October 1, 2015

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The Heavy News Weekly

WORKSAFELY MHCA™

Investment in Infrastructure needed

Written by Carlo Dade, Director of Trade & Investment Policy with Canada West Foundation

Improving our ability to get our products to markets around the world was top of mind when an initiative on improving North America's integration and competitiveness was launched this month in Dallas at the George W. Bush Presidential Center.

Canada and Mexico are frustrated over the U.S. federal government's seeming inability to fund virtually any infrastructure, including major border infrastructure. It's a story that has significance, and some lessons, for Manitoba -- where provincial infrastructure spending has been a source of controversy.

For decades, the American government's powerful role in transportation infrastructure was envied by Canadian provincial capitals. That envy is now turning to concern.

The U.S. Congress and administration have been stuck passing a series of last-minute, stop-gap funding measures since 2009 to fund the U.S. highway trust fund. The fund, established in 1956 by then-president Dwight Eisenhower, provides about 25 per cent of all funding for bridges, highways and transit.

Congress has also refused to raise the tax rate, primarily on gas, earmarked to finance the fund. The gas tax was last raised in 1993; in real terms, factoring in inflation, the amount the government collects has actually been decreasing. Estimates are the fund lost more than 30 per cent of its buying power from 1993 to 2008.

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In This Edition:

The Canadian government, meanwhile, is increasing its investment. It recently announced $14 billion in new funding for the Building Canada Fund. Though this is not enough, it is much more than what the Americans have put forward in long-term funding.

More significant than the size of the funding is the commitment by the government to provide predictable, relatively long-term financing to encourage all-important private funding.

Mexico, too, is seized with the importance of infrastructure; that government has announced plans to spend US$590 billion by 2018. Though the global oil price drop has diminished Mexico's investment plans, the government's ambition is clear.

Federal action in Canada is mirrored at the provincial level. In Manitoba, the provincial government initially faced a public backlash over the tax increase to fund infrastructure, but once it was clear the new funds would entirely be devoted to infrastructure, support grew substantially.

Given shortages in the U.S. highway trust fund, individual states are being forced to follow Manitoba's lead in finding new funding for infrastructure. Oregon, for example, is testing congestion pricing for motorists.

U.S. dysfunction on infrastructure spending is epitomized by the new Detroit-Windsor bridge on a corridor that moves $10 billion in goods daily.

What was originally a shared undertaking that would have greater economic impact in the U.S. than in Canada is now being entirely financed by Canada. Our country had to up its contribution to cover the entire $250 million for a U.S. government customs and immigration plaza in Detroit. To add insult to injury, Michigan is able to use the Canadian investment to request matching U.S. federal highway funding to spend on pork-barrel projects elsewhere in the state.

It appears we have to bribe the Americans to do things that are in our mutual interest.

This is a problem for Mexico and Canada.

In North America, we produce things together. For every dollar of goods the U.S. imports from Mexico, 40 cents is U.S. inputs. For every dollar of goods the U.S. imports from Canada, 25 cents is U.S. inputs. The next-closest country is Malaysia with only eight cents of U.S. inputs. For China, the U.S. inputs is in the range of two cents.

In an era in which products are made together, low wages or high productivity can be completely wiped out by an inability to move products and people to assemble goods efficiently and cheaply. There is also the danger American exporters, frustrated with lack of investment in the U.S., will look north to move product to foreign markets, adding a burden to our system.

We in Canada and Mexico can invest to improve our infrastructure, but unless we get the Americans to move as well, the products and jobs that are tied to a more competitive and efficient North America are in danger.

Infrastructure: it's good for everyone

With the upcoming election, voters are paying more attention to issues surrounding how their tax dollars are spent. When considering national infrastructure spending programs such as the $50 billion over five years outlined in the Broadbent Institute's Report (2015), most people think about how increased infrastructure spending will improve roads, bridges and water lines, while also creating construction jobs. Although most of us would encourage improvements in infrastructure, some voters may not support the price tag these require, especially when the full range of benefits are not immediately apparent.

Interestingly, the model in the Broadbent Institute's Report on public infrastructure spending predicts possible benefits to sectors beyond construction. In Manitoba, GDP stands to rise $1.31 per dollar allotted to a national infrastructure spending program. Yes, construction would likely account for more than half of that increase; however, transportation and warehousing, trade, utilities, retail, hospitality and many other industries benefit from the remainder.

The cost of congestion resulting from lack of infrastructure improvements in Winnipeg alone is staggering. A Transport Canada report (2006) estimates the total cost of time delay, wasted fuel and greenhouse gas emissions as between $48 million and $104 million per annum. This problem is not limited to Winnipeg alone – there are many roads, bridges and water lines province-wide that are less congested than in Winnipeg, but still lead to increased cost because of disrepair or inadequacy.

Investment in developing and improving public infrastructure can decrease the costs associated with producing and transporting goods (to varying degrees) in almost all industries. Additionally, cost reductions allow products to be sold at lower prices, which can lead to increased sales.

Improving public infrastructure will also create jobs, not only in the construction industry but in other areas too. As noted above, there is potential for all industries to see a decrease in production costs leading in increased sales, increased production and the creation of jobs. The Broadbent Institute Report suggests that a five-year construction phase would create nine Manitoban jobs per million dollars spent. In the long-term, job creation would be focused less in construction and more in other industries that will benefit from lower production and transportation rates.

If increased GDP and more jobs are not convincing enough for voters to support infrastructure spending, they could consider that the upturn in jobs and spending will also lead to greater private sector investment. The potential for this investment to increase the tax base is significant, since it will provide the government with the ability to recover more tax revenue without actually raising taxes.

