MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)
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Presentation to Executive Policy Committee
Item No 11 2020 Infrastructure Plan
December 3, 2019 Agenda

I am pleased to appear this morning to speak to Item No 11 on the Addendum reports Agenda, the 2020 Infrastructure Plan ('the Plan').

Before addressing the Plan, I need to provide relevant historical context.

Council since 2012 has taken strides to deal with its massive core infrastructure deficit. Councils are to be commended for developing and adopting policies and supporting funding strategies to address the challenges.

That history incudes:

1. Introduction in the 2013 and 2014 budgets, of the Local and Regional Streets Renewal Reserve Program. Since then, there has been ongoing annual dedicated application of 2% each year in support of the stated program. While progress was made, each year, elements of the original program steadily fell away, undermining its end objective of sustainable funding.[1] Those points, however, are a presentation for another meeting.

2. The city tabled an updated 2018 State of the City Infrastructure Report which identifies its infrastructure investment deficit by category.

3. The City Asset Management Plan (CAMP) was adopted in 2018. This first effort reports on the major asset groups that the City manages to deliver services.

4. As part of its ongoing review the city tabled its Unfunded Major Capital Projects Detail Report, in May 2019. The report provides a summary of 22 proposed unfunded major capital projects over the next 10 years (2019-2028) ranging in costs from $24 million to $1.8 billion. Their total exceeds $4.9 billion of which roughly $4.5 billion is unfunded. Together they comprise about 60% of the City's infrastructure deficit.

5. In 2019 Council adjusted the name of the Committee on Innovation by adding *'Economic Development,'* added a focus on economic development, and a mandate to advise EPC on matters including Economic Development Winnipeg (EDW) and capital budget economic growth impact or ROI (Return on Investment).

6. And now the 2020 Infrastructure Plan before you today.
   - The recommendation is that the Plan be incorporated into the City's annual investment planning cycle and multi-year process.
   - This first document for Winnipeg builds on information outlined in the 2018 City Asset Management Plan, 2018 State of the Infrastructure Report, and 2019 Unfunded Major Capital Projects report.

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[1] No cash to capital; No references to frontage levy funding; Funding bridges without an impact assessment was added to qualifying expenses in 2019; Manitoba has not helped by walking away from a $40 million payment in 2019 and except for funding an accelerated regional streets program, it no longer provides stable 5-year infrastructure funding agreements; Without the federal gas tax top-up this year, the 2019 local streets program would have been almost entirely gutted.

- The Plan is intended to be a blueprint for maintaining sustainable and affordable service delivery by incorporating the information from the Plan into the City's investment planning cycle and multiyear budget process on an annual basis.
- The Infrastructure Plan is not a capital budget. It captures the City's 10-year investment strategy, which outlines capital priorities and the funding needs to support the development of a multi-year capital budget.
- The Plan enhances the decision-making process through continuous monitoring of the City's infrastructure deficit, debt capacity, and financing sources.

The above constitute a comprehensive approach the city uses to plug its investments into its annual and five-year capital program *without ignoring its economic growth impacts*.

The latter observation - **without ignoring its economic growth impacts** - is critical.

Without economic growth, without a growing assessment base, there are no growing revenues to this City with which to maintain and enhance existing core services including emergency services, parks and recreation, transit and infrastructure, or to investment in new assets to platform ongoing growth.

The obvious elephant in the room is the need for more sharing by Manitoba <u>and</u> Ottawa of growth taxes and/or access to emerging revenue streams to better support city roles in growing the provincial and national economies <u>AND</u> help cities deal with structural deficits in the tax-supported budgets.

Which brings me to the point we wish to specifically address this morning. That is the proposed weighted benefit criteria which appear at page 8 (*attached*) of the 2020 Infrastructure Plan Report.

We applaud the City for having developed an objective and weighted benefit criterion which Councils will use as a tool in making long-term political and economic growth focused decisions associated with capital budgets.

A role for the capital budget is its ability to harness and leverage growth upon which all levels of government depend for revenues.

