

KEYNOTE ADDRESS – MANITOBA HEAVY CONSTRUCTION ASSOCIATION – 75 TH ANNIVERSARY

“Getting Trade on the road in Manitoba – Infrastructure investment’s critical
role in the provincial economy”

November 16, 2019

Don Leitch

Good morning, it is a pleasure to be here.

First, I want to congratulate the Manitoba Heavy Construction Association on your 75th Anniversary - an impressive and remarkable feat. We at the Business Council of Manitoba are proud to hit 20!

For 75 years your association has admirably represented the interests of its members. What we share is a commitment to promoting Manitoba, growing our economy, and advancing good ideas to decision makers.

When Chris asked me to deliver this address, the rough idea was to speak about trade, its role in Manitoba’s economy, and how to “get it on the road” to capitalize on opportunities now on our doorstep, as Canada looks to solidify trade relationships and build new links into countries overseas.

Everyone in this room knows that core infrastructure, specifically roads, highways and our other trade transportation links, are vital to the economy.

I’m pretty sure everyone in this room is also aware that this is a time of economic uncertainty.

That’s no secret to any Manitoban who is engaged in the economy – and that’s pretty much anyone who is running a business; anyone in the labour force looking to their next paycheque; or a student or a consumer. The rising price of goods and job-security anxiety are the wingmen of economic uncertainty.

And if you have a loan, or a mortgage, or a line of credit – interest rates are right there too.

Global-trade disputes are hitting home.

We’re all still trying to figure out what the new NAFTA – USMCA – really means, and doesn’t mean, for Canada’s trade prospects. And how trade with China will unfold.

What about our own backyard? What about our economic outlook here in Manitoba?

We want to know at the end of the day 'how much is left in my pocket.' Again, that, too, is all about the economic horizon.

When we're talking about our economy, we can't think just about the end of this day, or tomorrow. Jobs, incomes and prosperity – those things depend on how we plan for the years ahead, to ensure our economy is positioned for growth, at a healthy rate. And that it benefits all households.

Income. Jobs. Security. Prosperity.

Those are priorities of the Business Council of Manitoba – for Manitoba.

From where I sit, as President of The Business Council, whose members are the CEO's of Manitoba's leading and largest companies - I am concerned. I am not a worry-wart by nature. The sky is not falling. But there is cause for concern; specifically, about whether we are laying down the foundation for economic growth.

What is the foundation for growth?

There are a number of elements in that equation. I want to talk about a few of the basic necessities to do business, to attract business, and to bolster trade. Trade accounts for 53% of Manitoba's GDP; that's some \$37-billion worth of "business" in our economy.

It is true Manitoba's economy is not as vulnerable as many other jurisdictions to wild swings. But our economy, which has been buoyant for a number of years, is starting to wave a few red flags.

Forecasts of economic growth have missed targets and the numbers for 2019 and beyond are being pared back. Manitoba isn't leading the nation. It is my view we shouldn't settle for 2% growth or even the average if we truly hope to improve our province and make it the best place to live, work and invest.

Again, I am not saying the sky is falling. But I am growing concerned on some key items that are foundational to attracting new businesses, growing those here now, and expanding our trade efforts.

Let's home in on four things companies look for when locating or looking to expand:

- People
- Power
- Water
- Transportation

And how are we doing?

People -- We have talented people and have shown we can train, recruit and attract more.

Power – we are in the enviable position of possessing an abundance of hydroelectric power at competitive prices, among the lowest in North America. That's attractive, especially to big businesses looking for greenfield locations to locate operations or large manufacturing plants. BUT our enviable hydro rates are rising, to pay for the decade of development Manitoba Hydro launched. Hydro's debt is large and growing – and we will be paying more in future years – but we start from a low base, among the lowest in North America.

Water – again, shouldn't be a problem in this province. But it's all based on reliable supply, which requires well-maintained water and sewer infrastructure. That's expensive; it requires long-term planning, investments and multi-year budgets backed by cost-shared agreements between cities/towns and the province and using the large federal commitment for green infrastructure. Water also is a major issue for rural Manitoba and our expanding diversified agriculture sector.

And, finally, transportation.

This is where the rubber hits the road.

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 always relies on roads. Good roads pave the way for strong trade. Prosperity.

Prosperity doesn't just happen. It isn't the guaranteed by-product of an unfettered free market – we know all too well what happens when some markets are left unrestricted, to act in their own interests.

We do need government to help keep our economy strong. Let there be no doubt about it - our economy depends on a strong, vibrant private sector, and a committed public sector – with a plan – for sustained investment in our communities.

