



'REINVEST MANITOBA - THE WAY FORWARD' - a Proposal Presentation to the Province of Manitoba November 4, 2013

INTRODUCTION

Premier Selinger in resetting the provincial cabinet, has focused on economic growth, jobs, and fiscal management - investing money effectively - all in the context ultimately of funding societal priorities.

This recognizes that *economic growth* creates jobs, which *generates revenues* to government *enabling social program funding* which ultimately shapes our quality of life.

Pursuing the above, the Province of Manitoba has invited stakeholders to participate in a '*Roundtable Discussion on Infrastructure and Job Creation.*'

The MHCA proposes the evolution of a policy - '**REINVEST MANITOBA - THE WAY FORWARD**' - which harnesses the 1% PST increase to underpin realization of the above noted important economic and social objectives.

The proposed policy recognizes that *sustained and strategic investment in core infrastructure fuels economic growth and supports our social well being - 'the way forward.'*

INFRASTRUCTURE AND THE ECONOMY

The Canada West Foundation (CWF) released a report in February 2013 - "*At the Intersection: The Case for Sustained and Strategic Public Infrastructure Investment,*" (attached) which *evidences the proposition* that sustained and strategic investment in core infrastructure is one of the most effective ways for governments to fuel economic growth. Growth in turn provides revenues to governments which fund societal priorities ultimately shaping our standard of living.

THRONE SPEECH

In the context of *core infrastructure investment* as an economic growth enabler, the Throne Speech offers government an opportunity to place itself as a leader in Canada, clothed with the moral authority of principled leadership and commitment to a measureable and accountable strategy.

It could announce and make the case that '**Reinvest Manitoba - the Way Forward**' is a new public policy equipped with strategy and guiding principles to underpin and govern future *core infrastructure investments* tied to clear economic and social benefit purposes.

DEFINITIONS

A key to success is understanding and defining in this policy context what we will mean when referring to '*core infrastructure.*' We offer the following drawn upon definitions from the IFC Report of May 2011 (attached) entitled '*New Relationships: A New Order: A balanced approach to funding municipal infrastructure in Manitoba.*'

Core Infrastructure: means roads (regional, truck routes), provincial highways (including trade corridors), bridges & structures, public transit, active transportation, riverbanks, flood protection, water & sewage treatment plants, land drainage and solid waste facilities.

For the purposes of this proposed program focus, the definition of core infrastructure does not include social infrastructure assets which already benefit through existing permanent program funding. Social infrastructure includes hospitals, schools, educational facilities and institutions, parks, community centres, public buildings including police, fire, paramedic, libraries, pools, arenas, and administration buildings.

'REINVEST MANITOBA - THE WAY FORWARD' - SIX PRINCIPLES

Drawing upon the Canada West Foundation report noted above and '*Common Ground Infrastructure Funding Principles*' adopted by the Winnipeg Chamber of Commerce Board of Directors (attached), *six principles*' are proposed for '*Reinvest Manitoba - the Way Forward.*'

First, it will be a **permanent though not inflexible core infrastructure investment strategy** not unlike our '*permanent*' investment in healthcare, education, recreation, public safety and the like.

Core infrastructure is not of passing interest or unimportant to our economic and social well being. It is what enables and underpins our economy and therefore quality of life.

Second, the plan's focus will be to **invest in a sustained and strategic manner** in core infrastructure assets which enable, create and open new opportunities for economic growth and help maintain our quality of life. And as per the Canada West Foundation Report, "being strategic means making sure our infrastructure builds amount to *investment* rather than *spending*."

Such a strategy however, will not ignore maintaining or rehabilitating key assets which already enable economic activity but require upgrading to maintain or enhance their value to the economy and our society.

In short, *sustained and strategic investment in core infrastructure IS our economic and social healthcare program.*

Third is embracing innovation: composite fibers, fiber optics, remote sensing systems, new grades of asphalt and concrete products, awarding projects based upon innovation and service life costing. These are innovative principles which will become part of the design challenge (and opportunity) landscape, to stretch the service design and reduce life cycle maintenance costs of our investments thereby saving significant sums of money.

Fourth, harness partnerships with the private sector, the engine of innovation, growth, jobs, prosperity, taxes and revenues to government.

Public Private Partnerships (P3s) or Alternative Financing Initiatives (AFIs) which enable the risk sharing, the benefit of price certainty, the ability to contractually manage exposure through performance based payments, and the return of an asset in prime condition at the end of the agreement's typical 25-30 year term, *are options we cannot exclude from the mix.*

They are not the only option, but *they are an important tool* to consider in the right set of circumstances.

Fifth, the existing revenues streams which are inadequate to the task, will be enhanced by the announced 1% increase in PST. The new PST revenue will be incremental to current funding levels, will be **dedicated by legislation to these purposes in a clear, transparent, and accountable manner**, and will be tied to a measureable, agreed upon core infrastructure investment plan - *the way forward.*

Sixth, 'Reinvest Manitoba - the Way Forward' will have periodic transparent public reviews requiring accountability for expenditures, enabling experience based improvements and adjustments for the future. All of this will be legislated to give the public confidence, and ensure public sector investment purpose, discipline, transparency and accountability.

FUNDING ALLOCATION - STRATEGICALLY HARNESS THE PST

Appropriate funding allocation is key to leveraging success.

Manitoba's municipal infrastructure deficit hovers in the vicinity of \$13.4 billion according to the Infrastructure Funding Council (IFC) Report 2011. Manitoba's provincial infrastructure deficit is less clear. However, given the scope of provincial assets one can only speculate that its amount is likely at least in the same vicinity if not higher.

