January 10, 2019

MANITOBA HEAVY CONSTRUCTION ASSOCIATION

The Heavy News Weekly

INSIDE

INDUSTRY NEEDS HELP TO ADJUST TO FEDERAL CARBON TAX

The MHCA has sent a letter to regional federal minister Jim Carr, voicing concern about the lack of recognition of the impact of the carbon tax on the heavy construction industry. The association has also asked that the Canadian Construction Association organize a planning session with the leadership of heavy construction associations across Canada, to develop a response to Ottawa's climate change and carbon tax plan.

Because Manitoba is not imposing its own carbon tax, Ottawa will implement a tax at distribution of various fuels and oils, including diesel, in this province and three others that have refused to adopt a carbon tax. In April, the carbon tax on diesel fuel in Manitoba will add 6.3 cents per litre. The price of gasoline will rise by 4.4 cents/L.

Ottawa, however, plans to use the revenues raised by the carbon tax for rebates to individuals; those rebates will be greater than actual costs of the tax to individuals. The remaining revenue (about $190 million over the next 5 years) will be distributed to public institutions, Indigenous communities and small to medium-sized businesses.

"Our industry will pay that additional fuel cost at various points in their operations, but most obviously on every litre of diesel and gasoline used in core infrastructure construction – roads, bridges, highways, sewer & water and water-control structures," MHCA President Chris Lorenc said. "Our industry – public infrastructure works – is fuel intensive, with no substitute, and that means heavy cost."

Fuel accounts for as much as 30% of the heavy construction industry's costs of operations. In an informal survey some member companies have estimated the starting impact of carbon tax to reach $1 million annually. The MHCA sent Carr a letter this week, asking for his support on the association's suggestions for ways to help industry adjust to the costs of the tax and adopt newer technology that is still needing to be adapted so it works reliably in our heavy construction engines and machines.

Among the MHCA's suggestions are:

- ensure carbon tax is not subject to federal excise and provincial fuel levies at the pump
- ensure the carbon tax is not applied to the biodiesel component of fuel
- accelerate rate of depreciation for Tier 4 Final, via capital cost allowance
- remove PST from purchase of anti-idling technology
- establish an expert panel to review the applicability of available or emerging technologies and practices to reduce GHG emissions

"If we want to preserve the value of provincial and municipal public-works budgets – to ensure the volume of work that gets done is not significantly reduced – then industry needs help to offset the higher fuel costs," Lorenc explained.

MHCA will update members on Carr's response once the minister has replied.

Meanwhile, a CCA-organized conference call among provincial construction associations can help share ideas among the four provinces to be affected by a federal carbon tax, and to learn from the experience in provinces where a carbon tax was applied prior to the federal plan.

2018 a year of disruption, evolution for construction

Vince Versace, Daily Commercial News, January 2

Disruption? Evolution? Either of these two words could describe the changes in the construction industry landscape in 2018.

Which word it actually is likely depends where one stakes their claim within the industry itself.

This past year, across Canada, new issues came to the fore that will impact construction in the foreseeable future. The use of Community Benefits Agreements (CBA), proposed and enacted provincial lien acts, the introduction of open tendering and the legalization of marijuana impacted the industry and our readers nationwide.

The B.C. government has rolled out the use of CBAs for its projects, leaving non-unionized construction groups screaming foul.

They'll tell you a CBA will not increase the amount of apprentices and underrepresented groups on a project and that the concept is merely a result of a provincial government cozying up to its union friends. Unionized representatives state those assertions couldn't be further from the truth.

They state a CBA prioritizes job and training opportunities and ensures workers receive union wages and benefits for the duration of a given project.

Yes, workers on a job for 30 days, delivered through a CBA, will be covered by a union contract but that coverage cannot be used as an organizing tool, unionized leaders state.

What's the real story? Well, construction will have all of 2019 to begin to find out on this front.

Ontario is considered ground zero for its substantive changes to its lien act.

The first set of legislative changes in the province's new act concerning lien modernization came into effect July 1 while its prompt payment and adjudication provisions will take effect Oct. 1, 2019.

The changes are extensive when it comes to implementing lien and holdback reforms, introducing a new prompt payment regime and dispute-resolution mechanism.

The issue of prompt payment was once a major dividing line between general contractors and subcontractors. However, the work by Ontario representatives of those parties, through collaboration, has resulted in a mechanism that is palatable to both.

Construction stakeholders in other provinces have taken notice with some calling for the "Ontario model" to be the one they aspire to in their jurisdiction.

Another Ontario development, which occurred late in 2018, is Premier Doug Ford's government proposing open tendering legislation on all publicly-funded construction contracts.

