



MANITOBA HEAVY CONSTRUCTION ASSOCIATION (MHCA)
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CORE INFRASTRUCTURE INVESTMENT: A proven economic driver

Infrastructure is a basic public need, which is why it has ranked as taxpayers' top concern in successive public opinion surveys.

Ten leading Manitoba business organizations¹ advocate that the first responsibility of any level of government is to grow the economy, a challenge in which infrastructure plays an organic role.

The ten organizations have advanced **Seven Pillars** to support such a strategy - *see attached*. The pillars speak to the need for a coordinated approach to the fundamentals driving economic growth.

The MHCA wishes to solicit your views in three of the areas – infrastructure investment strategy, economic growth and a New Fiscal Deal for municipalities. All three political party leaders have received this survey.

Your replies will help inform MHCA's advocacy and public commentary regarding provincial infrastructure investment, in particular that of the Highways Capital program.

We therefore request your written replies by electronic return to clorenc@mhca.mb.ca by 4:00 p.m. Monday, August 26, 2019. The MHCA will publish the results by September 4, 2019.

We thank you in advance for your participation and wish you well in the provincial election.

Regards,

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

August 7, 2019

INFRASTRUCTURE

¹ Business Council of Manitoba, Canadian Manufacturers & Exporters (MB), Manitoba Chambers of Commerce, Manitoba Heavy Construction Association, Manitoba Homebuilders Associations, Manitoba Real Estate Board, Manitoba Trucking Association, Merit Contractors Association, Winnipeg Chamber of Commerce and Winnipeg Construction Association,

'Core infrastructure' is defined to mean streets, roads, highways (including trade routes), bridges and related structures, water and wastewater treatment and distribution systems, and land drainage. It is the bedrock upon which our economic activities rely, generating revenues to government which fund our public services and programs.

Infrastructure supports our trade-dependent economy. Trade generates 53% of Manitoba's GDP, and roughly 240,000 direct and indirect jobs. But trade can't move cost-effectively and efficiently if our trade transportation system – provincial highway trade routes, designated urban regional trade streets, supporting bridges and structures -- are neglected and in poor shape. Our trade transportation system moves people to jobs and products to market.

Strategic investment in trade transportation systems has an impressive rate of economic return. Repeat studies have verified that: for every \$1 invested in strategic infrastructure between \$1.30 and \$1.60 is returned to the GDP. (Conf. Board of Canada, 2015; Economic Advisory Council, Federal Government, 2016)

Municipalities own about 50% of infrastructure, yet tri-governmental agreements often cover just the capital (construction) costs of new infrastructure. This means towns and cities must shoulder the much larger, ongoing expense of maintenance, repair, rehabilitation (life-cycle costs). That's in part why municipalities are struggling with infrastructure investment deficits in the billions of dollars.

Reflecting on those realities, in the following questions please respond to the following questions about the importance of infrastructure investment.

1. Infrastructure continues to be a top public policy priority, as measured by repeat opinion surveys.

On a scale of 1-10 – with 1 being the highest – how do you rank, with explanation, investment in core infrastructure as a provincial government priority?

1/10 – Upon taking office the Progressive Conservative Party inherited a legacy of unsustainable annual increases in spending, ballooning deficits, and faltering services. Our economy was becoming ever more dependent on public spending and increasingly exposed to risk of further credit downgrades and interest rate hikes.

The Progressive Conservative Party is committed to investing in infrastructure in a sustainable way that recognizes the fiscal realities of Manitoba's books. That is why during the course of this election we have committed to a number of strategic infrastructure investments including, a new emergency room at St. Boniface Hospital, 20 new schools & and steady increases to the highways budget to \$400 million dollars.

We inherited a mess from the NDP, including a pattern of waste and mismanagement within the infrastructure department. The NDP spent \$5 million dollars on an untendered contract for the purchase of Tiger Dam flood-fighting equipment despite the fact that a consultant had advised them that these Tiger Dams did not work. Their East Side Road Authority spent over \$500 million

on less than 50 miles of road. Irresponsible decisions like these added to our debt, took valuable dollars away from strategic infrastructure investments, and added to the mess we had to clean up. The legacy of this overspending includes debt serving costs that approach \$1 billion per year, money that cannot be invested in infrastructure.

We are committed to doing things differently, and above all else, ensuring value for the money Manitobans spend on infrastructure projects. We believe in sustainable, predictable investments in infrastructure which support our quality of life and the opportunities to enhance economic development.

2. The MHCA understands that the infrastructure investment deficit – the amount of investment required to bring all assets up to ‘good’ condition – for provincial roads is approximately \$6 billion and about \$3 billion for bridges.

Would your government commit to publicly releasing the infrastructure investment deficit reports for roads and for bridges on an annual basis?

Yes No

A re-elected Progressive Conservative Government will develop a ten-year strategic capital plan, including appropriate reporting related to infrastructure spending and stable, predictable funding to address Manitoba’s infrastructure needs.

3. ***Does your campaign platform address Manitoba’s infrastructure investment deficit?*** Please tell us how, briefly:

A re-elected Progressive Conservative Government is committed to the development of a ten-year strategic capital plan for provincial highways. We will further grow the highways budget by 14% from \$350 million to \$400 million over the next four years, and ensure this budget is either fully spent or rolled over into the following year.

