QUESTIONS FOR DISCUSSION

Introduction

The Manitoba Heavy Construction Association (MHCA) is a trade organization representing the heavy construction industry in Manitoba since 1943. We promote sustainable investment in infrastructure to support economic growth benefiting our province and country in a manner consistent with broad public interest.

We are pleased to participate in round table discussions designed to help shape the development of Canada's Long Tern Infrastructure Program (LTIP).

The MHCA submits that Canada's LTIP must acknowledge the clear and established link between investment in infrastructure, and our nation's economic productivity, competitiveness, and therefore growth.

It is this economic growth that fuels revenues to governments with which we fund our social, educational and healthcare programs ('social programs'), providing Canadians with a globally envied quality of life and standard of living.

Hence it is in our individual and collective self interests to adopt national, regional, provincial and municipal policies that ensure Canada is supported and benefits from a globally competitive economy.

The above principle has already been acknowledged in federal programs including: Asia Pacific Gateway & Corridor Initiative; Federal Framework on Trade Gateways & Corridors; and the Border Crossing Program (e.g. Ambassador Bridge)

What is required now, is a national statement and commitment to investment in infrastructure in a manner that supports and enables Canada's economic growth though a Long Term Infrastructure Program (LTIP).

Key Definitions
For the purposes of this presentation '*infrastructure'* means roads (regional, local and lanes), bridges, active transportation facilities, transit facilities, parks, riverbanks, flood protection, buildings (including police, fire paramedic, libraries, pool, arenas, community centers, administration buildings), water and sewage facilities, land drainage facilities, and solid waste facilities.

Additional key presentation definitions:

- ***Existing Infrastructure*** refers to the 'physically existing' infrastructure assets.
- ***New Infrastructure*** refers to investments in new, projected or anticipated infrastructure assets that do not currently exist or the improvement of existing infrastructure assets.
- ***Strategic Infrastructure Investments*** refer to unique and unanticipated investment in assets required in special case scenarios to platform new economic strategies or opportunities. Manitoba examples include: infrastructure for CentrePort Canada, the Canadian Museum for Human Rights and the new Winnipeg Football Stadium.

1. How could future federal infrastructure programs respond to specific challenges in your region or sector?

Permanent Program
The LTIP should be a permanent program supporting a national aspiration to re-build and strategically position Canada to seize economic growth opportunities creating jobs, career opportunities and wealth for Canadians, thereby generating revenues to governments to fund maintenance and enhancement of our social programs for all Canadians.

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Long Term Predictable Funding for Municipalities
Federal funding for municipalities under the Gas Tax Program has been very helpful to begin addressing Canada's municipal infrastructure deficit - *the gap between need and available funding* - which by some estimates hovers in the vicinity of $243 billion.

Respectfully, while an excellent step forward, it is insufficient to meet the growing municipal needs across our country.

We understand that the federal government collects approximately $5 billion annually from its per litre 10 cent excise fuel tax on gasoline and 4 cent tax on diesel. Our recommend is that the federal government transitions, over three years, the remaining portion of federal gas tax revenues dedicating to municipal infrastructure using the existing Gas Tax Agreement framework. At its current level, this would result in an additional $3 billion being allocated annually to Canadian municipalities.

Support Long-term Economic Growth Objective
The underpinning LTIP strategy should reflect the obvious: a clear link between infrastructure investment and economic growth[i].

In structuring the program, governments should seek to approve and promote those projects that best contribute to and support, local, provincial, regional and national economic growth and development opportunities.

Those priorities include:

- improvement to national trade-supporting infrastructure including trade corridors, gateways, ports, airports, inland ports, rail terminals, border infrastructure crossings and seamless multi-modal transportation systems;
- economic enabling infrastructure such as electrical grids and power production facilities;
- civic projects, such as convention centres, universities and colleges, teaching hospitals, research facilities; and
- mass public transit projects and
- highways and roads into remote areas where ongoing investment in natural resource extraction is occurring.

Flexibility
Federal infrastructure programs should be flexible and support:

- investment in the maintenance and rehabilitation of existing infrastructure assets to ensure they remain effective throughout their design or extended life thereby deferring capital replacement costs; and
- investment in existing, new and strategic infrastructure which promote economic growth.

Long-term Multi-Year Capital Management Programs; Early Tendering & Timely Contract Awards
Long term, multi-year programs, coupled with early tendering and timely contract awards are efficient management tools *which will save the public purse* in project costs.