Unionized leaders are calling the legislation an attack on ordinary construction workers and their basic rights since parts of the bill will eliminate construction bargaining rights and existing, long-standing collective agreements.

Non-unionized and open-tendering advocates state the legislation is a game changer for fairness in Ontario's construction industry, ensuring all qualified companies and workers, regardless of labour affiliation, can bid on work.

The haze created by the federal legalization of marijuana in Canada left the industry trying to find its way to the best solutions possible when it comes to defining impairment on the job, testing and considering the possible health and safety impacts for workers.

2018 was a year quite like no other year in recent memory for the construction industry. How it forges ahead with new tools and rules in place could make 2019 a year of learning and finding balance on new ground.

This is an edited version of the story, published in Daily Commercial News

Targeted relief on aluminium and steel: Stability is still needed

The Canadian construction industry is encouraged by the Canadian government's decision to provide relief on specific aluminum and steel products.

"Our industry has been hit hard over the last few months, and this relief will bring some much needed good news as we are working hard at building the infrastructure that Canadians need," said Mary Van Buren, Canadian Construction Association (CCA) president.

"As welcome as these measures are, this relief is temporary, and the uncertainty will still affect competitiveness and business confidence in Canada. The industry and investors need stability of a permanent solution to the ongoing trade dispute to allow them to better plan for the future," added Mary.

Canadian Construction Association

The CCA has long advocated for reciprocity and the establishment and maintenance of a free-flowing international system of trade, both regarding goods as well as services. CCA supports international free trade agreements, including provisions respecting government procurement.

We are going digital!

Starting this week we're transitioning to a electronic version of the *Heavy News Weekly*. You'll receive both the PDF copy as well as the new digital copy for the next few weeks.

Didn't recieve the digital version?
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Please save and return completed form to the MHCA office by email to christine@mhca.mb.ca or fax at 204-943-2279.
For more information, contact Christine Miller at 204-947-1379.

As per MHCA Board policy, only registrations cancelled at least six (6) business days prior to the commencement of this event will be refunded.

Aggregate council releases new best-practice standard

Cornerstone Standards Council, January 4

Today the Cornerstone Standards Council (CSC) announces the release of its Responsible Aggregate Standard (V4) and changes to CSC's role moving forward. This announcement comes following a pilot period of CSC's Standard (V3) to evaluate the effectiveness of the Standard.

CSC Responsible Aggregate Standard V4
CSC is pleased to release its Responsible Aggregate Standard (V4) as a 'best practices' document for the aggregate sector. This revised Standard is largely the work of CSC's Standard Revision Panel, a group composed of representatives from the aggregate sector, environmental organizations and a representative from the Métis Nation of Ontario. The Panel met several times through 2018 to review input received during the pilot period and propose recommendations for revising the Standard. Following these discussions the Panel reached consensus on the majority of changes and proposed a revised Standard to CSC's Board of Directors for approval. With relatively few changes CSC's Board of Directors approved this revised Standard for distribution as a best practice document on November 9, 2018.

The release of this Standard demonstrates how progressive aggregate operators, community interests and NGOs, First Nations and Metis, when working collaboratively, can reconcile their differences and agree on what socially and environmentally responsible practice looks like for the sector. The Standard addresses a number of areas related to aggregate operations including improved transparency regarding environmental impacts, proactive engagement with the local community, protection (and improvement) of key environmental features, and operating practices that reduce negative impacts. It is hoped that by adopting the practices in the Standard industry will benefit from strengthened social license, protection of environmental features and improved relationships with impacted communities.

The Changing Role of CSC
In addition to releasing the Responsible Aggregate Standard (V4) as a best practices document, CSC will be shifting its role and functions. Moving forward, CSC will no longer function as a certification/accreditation organization and will no longer conduct audits against the standard. For a variety of reasons CSC was unable to create a strong enough value proposition for industry to pursue certification at the scale required for the organization to be sustainable. As a result, beginning January 1, 2019 CSC will enter into a custodianship period for the next two years, allowing time to reassess the level of interest in such a certification system.

CSC will have no staff working during this custodianship period but will reconvene periodically to monitor evolving best practices in the sector, identify opportunities to work together and discuss future steps with the Standard and certification system.

Many Thanks
CSC's Board of Directors would like to thank the many individuals and organizations who have been involved in its work. Including financial supporters, staff, Directors, members of technical working groups and other stakeholders who took the time to provide comments and input as the Standard was developed and reviewed. It is thanks to this support that CSC has achieved the significant task of reaching a consensus based set of best practices for the aggregate sector. This work will continue to have an impact in the coming years. CSC's Responsible Aggregate Standard (V4) will live on the website www.cornerstonestandards.ca.

