MHCA

MANITOBA HEAVY CONSTRUCTION ASSOCIATION

Groundbreaking

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INFRASTRUCTURE INVESTMENT & THE ECONOMY

It is a pleasure to be here today to speak about the vital link between infrastructure investment and economic prosperity.

I am also looking forward to the question and answer session following my remarks.

Today you will hear one word repeatedly used, namely "*investment*" instead of "*spending*".

That's because infrastructure - whether new or existing - is an *investment* in our short and long term economic and social well-being. In the context of public policy discussion it should ***BE*** regarded as an investment, not just spending.

Further, *investment* - as distinct from spending - suggests a strategy, a plan, discipline to purpose with pre-designed and projected objectives and outcomes - a far more cerebral and productive return on the investment process of public or private capital allocation, than simply spending.

Investment must become the associated descriptive word, part of the message we all champion when speaking to, promoting, or advocating the manner in which governments at all levels, the private sector the public and media, speak about infrastructure.

Investment must become the descriptive of the wise historical decisions which helped build our country and enable our quality of life. The CP Main Line, the Shoal Lake Aqueduct, the Trans Canada Highway, the St. Lawrence Seaway, the Asia Pacific Gateway & Corridor Initiative are examples of investment strategies which have and/or will have benefited our country, and stand as shining examples of what should underpin strategies going forward.

Decisions we make on infrastructure investment at the local, regional and national level whether made by the public or private sector or in partnership *will* - not may - *will* have long-term implications not just for years, but for generations. They must therefore be undertaken in a coordinated, sustained and strategic fashion focusing on our country's best long term economic and social well-being interests. For we exist and invest as a nation - long term.

The right decisions will bring about increased private sector investment, increased opportunity and prosperity, funding the quality of life programs which improve our standard of living.

Failure to act, or to kick the can down the road - a far easier decision - will only increase our future needs and increase what we call an “infrastructure investment deficit” that has recently been estimated by the Federation of Canadian Municipalities at $238 billion dollars and growing exponentially. To put that in context, 15 or so years ago that deficit was in the vicinity of $123 billion.

Here in Manitoba, the municipal infrastructure investment deficit was estimated in the 2011 Infrastructure Funding Council (IFC) Report to be in the vicinity of $14 billion of which roughly $8 billion or roughly $800 million annually over a ten year period was facing Winnipeg alone.

Contrast that staggering number to the year 2000, when Winnipeg's annual municipal investment deficit hovered in the vicinity of $84 million or slightly less than a projected $1 billion over a then ten year period.

The Manitoba highways investment deficit is a guarded number but I cannot imagine it to be any lower than the deficit facing Manitoba's municipalities when you consider its vast 18,000 kilometer network that includes hundreds of bridges, clover leafs, crossings and related structures.

Infrastructure, Trade And Economic Policy

Infrastructure investments must be linked with an overall national trade infrastructure asset strategy which includes free trade agreements with other countries. We must also direct our attention to breaking down internal trade barriers that exist between provinces that are choking off important domestic opportunities.

We need to think about these issues in an urgent fashion - because once an opportunity is lost - it’s gone.

We must have a pipeline to our west and east coasts and persuade approval of the Keystone Pipeline to export crude, or we lose those wealth generating opportunities.

We must invest in seamless multi-modal transportation networks to productively, efficiently, move products and services to and from market, or we lose the 'opportunity' to be of global service.

We either invest in innovation, technology and best practices to keep ahead of the curve or we lose our productivity edge and slip further behind.

These are examples of investment with nothing less than our national economic and social well being at stake.

If anyone thinks the above is imagined, just look at the impact of falling oil prices, the impact of lost revenues on provincial and federal budgets, the lost investment opportunities, the announcement of tens of thousands of lay-offs and billions of dollars of project investment dollars being deferred or outright cancelled. These are real economic impacts upon our national social well-being. Forget for a moment that we cannot control global prices, think what Canada MIGHT have looked like had we not made the infrastructure investments in our oil industry to begin with.

