



MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)  
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## **ELEMENTS OF A MANITOBA ‘HIGHWAYS & TRADE TRANSPORTATION’ INVESTMENT PLAN**

*A key enabling pillar in Manitoba’s economic-growth action plan*

### **THE CIRCLE**

Manitoba’s economy generates revenues to governments which fund our *social infrastructure programs* and critical services. The economy’s sustainability and growth are enabled by *core infrastructure* - streets, sewer, water, highways and bridges (including trade transportation assets), land drainage and water-control structures. *Core infrastructure* provides the foundation supporting all our economic, *social infrastructure programs* and critical services.

Not unlike social infrastructure programs – healthcare and education – *core infrastructure* requires a comprehensive, long-term strategic investment approach. If ignored, this threatens our economy’s ability to generate wealth, therefore the fiscal capacity to fund our *social infrastructure programs* and critical services - our quality of life.

The circle is complete – they are inextricably linked.

### **MANITOBA’S HIGHWAYS – CONDITION & NEED**

Manitoba’s highways system consists of a network of 13,000 kilometers of roads. Statistics Canada reports Infrastructure Canada 2016 data which found the following parts of Manitoba highways system to be in *very poor to fair condition*: Highways 31.8%; Arterial roads 52.9%; and Collector roads 49.1%.

Current estimates are that: Manitoba’s highways and bridges network faces a \$9-billion investment deficit; the network annually requires \$500 - \$600 million just to maintain its current condition; and an additional \$200 - \$300 million annually is required to address congestion, safety, enhancements and growth. The infrastructure deficit accumulated over decades just as did our fiscal deficit.

The current highways capital budget is \$350 million.

### **TRADE & OUR ECONOMY**

In Manitoba, trade generates 53% of our GDP and sustains an estimated 240,000 direct and indirect jobs.

Trade transportation assets are a strategic component part of the full network and are the foundation upon which our economy moves. It links our provincial economy internally, with the rest of Canada, into the United States (our largest trading partner) and the rest of the world where our real opportunities to expand our trade profile await.

Terry Shaw of the Manitoba Trucking Association frequently reminds the public that if you bought it at a store, it got there by truck. By extension, if it got there by truck it was a roadway that enabled its delivery. The primacy of core infrastructure is central to the heartbeat of a strong economy.

### **RETURN ON INVESTMENT (ROI)**

Investment in strategic core infrastructure (especially trade-transportation assets) provides amongst the highest ROI for public-sector dollars. It sustains economic growth, investment, jobs and generates new revenues to government that help achieve fiscal balance and quality-of-life objectives.

While the actual ROI return is dependent on the type of infrastructure, the positive return to the GDP is unchallenged:

- *Finance Canada - Report to Canadians 2011* states every \$1 invested in strategic infrastructure returns \$1.60 to the GDP;
- Canada West Foundation report *'Building on Advantage'* 2014 identifies investment in trade-enabling transportation infrastructure as providing the highest rate of economic return. This conclusion is echoed in the Canadian Chamber of Commerce 2016 report *'The Infrastructure that Matters Most'*.

Perrin Beatty, President of the Canadian Chamber of Commerce aptly put it: *"There is the infrastructure we want, like parks and hockey rinks, the infrastructure we need, like schools and hospitals, and then there is the infrastructure that pays for these things and that is trade infrastructure."*

- A Conference Board of Canada analysis 2015 of the GDP impact of Manitoba's \$1.04 billion infrastructure investment showed a return to our GDP of \$1.36 billion, the largest effects via personal/disposable income, cascading impact on retail sales and the corresponding direct and indirect taxation revenues.
- The International Monetary Fund and McKinsey Global Institute conclude "that infrastructure investment is among the most powerful and scalable levers of economic growth with both a long- and short-term impact. *Over the longer term*, infrastructure drives economic productivity year after year to the tune of 20 to 50 cents on every dollar invested."
- The federal Advisory Council on Economic Growth in its report *'Unleashing Productivity Through Infrastructure 2016'* notes that *in the short term*, infrastructure generates additional economic demand. "For every dollar invested, it is estimated that the economy grows by a dollar and sixty cents (1.6 multiplier) in the first year." The report also notes that for every million dollars invested roughly 15 jobs are generated in the project delivery.

#### **BUDGETS & SUPPORTING POLICIES**

To enhance results, all governments in the context of setting budgets and associated strategies, should lose the term *'spend'* and replace it with *'invest,'* and focus on the ROI.

Budgets, including multilateral funding agreements, should be predictable, sustainable, incremental and multi-year to achieve economic productivity, competitiveness and GDP-growth objectives. They should be underpinned by asset-management strategies that recognize and respond to the scope of our core infrastructure investment deficit.

And finally, they should have guiding principles to support strategic investment. We suggest six<sup>1</sup>:

- i) Permanent program, no less so than healthcare or education;
- ii) Focus in areas of greatest return on investment, with a focus on economic growth being a priority;
- iii) Embrace innovation in all aspects of the program including design, procurement, technology and practices;
- iv) Harness partnership with the private sector, the source of efficiencies and ingenuity;
- v) Funded transparently with a dedicated revenue stream(s); and
- vi) Review annually for progress, adjustment and discipline to purpose.

#### **DEVELOP A PLAN**

We need to strategically reinvest and renew Manitoba's system of highways and bridges. The MHCA recommends a provincial-industry working group be mandated to review government-wide infrastructure investment programs to

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<sup>1</sup> Business Council of Manitoba supports the principles underpinning the guidelines.

reframe the approaches to ensure that trade transportation assets support productivity and competitiveness with clear links to Manitoba's economic-growth action plan.

Its mandate should be to consider:

- investment in Manitoba's highways and trade transportation system to enable expanding and diversifying Manitoba's global trade profile thereby supporting economic diversification;
- annual and five-year capital programs augmented by projections that bring the forecast to 10 years – for long-term planning – linked to a capital asset-management strategy;
- innovation and asset management strategies to maximize transportation asset life cycle, thereby deferring capital-cost replacement;
- early program determination and timely procurement to optimize all aspects of program delivery;
- a coordinated provincial highways and trade transportation investment plan supported by identified funding streams; and
- how to best harness private sector engagement in support of provincial program delivery objectives.

The plan as recommended to government by the working group should have clear, transparent objectives and sustainable funding streams to enable Manitoba's highways and bridges to move people to jobs and products to market. The plan should enable our export-based economy to grow and to support government fiscal-balance objectives, including investment in social infrastructure that shape our quality of life.

Respectfully submitted,



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