Erratic funding of capital programs result in higher capital costs for infrastructure. Since all purchases are based on supply and demand principles, prices for infrastructure materials and human resources are lower when capital plans are known and are multi-year. Such conditions provide the design and construction industry with the certainty required to make prudent long-term personnel, equipment and material purchasing decisions.

Multi-year programs provide for the flexibility and ability to plan, each of which reflects itself in more competitive pricing for all input costs that ultimately lowers capital costs.

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LTIP funded projects should be required to be tendered early, namely, between October and December inclusive for the following season with timely contract awards. The practice of early tendering and timely contract awards has a twofold positive impact.

First, early tendering and timely contract awards ensure that workers in seasonal construction industries can be gainfully employed at minimum between April and November inclusive or longer. This creates an extended construction season, longer annual employment, higher incomes, and in a growing number of circumstances, reduced and/or eliminated reliance on EI.

Secondly, early tendering affords the industry an opportunity to better plan, source products, materials and HR resources earlier, each of which have the combined effect of lowering construction costs thereby further extending the value of program dollars. This is fact, not fiction, as demonstrated by the budget value benefits enjoyed by Winnipeg after having made changes to its budget approval and tender scheduling process.

Ignoring the positive impacts of multi-year programs, early tendering and timely contract awards, ignores the significant cost savings and benefits to taxpayers.

Ensure Administrative Ease
Similar to the federal stimulus program, the LTIP should be structured to ensure administrative ease.

2. What are the key short, medium and long-term infrastructure objectives for your region or sector and how do they support economic growth, competitiveness and job creation.

Key Manitoba Investments – short, medium, long term
Canada's economy is five times more dependent upon trade than the economy of the United States. Manitoba is one of Canada's most export-oriented provinces with manufacturing exports of approximately $14 billion annually accounting for roughly 62% of its economy.

Trucking, rail, marine, warehousing, distribution and manufacturing are all dependent upon and support trade and account for roughly 100,000 jobs in Manitoba. And with 64% of the provincial GDP, Winnipeg accounts for the dominant share of trade-related jobs.

Manitoba is an important Canadian gateway to global trade. That role can be further augmented by focusing on assets that enable Manitoba to enhance Canada's global trade role. Investments in that regard include the following:

a. Continued focus on infrastructure (capital and regulatory) investments which support CentrePort Canada, Canada's first inland Port;
b. Recognize that the Port of Churchill is Canada's northern trade gateway to Russia/Eurasia and develop a strategy of investment and trade gateway role development;
c. Ensure strategic investments in trade enabling gateways and corridors across western Canada. In Manitoba's case those assets include: efficiency improvements to PTH #101 (Perimeter Highway); PTH #75 Western Canada's southern trade gateway into the United States; Headingly, St. Norbert and Morris by-pass; Emerson border crossing.

Investment in trade enabling, supporting, enhancing assets (capital and regulatory) should be a permanent feature of infrastructure investment strategies in Manitoba and across Canada.

Short to Long Term
Streets and Highways in Canada
Streets and highways in our country connect and bind our communities. They enable trade, they support tourism, they make the transportation of goods and products cost competitive. They are an integral part of our economic lifeline and they are crumbling.

A key focus of the LTIP should be a long term funding strategy focusing in priority, on key national/regional trade gateways and corridors, regional carriers, municipal regional streets, collectors and residential streets.

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Water & Wastewater
Poor or inadequate water treatment and distribution systems, and wastewater collection and treatment systems, imperil our standard of living and health. These systems are basic, cannot be allowed to deteriorate to the point of risking public health.

Medium-long
Newer communities experiencing population growth will need to focus primarily on the construction of new assets. The focus of these cities is likely to be on new roads, water systems, schools and hospitals.

Older communities will be more focused on repairing, replacing or expanding existing infrastructure to keep pace with demands. The focus of these cities will likely be water systems, sewers, public transit and roadways, as well as hospitals and other civic structures.

Federal infrastructure funding programs must be flexible enough to meet the diverse interests of each type of community.

How do the above support economic growth, competitiveness and job creation?
Investment in infrastructure generates economic results. An Informetrica report on infrastructure and its impacts on productivity found that for every $10 billion invested in local infrastructure, it creates 115,000 new jobs and generates a 1.3 percent increase in national GDP.

The study also found that investments funded from growth taxes (specifically sales and income taxes) deliver a bigger boost to a slowing national economy than investments funded from municipal property taxes. And for each dollar invested in municipal infrastructure, roughly 35 cents is returned to the provincial and federal governments in direct, financial benefits, mainly through increased sales and income tax revenues.