With the noted deficit levels and the above principles in mind, a strategic approach is called for in the allocation of the incremental 1% PST funding stream for the 10 year period.

The funding allocation proposal below primarily draws upon themes from two sources. The first is the IFC Report, referenced earlier, which calls for a balanced 20 year approach to funding infrastructure, which respects the relative capacities of and access to revenue streams of the provincial and municipal governments. The report's allocation strategies merit consideration.

The second, draws upon a presentation that Diane Gray, President & CEO, CentrePort Canada Inc., made to the Winnipeg Chamber of Commerce Trade & Transportation Committee (attached). Her approach recognizes that given competing demands upon provincial fiscal capacity, new core infrastructure funding should be strategically dedicated to three broad-based areas, with one-third allocation for each of the following:

- Municipal core infrastructure
- Provincial highway construction and maintenance
- Strategic economic infrastructure projects

Keeping in mind the IFC Report balance and capacity theme, we would also add and encourage creating an '*equity reserve account*' of 5% from the above annual 1% PST revenues and establish access criteria for smaller rural municipalities for the purposes of enabling their participation in the overall program objectives.

Suggested guiding criteria:

Municipal Infrastructure

- PST revenue funding to be over and above, incremental to, what municipalities currently receive
- Funding priorities should be decided in consultation with municipalities
- Empower a capital region approach to core infrastructure services as appropriate
- Flexible enough to allow the Province to act on its own, but also allow the funding to be a mechanism for leveraging matching funds from the other levels of government via the new Building Canada Fund

Highway Construction & Maintenance

- To be earmarked for key provincial road, bridge and transportation infrastructure
- The new funding is over and above the Province's 10-year highway capital funding plan, which dedicates \$4 billion in road renewal funding from 2010 to 2020

Strategic Economic Projects

- "*Strategic economic priorities*" should focus on "*big ticket*" items with big returns on investment, recognizing the Province's critical role in funding a broad spectrum of infrastructure assets. These projects are large-scale in scope and expenditure.

Such projects could include (but are not limited to):

- * Developing the Port of Churchill as Canada's northern trade gateway
- * Flood proofing and improving PTH 75, to the Emerson Border Crossing
- * Completing the inner ring road system in Winnipeg to support trade activity with a high priority given to Chief Peguis Trail
- * Relocating PR 221 within CentrePort to allow for the rapid construction of the common user rail facility.
- * Moving ahead with the Headingly by-pass (and eventually a St. Norbert by-pass)
- * Completing, and then over time, turning the Perimeter Highway into a true expressway
- * Developing an intelligent transportation and technology plan to secure the Hwy 75 trade lanes to the US border to allow for freight pre-clearance at CentrePort.

ENHANCED PROGRAM MANAGEMENT

Augmented capital programs must be accompanied by enhanced program management tools and strategies, failing which program dollars will not be spent cost efficiently and infrastructure assets will not be built within announced timelines or pre-budget estimates - each counter-productive to the program objectives and public best interests.

Conversely, ensuring advanced capital program information, predictability, and program management efficiencies can have the effect of *enhancing* program dollars by an efficiency factor of between 10-15%.

Accordingly, the MHCA respectfully recommends that the province implement the following three steps within this new program initiative drawn upon the MHCA 2013 Pre-Budget Submission (attached):

1. Annual and Five-Year Capital Budget

An annual and five year capital program budget provides the ability for industry - including design, construction, supply and related - to organize its resources, human and capital, around predictable capital priorities. This is paramount to competitive bidding at all levels.

2. Rolling Budget/Carry Forward Capital Expenditures

Consistent with fiscal and policy flexibility is the ability to manage infrastructure investments on a multi-year basis (rolling capital budget) without the limiting and inefficient practice of lapsing and re-appropriating funds in the subsequent fiscal year. Government should therefore eliminate the practice of lapsing annual appropriations and permit line departments to carry forward capital expenditures.

3. Early Tender Schedule and Timely Awards Practices

Early release of the construction tender schedule, followed by tender calls and timely contract awards, allows in this case the province and municipalities to be first in the market place and benefit by competitive bidding.

We recommend that the following practices be implemented and resourced appropriately:

- That the program tender schedule be consistently released annually by the end of November
- That 80 per cent of the program be tendered and awarded December through March/April
- That the next 10 per cent (plus any augmented budget amounts) be tendered and awarded before the end of April/May; and
- That the remaining 10 per cent tendered and awarded before the end of June.

The cumulative benefits of the above three recommendations will result in the following:

- assist meeting and delivering upon investment priorities
- improve labor productivity, supply logistics and program management, thereby lowering costs
- enable more competitive bidding resulting in cost savings due efficiency gains thereby further expanding the program value
- improve program scheduling and delivery
- expand the construction season and therefore incomes for direct and indirect industry employees
- accelerate construction project completion
- increase the level of taxation revenues to the provincial government

CONCLUSION

The Throne Speech allows the above and/or perfected principles to be announced as the new transparent, dedicated, accountable measures - *The Way Forward*.

The above approach enables sustained and strategic reinvestment in Manitoba's economy and our social well being. Further, it enables strategic, purpose driven municipal and provincial participation in the Building Canada Plan to start in 2014.

We submit that the above has elements around which a sound economic growth strategy can be announced, hallmarked by collaborative and purpose driven leadership.

We offer our participation and assistance.

Respectfully submitted,
MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)



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