Admittedly, the difficulty in communicating the benefits of infrastructure spending means that the high project costs might seem unappealing to voters. The benefits, however, are substantial; spending on public infrastructure can increase GDP by increasing sales and therefore spending, create jobs in all sectors, increase private sector investment, increase the tax base and shorten commutes for citizens.

The province recently reported record-setting infrastructure spending in 2014-2015, but the provincial infrastructure deficit remains $11 billion. As voters now have an opportunity to encourage candidates to support this type of investment, now is the time to think about infrastructure as a solid foundation for Manitoba's future.

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Infrastructure spending: a national plan with local benefits

The time for infrastructure spending is now.

Every sector benefits from infrastructure spending.

This is the essence of the Broadbent Institute's recent report entitled the Economic Benefits of Public Infrastructure Spending in Canada (2015). In examining the benefits of the national infrastructure spending plan of $50 billion over five years, the report cites impressive national benefits: a rise in GDP by $1.43 per dollar spent; 9.4 jobs created per million dollars spent; and $0.44 of each dollar spent being recovered by the government in additional tax revenue.

These huge benefits to Canada under the national spending plan are promising, but how might our province fare?

Manitoba is a province that can be overlooked and under-acknowledged in reports that focus on population heavy-hitters such as Ontario and British Columbia. When it comes to infrastructure spending, however, Manitoba represents a relatively unique market that deserves to be singled out from the crowd.

The climate in Manitoba presents an obvious issue that is specific to the province; the drastic temperature swings and constant freezing and re-freezing wreak havoc not only on our roads and highways, but also on our bridges and water and sewer lines. Related to the climate issues are the Northern roads— many of these are temporary and provide the only seasonal lifeline to several Manitoba communities.

Winnipeg has unique access issues due to urban sprawl and inadequate roadways to connect the different areas of the city to one another. The City of Winnipeg has already spent $1.5 million on a study of the Arlington Street Bridge to discern possible options for repair or replacement, while acknowledging that simply replacing the bridge will not meet the city's transportation needs. To connect north to south, a new tunnel or widened underpass is instead required to link the two sides of the rail lines.

The need for repairs to existing infrastructure and the development of new infrastructure in Manitoba is immense and the spinoffs to infrastructure spending are far-reaching. Benefits accrue to the construction industry and to the transportation, trade and retail sectors as well.

As the Broadbent Institute's report indicates, the province of Manitoba has much to gain from infrastructure spending. In addition to improvements to actual infrastructure, the province stands to make significant gains in other areas should there be a national infrastructure spending program:

- The predicted expansion in Manitoban GDP by $1.31 for every dollar spent is the fourth highest jump in GDP out of all ten provinces in the model.
- The creation of 9 Manitoban jobs per million dollars spent is the fifth highest jump in number of jobs created.
- The model predicts an increase in private sector investment by $0.27 for every dollar spent and a $0.39 increase in tax revenue for every dollar spent in order to recoup costs.

As the report also notes, "The costs of neglecting our public infrastructure are not zero...allowing our public infrastructure to continue to decay imposes costs at least equal but opposite to the benefits estimated by this study." Since Manitoba has a lot to gain because of its unique circumstances, the cost of doing nothing is also large. The time to invest is now in order to avoid the complete decay of our public infrastructure, which would then cost multiple times more to recover. An infrastructure spending program would provide Manitoba with an injection of money into our economy, the creation of jobs, an increase in private sector investment and the increased tax base it needs to continue the mere upkeep of our new and improved provincial infrastructure. Without this initial investment, and with each passing day, the infrastructure deficit in Manitoba will only grow exponentially.

Public Infrastructure Spending Yields National Benefits: A Summary

Asserting that Canada's highway network has exceeded 50% of its operative life, a report prepared for the Broadbent Institute examines the economic benefits of $50 billion of public infrastructure spending funded equally by the federal and provincial governments over five years. The infrastructure investment would improve the engineering and construction of roads, bridges, sewer systems and wastewater treatment facilities.

Notably, the benefits of this type of spending program extend beyond the direct program spending by promoting long term economic growth and productivity, particularly in construction as well as in other sectors.

A range of best case, half case, and worst case scenarios also produced the following advantages:

- In the short term, GDP rises by $1.43 per dollar spent, 9.4 jobs are generated per million dollars spent and $0.44 of each dollar spent is recovered by the government in additional tax revenue.

- Private investment may rise by up to $0.34 per dollar in the short term and between $0.50 and $1.00 in the long term.

- Over the long term, the return on investment to GDP, assuming a three per cent discount rate, is between 2.46 and 3.83.

- In the long term the federal government stands to recover between $0.16 and $0.21, and the province recovers between $0.30 and $0.51 per dollar spent, while the annual federal deficit-to-GDP ratio ranges between +0.04 per cent and -0.02 percent, and the annual provincial deficit-to-GDP ratio ranges between +0.08 per cent and -0.04 per cent.

In short, a national infrastructure spending program of $50 billion over five years means increased private sector investment, a more productive economy and a higher standard of living without significant financial consequences to the federal or provincial governments.

For the full report visit www.mhca.mb.ca.

iMaQs

iMaQs Training by the Manitoba Mines Branch

The Manitoba Mines Branch will be offering iMaQs Training at the Manitoba Heavy Construction Association (MHCA) on December 2 and 9, 2015.

The training will focus on:

- Registering online for an iMaQs account
- A walk-through of how to look for information as disposition owner and/or administrator conducting business on behalf of the company
- Submitting and editing an Exemption Certificate
- Submitting a Quarry Return
- Using iMaQs Map Viewer
- Entering and submitting an application online (Private Quarry)

This training course will include a live test system demonstration and hands-on training on how to effectively enter and search for information. Throughout the duration of the course, Mines Branch Quarry Recording Office staff will be available to answer questions and assist clients with how to use iMaQs. All course materials will be provided a couple of weeks beforehand.