The federal government's economic stimulus program is this country's best and most current evidence of what sustained investment in infrastructure can generate in terms of jobs and physical asset improvement to Canada's infrastructure, and therefore, our economic competiveness and growth.

Other federal programs, such as the Asia Pacific Gateway & Corridor Initiative, the Federal Framework on Trade Gateways & Corridors and the Border Crossing Program, were designed in acknowledgement of the growth enabling characteristics of trade supporting infrastructure investment. The most recent such example was the funding announcement for the Ambassador Bridge.

In a sustained basis, each of the above proposed investment areas focusing as a matter of national economic priority first on those assets that enhance existing or enable new economic activity, will help support the generation of wealth through the creation of sustainable jobs, attract international investment, create enhanced job and career opportunities and grow Canada's global reputation as the most desired place in which to invest, live, work and play.

3a. How can all levels of government, the private sector and stakeholders work together to ensure Canada has the infrastructure it needs to support sustained economic growth?

As a first imperative, all governments should shift their over-riding fiscal policy focus away from simply generating revenues, to a shared and collective emphasis on growing the economy, to generating national wealth.

They should embrace the entrepreneurial skills of the communities of stakeholders, public and private, to develop economic investment and regulatory approaches which embrace the concepts of sustainable and environmentally responsible economic growth strategies.

The three levels of government should regard each other within their respective jurisdictional capacities as economic growth partners.

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Without these paradigm shifts, discussions about revenues and revenue sharing, to address national, regional, provincial or local challenges, are moot.

3b. How can we encourage greater private sector involvement, leverage private investments, and increase the use of public private partnerships where they can generate better value for taxpayers?

The federal government through Partnerships Canada should help educate the public of the advantages associated with Public Private Partnerships (PPP) *as one method* of funding investment in Canada's infrastructure.

Governments should engage with the private investment community in Canada and seek its advice on the types of policy changes that would help promote additional interest in partnering with governments to help meet Canada's future infrastructure needs.

Ultimately, the federal government should lead, explain and educate the broad publics in Canada that responsible PPP Agreements support value for dollar comparisons, public consultation, appropriate sharing of risk, performance based payments, each of which combined provide the public with faster, cheaper and better infrastructure assets.

Respectfully submitted,
Manitoba Heavy Construction Association (MHCA)

Per:

Chris Lorenc, B.A., LL.B.,
President

Winnipeg, July 18, 2012

LTIP 2012/LTIP Roundtable Q & A July 18, 2012

[i] See attached *'Infrastructure Investment is Canada's Economic Healthcare Program'* authored by Chris Lorenc, President of the Manitoba Heavy Construction Association (MHCA) and published in 'Perspectives,' the MHCA 2012 Annual Magazine released in the fall of 2011.

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Infrastructure Investment is Canada's Economic Healthcare Program

BY CHRIS LORENC

Economists in Canada and abroad have concluded that a nation's economic health is very directly influenced by the extent of sustained infrastructure investment.

A healthy economy generates investments, growth and jobs. These outcomes generate taxation revenues to governments which resulting in funding the social safety net Canadians enjoy and the quality of life that comes with it.

Canada has the ninth largest economy in the world. It is one of the world's wealthiest countries, and we are envied for our standard of living, quality of life and social safety net programs. Our economy sustains all of this.

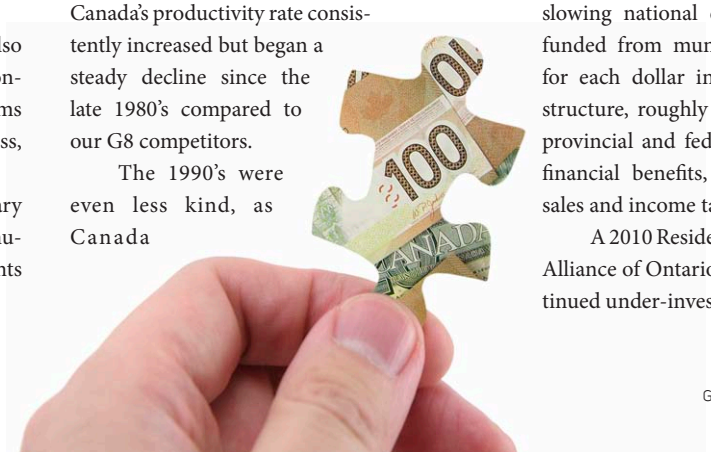
Our economic health and capacity is also linked to infrastructure investment – our economy's healthcare program – which platforms our economic innovation, competitiveness, productivity and growth.