MHCA Committee Meetings

MHCA Executive Committee
MHCA Office
January 16 • Noon

MHCA Board of Directors
MHCA Office
January 23 • 9:00 AM

CAC responds to BBC News article

Michael McSweeney, Rock to Road, January 3

The cement industry welcomes the BBC's recent article discussing the importance of concrete as the most used, most versatile and most durable construction material on the planet. Virtually all the infrastructure that defines the modern world simply could not exist without it.

Contrary to the headline's implication, however, it's no secret that concrete, like all building materials – including steel, aluminum and wood – are carbon-intensive to produce. Nor have cement producers, the origin of most of concrete's CO_2, been idle in facing this challenge.

While Ms. Rodgers implies that the solution to addressing cement-related CO_2 exists outside the industry in the form of "novel cements," a closer look would showcase a strikingly innovative sector making massive investments in a far more realistic and impressive portfolio of solutions.

In fact, the industry years ago published a technology roadmap, laying out in scientific terms what mix of technologies will be required to meet our sector's share of the 2015 Paris commitments. Some of these technologies are available today. For example, as your article notes, substituting fossil fuels for lower carbon alternatives such as waste biomass could reduce emissions by 40% at some facilities and over 25% across the global portfolio of cement producers. What's needed to make this happen is regulatory and policy reforms to unlock access to these fuels – an effort our industry is working closely with legislators and policy makers to achieve.

Far more exciting is the rapid development of Carbon Capture Utilization and Storage (CCUS) technologies. Canadian start-up CarbonCure, which injects CO_2 into concrete to make it stronger, is already seeing huge success in North America and expanding into Asia. A cement facility in Norway is aiming to be the first zero carbon cement facility in the world with full scale operation only 5 years from now. Mineralizing captured CO_2 into substitutes for virgin aggregates or other products could even help produce carbon negative concrete. Most importantly, CCUS solutions are transferable across all facilities and across multiple sectors.

All told CCUS represents a $1.7 trillion opportunity, which is why it will succeed, and cement and concrete will be among the first sectors where these technologies become both economic and scalable. These are nothing short of stunning, game-changing, developments.

Strangely, while illustrating that CCUS and fuel substitution could effectively address 100% of concrete's CO_2 emissions, the article brushes these technologies aside, suggesting that these efforts "will help, but can only do so much." How much more than 100% would be enough? How many other sectors can claim a credible path to carbon neutrality?!

While novel cements will play a role, scale and performance limitations that restrict their use to specific applications mean it is these technologies that "can only do so much." Our efforts are much better directed toward eliminating fossil fuels to the greatest extent possible, and rapidly developing and deploying nascent CCUS.

Concrete is quite simply indispensable. It's true that most people don't spend much time thinking about it, nor its CO_2 emissions. But rest assured, we think about these things obsessively and are forging a path on climate leadership few other sectors can boast.

Michael McSweeney is the President and CEO of the Cement Association of Canada.

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Your Voice Heard

The Manitoba Heavy Construction Association (MHCA) is the voice of Manitoba's heavy construction industry, promoting sustainable municipal infrastructure development, sustained investment in core infrastructure, and seamless, multi-modal transportation systems.

We want your voice to be heard. If you have any questions or suggestions regarding our industry, the MHCA, or the services that we provide, contact us directly by visiting our website www.mhca.mb.ca or calling 204-947-1379.

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Celebrating 30 years of safety excellence

Back to you

Don Hurst
Director of WORKSAFELY™, Education and Training

This year, MHCA marks 30 years of providing dedicated safety services and programing to the heavy construction industry.

Since 1989, our industry has driven the development of safety programing in the heavy construction industry, amassing a wealth of experience that has been used by other industries to tailor workplace safety and health services. The program has evolved from providing advice and training to a comprehensive, nationally recognized certification system designed for heavy construction workplaces.

Our success is derived from the fact programming has been developed by industry for industry.

What does 30 years of safety success look like?

- Industry injury rate reduced from 7.5/100 workers in 2000 to 3.6 in 2017
- Average WCB rates for the industry reduced from \$3.72 in 2000 to \$1.67 in 2018
- Number of COR companies has grown from 40 in 2001 to 340 in 2018 – 75% of our industry's workforce

Recent milestones of achievement

- 2014: Industry-based COR certification mandatory for government construction projects >\$100,000
- 2016: WCB introduces safety certification for other industries based on the COR model
- 2018: Industry's investment pays off through the new 15% rebate for COR-certified companies

Let's build on this success as we strive to go from 'good to great'!

