



**CANADIAN MANUFACTURERS & EXPORTERS**

***PRESENTATION TO THE ONTARIO ENERGY BOARD***

***REGARDING THE ENERGY EAST PIPELINE***

Date: January 30, 2015  
Submitted To: Ontario Energy Board

Thank you to the Ontario Energy Board for conducting this important stakeholder forum regarding the Energy East Pipeline Project (the “Project”).

### **CME’s Position**

Canadian Manufacturers & Exporters (CME) recognizes the economic benefits of the Project to Canada and the manufacturing sector in particular and we strongly support its development in a manner which best serves the public interest.

It is also important that the Project proceed in a manner which allows existing gas consumers to continue to have reliable access to natural gas which is competitively priced at the points of consumption. Existing customers should not be disadvantaged by the project.

CME recognizes that regulators face challenging issues related to the proposed conversion to oil of part of the North Bay Shortcut currently used to transport gas in Ontario, including the transfer of that asset to the Project. Gas customers should not be expected to bear any incremental costs for TransCanada’s construction of new Mainline facilities to accommodate the conversion to oil of North Bay Shortcut capacity currently needed and utilized to support gas service in Ontario and Quebec.

CME is also mindful of the many uncertainties related to the linkage between the Project and the construction of additional facilities to transport Appalachian shale gas to the Ontario and Quebec markets in a manner which best serves the public interest.

CME is relying on the Ontario Energy Board (OEB) and the National Energy Board (NEB) to determine these integrated resource issues in a manner which best serves the public interest.

### **About CME**

CME is Canada’s leading trade and industry association and the voice of manufacturing and global business in Canada.

The association directly represents more than 10,000 leading companies nationwide. More than 85% of CME's members are small and medium-sized enterprises. As Canada's leading business network, CME, through various initiatives including the establishment of the Canadian Manufacturing Coalition, touches more than 100,000 companies from coast to coast, engaged in manufacturing, global business and service-related industries.

CME's membership network accounts for an estimated 82% of Canada's total manufacturing production and 90% of exports.

Manufacturing adds more total value to the Ontario economy than it does in any other province. Every dollar of manufacturing output generates billions of dollars in indirect impacts elsewhere in the province. No other sector generates as much secondary economic activity.

### **Current Business Environment for Manufacturers**

Manufacturers and exporters are generally optimistic about the future; however, a number of key challenges persist, threatening this favourable outlook. CME's recently released management issues survey highlighted a number of pressing challenges that are constraining growth including; skills issues, regulatory impediments, and cost and reliability of energy supply.

Ontario has made significant progress in improving the tax environment for manufacturing investment including the reductions to corporate tax rates, accelerated write-offs for M&P equipment, the elimination of the capital tax and the harmonized sales tax. However, these positive measures have been offset by other factors that are contributing to Ontario manufacturers lagging growth when compared to the rest of Canada.

Meanwhile the recent drop in the value of the Canadian dollar is likely to provide a boost in exports in the near term. However, given the volatility it will be critical for manufacturers to remain vigilant on containing costs, improving productivity and continuous innovation. While a low dollar will benefit exports it will also make the

purchase of new equipment more challenging since most are priced in USDs. The harsh lesson from the previous low dollar environment in the late 90's and early 00's is that many companies underinvested in equipment which made those companies less competitive when the dollar skyrocketed in price. Many companies went out of business or moved to the US as a result. Sustained investment in productive assets will be a key success factor for manufacturing this time around.

### **Economic Benefits of the Project**

According to the report filed by Deloitte, the Project will generate \$35.3 Billion in additional GDP over the next five decades and an additional \$3 billion in new tax revenue over that same period. Of this total, the Ontario GDP impact will be over \$13 Billion. Economic opportunities of this magnitude are rare and should be pursued aggressively.

While the low-dollar environment may benefit manufacturers and exporters, ultimately it is the customer that will determine the sectors future. The Project represents a potentially significant customer for Ontario's (and Canada's) manufacturing sector. The Conference Board of Canada projects that approximately 21 percent of the employment benefits will accrue to the manufacturing sector of which 3,381 person years of employment will be in Ontario. The manufacturing sectors that will receive the greatest benefits include fabricated metals (31%), primary metals (22%) and machinery (20%).

Given the rapid drop in oil-prices there remains a high degree of uncertainty as to what the future prospects hold for the sector and the Canadian Economy. CME believes that regulatory approvals for the Project on terms which best serve the public interest would send a strong signal to markets that Canada is open for investment and that the long-term prospects for Alberta remain strong.

### **CME's Support**

CME supports the benefits of the Project to the economy as a whole and, in particular, to the manufacturing supply chain provided that:

- Natural gas consumers in Ontario continue to have reliable access to competitively priced natural gas at the burner tip;

- The complex issues pertaining to the proposal to re-purpose and transfer a part of the currently utilized North Bay Shortcut are resolved by regulators in a manner which best serves the public interest; and
- Regulators impose measures to insulate ratepayers from the cost consequences of any material system under-utilization that subsequently occurs.