



Celebrating 75 **GROUND BREAKING** years in 2018

THE “OTHER” ECONOMIC CASE FOR STRONG, MULTI-YEAR CORE INFRASTRUCTURE INVESTMENT

ASIDE FROM BOOSTING GDP, INVESTING IN ROAD MAINTENANCE NOW AVOIDS COSTLY RECONSTRUCTION LATER

There are a few truisms about economic forecasting. The first one is that those who are tempted to rely on economic forecasts many years into the future should invest in crystal balls. They are about as reliable.

Reputable economists temper forecasts, add cautionary notes to factor in unknowns and rely on standard indicators — and rough confidence margins — to forecast for the near future.

That's how we know, with confidence, that strategic investment in core infrastructure is a pretty good bet as a way to prime the economic pump. Depending on what kinds of infrastructure public funds are invested in, the return to the GDP can be anywhere from \$1.16 to \$1.60 for every \$1 invested.

That's a pretty good ROI — return on investment.

It's also why we have a good idea, in Manitoba, of the potential for economic growth that this province had in the five-year plan set out in 2013 for investment in core infrastructure — roads, streets, highways, sewer & water, bridges and water-control structures.

The former NDP government set out a \$5.5-billion investment plan, 2014-2018, or an average of \$1.1 billion a year. The Conference Board of Canada forecasted the GDP would rise \$1.16 for every \$1 invested, during the construction phase. Given the knock-on effect of the total investment's full impact (ie. on productivity and increased trade), the Conference Board said, “the \$5.4-billion investment will boost Manitoba's real GDP by an average of \$1.25 billion a year from 2014 to 2018.”

A follow-up study in 2015, measuring the impact of the \$1.04 billion invested in core infrastructure in 2014, found that, indeed, Manitoba's GDP rose by \$1.31 billion.

The five-year strategy, however, halted after just two years, when the government changed in 2016.

That means Manitoba will not get the benefit of the economic boost that would have flowed. More's the pity.

But there are other consequences of the decision made by the provincial government to cancel robust and predictable multi-year investment plans.

For the taxpayer and the traveller, it means that Manitoba

roads (municipal) and highways (provincial) will continue to decay. Already, we know that the infrastructure investment deficit — the difference between what is and what must be budgeted to bring our roads to good condition — sits at about \$6 billion, now.

The plans to budget \$1 billion+ per year in core infrastructure would have made some headway on that infrastructure investment gap. Now, especially as it relates to the highways budget, we are simply digging the hole deeper, every year.

The problem is compounded by the fact that those highways and roads in good condition slip to fair, and those in fair shape fall into the “poor” category.

Research on road life and deterioration shows that if repairs aren't made when they're in “fair” condition, roads fall very quickly to “poor” and then to “very poor” shape.

That's a hazard. It's a drag on productivity (people getting to work, supplies getting to manufacturers, goods getting to market). It's also setting up taxpayers for a whopper of a bill.

The study published by the Transportation Research Board (TRB), National Research Council in 2003 estimated that every \$1 spent on roads when wear and tear begin to appear, called preservation, saves \$5 to \$9 that will be spent on rehabilitation or reconstruction, once the road slips to worse condition.

What you should take from this is that the Pallister government's decision to cut investment in core infrastructure — budgets for highways, and for

municipal sewer & water, roads and bridges have all been slashed — since 2016 means taxpayers will be shelling out much bigger dollars in future years because all of these assets will deteriorate. That estimated \$6-billion infrastructure gap will widen, perhaps dramatically.

Take away? Manitoba has lost some solid opportunity to boost its economy, push its trade profile nationally and internationally. And it has dug itself deeper into the infrastructure-investment deficit hole. The province has effectively left money on the table.

How is this going to make Manitoba “the most improved jurisdiction” in Canada? 🍷

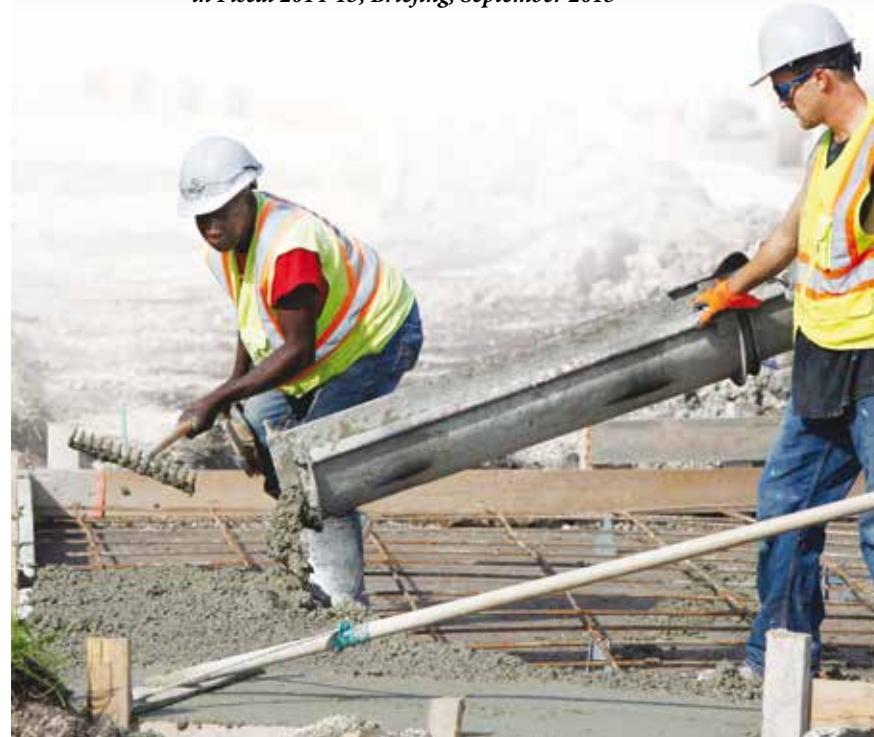
RESEARCH ON ROAD LIFE AND DETERIORATION SHOWS THAT IF REPAIRS AREN'T MADE WHEN THEY'RE IN “FAIR” CONDITION, ROADS FALL VERY QUICKLY TO “POOR” AND THEN TO “VERY POOR” SHAPE.

