal form of that responsibility comes in the form of—it is a demonstrated duty of safety. We take that view. It is coming at us. We do not know all the costs.

Carbon tax is coming at us, and we do not know all the costs. There are significant questions around NAFTA and how that negotiation will execute, significant risks on significant weather events that are coming at us. We think, at this time, it is appropriate to have an ability to respond.

However, housed in there is a \$40 million innovation and opportunity fund whereby we are going to make a contest where the civil servants in our employ can take small teaching units to learn how to write a business plan and then compete for projects to say, “I have been waiting for four years for someone to give me a few resources to be able to save the government, over three years, this amount of money by doing this more efficiently, more effectively, in collaboration with another department.” That could be an IT project to do something digitally that we now do not do digitally. Governments are risk averse on digital as well.

I had a meeting, recently, with Scott Brison. It was a great exchange because I am the minister responsible for IT as well as everything else. Scott had said to me—he shared it publicly, and you might know this phrase—“We are a Blockbuster government in a Netflix world.” I said, “Minister, from my perspective 23 months in, it is worse than that. We are a VCR-flashing-12:00-noon-government in a Netflix world.” Minister Brison does not miss a beat. He says, “We are actually a government with a VCR, and we have got that electrical tape over the 12.” Over time, you can create the condition. You can change the culture, both the environment in which the civil service works and the work that they do. You can provide incentives. Perhaps, you can provide prizes. You must entertain risk in order to do it. We are excited about what we are building there.

Let me wrap up. I did not talk much about the economy.

I will invite some questions, if you have them, but we are very, very pleased at what is happening and with the results of the changes we are putting in place. I can tell you that business and household confidence has strengthened. I can tell you that our labour force is a million strong. I can tell you that our unemployment numbers continue to drop below the national average. I can tell you that we had the highest farm cash receipts on record in the province of Manitoba last year. We do not take credit for when the rain falls, so that one is a little bit more variable, but our farm sector is well poised for growth. Manufacturing sales up 5.3% last year alone.

I see my Deputy Minister, Jim Richardson, nodding on

that one. It is a very good growth—it is the fastest growing population in Canada over the last three years, and it is a record level of capital investment happening in residential and nonresidential buildings. There is a lot happening.

HyLife just announced a \$170 million investment in Manitoba. Roquette, French pea producer, just announced an over-\$400-million investment in Manitoba. Simplot just announced a \$460 million expansion to their plan. Last week, you might have seen that Ubisoft Entertainment, from France, just made a foothold in Manitoba—it is an international global leader on software development. I know nothing about the games these guys have developed. I was raised on Pong, and then when we got really good, my parents bought Super Pong. My kids tell me that this is huge. I like the spirit of Ubisoft, who comes in and says this is just a cornerstone.

Something very special is happening in Manitoba. There is optimism; there is pride from the cultural sector to the digital sector. We have tax credit reviews that are going on in partnership with industry. What we are saying to them is help us. We have built some good credits in this province, but we take a value-based return on investment approach. What can we build that is even better? One of those tax credit undertakings is happening starting next week where the minister of sport, culture, heritage and I are meeting with leading officials in the film industry to talk about what our film and video production tax credit will look like in a 2.0 environment.

Our growth is good. You know we have a balanced economy. You know that we will be back talking, in time, to part-

ners about the fact that we are hitting our targets because nothing will mask bad habits. We are in this for the long haul, and we are in it for the success of all of Manitoba: Households, businesses, investment in industry. What I said at the beginning is when I came the first time, we were full of enthusiasm, and we are. The premier recently remarked to me there are a couple of hallmarks of people wherever you measure them, in your enterprise and mine, that are helpful if you are trying to get results. One of them is enthusiasm. One of them is competency. One of them is just a genuine, all-around good-natured approach to the work, the ability to do the work. I believe we are demonstrating all three in Manitoba.

The premier likes to say we are getting a Manitoba miracle. We say that we will be the most improved province in Canada by 2020. We believe we are exactly on this road right now to fix the finances, repair our services and rebuild the provincial economy. The premier says that the only thing better in Manitoba than today is tomorrow in Manitoba.

