



## Pillar #2: A Multimodal Transportation Infrastructure Investment Strategy

### Introduction

Transportation is a value-added sector and an economic enabler for the entire Canadian economy, allowing businesses to develop, to grow, to create jobs, and to compete. The government understands transportation's importance. It has put in place many positive initiatives and policies over the years, but these efforts are piecemeal and are missing a fundamental element: a long-term strategy. Our transportation infrastructure needs major investments while our transportation regulatory environment – with its wasteful tax and operating constraints and split responsibilities between levels of government – must be updated.

Last year, The Canadian Chamber of Commerce and a coalition of 22 business associations presented a framework for a *National Transportation Strategy*. After broad consultations we determined that to build the safest, most effective and sustainable multimodal transportation system, and to make Canada a gateway into North America, this essential *Strategy* should be based on four guiding pillars:

- A North American vision
- A multimodal transportation infrastructure investment strategy
- A competitive regulatory and fiscal environment
- An economically, environmentally, and socially sustainable plan.



The *Strategy* does not need, nor do we have the luxury of, five years to be put together. Rather, we need leadership from our government and practical recommendations for putting the *Strategy* into action now.

This report builds on the *National Transportation Strategy* and gives specific recommendations to the federal government on how to carry out Pillar #2: *A Multimodal Transportation Infrastructure Investment Strategy*. Throughout the remainder of 2009, we will release detailed reports on the last two pillars.

*A National Transportation Strategy:*  
<http://chamber.previewsite.ca/images/uploads/Reports/transportation-strategy.pdf>

*Pillar #1: A North American Vision:*  
<http://www.chamber.ca/index.php/en/policy-and-advocacy/C150/transportation-strategy-pillar-1-a-north-american-vision/>

# Pillar #2: A Multimodal Transportation Infrastructure Investment Strategy

The safest and most effective multimodal transportation system, one that is a competitive gateway for North America, needs an infrastructure platform that can handle the movement of goods and people within Canada, including urban areas, between Canada and the United States, and between Canada and the rest of the global economy. We need to target and prioritize investments in: roads; railways; air transport facilities; marine systems such as ports, waterways, such as the St. Lawrence waterway, and ferry services; borders; bridges and tunnels; and inspection plazas that transportation services providers use to move goods, services, and people.

As a result, Canada should put in place a priority-based *Multimodal Transportation Infrastructure Investment Strategy* that operates for a period of not less than 10 years. The investment strategy should:

- In cooperation with provincial and territorial governments, contain a formal transportation infrastructure single window to streamline the regulatory and approval process.
- Pursue public-private partnership, wherever appropriate and feasible, to maximize efficiency in maintaining and developing transportation infrastructure.

To put in place a *Multimodal Transportation Infrastructure Investment Strategy*, we need senior-level government support for a transportation vision for our country. We need to put investments where they will be most beneficial. The infrastructure approval process must be quicker and the private sector should be engaged throughout all aspects of the project, including financing.

Putting into action this infrastructure investment strategy meets our *National Transportation Strategy's* key objectives of:

- Developing the safest and most effective multimodal transportation system
- Making Canada a competitive gateway for inbound and outbound trade and travel between North America and the rest of the world
- Having an environmentally and socially sustainable transportation system
- Creating a productive partnership with the private sector
- Building on current and past government initiatives

# Targeted Transportation Infrastructure Investments

To put in place the safest and most effective multimodal transportation system, infrastructure investments need to be made strategically. Situated between three major economic regions – Asia-Pacific to our west, the United States to our south, and Europe to our east – we need to be able to move goods, people, and services quickly if we are to be a gateway to North America. Also, goods, services, and people need to be able to move efficiently within Canada. Targeting infrastructure investments to the Canada-U.S. border was covered in the report on Pillar #1, *A North American Vision*. This section focuses on infrastructure investments to enhance supply chains and travel systems both within and between Canada and the rest of the world.

Trade with the Asia-Pacific and EU regions is on the rise and investments in transportation infrastructure need to be made to sustain and grow Canada's import and export base. In 2008, Canadian exports to China increased by \$10.4 billion or 9.2 percent from a year earlier. Imports from China were also on the rise, growing 11.3 percent since 2007. Canadian exports to India increased 34.9 percent while imports grew 11.2 percent. Japan, another major economy in the region, remains Canada's third biggest export market. The European Union is Canada's second largest trading partner. Two-way trade was at \$86 billion in 2008, representing a 3.4 percent increase in exports and a 10.2 percent growth in imports.<sup>1</sup> Such growth is just the tip of the iceberg. Canada and the EU just announced formal negotiations to enhance their economic partnership which could deliver \$40 billion in increased trade and

investment<sup>2</sup>. Our western, eastern, and central ports are well positioned to capture goods moving between North America and these two regions.

