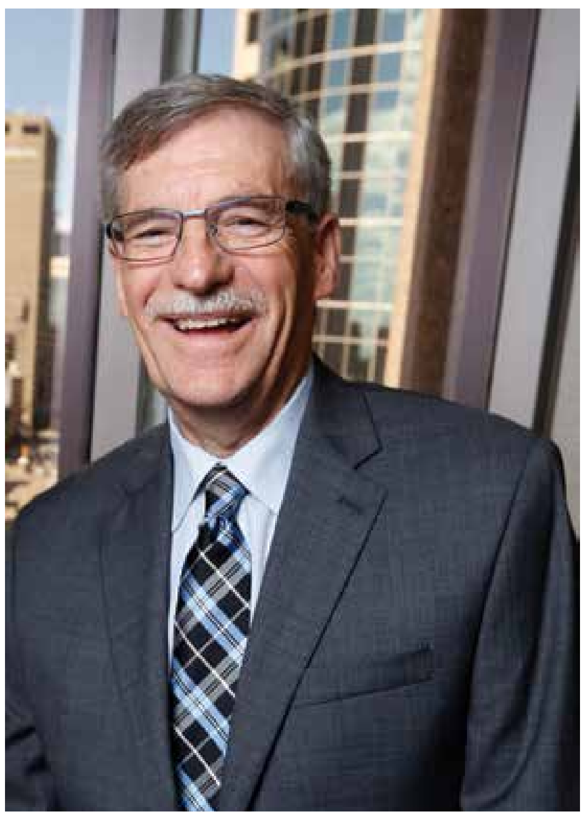

Don Leitch is president of the Business Council of Manitoba. He will be addressing the Annual General Meeting of the Manitoba Heavy Construction Association on November 16.

GETTING TRADE ON THE ROAD IN MANITOBA

BY DON LEITCH

This is a time of much economic uncertainty. That's no secret to anyone. The rising price of goods and job-security anxiety are the wingmen of economic uncertainty.

That's how global-trade disputes hit home in a personal way.

We're all still trying to figure out what the new NAFTA – USMCA – really means, and doesn't mean, for Canada's trade prospects. We're trying to figure out how we'll diversify, something we have talked about for decades.

What is certain is we have to look for, develop and seize opportunities.

The new, revised Trans-Pacific Partnership being ratified now by its signatories holds immense potential for Manitoba. It is one of the largest free trade agreements in the world. Canada will get greater access to Japan, Australia, Chile, Mexico, New Zealand, and in developing Asian markets, including Malaysia, Singapore and Vietnam.

Manitoba has shown that with the right foundation and planning, it can compete in global trade. Trade supports 53% of our provincial economy — that's some $37 billion worth of 'business.'

But to compete, we have to get the foundation right.

As President of the Business Council of Manitoba, I am concerned about our ability to capitalize on those and other emerging trade opportunities, and about the implications of that for our economy.

There are four critical things companies look for when locating or looking to expand — people, power, water and transportation.

We have talented people and have shown we can trade, recruit and attract more.

Although we are facing increases to our hydro rates, due to the past decade of development our rates remain very competitive, and will continue so.

And we have an abundance of water. We need to ensure a sustainable, reliable supply. That means well-maintained water and sewer infrastructure. That requires long-term planning and investments — we have to take the opportunity presented by the large federal commitment for infrastructure and sign cost-shared project agreements. Green infrastructure is a priority for them.

And, what of transportation?

This is where the rubber hits the road, or hits the ditch.

Everything rides on a road. Our goods may eventually move by rail, water or air, but getting them from the point of production to the customer will always rely on roads. Good roads pave the way for strong trade. Prosperity.

The strongest case for public investment, for high-value return to the economy has been proven, time and again, to be our investment in core infrastructure. There is an immediate lift to the economy, from the surge in employment and the local sourcing of materials. But there also is a long-term return, from the impact on the GDP, most noticeably from increased productivity and trade.

That's why there isn't an economist, investment advisor or business owner who doesn't recognize the critical role that good roads and strategic infrastructure investment play in economic growth and moving goods, services and people.

We at the Business Council are keenly aware of Manitoba's debt and deficit position. We strongly advocate for prudent fiscal management. But economic stewardship is not just about controlling costs and cutting the deficit. Strong fiscal policy has economic growth as its complementary goal.

Reduced expenditures across government affect many sectors, some immediate, some longer term. Reducing investments in infrastructure of all types, including long-term cuts to the highways budget, hurts economies. The City of Winnipeg developed a large infrastructure deficit. Reduced investments have an impact on the people commuting to jobs and on the shipment of goods they produce to markets.

The Business Council has also advocated for a comprehensive, provincial infrastructure-investment strategy. There is no multi-year plan to guide sustained investment in our strategic, trade-transportation assets, our highways and our regional roads. These are the arteries that keep our economic heart pumping.

In my circles, you don't do business without a multi-year plan. You don't scope a budget without knowing where you should be five years forward, and how you get there. Simply put, that's the "infrastructure" plan of any business hoping to stay in business.

The Business Council has endorsed and supported the call by nine leading Manitoba business groups for the provincial government to make sustained, strategic investment in infrastructure a real, immediate priority.

We need to plan now to ensure Manitoba capitalizes on the trade potential at our doorstep. Trade uncertainty will continue as we try to diversify. But we must diversify.

In Manitoba we can do that. We have shown we can compete and succeed.