THE CONFERENCE BOARD OF CANADA'S ANALYSIS OF THE MANITOBA GOVERNMENT'S \$1.04-BILLION CORE INFRASTRUCTURE INVESTMENT IN FISCAL 2014-15 SUGGESTS THAT IT HAS HAD THE FOLLOWING

IMPACT ON THE ECONOMY:

- GDP INCREASED BY **\$1.31 BILLION**
- **9,755 JOBS** OR PERSON-YEARS OF EMPLOYMENT WERE GENERATED
- **PERSONAL DISPOSABLE INCOME INCREASED BY A TOTAL OF \$523 MILLION**
- **PROVINCIAL EXPORTS WERE BOOSTED BY \$699 MILLION**

Conference Board of Canada, Manitoba Government Infrastructure Investment Spending in Fiscal 2014-15, Briefing, September 2015



INFRASTRUCTURE INVESTMENT IS OUR ECONOMIC HEALTH-CARE PROGRAM

BY CHUCK DAVIDSON



Chuck Davidson is president & CEO of the Manitoba Chambers of Commerce

In today's globally competitive business environment it is imperative that governments at all levels strive to create a climate that attracts new business and allows existing business to reach full potential, if we really want to grow our economy.

The Manitoba Chambers of Commerce, along with a number of other leading business organizations, believes that there are seven key public policy pillars the province must address if the government is truly committed to growing the Manitoba economy.

Those pillars include: Creating a competitive tax framework; creating an accessible venture capital fund; commitment to an expanded global-trade profile; creating an Aboriginal engagement strategy; attracting, educating, training and retaining a skilled workforce; addressing the fiscal framework with municipalities; and, finally, investing in Manitoba's core infrastructure.

The reality is that while the provincial government has made progress on some of these pillars, there is much more work needed if we want to unleash the full potential of the Manitoba economy. For instance, despite past efforts to add dollars to both the provincial and municipal capital budgets, the infrastructure deficit in Manitoba continues to grow.

Infrastructure development is an important economic engine for the province and ensuring it

is done with a strategic, sustained, disciplined and transparent approach is critical.

A common ground, principle-based Manitoba solution would include sustained investment for core infrastructure, which includes trade and transportation assets. This is required to support growth and prosperity throughout Manitoba.

A well-funded and maintained, seamless multi-modal transportation system in Manitoba ensures the ability to attract new areas of economic growth, and sustain and/or enhance existing nodes of economic activity. Without core municipal infrastructure, including a transportation plan, each of which is strategically and permanently funded, we place our economic stability and therefore our social well-being at risk.

Infrastructure is not of passing interest or unimportant to our collective progress. It enables and supports our economy, and therefore our quality of life. Investment in infrastructure, including a focus on trade-enabling transportation systems, on a permanent basis is our economic and social health-care program.

The Manitoba Chambers of Commerce currently has a policy calling on the Government of Manitoba, in partnership with municipal governments and the private sector, to establish a core municipal infrastructure plan that:

- Is permanent yet flexible, not unlike our ‘permanent’ investment in health care, education, recreation, public safety and the like.

- Invests in a sustained and strategic manner in assets which enable and create new opportunities for economic growth, without ignoring maintaining or rehabilitating key assets that already enable economic activity.

- Embraces innovation, from composite fibers, fiber optics, remote-sensing systems and new grades of asphalt and concrete products, to awarding projects based upon innovation and service-life costing.

- Seeks partnerships with the private sector, which is the engine of innovation, growth, jobs, prosperity, taxes and revenues to government.

- Mandates, through legislation, that any new revenue streams — preferably growth-based — be dedicated to these purposes in a clear, transparent, transitional and accountable manner.

- Legislates periodic, transparent public reviews enabling experience-based improvements and adjustments for the future.

With a commitment to investing in core infrastructure, the Manitoba Chambers of Commerce believes the results will be sustainable economic growth leading to greater prosperity for business and communities in Manitoba. 🍷