December 2 - training session, 9 a.m. - noon
December 9 - training session, 1 p.m. - 4 p.m.

To register for the iMaQs training course, contact Christine Miller at:

MHCA
Unit 3 - 1680 Ellice Ave.
Winnipeg, MB R3H 0Z2
Phone: 204-974-1379 ex. 14
Email: christine@mhca.mb.ca

For further information on the training itself, contact the Manitoba Mines Branch:

Phone: 204-945-6528
Email: Mines_Br@gov.mb.ca

Manitoba

Canadian Construction Association

MHCA™ MANITOBA HEAVY CONSTRUCTION ASSOCIATION

Get Involved in the Federal Election

Canada will go to the polls on October 19. Do you know what the leaders of the major political parties think about construction-related issues? Do you know who the candidates are in your riding and whether they are up to speed on construction issues? The Canadian Construction Association (CCA) - of which the MHCA is member - has gathered some tools for you on its election portal.

Visit cca-acc.com/en/information/election-2015 today!

Interviews with the Leaders
Michael Atkinson, CCA President, interviewed the leaders of the major political parties this spring. You can read the interviews with Stephen Harper, Elizabeth May, Thomas Mulcair and Justin Trudeau on the Election 2015 portal.

Is Your Candidate Well-informed?
In every election there are many candidates running for the first time. They, and the incumbents for that matter, may not realize how important construction is to Canada's prosperity. The CCA Election 2015 portal includes a widget that you can use to identify the candidates in your riding and to send them a letter educating them on issues of importance to the Canadian construction industry.

Based on your postal code, the widget shows you the candidates in your riding. You can choose one or several candidates to send the letter that CCA has prepared. The letter focuses on the three areas that are expanded on in the backgrounders posted on the election portal, namely Infrastructure and Prosperity, Education and Labour Force Development, as well as Taxation, Environment and Productivity. By using the election widget, you educate the candidates in your riding about important issues that affect your and other Canadians' livelihood and help CCA lobby for you.

Avoiding Future Fiscal Calamity Tied to Insufficient Infrastructure Funding
The letter recommends that as a country, our goal should be to return annual public investments in infrastructure to approximately 5 per cent of our annual gross domestic product and to commit to a plan that is:

- fiscally responsible and augments existing investments through the use of innovative partnerships between the public and private sectors;
- sustainable yet flexible enough to respond to the specific needs of individual communities; and
- permanent in order to provide all stakeholders with the certainty they require to make the necessary investments in the human and equipment resources they will require to respond to the infrastructure challenge.

Economy's Demands Require Greater Focus on Training
Another area of concern for CCA members is that of skilled labour. With labour shortages widespread in many regions of the country and the industry looking at a shortfall of nearly 300,000 workers by 2024, a greater focus on training will be imperative to ensure that the industry can continue to respond to the demands of our economy. Solutions will require a combination of measures to promote enhanced domestic training, and faster and timelier recruitment of skilled immigrants from abroad.

Expand Use of Tax Incentives to Encourage Productivity
CCA encourages federal public policy makers to expand the use of tax incentives to encourage businesses to invest in productivity enhancements. Incentives such as the use of accelerated depreciation policies (capital cost allowance) for investments in fixed machinery and equipment are helping make Canada's manufacturing sector more competitive. CCA strongly recommends that the federal government extend the benefits of the current Class 29 depreciation rate of 50 per cent declining balance to mobile equipment in machinery in other Classes.

The CCA election portal also features what has been said on the campaign trail as well as summaries of the election debates. We hope that you visit the election portal and find the information useful. It's time to get informed and to get involved!

We encourage you to participate as individuals.

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

CCA 2015/ Get Involved in the Federal Election

Manitoba NewsRelease

September 30, 2015

MANITOBA'S 2014-15 CORE INFRASTRUCTURE REPORT SHOWS RECORD $1.032 BILLION INVESTMENT IN ROADS, FLOOD PROTECTION, MUNICIPAL INFRASTRUCTURE

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Targeted PST Funds Helps Province Replace Aging Infrastructure, Create Thousands of Jobs, Boosts Economy: Premier Selinger

The Manitoba government's second annual report on building and upgrading core infrastructure supported by targeted PST revenue shows a record investment of $1.032 billion in 2014-15, a 22 per cent increase over the previous year, Premier Greg Selinger announced today.

"This is the first time the province has invested more than $1 billion in building better roads, bridges and flood protection," said Premier Selinger. "Investing in core infrastructure creates good jobs today, strengthens our economy and is an investment in our children's future."

In 2014, the Manitoba government launched a five-year, $5.5-billion core infrastructure plan to stimulate the economy by improving provincial roads, highways, bridges and flood protection as well as helping municipalities improve their infrastructure. The Conference Board of Canada reviewed the plan and projected it would boost the provincial economy by $6.3 billion, hike exports by $5.3 billion and help create 58,900 jobs over five years.

The report for 2014-15 shows the investments in infrastructure boosted the economy by $1.31 billion, advanced exports by $699 million, increased retail sales by $225 million and created more than 9,755 jobs, the premier said. Specific investments included:

• a total of $692 million* for roads and highways:
– $535 million on major projects such as 176 kilometres of PTH 6, 141 km of PTH 10, PTH 12 to Steinbach and 45 km of PTH 59 north;
– $145 million on maintenance and preservation including 424 km of seal coating and 344 km of microsurfacing; and
– $16 million for other infrastructure such as air and marine ports and northern runways.
• a total of $63 million** for flood protection:
– $52 million in major water control projects,
– $1.8 million on dam rehabilitation, and
– $11 million for maintenance and preservation work.
• a total of $277 million in municipal infrastructure.