Ladies and gentlemen, thank you for your interest in Manitoba. Thank you for your interest in our government's work and, really, the work that we are all doing together to build a brighter future. Thank you.

Questions & Answers

Q: Hi, Minister. That was a terrific speech. I think we are all pretty excited about the prospects in Manitoba and some of the great progress you are making to beat back that situation. I was quite taken by your reference to the Transformation Unit and wondered what advice you might give business and other interests in terms of maybe connecting and plugging into that Transformation Unit.

CF: Thank you for the question. That is fantastic. Your name, sir?

Q: Perry Martin. I am with Loblaw/Shoppers Drug Mart.

CF: Thank you. Perry, we said from the beginning, we do not take an ideological approach. We are taking a results-based approach. That really unhooks us from a constraint that was there previously. I am thinking right now about our approach on schools. We just announced last month that we will build five new schools in Manitoba to meet the demand for it. At first, we had favoured a P3 approach. We still like a lot of things about the P3 approach and there is plenty of opportunity to entertain it for Manitoba, but we actually changed our thinking halfway through. As the evidence came in, we realized that in this particular instance, P3 on schools at this time, in that environment, was not going to produce the best return. I think we thoroughly confused our op-

position when we came out and said we are building this with an enhanced conventional approach on schools, but we are adopting a lot of the things we learned from our P3 discussions.

Even P3 Canada endorsed our decision to do so. The opportunity for business, I would say, is this: If you know there is a provincial government out there who is taking a real results-based view of the future, it means there is going to be opportunities out there for companies because the government's mandate is not to directly deliver everything to everyone. I think it is when resources are limited, as they are, that we need to work more effectively with the partners around us, to recognize credibility and expertise where it lies, and then move to a situation where we can effectively engage that expertise and provide that advice back. Sometimes we are going to need to own an approach. Sometimes we can procure that approach.

Our thinking on procurement has evolved a lot in the last 23 months. I know it is a general answer, but I would say the sky is the limit when it comes to companies and industries. I think what we want to cast out there is Manitoba is open for business, and we are thinking hard about evidence-based return on investment. We have built whole frameworks whereby new capital investment gets sifted through a qualitative and quantitative measurement, a set of metrics where we measure how this thing scores next to the other one.

Then, we take that approach and, boy, does it give confidence in a system when resources are thin.

Q: Thank you. That was an excellent speech, Minister. I have two questions. The first one is could you provide an update on the application for rate increases at Manitoba Hydro? The second question relates to your climate plan. I read through it. I know in that plan you are very deliberate in saying that the federal plan has to recognize the foundational work and the progress that you have achieved to date in achieving a very above-average level of sustainability. Do you expect that will be recognized by the federal government under the current plan or proposal?

CF: Your name is?

Q: Maria Berlettano, CIBC.

CF: Thanks for the question, Maria. On the first question, we are all following very carefully the rate application at Manitoba Hydro before the Public Utilities Board in Manitoba. Now, all the hearings have concluded, and the decision is expected in a matter of weeks. We all understand that these are very, very significant advancements being made by Manitoba Hydro. When we were just elected, there was a study undertaken with Boston Consulting to determine what the next step is, what the path forward is. Clearly, the advice to government was “Complete these projects with a maximum efficiency possible; return Hydro to a stable footing; put your focus on development of new opportunities,” which we are doing.

Management in place at Hydro has been getting down that road a long way in terms of their own operations, operational efficiency. We will see what the future holds. The application is for a 7.9% increase both in respect of last year to ratify it and in respect of the current year.