Our investments in strategic infrastructure investments will go beyond the highways budget and include:

- *\$500 million for 20 new schools*
- *\$900 million in health capital, including \$90 million for a new emergency room at St. Boniface hospital*
- *\$550 million for the Lake Manitoba Outlet, allowing residents to be protected from another multi-billion dollar flood*
- *Continuing cultural investments to better our communities, including the Diversity Gardens, Inuit Art Centre, the Royal Aviation Museum and the Manitoba Museum just to name a few.*

In addition to these investments, broad based tax relief, tax increment financing programs and a more focused approach to economic development will attract hundreds of millions of dollars of private capital investment to Manitoba.

MHCA members not only benefit from this 'whole of government' investment in strategic infrastructure, but from government policies that are restoring this province as an attractive place for private capital investment.

We are further committed to dedicate funds for infrastructure projects which stimulate private sector investment and create more jobs for Manitobans, such as the local highway improvements that support the Roquette pea processing plant.

- 4. Are you aware of the various analyses compiled on the return on investment (ROI) from core infrastructure investment programs, such as the Conference Board of Canada's 2015 brief on Manitoba's 2014-15 \$1.04-billion core-infrastructure investment (GDP rose by \$1.31 billion) and the federal Advisory Council on Economy Growth's 2016 report (GDP increases by \$1.60 for every \$1 invested)?**

Yes No

- 5. Do you agree that core infrastructure investment is an economic-growth driver?**

Yes No

6. MHCA proposes the establishment of a working group to review government-wide infrastructure investment, to realign investment strategically and focus first on areas with the greatest potential for return on investment, for economic growth.

Would your government commit to forming a working group, including industry stakeholders and economic experts, to review how infrastructure is funded now and recommend a new strategic and coordinated investment approach?

Yes No

As previously described, a re-elected Progressive Conservative Government would develop a ten-year strategic capital plan for provincial highways, and would be open to a broader conversation including the MHCA, and Manitobans who ultimately foot the bill for these investments.

7. Strategic and sustained investment in our transportation network, particularly our trade transportation assets, harnesses a proven economic driver, to boost Manitoba's GDP.

Would your government commit to publicly release annual and five-year budgets for the Highways Capital program?

Yes No

A re-elected Progressive Conservative Government would develop a ten-year strategic capital plan which would include budget projections.

8. Similarly, would your government commit to releasing annually the asset-condition and needs reports for Manitoba's provincial highways and bridges?

Yes No

A re-elected Progressive Conservative Government would develop a ten-year strategic capital plan which would include an assessment of infrastructure needing repair.

9. Trade supports fully half of Manitoba's GDP, and investment in our trade transportation system is critical to keep trade moving and growing.

Would your government commit to examining merging the departments of Trade and Infrastructure, to ensure infrastructure investment and trade strategy are aligned and harnessed in support of investments providing for the greatest return to the economy?

Yes No

If 'No' please explain your reasoning:

We understand that an overall approach to economic development is required by government. This is why in our last term as part of our overhaul of our economic growth strategy we created an economic growth committee of cabinet, which helps set and guide economic development policy for government. Membership of this cabinet committee includes the ministers responsible for both trade and infrastructure. Beyond this every department of government has a role in economic development.

10. Municipalities have had a long-standing challenge raising enough revenues to meet demand, especially for roads. The 2011 Infrastructure Funding Council report addressed this problem. Among its suggestions was a proposal for a "New Fiscal Deal" that recognized municipalities get less than 8 cents of each tax dollar, but shoulder most of the infrastructure costs.

A New Fiscal Deal could recognize, for example:

- a. the need for new sources of revenue for municipalities, to alleviate an over-reliance on property tax while generating greater revenue annually, and
- b. the fact that shared-funding agreements (provincial, federal, municipal) that split costs equally (1/3 each) are unfair to towns and cities.

If elected, would your government commit to striking a provincial panel to review options for a New Fiscal Deal with municipalities?

Yes No

The Progressive Conservative Party believes that municipalities are key partners in fueling the provincial economy, as a result we are committed to fiscal arrangements with municipalities that are structured to foster growth, above all else.

A re-elected PC Government would establish a collective process with the Association of Manitoba Municipalities to strengthen provincial-municipal growth and partnership, with a balanced discussion of both revenues and expenditures.

11. Municipalities struggle with a lack of predictability in infrastructure funding from higher levels of government – a challenge when it comes to setting budgets for roads. Further, provincial transfers to municipalities have been effectively frozen since 2016.

If elected, would your government commit to dedicate the revenues from one percentage point of the PST via legislation to municipal core infrastructure (roads, bridges & structures, sewer & water)?

Yes No **X** ____

Our track record and our commitment to invest over \$1billion in strategic infrastructure far exceed a point of PST.

12. The Capital Region municipalities - home to 63% of Manitoba's population and 70% of its GDP - have agreed to work together to prioritize investment in regional, strategic transportation infrastructure, to promote trade and economic growth.

If elected, would your government commit to prioritizing investment in the Capital Region's strategic trade transportation system?

Yes **X** No ____

A re-elected PC government would partner with the Winnipeg Metropolitan Region to create a capital region growth plan that will deliver better infrastructure at a lower cost, this plan will include strategic trade components.

CONCLUSION

Thank you for taking time to talk about infrastructure.

For more information on the link between infrastructure and economic growth, please go to www.mhca.mb.ca and click **FixOurRoads**