Premier Selinger pointed out that as part of the overall investments in municipal infrastructure the Government of Manitoba invested about $46.4 million in Winnipeg road renewals. The premier added that is a record investment and part of the five-year $250-million commitment to upgrade Winnipeg roads.

“These investments go far beyond just building more highways and overpasses. They equip our trade-reliant economy with a transportation system that makes us more productive and competitive as we grow our global trade footprint,” said Chris Lorenc, president, Manitoba Heavy Construction Association. “Think about our major trade routes, such as Highway 75 and the $19 billion of north-south trade it supports, or the Perimeter Highway connected to the Trans-Canada Highway, which links our country coast to coast, or CentrePort Canada Way, which moves products more cost-effectively. These important systems help sustain the 240,000 jobs in Manitoba directly or indirectly enabled by trade.”

“These infrastructure investments are investments in the trade corridors that connect Manitoba to opportunity across North America," said Terry Shaw, executive director, Manitoba Trucking Association. "These expenditures are essential for allowing us to do our job of connecting Manitoba wholesalers, manufacturers, contractors and farmers to markets across the continent. Our provincial economy is dependent on trade and trade is dependent on safe and efficient pathways. We welcome these record infrastructure investments."

In 2013, the province committed to matching additional revenues from the PST increase with new investments in core infrastructure, over and above the $729 million invested prior to the PST increase. In 2014-15, the additional point of PST raised $275 million and set the target to meet the commitment to $1.004 billion. The total provincial investment of $1.032 billion exceeded that target by $28 million.

“The report shows we’re on track to meet our commitments to Manitobans,” said Premier Selinger. “We’re building like never before and our economy is steady and strong.”

The premier noted the annual report meets a government commitment to be open and accountable on matching new revenue from the one-point PST increase with new investments in core infrastructure.

The 2014-15 Core Infrastructure Report and Conference Board of Canada analysis are available at www.steadygrowth.ca.

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*** NOTE:** The total investment is $696 million, which includes $3.7 million in federal recoveries, so the provincial investment is $692 million.

**** NOTE:** The total investment is $64.8 million, less federal recoveries of $1.3 million, for a provincial investment of $63 million.

THE 2015 MHCA AWARDS BREAKFAST & AGM -

FRIDAY, NOVEMBER 20, 2015

MARK YOUR CALENDARS AND SAVE THE DATE!

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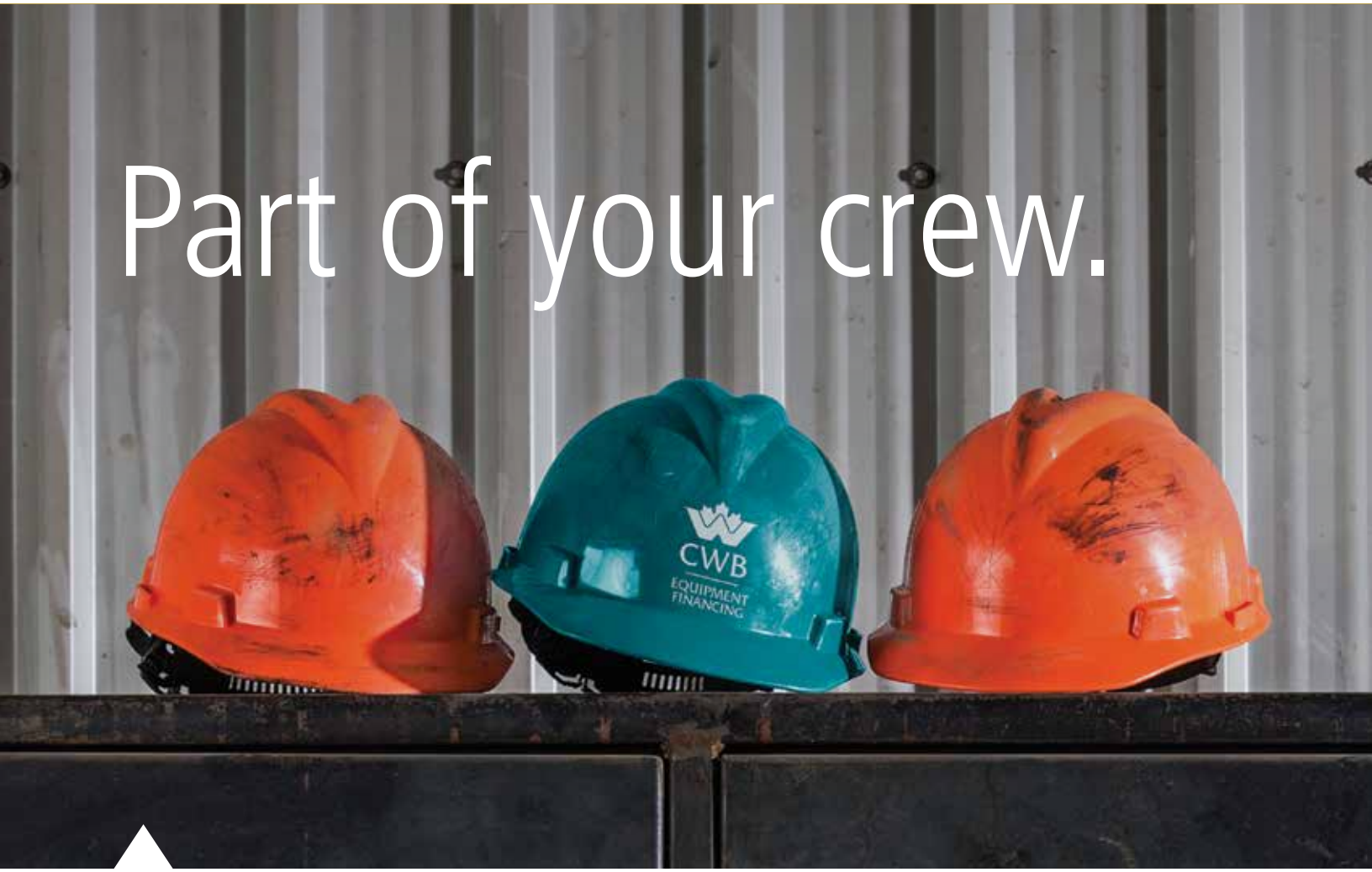