The long and short of my message is that sustained and strategic investment in our public and private sector infrastructure is our economic and social well-being program.

Importantly, polling undertaken by Probe in the fall of 2014 suggests that the public not only gets this connection, but support strategic infrastructure investment to grow our economy.

The Context

Given the above themes, we have been and will continue to engage all governments, stakeholders, media, public, opinion leaders in championing these and associated messages.

And what about our future? Let's look at some context.

The West has undergone tremendous change over the past 25 years and now plays an increasingly important role in the Canadian economy. Western Canada’s real GDP amounts to over a third (35%) of Canada’s GDP.

Trade has been vital to our growth - and even more so moving forward. There is a clear need to better access growing global markets, such as China and India. The demand for western Canadian exports by emerging economies presents us with tremendous opportunities for continued growth and prosperity. We’ve seen merchandise exports to Asia grow by 62% between 2006 and 2012.

The rise of the global middle-class, the customers of tomorrow, is projected to grow from today’s 1.8 billion people to five billion by 2030 - a rate of growth unprecedented in global history.

We have benefited from the Federal Government’s progress in breaking down global trade barriers, as well as from trade agreements like the North American Free Trade Agreement (NAFTA). The government is still expanding and deepening Canada’s access to markets, most recently with agreements like the Canada-EU and Canada-Korea trade agreements.

Western Canada’s provincial governments are also working to seize these opportunities. They have agreed to collaborate on shared priorities in economic development, including skills and immigration, diversification of export markets *and infrastructure.*

Having said that, Manitoba is losing out on global collaborative economic investment initiatives by being absent from the New West Partnership table. As a wise person once told me...."*if you're not at the table, you ARE the menu*."

We must also be looking at ways to break down trade barriers that impede the movement of goods and people between our provinces. The Chamber of Commerce estimates that these barriers cost us an estimated $14 billion each year and has called on the federal and provincial governments to create a truly open market that they call “long overdue.”

But we have also seen some real progress - most notably with the renewed Building Canada Fund and the federal government's continued commitment to its principles and objectives in the 2013 budget.

The 10-year, $53 billion New Building Canada Plan (NBCP) represents the most significant infrastructure investment in Canada to date and an opportunity upon which to build.

The NBCP is intended to finance projects that promote economic growth, job creation and productivity but the overwhelming majority of its funds are earmarked for municipal investment.

Just $3.85 billion or 7% of the National Infrastructure Component (NIC) is allocated to large strategic infrastructure projects of national significance, insufficient for the size of the country, the range of projects to be supported or what other countries are allocating to their infrastructure development.

We are among the many groups calling for large-scale national infrastructure strategy to address our country's needs.

In Manitoba, our economic prosperity will benefit by the Five Year $5.5 billion plan to investment Manitoba's highways and core infrastructure.

A recent Conference Board of Canada report found that for every $1.00 invested in infrastructure, the return to the economy is $1.16; that for every $1.0 billion in infrastructure investment, 16,700 jobs were supported for one year. These jobs are not just concentrated in the construction sector, as manufacturing industries, business services, transportation and financial sector employment also benefit from the spillover effect of infrastructure investment.

Over the past two years, the Canada West Foundation has published two reports that have made vital contributions to our collective understanding of the link between infrastructure investment and economic prosperity.

The first report released in January 2013, ***At the Intersection: The Case for Sustained and Strategic Public Infrastructure Investment*** examines the link between infrastructure and economic growth. It makes the case that sustained, predictable public and private sector investment in infrastructure fuels economic growth generating revenues necessary to fund social programs. It also notes that historically low long-term interest rates have created market conditions that are ideal for increased infrastructure investment.

The Second report released in November 2014, ***Building on advantage: Improving Canada's trade infrastructure*** examines the role of trade infrastructure to compete in the rapidly evolving global markets and offers strategic steps to harness trade related investment to benefit national economic growth and by extension our quality of life.

