



October 17, 2016

Manitoba Heavy Construction Association (MHCA), Budget 2017 submission

INTRODUCTION

The MHCA recognizes that the provincial government is in a difficult financial position. The deficit must be cut. It must find places to cut spending, while protecting and enhancing front-line services and critical programs. Achieving these objectives is of course not possible without fiscal prudence, strategic investment and a growing economy.

The focus of MHCA advocacy has always been the proposition that *growing the economy*, as the enabler of everything else, should be the number one policy priority of every level of government. Without a growing economy, generating revenues to government, discussions around funding social and quality of life programs, are moot.

In support of the above ends, the MHCA was part of a group of six business organizations representing a very broad cross section of Manitoba's economy, which advocated pre-election, seven pillars to guide growing the economy as job #1. The MHCA along with our five other partners remain committed to advancing those pillars, which are:

- Fiscal competitiveness;
- Access to venture capital;
- Global trade;
- Infrastructure investment;
- Indigenous engagement;
- Skilled workforce;
- 'New fiscal deal' for municipalities

Our presentation tonight will focus on two of the pillars: trade and infrastructure investments.

GROWING THE ECONOMY: TRADE MATTERS

In the context of growing the economy, trade matters to Manitoba, western Canada and Canada. It merits sustained government attention to help grow Manitoba's economy.

Accordingly, the MHCA encourages the government to embrace investment in trade enabling infrastructure assets to be at the core of growing the economy.

Evidence shows infrastructure investment that enables trade produces the greatest economic impact. Standard and Poors said in 2015 **"an increase in investment of 1% of real GDP, produces an economic return as high as 2.5 times in a 3-year period."** (*Bovino, Economic Research: Global Infrastructure Investment: Timing is Everything (And Now is the Time)*)

Trade is **equivalent to more than 60 per cent of Canada's gross domestic product**. If the world stopped trading Canada would see 3.3 million jobs vanish and with it unemployment rates skyrocket to 25% (*Canada's State of Trade: Trade and Investment Update – 2014*).

Trade is equally important to the West. The region is a powerhouse of trade in this country, accounting for 42% of Canada's exported goods.

Manitoba is a trading province. Without trade, Manitoba's economy would tank.

- **Half of Manitoba's \$64-billion GDP is tied to trade**
- **Trade generates \$3.3 billion in annual payroll**, or roughly 16% of Manitoba's total payroll - more than healthcare
- It engages more than 5,200 employers, **generating employment to roughly 240,000 Manitobans**
- **Highway #75 moves roughly \$19 billion of trade** between Manitoba and the United States annually - Emerson is Canada's business border crossing by volume in the West

It is undisputed that investing in trade-enabling, nation building infrastructure assets, provides the greatest short- and long-term return on public and private investment.

I am appending links - see Appendix 'A' - to four leading recent studies, that underscore the importance of investment in trade enabling infrastructure to Canada's economic health and social well-being.

I will highlight from two of those reports: Emerson, '*Canada Transportation Act Review*' 2016, and the 2016 Canadian Chamber of Commerce, '*Infrastructure that Matters Most: The Need for Investment in Canada's Trade Infrastructure*' report.

Together, they make the case that decisions to invest in trade enabling infrastructure must be **planned with an eye on a generation from now; ones where poor spending decisions based purely on 'shovel-ready' are weeded out; ones that tap private-sector leadership and investment; ones that are based on solid, nation-building public policy objectives.**

Manitoba must not only join the New West Partnership Trade Agreement (NWPTA), but it should be a leading member. Collectively we should champion through the NWPTA, a Western Canada Trade Strategy whose purpose would be to expand Western Canada's global trade profile and directly benefit by economic growth.

Its strategy should recognize the '*bookend*' trade gateway roles of the ports at Rupert and Delta Port on the west, and the Port of Churchill and CentrePort Canada at its east, linked by rail, road and air, cumulatively connecting us to the world.

We need a western trade initiative that focuses on key strategic investment areas, namely:

- **Transportation efficiency** - strategic investment in key multi-modal infrastructure assets
- **Pipelines** - advocate for sustainable, environmentally appropriate pipelines for oil and gas exports
- **Regulatory harmonization** - fast tracking efforts to eliminate interprovincial trade barriers
- **Foreign investment** - attracting direct foreign investment and new trade relationships
- **Enhance productivity** - improving Western Canada's economic productivity and competitiveness

Given that the federal government focus in the 2018-2020 budget includes nation building trade gateways and corridors, we urge the government's timely engagement in the above.