KNOW YOUR WORKSAFELY™ TEAM

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Training Schedule

Construction Safety Excellence™

TO REGISTER, PLEASE CONTACT:
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kristen@mhca.mb.ca

WINNIPEG - MHCA Office
3-1680 Ellice Ave.

January 2019

14-15 COR™ Leadership in Safety Excellence
16 COR™ Principles of Health & Safety Management
17-18 COR™ Auditor
22 Excavating & Trenching (1/2 day AM)
22 Auditor Refresher (1/2 day PM)
23 Flagperson (1/2 day AM)
23 Safety Committee/Representative (1/2 day PM)
29-30 Traffic Control Coordinator

February 2019

5 Managing Impairment in the Workplace (1/2 day AM)
11-12 COR™ Leadership in Safety Excellence
13 COR™ Principles of Health & Safety Management
14-15 COR™ Auditor
20 Addressing Workplace Psycological Hazards Workshop (no charge)

March 2019

5 Flagperson (1/2 day AM)
5 Safety Committee/Representative (1/2 day PM)
6 Train the Trainer - Facilitation Skills
11-12 COR™ Leadership in Safety Excellence
13 COR™ Principles of Health & Safety Management
14-15 COR™ Auditor
19-20 Traffic Control Coordinator
27 Excavating & Trenching (1/2 day AM)
27 Incident Investigations (1/2 day PM)

BRANDON
St John Ambulance

January 2019

14-15 COR™ Leadership in Safety Excellence
16 COR™ Principles of Health & Safety Management
17-18 COR™ Auditor
30 Train the Trainer - Facilitation Skills

February 2019

5 Flagperson (1/2 day AM)
5 Safety Committee/Representative (1/2 day PM)
6 Excavating & Trenching (1/2 day AM)
6 Transportation of Dangerous Goods (1/2 day PM)
11-12 Traffic Control Coordinator
20 Auditor Refresher (1/2 day AM)

WINKLER
Quality Inn - 851 Main St.

January 2019

21-22 COR™ Leadership in Safety Excellence
23 COR™ Principles of Health & Safety Management
24-25 COR™ Auditor

WORKSAFELY MHCA

SAFETY TALK

Cold stress

Workers exposed to cold are at risk of cold stress. This weather-related condition can lead to serious injury during winter months.

What's the danger?

- **Frostbite** – an injury to the body caused by freezing and causes loss of feeling and color in the affected areas

  Symptoms include:

  - Reduced blood flow to hands and feet
  - Numbness
  - Tingling or stinging
  - Aching
  - Bluish or pale, waxy skin
- **Hypothermia** – occurs when your body loses heat faster than it can be produced. Low body temperature affects the brain, making you unable to think clearly or move well.

  Symptoms include:

  - Shivering
  - Fatigue
  - Loss of coordination
  - Confusion and disorientation
  - Slowed pulse and breathing
  - Loss of consciousness

How to protect yourself

- Review your company's safe-work practices and procedures for working at cold temperatures
- Know the symptoms to watch for (yourself & co-workers)
- Check the forecast. Ideally, work at warmest time of day
- Wear appropriate clothing – loose, water-proof and wind-resistant layers provide better insulation.
- Take warm-up breaks throughout the day
- Do not rub frost-bitten areas as it can cause more damage
- Eat/drink warm foods or beverages; avoid caffeine & alcohol
- Don't work alone. If you must work alone, use a check-in system.
- Have emergency supplies ready at worksites and in vehicles.
- Call 911 or a local emergency provider immediately if you think someone is experiencing hypothermia

Print and review this talk with your staff, sign off and file for COR™ / SECOR audit purposes.

Date: ______________________ Supervisor: ______________________

Performed by: ______________________ Location: ______________________

Concerns:

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Corrective Actions:

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Employee Name:

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Employee Signature:

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What happened in 2018 and what can we learn for 2019?

By Andrea Gardella, Senior Economist

Before fully shifting focus to 2019, let's take stock of the last twelve months: its ups and downs, and how EDC Economics sees the past year's events affecting 2019.

2018 saw several key events that shifted country risk globally and EDC Economics' country risk ratings moved with this tide. The Country Risk Quarterly covers 100 countries, with each country being assigned six risk ratings measuring different risks affecting business. Last year was marked by a divergence; developed markets gained steam while emerging markets felt the pinch. And, around the world, political headwinds resulted in some unexpected turbulence. Specifically, a strengthening United States economy, increasing interest rates shifting financial flows and rising political polarization were key themes this past year and we will continue to see the impacts flow into the next twelve months.