Canada relies heavily on the primary sector for much of its wealth, as well as a manufacturing core that supplies many components for finished products assembled in the United States.

International trade makes up a large part of the Canadian economy – 30% of our GDP – particularly natural resources and agriculture which account for 58% of Canada's total exports. Our single largest trading partner is the United States which absorbs 73% of total exports. By comparison with the United States, Canada's economy is five times more dependent upon trade.

Over the past 20 years, economists and academics alike have dedicated much thought to the question of national economic productivity. From the 1950 to mid 1980's Canada's productivity rate consistently increased but began a steady decline since the late 1980's compared to our G8 competitors.

The 1990's were even less kind, as Canada consistently trailed the United States and other leading OECD nations in national manufacturing productivity rates. Studies by several leading economists linked this decline to consistent declines in public sector funding for infrastructure.



The investment generates economic results. An Informetrica report on infrastructure and its impacts on productivity found that for every $10 billion invested in local infrastructure, it creates 115,000 new jobs and generates a 1.3 per cent increase in national GDP.

The study also found that investments funded from growth taxes (specifically sales and income taxes) deliver a bigger boost to a slowing national economy than investments funded from municipal property taxes. And for each dollar invested in municipal infrastructure, roughly 35 cents is returned to the provincial and federal governments in direct, financial benefits, mainly through increased sales and income tax revenues.

A 2010 Residential and Civil Construction Alliance of Ontario report concluded that continued under-investment in infrastructure over

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the next 50 years will slow economic growth, reduce business profitability by up to 20 percent, and could cost the average Canadian entering the work force today up to $51,000 in reduced wages over the course of a career.

Congestion on Canada's transportation system – railways, U.S. border crossings, airports, marine facilities and roadways – has devastating consequences on our nation's trade dependent economy and jobs. These assets must not only be well maintained, but they must be adequate to meet the current and future needs of the economy for Canada to remain internationally competitive.

Unfortunately, according to Statistics Canada, most of the core public infrastructure upon which Canadians depend upon was built in the 1950's and is rapidly approaching the end of its useful service life and will need to be rehabilitated or replaced within the next 10-15 years.

At the same time, Canada's population has not only increased from 16 million to approximately 34 million, it has become more urban, increasing from approximately 70 per cent then to more than 80 per cent today. The problem Canada faces today is not only that our infrastructure is old, but in many cases, current daily demands on this infrastructure far exceed the intended design capacity with which it was designed.

The tragedy which occurred in Québec with the bridge collapse (shortly after a similar disaster in Minneapolis), or the bridge closure on Highway #1 east of Portage la Prairie, Manitoba, can become all too common without a concerted effort on the part of Canadian governments at all levels to accelerate and sustain the pace of infrastructure re-investment.

Regrettably, the investments of the past 24 months – as large as they have been – have made only a small dent to our national infrastructure deficit, which the Federation of Canadian Municipalities and others cumulatively estimate at approaching $200 billion.

How Canada renews and invests in its aging infrastructure over the next 10 years will dictate our nation's economic and fiscal health, and international competitiveness. Delaying today will place a huge financial burden on present and future generations, and will certainly lower our standard of living.

In short, Canadians must recognize that a sustained infrastructure investment plan is our economic healthcare program.

Canada stands on a precipice. Government decisions made over the next 10 years will have profound implications for the economic and social health of our country.

While the need to return to fiscal balance is important, it must be implemented in such a way as not to neglect important investments in our economy. As an analogy, there is no point in delaying or ignoring the necessary repairs to the roof of your home so as to pay down your mortgage – in the end, the roof will fail and the investment will be worthless.

It is evident that infrastructure investment is Canada's economic healthcare program. In light of this, Canadians should ask their political leaders during this federal campaign a number of fundamental questions:

- Will they link infrastructure investment to an economic strategy enabling our nation's economy to sustain our growth and globally envied quality of life?
- Will they (as a first step) support indexing increases to the permanent $2 billion Gas Tax Agreement transfer to municipalities, to the annual rate of inflation and population growth?
- Will they pursue a sustained federal sharing of reinvestment needs in Canada's infrastructure, which recognizes a balanced and shared approach to the roles, responsibilities and capacities of the three levels of government?

The challenge, the questions and the resulting opportunities are too important. Infrastructure investment IS Canada's economic healthcare program. We cannot ignore Canada's future!

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Most of the core public infrastructure upon which Canadians depend upon was built in the 1950's and is rapidly approaching the end of its useful service life and will need to be rehabilitated or replaced within the next 10-15 years.

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