Good trade infrastructure reduces transportation costs, creates global supply chain advantages and demonstrate Canada's reliability as a supplier. Conversely, bottlenecks lead to lower profits, lost market opportunities and fewer jobs.

The report contains a number of case studies of business of all sizes unable to seize opportunities due to shipping delays or capacity caused by poor trade infrastructure at airports, roads, ports, railroads and other infrastructure that move products and people. Bottle-necks at the Detroit-Windsor border are estimated to cost the Canadian economy $17.8 billion per year in lost trade.

One need only think about the current discussion about pipelines for oil and natural gas being debated within Canada and the United States. Canada is losing $50 million dollars a day - $18.25 billion each year - because we do not have adequate pipelines to move our products to market- this is a classic example of a negative economic impact of inadequate infrastructure.

According to the survey-based World Economic Forum's Competitiveness Index, Canada has fallen into steady decline. In 2010, Canada ranked 9th on quality of overall infrastructure. By 2012, we had dropped to 15th but remained ahead of the U.S. In the most recent 2014 ranking, however, Canada dropped to 19th and fell behind the U.S.

The report shows that Canada's large strategic infrastructure needs are still largely unaddressed. It articulates the national imperative to develop and strengthen trade infrastructure that link us to emerging and potentially very lucrative global markets and opportunities.

The Provincial Picture

What about Winnipeg, the capital Region and Manitoba. How do we harness infrastructure investment to grow our economy? What messages should we be taking to our elected branches, the public and media?

Trade is important to Winnipeg and Manitoba's economy, directly or indirectly employing upwards of 240,000 Manitobans with most living in Winnipeg.

The Canada US border at Emerson is the busiest by volume crossing in Western Canada. Highway #75 carries $19 billion of north south trade annually.

CentrePort Canada -- Canada's first inland port -- has the potential to grow the region's and western Canada's global trade profile. It has already attracted over 39 new companies to its footprint.

Establishing the Port of Churchill as Canada's northern trade gateway can potentially generate new billions in new trade by which Manitoba, Western Canada, Winnipeg and the capital region would benefit.

Imagine the global trade profile of western Canada with trade gateways and corridors, points of entry to and from the North American and global economies through the ports of Rupert, Delta Port Vancouver, Churchill and Centre Port Canada with such a realized vision.

Given the importance of economic growth and trade, we believe the Mayor should champion establishing a *Chief Economic Development Officer* (EDO) whose seniority would be on par with the Chief Administrative Officer (CAO) and Chief Financial Officer (CFO).

The EDO role should be to report to the Mayor on all matters associated with strategic economic growth and expanding Winnipeg's global trade role, ensuring a recognized competitive, streamlined reputation in an increasingly global environment.

And further, the Mayor and Council must reframe budget thinking at city hall from "*how do I raise money*," to "*how do I harness*" the operating and capital budgets to leverage investment and economic and trade growth.

Economic growth must be a top priority agenda at City Hall not just to enable a vibrant and healthy city, but to deflect realty tax increase pressures.

Capital Region Strategy

Winnipeg and the 16 municipalities that surround it, make up the Winnipeg Capital Region. It makes up only 1.2 percent of Manitoba's landmass, but hosts two-thirds of the province's population and 70 percent of all the goods and services produced in Manitoba.

We need commitments to a collaborative leadership role for a *capital region economic-growth strategy*, harnessing its advantages from which Winnipeg and the region benefit.

Others - competitor cities - get it. *Calgary's* capital region of 17 communities - the Capital Regional Partnership - has signed a Metropolitan Plan.

Edmonton's capital region of 25 municipalities functions through the Capital Region Board. The message is celebrated at Edmonton's international airport. Upon landing you see this sign: "*Welcome to Edmonton - Alberta's Capital Region*."

We need serious discussion around the advantages of integrating investment in Capital Region infrastructure through a disciplined, principled based regional governance model supporting economic growth.

We *can* do it.