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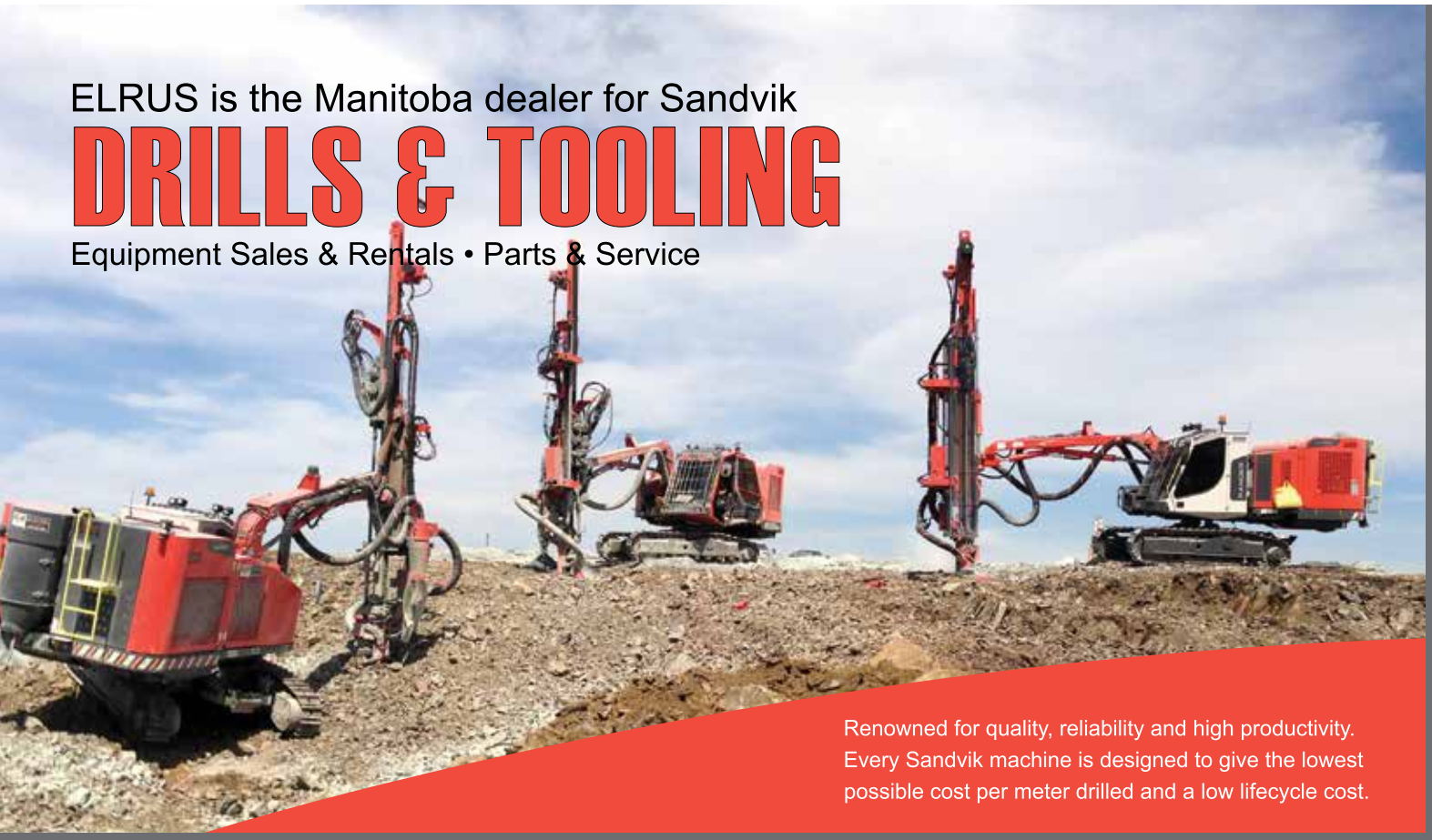

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For owners, Gold Seal Certification is an investment in quality, best practices and ensures excellence in the management of a construction project.

UPCOMING EXAM DATES:

October 16, 2015
Apply by September 4, 2015

January 22, 2016
Apply by December 4, 2015

April 15, 2016
Apply by March 11, 2016

WORKSAFELY MHCA SAFETY TIPS

Distracted Driving

Driving is a skill that requires your full attention to safely control your vehicle and respond to events happening on the roads around you. Driving involves constant and complex coordination between your mind and body. Events or things that prevent you from operating your car safely are distractions. There are three types of distractions and they are anything that takes your:

1. Eyes off the road (visual).
2. Mind off the road (cognitive).
3. Hands off the steering wheel (manual).

Driving Distractions

Driver distractions are the leading cause of most vehicle crashes and near-crashes.

The distraction usually occurs within three seconds before the vehicle crash!

In this age of multi-tasking, it is common to do more than one task at the same time. You already multi-task when you are driving; your mind and body are working simultaneously to drive your vehicle. You should not add another task on top of what you already need to do to drive safely. These tasks should never be done while you are driving:

- Cell phone use
- Reaching for a moving object inside the vehicle
- Looking at an object or event outside of the vehicle
- Smoking
- Personal grooming
- Eating / drinking
- Pets

Drivers who engage more frequently in distracted driving are more likely to be involved in a vehicle crash or near-crash.