One thing is for certain: Hydro rates in Manitoba will go up. They will be part of that puzzle when it comes to understanding how we put Manitoba Hydro on a more sure foundation. It is the cycle of a large hydro-electric power company to invest, which takes cash, and then to re-establish sustainability, and then to invest. We are not happy when projects go way over budget, of course, but we are managing closely. We know that Bipole III will complete this summer. We know that Keeyask is on track to complete by 2021, I believe, yes. We know that, along the way, we will have an opportunity to sequentially turn on that power and begin to generate revenue. We will watch carefully, but I realize that I am indicating concern, overall, about electricity rates in Manitoba, and I know who I am speaking to. We have the lowest rates in all of Canada when it comes to electricity. We will continue to have some of the lowest rates in all of Canada. It is a competitive advantage. We want to keep it.

On the second question, I have forgotten it. That is the problem with a Minister. It is question period. One question at a time.

Q: The second question is, I believe, having read through your climate plan that you feel the federal govern-

ment's approach is too aggressive and does not recognize the work that has already been done in your province. Is that correct?

CF: It is an important question, especially, in lieu of comments made by senior federal officials last week in response by our premier. It was very strong. We truly have the courage of our convictions. We actually believe that our plan is better. Like you say, Maria, it also clearly references and looks behind the curtain and says, "But let us understand this whole context: Manitoba is 1.35 million people on a very large piece of geography with huge Boreal forest reserves, with agricultural practices that sequester carbon, but with legacy investments that have been made that will return value on green to everyone." We say we like our chances.

I do not, honestly, if I had to speculate here—and I will not speculate much, as it is not good when finance ministers start to speculate too much. My officials get nervous, but let us understand what the context is: There is a lot of shifting going on across the landscape of our confederation. I do not know what is going to happen in Ontario in a year. I know that the federal government and the Saskatchewan government are quarrelling. I do not know if there is going to be change in Alberta, but some days it looks that way in the next election. This federal government has a partner here, a partner in Manitoba that has said Manitoba needs to do its part. We built this plan of ours with individuals like Dave McLaughlin, who is

an authority on climate change, has been interfacing with government, on behalf of government for years, and others. We took a year to do it. We consulted broadly. We believe that our project, our plan and our path will provide value.

I told you before: We take an evidence-based approach. I think the federal government will come to enjoy seeing the actual effect driving behavioural changes in our jurisdiction. We are saying let the evidence guide it. One thing is for certain: You have a partner here in Manitoba that is playing all. I think there is only so much capacity on the part of the federal government, over time, to engage. There is a wide array of carbon pricing mechanisms out there. Not everybody is suggesting that they are going to be in the fold. I am suggesting the federal government's intention will go increasingly where they are going to need to engage with other provinces.

Q: Thank you. Mary Webb, Scotiabank. In lieu of all the federal programs that are being either implemented or developed that encourage collaboration with the provincial governments, what is Manitoba's reaction to the pharmacare and the potential there?

CF: Let us remember that steps have been taken over the last number of years for provinces, along with the federal government, to increasingly partner on pharmacare, so good progress has been made on a collaborative drug procurement strategy.

We understood it is a small jurisdiction.

Manitoba was having trouble achieving the kinds of pharmacare framework agreements that Ontario could because they are a much larger economy. It is a good lesson on procurement. Collaboration will lead to a bigger partnership.

Clearly, there are some broad pledges being made at this point in time that are ambitious and costly. We contain all of those kind of large-policy issues within—well, we understand what we were hired to do, here, and we understand what the trajectory is of Manitoba's path back towards sustainability, so we have some limited means in which to additionally engage on very large projects that could be expensive. However, we are working still collaboratively now. The minister of health told me last week there is a lot more work and opportunity in the area of pharmacare itself that can be additionally harvested even now. I would say, in terms of provinces working together, there is great collaboration happening. It was a point of agreement between us and our predecessors, in Manitoba, that good work had been done by senior officials to engage and get better value. We will keep going down that path. Thanks.

**Note of Appreciation, by Jonathan Hunter,
Global Head, Fixed Income & Currencies,
RBC Capital Markets**

Thank you, Minister Friesen. That was a no-nonsense great update, frankly. I think it goes without saying that we are honoured to have you here with us, today. Again, thank you.