In terms of risk rating changes, unlike a balanced 2017, 2018 was weighted on the downside. Despite a growing global economy, EDC country risk ratings experienced over 60% more downgrades than upgrades, with almost all occurring in emerging markets. Let's breakdown those movements and tease out some key trends to keep an eye on going in to 2019.

Let's start with the Americas. While the regional economic trend somewhat improved relative to the year before, the majority of the 21 rating movements in 2018 were downgrades. Specifically, three downgrades to the sovereign's probability of default, three to expropriation and government intervention and two downgrades to our political violence rating.

What led to these changes? Many of them were driven by the more fleshed out impacts from multiple years of weak economic activity, falling international investment and inability to economically diversify, particularly for the Caribbean. Persistently weak socioeconomic conditions and an uptick in corruption allegations dragged down our expropriation and government interference and political violence ratings. In Venezuela, local conditions have created a migrant crisis. Regionally, countries receiving the millions of migrants are straining financially to assist particularly as they attempt fiscal austerity. Guatemala is following in Brazil's footsteps and is facing its own corruption crisis. Ongoing investigations into key political players throughout the region drive up political risks.

Moving forward, modest economic activity and higher costs of capital will strain several government's coffers, particularly as policy making faces increased political division in several countries including Brazil and Mexico.

Across the Atlantic, Emerging Europe is riding a wave of economic optimism, leading rating upgrades to outnumber downgrades. Several European countries continued to reap the benefits of a growing Euro Area resulting in sovereign rating upgrades for Poland, Portugal, Slovenia and Uzbekistan. Concurrently, recovering economic activity is improving a number of key external metrics and in turn reducing transfer and conversion risk, namely in Albania, Montenegro and Uzbekistan. Darkening the outlook heading into 2019 is the swell in populism which has given rise to BREXIT, anti-EU and anti-globalization sentiments. These views are likely to be a factor in upcoming European Parliament elections in May of this year. Turkey experienced one of the swiftest currency crises since the Great Recession – the first of major emerging market currency depreciations – leading to two risk rating downgrades in the country (sovereign probability of default and transfer and conversion).

Although conditions are improving, emerging markets will continue to face an uphill battle, particularly those dependent on foreign capital. Economically, we are likely to continue seeing market optimism but in an environment of rising political risk, we shouldn't underestimate the potential impact on the region.

Moving south to the Middle East and Africa, economic and political turmoil continued to weigh down country ratings, resulting in 28 downgrades. Of importance, the region was hit with seven downgrades to our best commercial risk rating, five to sovereign probability of default and six to expropriation and government interference. Persistent political and inter-regional tensions, rising insecurity and comparatively weaker commodity prices drove a year of downside risks.

Bahrain and Iran continue to be dragged down by low oil prices while Ethiopia's dependence on agriculture has driven external borrowing to high levels and increased its risk of sovereign default. Like the Americas, worsening our political violence ratings are continued socioeconomic vulnerabilities that were not helped by at times violent elections. Governments in an increasing number of countries are feeling the electorate's discontent, including in South Africa and Guinea. EDC's Global Economic Outlook expects crude oil prices to average around $63/bbl in 2019, significantly below the commodity boom highs. To watch in 2019 is the impact on the region of modest commodity prices combined with rising cost of capital on public finances and debt sustainability risks.

On to Asia. After Europe, the region had the most upgrades, a total of 10, but were almost equally matched by eight downgrades. Sovereign probability of default in Indonesia and Malaysia experienced a worsening risk outlook. For both countries, this was partially driven by high external debt in an environment of rising interest rates. Additionally, Malaysia went through a political transition that exposed fraudulently underreported debts. Both transfer and conversion and political violence risks have improved in most of the region with a few notable exceptions.

Pakistan faced significant cash shortages, forcing a scramble to garner financial support from key allies. Myanmar saw a rise in political violence risks as domestic tensions turned violent, particularly affecting the country's Rohingya minority. Overall, the region is expected to see a mixture of strong economic growth, particularly in India, leading to improved economic conditions. However, governments will face tighter credit access and may start to feel the backlash from global trade tensions.

The bottom line?

2018 was a year of divergence but there were key themes. Continuing from 2017, weak commodity prices and political turmoil made their presence felt in 2018. Emerging markets in particular bore the brunt of the downward pressure, and in some cases, demonstrated the fundamental financial fragility they face. Developed markets didn't get off scot free, however, as a growing number of them face rising political discontent and populism.

What can we say for 2019? Emerging markets will feel the pinch of reduced financial and investment flows while developed markets continue their upward economic trend. But, political risks will be central to country risk stability this year. Keep a close eye on populism and protectionism; some countries will be able to withstand the tension much better than others and it will likely be those that benefit from domestic political stability.


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