Undistracted Driving: what we should be doing

When you are driving, the condition of the roadway you are on and the behavior of other drivers can change abruptly, leaving you little or no time to react.

When you are driving, follow these rules:

- Stay focused
- Pay attention
- Expect the unexpected
- Lead by example

Driver distractions reduce your awareness to your driving environment, your decision-making process and your driving performance. This results in crashes or near-crashes and corrective actions having to be taken by you and/or other drivers on the road.

Drive safe and stay alive. Keep your mind on your driving, keep your eyes on the road, and your hands on the wheel!

Training Schedule

TO REGISTER, PLEASE CONTACT:
Sarah Higgins
sarah@mhca.mb.ca

September

Flagperson (1/2 day PM)	Sept. 8	MHCA Office
Traffic Control Coordinator	Sept. 10 -11	MHCA Office
COR™ Leadership in Safety Excellence	Sept. 14 - 15	MHCA Office
COR™ Principles of Health & Safety Management	Sept. 16	MHCA Office
COR™ Auditor	Sept. 17 - 18	MHCA Office
COR™ Leadership in Safety Excellence	Sept. 14 - 15	Rockey View B&B
COR™ Principles of Health & Safety Management	Sept. 16	Rockey View B&B
COR™ Auditor	Sept. 17 - 18	Rockey View B&B
COR™ Leadership in Safety Excellence	Sept. 14 - 15	Russell Regional Multiplex
COR™ Principles of Health & Safety Management	Sept. 16	Russell Regional Multiplex
COR™ Auditor	Sept. 17 - 18	Russell Regional Multiplex
WHMIS (1/2 day AM)	Sept. 21	MHCA Office
TDG (1/2 day PM)	Sept. 21	MHCA Office
Excavating and Trenching (1/2 day AM)	Sept. 22	MHCA Office
Committee/Representative Training (1/2 day PM)	Sept. 22	MHCA Office
Train the Trainer	Sept. 23 - 24	MHCA Office

October

COR™ Leadership in Safety Excellence	Oct. 5 - 6	MHCA Office
COR™ Principles of Health & Safety Management	Oct. 7	MHCA Office
COR™ Auditor	Oct. 8 - 9	MHCA Office
Flagperson (1/2 day AM)	Oct. 19	MHCA Office
Committee/Representative Training (1/2 day PM)	Oct. 19	MHCA Office
WHMIS (1/2 day AM)	Oct. 20	MHCA Office
TDG (1/2 day PM)	Oct. 20	MHCA Office

November

COR™ Leadership in Safety Excellence	Nov. 2 -3	MHCA Office
COR™ Principles of Health & Safety Management	Nov. 4	MHCA Office
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The upside of capital punishment

By Peter G Hall, Vice President and Chief Economist

If emerging markets stood as major beneficiaries of the global portfolio rebalancing that resulted from six years of ultra-loose monetary policy, then events of the past few months have raised questions around whether this time really was any different.

In 2010, capital inflows had already found their pre-crisis peaks. By 2013, inflows touched new records, reflecting investor infatuation with all things 'EM'. Emerging markets had decoupled, we were told. This time would be different.

But with the US now powering global recovery efforts, the Fed is attempting to normalize interest rates and wind down a $4 trillion balance sheet. In anticipation of lift off, EM equity markets have erased nearly six years of gains, bond spreads are signaling rising credit anxieties and currencies have retraced their exaggerated steps. Meanwhile, political tensions in countries from Turkey to Malaysia, concerns about the state of China's economy, ongoing deterioration in Russia, and a focus on corruption in markets like Brazil are testing investor appetite.

The sharp reversal in capital flows has punished the prospects of many emerging markets that had, up to now, relied on credit-led growth. Add the negative wealth effects of lower commodity prices and the currency-induced erosion in purchasing power, and emerging markets are now at the center of global growth fears. We expect emerging market growth to dip below 4% this year, for the first time since 2009. In fact, over the first half of this year, the decoupled darlings were actually a drag on global trade growth.

So volatility is here, and perceptions of emerging markets have clearly turned. But therein lays the upside. Capital outflows from emerging markets have been pegged by some at close to double the amount of the financial crisis years. While the actual data suggests a less hysterical reality, such hyperbole illustrates the extent to which the entire asset class has been tarred with the same brush. Have markets overshot in their rush to the exit?

There is no doubt that, in general, countries which rely on foreign capital to finance current account deficits are expected to come under pressure. But there are divergences. Many countries have taken advantage of the last few years to boost competitiveness, implement labor market adjustments, improve the efficiency of public institutions and bolster sovereign wealth funds.

In addition, while hot money swings and ensuing currency impact will make debt repayments more difficult for some, this is not the emerging market debt crisis of the late 1990s. Notwithstanding the considerable variation between markets, emerging market net external debt has declined significantly, as a share of GDP. Sovereign debt is now much smaller relative to foreign currency reserves than in previous periods of stress, with the private sector assuming increased foreign currency vulnerabilities.

To help distinguish the relative winners from the losers, we looked at trends around private credit growth, current account balances, portfolio flows, and commercial environments. The bottom of the list was populated by countries like Argentina, Venezuela, Turkey and Ukraine. The relatively less exposed countries, however, included Poland, Philippines, Chile and even OPEC members Qatar, the UAE, and Saudi Arabia.

By taking the shine off the entire asset class, ongoing capital flight from emerging markets has paved the way for companies looking to grow their market share in previously hyper-competitive regions. As the US economy continues to pick up steam, recovery can come fast to the rest of the world, and emerging markets in particular. There will be more casualties, but the upside can be dramatic. We still expect emerging markets to grow at almost double the pace of developed countries over the next two years.