And the strongest case for public investment for high-value return to the economy has been proven to be our investment in core infrastructure. Yes, there is an immediate lift to the economy via the surge in employment, and from local sourcing of materials. But, more so, a longer-term ROI flows from the impact on the GDP, most noticeably from increased productivity and trade.

And it's the investment in improving our transportation system that enables growth in our trade, for our collective economic benefit. So, there is good reason to debate how well we are laying the foundation for strong trade, which requires wise, deliberate investment in transportation infrastructure.

Investments in infrastructure are not just an annual budget exercise, or deficit fighting.

We at the Business Council are keenly aware of Manitoba's debt and deficit. We have seen the budget cuts. Expenditure reductions and operational reforms across government have affected many sectors. Those cuts have hurt your industry, very directly. I know some of you are especially hard hit.

Continued reductions in the highways budget over multiple years hurt everyone; and they have an impact on the people commuting to jobs and on the shipment of goods to their markets.

What is most concerning to the Business Council is the absence of a long-term provincial infrastructure investment strategy. There is no multi-year plan to guide sustained investment in our strategic, trade-transportation assets. Our highways. Our regional roads. The arteries that keep our economic heart pumping.

The Business Council has advocated the development of an infrastructure strategy recognizing the importance of setting priorities, investing in innovative methods including financing models. You don't see businesses 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.

There's not a business in this province that doesn't have a multi-year business plan built on a strategic plan guiding the roll out of future development and capital projects.

Simply put, that's the "infrastructure" plan of any business hoping to stay in business.

The view in the business community is we must make sustained, strategic investment in infrastructure a real, immediate priority.

You can't get trade on the road if our highways can't carry the load, if our regional streets are compromised by wear and tear, if the transportation system doesn't work seamlessly, as the conduit to our borders.

Remember, these are the arteries that keep the heart of our economy – trade – beating.

Economic stewardship is not just about controlling costs and cutting the deficit as valid as those priorities are.

Looking around this room I see a big part of our business community – large, medium and small companies, and business owners and managers. None of you would argue with the goal of spending smarter, reducing debt, balancing the books. And posting a surplus.

I also know that none of you would argue with smart management and wise, timely investments.

Since 2014 the Business Council has advocated prudent fiscal management as we tackle the deficit and the staggering interest payments. Those payments are a threat to our future.

BUT – we have also said there is a flip side to the coin – and that is an economic growth strategy. That, by definition, includes investments in Manitoba roads, water systems, education and training. Failure to invest creates another kind of deficit – aging, inefficient infrastructure that erodes our capacity to compete nationally and internationally.

Strong fiscal policy has economic growth as its complementary goal. Growth supports financial security, stability, and prosperity.

Growth returns increased revenue to the treasury. There is no way we can provide quality health care and education if our economy can't generate the tax revenue that funds them.

And 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.

Everything, eventually, moves on our roads.

They move people to jobs. They carry our grain, livestock, buses, trucks; our Jenna Rae cakes, Constance Popp chocolates, and Manitoba Harvest hemp seeds to market.

Manitobans grow crops, process them and add value. Manitobans manufacture sophisticated products shipped around the globe. We have diverse markets on all continents. Borders have not stopped our levels of trade from growing. We can continue to expand our trade heading south on Highways 75 and 59 – to the United States and Mexico, on the TransCanada west and east to ports, and to the airport – all shipped to international markets.

Our products head to Europe. They head to Asia. Remember China – it's looking for welcoming partners in trade, but it's not the only country interested in Canadian exports.

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 growing Asian markets including Malaysia, Singapore and Vietnam.

We need to plan now to ensure Manitoba capitalizes on that trade potential. We can't send trade delegations off to curry trade with partners if we aren't also building the foundation. Business needs infrastructure to get the crops and goods they produce on the road.

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

I am a believer. I don't see the sky falling. What I see is potential. For Manitoba. For my member companies. For you in this room. And for Manitobans wanting to work, earn a paycheque, and raise their families.

For all of us the end objective is meaningful jobs.

Business wants that. Government wants that.

That is why the Business Council has consistently said:

Practice prudent fiscal management, develop a growth strategy, and make sure it includes a commitment to promoting trade and ... to sustained innovative investments in infrastructure.

Our message to government is work together with the business community, support them and Manitobans. How? Get the building blocks right, lay them down. Pave the road.

It leads to economic growth and prosperity.

Thank you.

Don Leitch is President & CEO of the Business Council of Manitoba