For example, CentrePort Canada, which comprises 20,000 acres straddling northwest Winnipeg and the RM of Rosser has leveraged a service-sharing agreement between them, to extend wastewater service and an undertaking by Manitoba to expand water distribution. Each will benefit by the economic jewel that CentrePort will be, but will also cost effectively, extend these critical and basic infrastructure services to six surrounding municipalities.

If projections hold true that Winnipeg and the region will grow by 40 per cent by 2030, a coordinated regional economic and transportation plan must be put in place to embrace big-picture visioning supporting our collective benefit.

Rail Rationalization

Winnipeg's growth is directly linked to successfully attracting the CPR main line and the rest as they say....is history.

Today, Winnipeg is only one of two cities in western Canada with three class one railways -- CN, CP & BNSF -- a huge advantage for the purposes of co-located common user rail facilities, trans-loading of product and enabling expanded trade assembly and distribution of goods and products.

Centerport Canada's location provides a golden opportunity to seriously invest in rail rationalization efforts.

Perhaps it's time to re-examine twinning CN/CP lines east of Portage la Prairie entering Winnipeg's northwest and leaving northeast. That could free up the CN main line for a surface transportation corridor, eliminate the need for underpass investment, enable contiguous development and perhaps free up lands in the City's core for innovative mixed infill residential, supporting commercial and recreational land uses.

The possibilities are there. They require the willingness to shape, advocate and pursue them.

INFRASTRUCTURE INVESTMENT PRINCIPALS

Our municipal leaders have inherited an infrastructure deficit that will take commitment and creativity to resolve. They must demonstrate an understanding that sustained and strategic investment in infrastructure platforms our economy, allows our commerce to be productive and products less expensive, and therefore commit to linking investment to principles.

We urge the municipal and provincial governments to adopt a four point Infrastructure Investment Strategy:

First ....Adopt the MHCA's suggested *six organizing principles* to underpin steps going forward. They are:

- A **permanent** infrastructure investment plan not unlike our 'permanent' healthcare, education, and public safety programs. Infrastructure investment is our economic and social healthcare program.
- F**ocus on economic growth** investments as a matter of first priority, without ignoring key assets that already enable or support economic activity.
- I**nnovation** in design, construction, maintenance and rehabilitation must become part of the design challenge (and opportunity) landscape, to stretch the service life and reduce life cycle infrastructure maintenance costs.
- H**arness partnerships** with the private sector -- the engine of innovation, growth, jobs, prosperity, taxes and revenues to government.
- T**ransparently dedicate revenues stream** preferably growth taxes to these purposes.
- **Ensure legislated mandatory periodic transparent public reviews**, to account for expenditures, experience based adjustment for the future, and ensuring public sector investment purpose, and accountability.

Second ....Implement the 2011 Infrastructure Funding Council (IFC) Report recommendations in those areas within municipal government competence.

Third ....Build upon the *'Dedicated Regional and Residential Streets Reserve Accounts'* strategy adopted by Winnipeg City Council which transparently and predictably dedicated revenue streams to begin incrementally addressing Winnipeg's almost $8 billion infrastructure investment deficit.

Fourth ....Given the inadequate access to revenue streams by municipalities with which to address the infrastructure deficit even with efficiencies, Mayor Bowman should lead a campaign to push the premier to negotiate a fair, balanced and responsibly shared ***new fiscal deal*** for municipalities, specially to address the province wide infrastructure deficit.

Such a new fiscal deal is in our collective economic and social well-being best interests.

CONCLUDING REMARKS

In short, we need not only a *'New Deal'* for municipalities but a new *'Canadian Trade Strategy,'* to harness the economic growth and well-being enabling capacity, of sustained and strategic investment in infrastructure.

We clearly need to do more to keep pace with our international competitors.

Canada must be known as among the best in the world for the speed, cost and reliability of our trade-related infrastructure.

Strategic and adequate investments in trade infrastructure will provide the competitive edge our businesses need to access new global opportunities.

No infrastructure? No economy. No economy? No revenues. No revenues? No quality of life program funding capacity.

We must act now. We must act urgently.

My sincere thanks for today's kind invitation.

Thank you.

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President MHCA

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