But we need government to play its role: alongside prudent fiscal management, it must develop and successfully implement its growth strategy, and commit to sustained, innovative investments in infrastructure.

We need to get the building blocks right, lay them down. Pave the road.

It leads to economic growth and prosperity.

Carlo Dade is director of the Centre for Trade and Investment Policy at the Canada West Foundation. He is co-author of "Building on Advantage: Improving Canada's Trade Infrastructure," part of a multi-year research project on Western Canadian trade infrastructure, and lead author of the background paper for the 2014 New West Partnership Premiers' Infrastructure Summit.

TRADE, HIGHWAYS AND INVESTMENT – THEY'RE INTIMATELY CONNECTED

WHAT MANITOBA CAN LEARN FROM KANSAS ON INVESTING IN HIGHWAYS, TRADE ROUTES

BY CARLO DADE

The link between investment in trade-enabling infrastructure and trade is, as the term implies, self-evident. Also self-evident is the link to wider economic growth and prosperity that comes from expanding trade, or what in a province like Manitoba where trade accounts for over half of GDP, could more simply be called 'earning money.'

Trade infrastructure enables money to be earned to pay for those things the province needs and wants. Research shows a positive impact from investing in trade-enabling infrastructure. A 2012 study published by the San Francisco Federal Reserve Bank found $1 in federal highway grants was equated with at least an increase double the amount to a state's GDP. In Manitoba, the Conference Board of Canada forecasted similar investment would spin-off $1.16 to the GDP for every $1 expended.

If one is concerned about spending on education and health care, then the first priority for the public and government is to do what is necessary to ensure, or better, increase, the money on the table for these programs. Done correctly, investments in trade-enabling infrastructure can also be education-enabling, and health-enabling.

This, at least, is the theory.

In Manitoba, this theory was put to the test in 2013 with a decision to invest the equivalent of one percentage point PST increase in what was defined as core infrastructure, which included trade-related infrastructure and also flood mitigation projects for a total investment of $5.1 billion over five years. The Conference Board estimated that this would raise provincial GDP during this time period by two percent, or $6.3 billion. After the first year of the planned program, the Conference Board tested its estimates and found the $1.04 billion invested in core infrastructure in 2014 actually increased GDP by $1.31 billion. So, about $1.30 return for each $1 invested.

While only two of the five years were rolled out as planned, that is enough time to crunch the numbers to see if this actually worked, and if it did produce positive impacts what if anything could be improved. Conversely, if the projected outcomes fell short then what went wrong and needs to be changed. This is a priority.

But while waiting for the numbers to come in, a cautionary tale of what happens when infrastructure investment faces extreme cuts is in order. This warning came, from of all places, Winnipeg this summer during the annual U.S. Council of State governments mid-west meeting held in town.

From 2011 to 2017 Kansas moved close to US$2 billion from its highway fund to cover budget shortfalls caused by its now-infamous experiment to effectively cut its corporate tax to zero. The state cut a dozen highway expansion projects and was essentially reduced to funding highway maintenance. All in a state that, like Manitoba, is reliant on moving products from rural areas and a few urban centres to markets outside the state. Kansas came to this summer's meeting in Winnipeg in dire straits. What was supposed to be a genial breakfast roundtable to exchange ideas on state infrastructure devolved into a crisis intervention and brainstorming by Canadian and American lawmakers on how to help Kansas dig out.

That is the cautionary tale. But there is also a tale of opportunity in this.

The Trump administration is looking to inadvertently repeat part of the Kansas experiment by also retarding infrastructure spending. As the Brookings Institution noted in a 2017 examination of the President's tax-cut plan on infrastructure:

"By increasing the cost to finance infrastructure for states and local governments, the recently enacted Tax Cuts and Jobs Act (TCJA) will lower investment in our nation's infrastructure. This runs counter to President Trump's repeated desire to tackle the major problems associated with America's crumbling infrastructure through increased investment. The impact may be large and immediate enough to swamp the short-term impact of any infrastructure package Congress can put together in the immediate future."

That says a lot. It also tells us what we need to do in response. If the Americans are going to try to become more competitive by cutting taxes and we do not want to match them in a race to the bottom, then we are going to have to assure that there is a return on the revenues our governments take in and spend, to assure that it makes us more competitive. If the Americans are going to dig a hole for themselves on infrastructure, we need to dig a different sort of hole; one that is shovels in the ground to build advantage, investing money to make ourselves more competitive where the Americans will not. Given the other hurdles that the Americans have placed and will continue to place before us, this is imperative. Especially as we in Canada have opportunities in new, multi-country trade agreements that open Asia and Europe to our firms while the Americans do not. This advantage over the Americans will not last forever; we must act now to capitalize on the opportunity at hand.

But first, Manitoba needs to know the results of the 2013 experiment to learn, to improve targeting and the return on investment, and guarantee money invested in difficult times does what is needed.

IF ONE IS CONCERNED ABOUT SPENDING ON EDUCATION AND HEALTH CARE, THEN THE FIRST PRIORITY FOR THE PUBLIC AND GOVERNMENT IS TO DO WHAT IS NECESSARY TO ENSURE, OR BETTER, INCREASE, THE MONEY ON THE TABLE FOR THESE PROGRAMS. DONE CORRECTLY, INVESTMENTS IN TRADE-ENABLING INFRASTRUCTURE CAN ALSO BE EDUCATION-ENABLING, AND HEALTH-ENABLING.