If one assumes the obvious that without economic and therefore assessment base growth, there are no new or growing revenues to government, it is surprising that 'Enables Growth' as a weighted criterion generates **only, and I stress … only …** a 7% weighting.

We do not quarrel that the criteria: 'New Regulation,' 'Maintain Level of Service' and 'Enhance Level of Service' are important. They are. But each area's funding need is enabled by growth, not the other way around. Every capital program should as a matter of principle be measured as an investment, not just as an inconvenient expenditure, and weighted not as a spend, but for its overall impact on growth.

And that brings me to the core of my concern, which is that the definition of growth is too narrow. This definition speaks only to where a development does not exist. I submit the definition should underscore the broader economic growth that comes though policies and programs aimed at the econo0my, including moving people to jobs and goods to market.

If one accepts that growth drives revenues which enables investment, then we suggest that 'Enables Growth' should be identified as a separate category well ahead of all others and having a much higher priority and weighting than what has been accorded it in the current plan.

As an internal document for the purposes of assessing and *maintaining or enhancing existing service delivery priorities*, it may be fine. However, its primary focus should be looking at growing the economy, which means a larger assessment base and growing revenues with which to fund priorities.

To conclude…I have attached literature summary which speaks to ROI of trade enabling infrastructure. For a current example, I remind you that CentrePort Canada Way has helped leverage more than $700 million in private sector trade related investments and even larger investments still to come. I encourage discussion with CentrePort Canada on point.

I have also attached *'Growing the Economy'* which advocates 7 pillars around which to shape growth strategies advanced by 10 business organizations. Three of the principles support our submission – Infrastructure Investment, Global Trade and Establish Strong Sustainable Fiscal Relationships.

Because the Plan is an important tool, you are to be commended for wanting to put it in place. However, if we are to effectively and accurately measure the value and strategic importance of the ROI equation, we strongly encourage you to take the time to receive input, carefully consider appropriate weighting and not simply rush to adoption.

We support the general approach. BUT … it needs to be refined before adopting it for use in the upcoming budget deliberations.

As you know, this report was only released on November 28. It has not been the subject of any public presentation or discussion of which we are aware. The time afforded to consider the merits of that approach given it is here before you on December 3 has been very limited, to say the least.

Respectfully, it would be a misstep to leave the document as is without giving serious consideration and discussing its focus with the business community.

Deferring this to a subsequent December or early January 2020 meeting is not fatal to its more complete consideration.

Thank you.

Chris Lorenc, B.A., LL.B.,
President,
Manitoba Heavy Construction Association (MHCA)

WEIGHTED BENEFIT CRITERIA

The asset management prioritization tool is based on eight weighted, benefit criteria, outlined in the table below. Level of Service objectives combined with Strategic Alignment establishes the baseline evaluation criteria used within the prioritization tool to rank the overall desirability of making a proposed capital investment.

It should be noted that Levels of Service criteria comprise the majority of the weighting, as a greater emphasis has been placed on ensuring infrastructure can deliver vital services to residents. Strategic Alignment criteria ensures linkage to *OurWinnipeg* and Council priorities.

Levels of Service (LOS)		
Criteria	**Description**	**Weightings**
New Regulation	Satisfies a NEW or MODIFIED regulatory/legal requirement	31%
Maintain Level of Service	Maintains the level of service and addresses any underperforming assets	31%
Enhance Level of Service	Delivers levels of service over and above target levels	7%
Strategic Alignment		
Criteria	**Description**	**Weightings**
Environmental Sustainability	Reduces negative environmental impact or enhances sustainability and resiliency	7%
Enables Growth	Is a PREREQUISITE or ENABLER for growth to occur in areas of the city where development does not currently exist or is targeted for densification	7%
Economic Impact	Enables job creation, business development and industry productivity	7%
Operational Efficiency / Revenue Generation	Replaces or improves EXISTING infrastructure or processes to increase revenue and/or realize savings with on-going operational activities	7%
Culture/Heritage	Preserves and/or protects historic sites; maintains/creates performance venues; includes artistic features	3%
	TOTAL:	**100%**

STRATEGIC INFRASTRUCTURE ROI TO GDP

The literature on strategic infrastructure ROI to GDP is consistent. 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. <u>*Over the longer term*</u>, infrastructure drives economic productivity year after year to the tune of 20 to 50 cents on every dollar invested."