INFRASTRUCTURE PROGRAMS - SIX ORGANIZING PRINCIPLES

Our industry and we anticipate the public, are buoyed by the commitment to invest no less than \$1 billion annually in strategic core infrastructure, with the goal of supporting economic growth, funded in a guaranteed and predictable manner, enabling appropriate advance planning to maximize on the investments to be made.

This is a significant investment commitment, whose allocation should be driven by *investment* and *leveraging* strategies, not spending. We propose that the plan should be underpinned by six organizing principles, namely:

- a **permanent program**, no less so that healthcare, education and social programs
- its primary focus should be to **grow the economy**
- **embrace innovation** in every of its aspects including design, financing/funding, procurement, construction, maintenance and rehabilitation
- **harness partnerships with the private sector**, the engine of ingenuity
- funded by **dedicated revenues** streams in support of its purposes; and
- subject to **annual transparent reviews** for accountability, adjustment and *'discipline to purpose'*

CONCLUSION

The MHCA recognizes that the provincial government has a daunting task ahead of it in returning the province's finances to a healthy balance. Getting to the goal of being the *'most improved province'* will not be quick, nor easy. But it can be done by focusing on investment in economic growth.

Investment in infrastructure - specifically that which enables global trade - is an investment in Manitoba's future, its people and its prosperity. A growing economy is the only way Manitobans can be guaranteed the strong social services that make our standard of living the envy around the world.

And so, quite apart from examining expenditures through the lenses of efficiency, effectiveness and public benefit, we urge strategies tied to investing in expanding our global trade profile, guided by the six organizing principles referenced earlier.

I conclude by citing Perrin Beatty, president of the Canadian Chamber of Commerce who said in releasing the Chamber's 'Infrastructure that Matters' Report: **"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."**

Thank you, again, for this opportunity to participate in the budget consultations.

We look forward to the outcomes of your deliberations and offer at any time, our constructive supportive participation.

Respectfully submitted,



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

APPENDIX 'A' TO MHCA BUDGET SUBMISSION

At least four recent reports have outlined the critical link between investments in trade and Canada's economic and social prosperity:

'The Infrastructure that Matters Most' 2016, The Canadian Chamber of Commerce, John Law
[file:///C:/Users/cami/Downloads/160628 The Infrastructure that Matters Most%20\(1\).pdf](file:///C:/Users/cami/Downloads/160628%20The%20Infrastructure%20that%20Matters%20Most%20(1).pdf)

- From Perrin Beatty, CCC CEO (The Infrastructure that Matters Most):

The World Economic Forum ranked Canada's overall infrastructure 10th against 23 other nations less than a decade ago. In 2015, we slid to 23rd, ahead only of Great Britain. "Starting from a relatively strong position less than a decade ago, Canada has steadily lost ground. ***It is difficult to see how these trends can be reversed without a strategic effort targeting Canada's trade and transportation infrastructure.***"

The Canadian Transportation Act Review, David Emerson

<http://www.tc.gc.ca/eng/ctareview2014/canada-transportation-act-review.html>

- From Emerson (The Canadian Transportation Act Review):

"We are strategically located on the shortest sea routes connecting many of the world's largest economies, but are dependent upon fluid and reliable inland transportation and logistics services to get our export products to tidewater and North American imports to market. *Our transportation infrastructure and services can and must be of the highest quality if they are to become the global corridors for these trade flows.*"

At the Intersection 2013 and Building on Advantage: Improving Canada's Trade Infrastructure 2014, Canada West Foundation,

<http://cwf.ca/research/publications/at-the-intersection-the-case-for-sustained-and-strategic-public-infrastructure-investment/>

- From Canada West ('At the Intersection' and 'Building on Advantage' reports)

"Sustained and strategic investment in public infrastructure is essential to Canada's long-term economic growth and is critical to the quality of life enjoyed by Canadians."

"While free trade agreements create significant export opportunities, they can also intensify competition in Canada's traditional markets. Competition is expected to be increasingly fierce in established Canadian export markets, such as the US.