Canada's trade with the Asia-Pacific and EU regions comes in and out from its marine and air ports-of-entry. In 2006, Canada's marine transportation services moved \$143.7 billion in international trade, while air cargo moved \$95 billion<sup>3</sup>. Further, the majority of goods that enter Canada's western and eastern ports are destined for central Canada. For example, 70 percent of imports entering B.C. ports are destined to central and eastern Canada via air, truck, and rail. Similarly, 75 percent of trade entering Atlantic Canada is destined for central Canada and the U.S. mid-west<sup>4</sup>. To be a competitive gateway for North America, infrastructure investments should be targeted to enhance the export and import capacity of our ports-of-entry. This includes the rail and road infrastructure that connects our ports-of-entry to the rest of Canada and to our border points with the United States. Investments should not be limited to marine ports as inland ports have the potential to increase cargo traffic through airports and expand value-added manufacturing to other regions of the country.

Besides the movement of goods, multimodal transportation also applies to the movement of people. With the services sector representing two-thirds of the Canadian economy and the travel and tourism sector being a \$70.6 billion business, efficiently moving people within Canada and between Canada and the rest of world is integral to its competitiveness<sup>5</sup>. Congestion

- 1 Foreign Affairs and International Trade Canada. 2009. "Canada's State of Trade: Trade and Investment Update – 2009".
- 2 European Commission and the Government of Canada. 2008. "Assessing the costs and benefits of a closer EU-Canada".
- 3 Transport Canada. 2006. "Transportation in Canada 2006". Annual Report.
- 4 Transport Canada. 2008.
- 5 Tourism Industry Association of Canada. 2008.

decreases productivity and discourages leisure travel. According to Metrolinx, congestion costs the Greater Toronto and Hamilton area \$6 billion in lost economic activity<sup>6</sup>. In the Greater Vancouver area it costs at least \$1.5 billion per year<sup>7</sup>. Transportation is about connecting people to where they want to go. Safely and efficiently doing so has economy-wide benefits.

Public transit and commuter rail are transportation options for people to take to their destination. Between 2006 and 2007, public transit ridership increased 3.1 percent to reach 1.76 billion trips. In major metropolitan areas, subways can move 20,000 to 40,000 people in each direction per hour while light rail system can do the same for 10,000 to 20,000.<sup>8</sup> Further, commuter rail ridership grew almost 10 percent in 2008 and now carries more than 65 million passengers annually. Investment in public transit and commuter rail must keep up with demand and reduce congestion on our busy roads. An efficient public transit system is a necessary component to being a gateway for North America.

As a gateway for North America, our airports need to be able to move people within Canada and between Canada and the global economy. Infrastructure investments should be made in connecting our airports to major city centres and nearby rural communities. Scheduled for opening in September 2009, Vancouver will be the first Canadian airport with a public transit rail-line. This much needed link in Toronto is not scheduled to be ready any time soon. In some nearby new or rural communities, bus transit does not even connect to local major airports. Connecting public transit systems to airports should be a priority in a *Multimodal Transportation Infrastructure Investment Strategy*. Improvements for infrastructure surrounding international airports will vary from area to area but could include regional public transit systems featuring green buses, light and

heavy rail systems, and road maintenance and upgrades.

High-speed rail is another transportation option for moving people within Canada. In fact, a high-speed rail plan in Canada could also link up with one in the United States. President Obama recently put in place a multibillion dollar plan that identified 10 possible regions to have high-speed rail, some of which could connect to Canadian cities. Overall, the U.S. government allocated \$13 billion to develop a high-speed rail system. High-speed rail could revolutionize intercity travel. It can be operated with an existing rail right-of-way or have its own corridor. By reaching speeds up to 300 kilometres per hour on a dedicated corridor, high-speed rail has made a 300 kilometre trip between Paris and Brussels only 80 minutes. Calgary to Edmonton and Ottawa to Toronto are similar distances apart. The Van Horne Institute determined that benefits to the Calgary-Edmonton corridor from high-speed rail were valued between \$3.7 billion to \$6.1 billion from increased efficiency, more jobs, and more tax revenues<sup>9</sup>. The Quebec City-Windsor corridor, with 16 million people, could also have similar benefits from high-speed rail. A feasibility study, sponsored by the Canadian, Ontario, and Quebec governments is underway. As part of a *Multimodal Transportation Infrastructure Investment Strategy* the federal government should pursue economically-viable high-speed rail projects within a multimodal transportation system.

Investing in multimodal transportation infrastructure meets the objectives of the Canadian Chamber's *National Transportation Strategy*. Goods and people would be able to move more efficiently, making Canada a competitive gateway for inbound and outbound trade and travel. Also, by reducing congestion, the transportation system's carbon footprint would also decrease.

<sup>6</sup> Metrolinx. 2008. "Costs of Road Congestion in the Greater Toronto and Hamilton Area".

<sup>7</sup> B.C. Trucking Association.

<sup>8</sup> Canadian Urban Transit Association. 2008.

<sup>9</sup> The Van Horne Institute. 2004. "Calgary/Edmonton High Speed Rail: An Integrated Economic Region".

