



MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)
Unit #3-1680 Ellice Avenue, Winnipeg, Manitoba, R3H 0Z2

September 7, 2018

Memo to: Honourable Brian Pallister, Premier, Province of Manitoba

Subject: Strategic Transportation System Infrastructure Investment - an economic driver
Pre-Budget 2019 Submission

The MHCA supports your and your government's focus on growing the economy, investing smartly in strategic infrastructure as part of that strategy and reducing the deficit.

MHCA is one of six leading business organizations championing seven pillars to grow the economy (*see attached*).

It is well-documented that investment in strategic infrastructure provides amongst the highest return on investment (ROI) of public sector dollars, facilitating sustained economic growth, investment, jobs and generating new revenues to government which assist achieving a fiscal balance objective.

While the degree of the ROI varies, dependent on the type of infrastructure, the value of strategic infrastructure investment 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. Investment in trade-enabling transportation infrastructure is identified as providing the highest rate of economic return, according to a Canada West Foundation report '*Building on Advantage*' 2014. This is echoed in a Canadian Chamber of Commerce 2016 report '*The Infrastructure that Matters Most*'. A *Conference Board of Canada* analysis (2014) of the GDP impact of \$1.05 billion infrastructure investment showed a return to Manitoba of \$1.36 billion, the largest effects via personal/disposable income, cascading impact on retail sales and the corresponding direct and indirect taxation revenues.

Other such reports arrive at similar conclusions. The point is the ROI of public-sector dollars is real. The extent of that return can be refined via an update of the Conference Board of Canada's Manitoba analysis.

The larger effect of infrastructure investment is in its impact on trade, which accounts for 53% of Manitoba's GDP. That fact illustrates why eight Manitoba business and stakeholder groups have joined MHCA in publicly calling for strategic, sustained investment in Manitoba's transportation infrastructure system (*see attached*). Trade is at the heart of our GDP; transportation infrastructure acts as the arteries that keep the goods and commodities flowing.

In all discussions since 2016 with MI ministers on the Highways Capital program, MHCA has consistently advocated for strategic, sustainable *investment - not spending* - in transportation infrastructure. The context? Your government inherited a ~\$6-billion transportation system (highways, roads, bridges & structures) investment deficit.

The MHCA and the industries it represents relied on the current government's repeated public commitment to fund Highways Capital at minimums of \$500 million annually, for five years. While below the 2015-16 budget of \$588 million, \$500 million was identified as the level at which Manitoba could stem the growth of the investment deficit. Significantly, it was also the level around which industry organized its business affairs.

At Budget 2018's \$350 million, the Highways Capital program does not reflect a sound capital-asset management plan. That level will add \$50-75 million annually to the ~\$6-billion investment deficit, facilitating its exponential growth. Further, it impairs sound fiscal investment in an asset that underpins Manitoba's economy.

RECOMMENDATIONS:

Preliminary First Steps

The MHCA respectfully urges the following, as a matter of fiscal policy and priority heading into Budget 2019:

1. Solicit, in partnership with the business community, from Canada West Foundation (or similar institution) an estimate of ROI from trade-transportation investment strategy, and the lost value of delaying this strategy (compound effect on Manitoba's infrastructure investment deficit);
2. Concurrently, restore MI capital program to a minimum of \$500 million, annually, 2019-24;
3. Accelerate MI's service-delivery review and transition inhouse service delivery to the competitive market;
4. Release the report on the transportation system infrastructure investment deficit (understood to be ~\$6 billion), with annual and five-year rolling budgets to support a capital-asset management strategy.

Review Funding Model

Manitoba faces challenges to achieve sustainable levels of investment in infrastructure. Governments ignored for decades sound advice from the private sector, compounding the infrastructure deficit's growth. Your government inherited this but has opportunity, with the public's trust, to address it.

The MHCA strongly recommends the government appoint a panel to review existing funding structures with a view to striking a new funding model. Its considerations could include, but not be limited to, the following:

* dedicating a portion of the PST, all revenues from road-related fuel taxes (Gas Tax Accountability Act) and all road-use fees to support the Highways Capital and the Maintenance & Preservation programs, as base funding.

* given a ~\$6-billion transportation system investment deficit, identifying and allocating a minimum maintenance and preservation budget to stem its exponential growth. (Also, consider policy that lays out a reasonable multi-year target to resolve the deficit, to get to sustainable annual funding levels).

* identifying a minimum annual capital program tied to best economic return on investment objectives - trade-enabling infrastructure - harnessing in the process federal-match funding and appropriate P3 opportunities.

* merge trade and infrastructure into one ministry - Trade & Infrastructure - to maximize ROI and ensure that trade-enabling investment is a pillar supporting growth in Manitoba's regional, national and global trade profile.

* adopting the six guiding principles for strategic infrastructure investment, embraced publicly by Manitoba in November 2016, namely: a permanent program; focused on greatest economic ROI; embraces innovation; harnesses partnerships with the private sector; funded by dedicated revenue streams; and annually reviewed for adjustment and assurance of discipline to purpose.

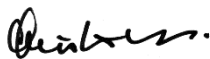
* taking advantage of the Winnipeg Metropolitan Region (WMR) strategic transportation plan (and others like it) that would support provincial investment priorities in the strategic trade network which promotes economic growth.

* the delivery of programs contemplated above through a new, stand-alone utility, with contractual funding and delivery objectives set by government as a matter of public policy.

The above is offered to advance government objectives of growing the economy and restoring fiscal balance. The MHCA would be pleased to participate in all of the above.