- 'The Economic Benefits of Public Infrastructure Spending in Canada' by The Centre for Spatial Economics, September 2015. This report provides estimates of the economic benefits of a five-year, $50-billion public infrastructure spending program in Canada funded equally by the federal and provincial governments.

  Those are stated to include the following:

  i) In the short term, GDP rises $1.43 per dollar of spending, 9.4 jobs are generated per million dollars spent, and $0.44 of each dollar spent by government is recovered in additional tax revenue.
  ii) Over the long term, the discounted present value of GDP generated per dollar of public infrastructure spending (return on investment) lies between $2.46 and $3.83.
  iii) Private-sector investment rises by as much as $0.34 per dollar spent in the short term, and by up to $1.00 per dollar spent in the long run.
  iv) Businesses are more productive and competitive in international markets.
  v) Real wages rise, providing a higher standard of living for Canadians.

- PWC 'How to prioritize public infrastructure investments' 2016 authored by PWC, citing the 'The Economic Benefits of Public Infrastructure Spending in Canada' offers four principles for prioritizing infrastructure investments:
  i) Ensure it meets a need
  ii) Ensure consistency with other objectives
  iii) Ensure the numbers add up
  iv) Ensure it will benefit the wider economy

GROWING MANITOBA'S ECONOMY

GROWING THE ECONOMY - MORE TO BE DONE

Economic growth is Manitobans' top priority. The overriding challenge for the next five years is diversifying our agricultural, manufacturing, resource, financial and service sectors to strengthen the capacity for export and to create jobs. Prudent investments within a climate of confidence and certainty enable growth, leading to more jobs, greater prosperity and a higher quality of life.

I. A COMMON ECONOMIC AGENDA

Strengthen the partnership with the private sector to build a stronger economic base and ensure Manitoba remains internationally competitive, providing jobs for a growing population

II. INFRASTRUCTURE INVESTMENT

With an improving fiscal capacity, invest in core, community and educational infrastructure to support vibrant, healthy communities connected within the province and to our trading partners.

III. GLOBAL TRADE

Build Manitoba's capacity to promote trade and expand our global profile to take full advantage of our potential.

IV. INDIGENOUS ENGAGEMENT

Commit to consistent engagement with the federal government and our Indigenous communities to ensure everyone benefits from a prosperous economy.

V. PRODUCING, ATTRACTING AND RETAINING TALENT

Commit to working with the business and educational sectors to ensure Manitoba produces, attracts, educates, trains and retains the skilled workforce fundamental to sustaining economic growth, prosperity and healthy communities.

VI. ACCESS TO CAPITAL

Maintain a system for easy and increased access to capital and establish a new framework for venture capital within which both the private and public sectors participate to allow Manitoba businesses to thrive.

VII. ESTABLISH STRONG SUSTAINABLE FISCAL RELATIONSHIPS

Commit to establishing a modern fiscal framework to ensure provincial and municipal levels deliver their respective obligations to provide services to Manitobans and build strong, mutually supportive communities.

The above principles are supported by the following organizations:

Business Council of Manitoba

CM&E Canadian Manufacturers & Exporters

Manitoba Chambers of Commerce

MHCA Manitoba Heavy Construction Association Groundbreaking

Manitoba Home Builders' Association

Manitoba Real Estate Association Build. Empower. Uphold.

MTA Manitoba Trucking Association

MERIT Contractors Association of Manitoba Benefits Built In

Winnipeg Construction Association Together We Build Manitoba

The Chamber The Winnipeg Chamber of Commerce