The bottom line? There is an upside to the capital punishment that is currently hammering emerging markets. Market overreaction is creating opportunity for exporters and investors that are well informed and that can separate the fundamentals from the fiction. Higher US rates cannot be isolated as a risk factor, but should be seen in the context of a stronger US economy, and the impact that will have on the rest of the world.

A closer look at the Federal Election

In conversation with Chris Lorenc, President of the MHCA

Given the pending October 19, 2015 Federal election, we spoke with Chris Lorenc, President of the Manitoba Heavy Construction Association about his overall thoughts on issues and priorities associated with the current state of Canada's infrastructure deficit, position on economic growth and the importance of trade and transportation to Canada's prosperity.

Q: Give us an overview of the current state of Canada's and Manitoba's infrastructure.

ANSWER: With respect to the state of our infrastructure, there have been many reports written by a number of sources from both university think tanks and others including for example the Federation of Canadian Municipalities citing reports from McGill University, which estimate the municipal infrastructure deficit in this country to be roughly $250 billion.

Q: Define what you mean by 'investment deficit.'

ANSWER: By investment deficit we mean the difference between what is currently invested in infrastructure and what might be required to be invested over the next 10-year period to meet actual and anticipated infrastructure needs by municipalities. This excludes deficits faced by provincial and federal governments.

The City of Winnipeg for example, faces an infrastructure deficit of roughly $8 billion or $800 million annually and rural municipalities in our province face an additional $6 billion or $500 million annually for a total Manitoba municipal infrastructure deficit of roughly $14 billion over ten years or $1.4 billion annually.

To put things in perspective, in order for Winnipeg to close that annual $800 million under investment it would have to raise its taxes by 200 per cent to cash finance and capture the deficit because 1 per cent of realty tax increase only raises $4 million.

So you can see the infrastructure deficit facing our province, country and cities right across Canada is staggering and requires a sustained but incremental and strategic response so that we don't allow the already large numbers to grow even larger and therefore unmanageable.

Q: What are the mainstream federal party leaders saying about these challenges during this election?

ANSWER: It is important to note that all three leaders have made infrastructure investment a priority platform for their respective parties and we encourage the public to test the merits of each of their approaches.

What we should be looking to hear from each party leader is a commitment to a long-term sustained and strategic infrastructure investment strategy to grow the economy. I use the word "investment" deliberately because whether you come to this position as industry or individual Canadians, what we don't want government to do is "spend" our money, we want governments to wisely "invest" the taxes we pay.

Q: What guidelines should accompany any such plan?

ANSWER: There should always be underlying principles to investment strategies and we have advocated six such principles which are now supported by other provincial, regional and national organizations and stakeholders.

First of all, the program needs to be permanent. We cannot continue going forward without a long-term plan in place. The strategy needs to be no less permanent than those which support health care, education and social programs each of which collectively help maintain our quality of life and standard of living.

Secondly, the investments need to focus on economic growth. Every dollar invested in such a plan should focus on growing the economy. It should be obvious that a growing economy fuels revenues for governments, which allow them to fund our quality of life programs. Therefore the first area of attention should be to expand the economic growth footprint.

The third principal encourages government to embrace innovation. In order to take complete advantage of whatever program dollars are available, we have to embrace innovation in all aspects of design, construction, maintenance and rehabilitation. Innovation in each of those areas will give us best value for dollars.

The fourth principle is to ensure partnership with the private sector because where government will find efficiencies, innovation and ingenuity will ultimately benefit the taxpayer.

The fifth principal advocates dedicating revenue streams. It is imperative that revenue streams are in fact transparently dedicated to the purposes of such a long term strategy. It's not good enough for a governments to simply raise taxes. If they are going to, then they should demonstrate where and how they will invest those taxes for the greater public interest.

And last but certainly not least is the sixth principal associated with public review. There should be annual and periodic reviews of the plan, its objectives, its successes and failures to allow adjustments going forward to be based on what we have learned.

In fact, these six principles apply to infrastructure investment strategies whether they are federal provincial or municipal in scope.

Q: You suggest as your second principle a focus of investment on growing the economy. What area in your view is key?

ANSWER: The number one priority for investment in our national economy is in our opinion, trade. Canada was, is, and will always be a trading nation. For example, the Port of Vancouver is key to exporting New Brunswick lobster; the Ambassador bridge is critical to moving auto parts and manufacturing goods into the United States; our pipelines are critical to exporting crude; rail lines move our grain to ports and then onto container ships destined to foreign markets. In Manitoba, $19 billion dollars of annual trade moves north south between the U.S. and Canada along Highway 75. These assets collective ability to seamlessly, efficiently and cost-effectively move products to market is key to growth, revenues to governments and jobs for millions of Canadians.

Investment in trade allows the economy to be productive; therefore competitive and continually growing. Having a productive and competitive economy will ensure that trade will continue to be the leading contributor to our economic success and quality of life.

What most people may not know, is that thirty cents of every dollar in our economy and one in five jobs is tied to exports. Roughly 240,000 jobs in Manitoba are directly or indirectly affected by trade and this includes agriculture, manufacturing, food processing, the pork industry, minerals, retail, goods and services - virtually any area of commerce you can think of.

In short, the quality of life that we enjoy, our ability to afford healthcare, education and our social programs, to a very large extent comes from our ability to competitively move products to and from markets - trade.

Coincidentally, we're not the only ones championing the importance of trade. On August 28, 2015 the Canadian Chamber of Commerce held a press conference in Toronto, addressing the importance of access to markets and infrastructure investments in the context of federal election priorities.

Perrin Beatty, President & CEO of the Canadian Chamber of Commerce, stressed the importance of trade in Canada the economy, jobs and the overall quality of life depends on it.