## Recommendation

- The federal government should put in place a priority-based *Multimodal Transportation Infrastructure Investment Strategy* that operates for a period of not less than 10 years. Funding for strategic investments should fit in to a multimodal system and include:
  - Canada's import- and export-oriented air, inland, and marine ports in combination with their rail and road infrastructure connections to major economic hubs and Canada-U.S. border points.
  - Public transit systems and their connections to international airports
  - An economically viable high-speed rail network that fits within a multimodal transportation system



# *Streamlining the Infrastructure Regulatory Review Process*

Identifying strategic transportation infrastructure investments is critical to the *National Transportation Strategy*. Equally vital is ensuring projects can flow through an efficient and transparent regulatory review process. Right now, duplicative regulatory procedures and environmental assessments can hold up a project for years. Redundancy exists between federal and provincial reviews and even amongst different departments within a single level of government. Overlapping jurisdictions and duplicative and conflicting procedures make the regulatory review process longer than it has to be. Sometimes the need for new studies comes out of the woodwork once the assessment has already

begun, pushing aside already agreed-upon timelines. In other cases, not enough government resources are available to do the assessment in a timely manner.

The federal government took a number of important steps to make the regulatory review process more efficient by amending the *Navigable Waters Protection Act* and exempting certain projects under the Building Canada Plan until 2011 from the federal review process. But a long-term fix is needed. It's about keeping our economy competitive. For instance, according to a 2008 KPMG Competitive Alternatives report,

transportation infrastructure is a major driver of location decisions made by manufacturers, representing 16 percent of location-sensitive costs<sup>10</sup>. As a result, knowing where and when an infrastructure project will be complete are major drivers influencing company location decisions. We need to make sure that the regulatory review process is timely, has a clear scope, reasonable timelines, and a process to deal with unforeseen circumstances and resource shortages.

The federal government already has a model for coordinating the regulatory review process for natural resources projects. The Major Projects Management Office (MPMO) is a single window assessment process, with the goal of cutting in half the federal regulatory review for natural resources projects. It brings accountability to the regulatory review process by putting in place timelines to move the process forward and guiding federal government departments and agencies through the different steps. We think that the federal government should expand the mandate of the MPMO to cover projects that fall under the *National Transportation Strategy*. Therefore, projects that fall under the *Strategy* would be expedited through the federal regulatory review process by the MPMO. Expanding the mandate of the MPMO to also manage the review processes of provincial and territorial governments could eliminate duplication and facilitate the entire process. This would entail a formal agreement with the provincial and territorial governments, building on the *Environmental Assessment and Cooperation Agreements* that were signed a few years ago.

Streamlining the regulatory review process for infrastructure projects using the MPMO model meets the objectives of the *National Transportation Strategy*. Transportation infrastructure maintenance and development would be done quicker, enabling Canada to be a competitive gateway to North America by making sure its transportation system can handle the demand of the business community and travelling public. Bottlenecks would be removed, making it easier for goods and people to move along the supply chains and travel systems.

### Recommendations

- The federal government should expand the mandate of the Major Projects Management Office (MPMO) to cover infrastructure projects that fall under the *National Transportation Strategy*. Ample resources should be given to the MPMO to meet its expanded mandate.
- The federal government should partner with provincial and territorial governments to include their regulatory review processes under the MPMO. Any duplication between the two-levels of government should be removed as part of the process.

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<sup>10</sup> KPMG. 2008. "Competitive Alternatives: KPMG's Guide to International Business Location".

# Using Public-Private Partnerships

For our transportation system to be secure and effective, maintenance and construction must be done efficiently. Public-private partnerships (P3s) are important tools for combining the private sector's capacity to innovate with the public sector skills of planning and managing civic interests. P3s also widen the net of transportation's economic benefits. A secure and efficient transportation system benefits the entire Canadian economy including its users and the companies that provide the materials and services to build and maintain the infrastructure.

According to the North American Centre for Transborder Studies, one billion dollars invested in infrastructure creates 35,000 jobs<sup>11</sup>. Engineers, transit vehicle manufacturers, steel producers, software providers, and construction workers are just some of the Canadian-based industries to be part of developing transportation infrastructure.

Building on the PPP Canada Inc., a crown corporation to promote public-private partnerships, the Government of Canada should put in place a standard of using P3s when maintaining and developing transportation infrastructure under the *National Transportation Strategy*. Using P3s meets the objectives of the *Strategy* by making sure that our transportation infrastructure is developed and enhanced in a timely manner so that goods and people can move quickly from point to point and that we can be a competitive gateway for inbound and outbound trade and travel.

## Recommendations

- That the federal government put in place a standard where all federally funded capital projects over \$50 million be evaluated as potential P3s. A set of detailed guidelines should be set so that the business community knows how a project will get funded.
- That, in addition to the different levels of government, the federal government allow the private sector to submit project proposals under the *National Transportation Strategy*.



<sup>11</sup> North American Centre for Transborder Studies. 2009. "North America Next: A Report to President Obama on Building Sustainable Security and Competitiveness". Arizona State University.

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