We appreciate you sharing the vision for Manitoba's economic success and the update on some of the challenges you have faced. As you rightly pointed out, you stepped in or inherited some issues around spending and fiscal issues and service issues. It is great to hear you have got a plan for how to address some of those things and the no-nonsense, show-me approach to delivering on that plan as we go right now. Thank you for that.

I think it is worthwhile to note that the government consulted over 35,000 Manitobans when they were developing their latest budget. The outcomes, clearly, as identified by the Minister, were focused on the fiscal situation, focused on a moderate path to balancing the budget and addressing the healthcare issues, which the Minister referenced. I think those were the key priorities of the constituents. I would point out that this sort of inclusive and balanced-approach to budget and fiscal reform and management is particularly enlightening and refreshing in the world that some of us live in right now, which is not quite as straight and a little bit more of a rollercoaster start to 2018 that we have all witnessed.

I think we have seen some headwinds in the capital markets over the course of the last three months, more so than we have definitely seen since, say, the taper tantrum five years ago or, even more generally, over the last ten years. We have got threat of trade wars; we have got rising interest rates; we have got diverging monetary policies in various different jurisdictions. We have got growing debt levels, and we have got inconsistent application of inflationary pressures around the world. All of that is transforming into volatile equity markets and volatile fixed income markets.

Additionally, I think it is interesting to point to say that Canada has had the benefit of being a little bit on the outside in over the last ten years as it relates to looking at the political, economic and geopolitical events of the world. I think maybe not so comforting, frankly, at the moment, is the fact that we are not looking in anymore. We are actually front and centre, given to NAFTA negotiations that the Minister referenced to close proximity, of course, to the United States, and potential for secondary impacts from some of these trade rumblings that are going on at the moment.

I think that, in itself, is important why we gather in these types of venues and events to discuss issues, to strengthen our relationships and collaborate. I think it is critical that we work to better understand each other's goals and objectives and how the ladder up more broadly to what is going on, on a national level, which I think the Minister did nicely.

I think it is also important, from a banking and capital markets perspective as well as a little bit of a self-perspec-

tive, that we help our issuers develop diversified funding strategies in times where markets are going through transition, which is what they are going through right now. At \$6.4 billion, the Manitoba funding program is pretty much on track from previous years and has been extremely well managed. We recently had a ten-year deal from Manitoba in Canadian dollars, which was very well received by the marketplace. Additionally, I think it is noteworthy that the Manitoba name is well received globally. We have seen issues in sterling, Australian dollars and U.S. dollars over the course of the past year. RBC Capital Markets, obviously, greatly values the long-term partnership that we have had with the Province of Manitoba and helping advise them and execute on their funding program for the last many, many years. I think this government finance strategy is critical to our overall strategy, but it is great to be able to work with a partner that is not just talking about change, but is actually enacting change.

Thank you, again, very much, Minister, for taking the time and sharing with us your vision and foresight. We look forward to working with you in the future.

Concluding Remarks, by Barbara Jesson

Thank you, Jonathan. The Empire Club has had the privilege of bringing issues and speakers to Canadians to hear about important matters of relevance to all of us for more than 100 years, but we are a not-for-profit organization, and we simply could not do this without help from our sponsors. We are so grateful to them for allowing us to do this. Our event sponsor, RBC Capital Markets, thank you so much. To our supporting sponsor, Koch Fertilizer Canada, thank you very much. And to our VIP sponsor, Spirits Canada, we are so grateful to all of you, and, again, we simply could not do this without your support.

We would also like to thank mediaevents.ca, Canada's online event space for webcasting today's event for thousands of viewers around the world. Also, thank you to the National Post, as our print media sponsor.

Although our club has been around since 1903, we have moved into the 21st century and we are active on social media. Please, follow us on Twitter at @Empire_Club and visit us online at www.empireclub.org. You can also follow us on Facebook, LinkedIn and on Instagram. Yes, we are still there on Facebook.

Finally, please, join us again soon at our next event, tomorrow, April 13th, featuring the University Presidents' Panel on the future of education, taking place at the Arcadian Court here, in Toronto. Thank you so much for your attendance, today.

This meeting is now adjourned