The Canadian Chamber was joined by the Ontario Chamber and the Toronto Region Board of Trade in a growing recognition of and call for a national strategy which embraces the importance of trade and investment in trade enabling infrastructure. This includes rail, airports, strategic highways, essentially investment in a seamless efficient trade driven transportation network. We refer to this approach as 'Trade Transportation Prosperity. '

So in our view - trade should be the number one priority.

Q: But Canada promotes trade so how are we deficient?

ANSWER: The truth of the matter is that there is no point in having an aggressive trade enhancing agenda if we cannot get our products to and from market though a seamless efficient multi-modal transportation system.

That's why, as examples, the Ambassador Bridge, CentrePort Canada Way in Manitoba, the Trans Canada Highway, and all of Canada major airport, rail systems, marine ports and maritime facilities are so important. These infrastructure assets are the arteries for commerce to live and thrive through - they enable trade, support growth and jobs for millions of Canadians.

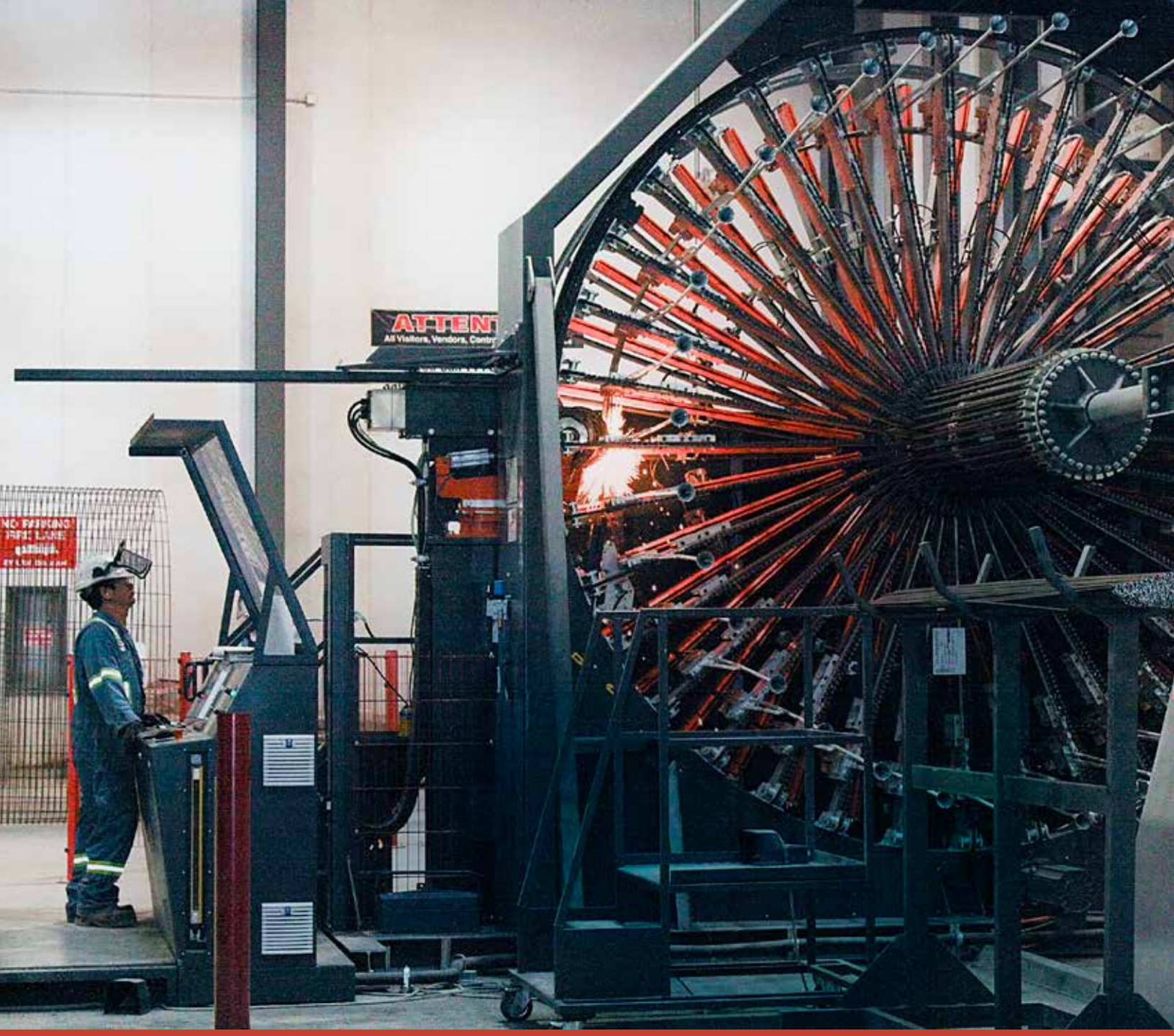
And so to remain productive and competitive we need a national Trade Transportation Prosperity strategy. It should focus on investment in trade that embraces the six principles I referred to earlier; one that involves the three levels of government and the private sector in the development and implementation of such a strategy; and one which ultimately assures public /private sector infrastructure investment discipline to ensure the greatest gain and benefit both for our economic and social well being.

Q: So what your Last word...

ANSWER: I am not interested in the party that says it's going to spend money. I want to see the party leaders commit to a strategy that targets investments in trade enabling infrastructure in a transparent, accountable and strategic way to grow Canada's global trade footprint. That growth will provide jobs and careers for people still in school and allow us to maintian the standard of living that we've come to enjoy and expect.

It is very important that all governments, whether federal, provincial or municipal, but in the context of the federal election, understand and commit to a long term national infrastructure investment strategy that recognizes the links between Trade, Transportation & Prosperity.

If we take that approach, our country will be better for it.



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