Respectfully submitted,

MANITOBA HEAVY CONSTRUCTION ASSOCIATION



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

GROWING MANITOBA'S ECONOMY

Pillars in Support of 'Growing Manitoba's Economy'

In today's globally competitive business environment it is imperative that government create a climate that attracts new business and allows existing businesses to grow and thrive. For Manitoba to reach its full potential there are seven key public policy pillars that Manitoba must address to demonstrate our collective commitment to "Growing Manitoba's Economy."

I. FISCAL COMPETITIVENESS

Manitoba must have an effective and fiscally prudent government committed to creating a competitive tax jurisdiction to attract and retain new investment.

II. VENTURE CAPITAL

Commitment to the creation of an accessible venture capital fund and supportive tax credit policies to leverage investment in the growth of new and existing businesses.

III. GLOBAL TRADE

Commitment to pursuing an expanded global trade profile for Manitoba which derives substantial economic benefit.

IV. INFRASTRUCTURE INVESTMENT

Commitment to a strategic, sustained, disciplined approach to investment in Manitoba's core infrastructure.

V. ABORIGINAL ENGAGEMENT

Commitment to the creation of an Aboriginal Engagement Strategy to ensure inclusion and partnership in economic growth policies.

VI. SKILLED WORKFORCE

Commitment to attracting, educating, training and retaining a skilled, responsive workforce is fundamental to ongoing economic growth.

VII. 'NEW FISCAL DEAL' FOR MUNICIPALITIES

Commitment to address the existing fiscal framework between the province and municipalities to meet the challenges of the future.


CONCLUSION

The above principles are supported and respectfully submitted by the following supporting organizations each of which are committed to pursuing 'Growing Manitoba's Economy.'

Business Council of Manitoba (BCM)
Canadian Manufacturers and Exporters (CME)
Manitoba Chambers of Commerce (MCC)
Manitoba Heavy Construction Association (MHCA)
Manitoba Home Builders Association (MHBA)
The Winnipeg Chamber of Commerce (WCC)




Our economy rides on trade


 *let's get it on the road*

Manitoba's economy rides on trade – fully 50% of our GDP is derived from imports/exports

-  Trade links have never been more important – new trade deals and opportunities are opening up; other jurisdictions are seizing these opportunities now
-  Highways, trade corridors, and inland & border ports must be seamlessly connected to capitalize on trade opportunities – we need a trade infrastructure investment strategy
-  Our tax dollars must be *invested, not spent* & mindful that strategic infrastructure investment has amongst highest returns: \$1 invested can generate \$1.60 economic output
-  Manitoba has high-value infrastructure projects specific to trade/economic growth that move people to jobs & products to market – they need investment priority, and include:
 - ✓ Upgrade the Perimeter Highway, the Capital Region's gateway
 - ✓ Extend Chief Peguis Trail to support CentrePort Canada to move goods seamlessly
 - ✓ Invest in the Winnipeg Metropolitan Region strategic transportation network
 - ✓ Invest in Headingley, St. Norbert and Morris by-passes to move goods efficiently
 - ✓ Upgrade Port of Emerson, PTH 16 & 6; expand Route 90
-  Prepare annual and five-year capital program, benchmarked against an infrastructure investment deficit report; ≥\$6 billion deficit for transportation infrastructure alone
-  Make infrastructure part of long-term economic plan; merge Trade and Infrastructure into one ministry
-  Engage with trade & transportation stakeholders (see over)

Beyond our borders – Manitoba should take a role in a continental/global economic plan

 **ROI: investment, jobs, growth of new business and new revenues to governments, as our economies reap the rewards of smart, strategic investments**

 Without economic growth, the discussions about adequate funding for health care, education or tourism are moot

Putting trade on the road

↳ Manitoba's unbounded potential

Manufacturing, agriculture, wholesale/retail trade, construction, mining – \$20 billion of our GDP – rely on trucking. If trucks are delayed by decaying or uncoordinated corridors, our economy suffers. We must invest strategically, long-term in transportation.

Terry Shaw, Manitoba Trucking Association

Well-designed and maintained infrastructure is critical to ensuring our businesses and communities are able to do business. Our members recognize strategic investment in infrastructure is foundational to economic growth, which benefits all Manitobans.

Chuck Davidson, Manitoba Chambers of Commerce

Manitoba's capital region – at 70% of our GDP – must be a priority for strategic transportation infrastructure investment. It needs a seamless, regional system to compete with similar efforts in Canada. We get this right, all of Manitoba grows economically.

Colleen Sklar, Winnipeg Metropolitan Region

Manufacturers know that trade infrastructure is critical to just-in-time delivery and the smooth flow – import and export – of goods. Without strategic infrastructure investment, the cost of doing business rises, which leaves less to invest in plants, equipment, technology, and jobs.

Ron Koslowsky, Canadian Manufacturers and Exporters

Manitoba exports. Tens of thousands of jobs would not exist if we could not transport people and goods in and from our province. The economic activity of Business Council members, like that of all Manitoba, is not possible without efficient infrastructure.

Don Leitch, Business Council of Manitoba

Our roads are the very conduits by which we trade goods, connect people and drive economic prosperity in our communities. Infrastructure is an essential link in any business' supply chain. We need sustained, strategic investment in infrastructure to ensure no weak links in the chain.

Loren Remillard, Winnipeg Chamber of Commerce

Predictable funding allocations and fair cost-sharing amongst orders of government are keys to building infrastructure needed for strong, vibrant communities. Transportation infrastructure is vital for sustained economic growth, connectivity and competitiveness.

Joe Masi, Association of Manitoba Municipalities

Mines – anchors of northern Manitoba's economy – are the farthest possible distances from their customers. The ability to move bulk commodities to market efficiently, at competitive prices and on modern infrastructure is crucial for our industry's success.

Andrea McLandress, Mining Association of Manitoba Inc.

↳ "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."

Perrin Beatty, Canadian Chamber of Commerce