



STRATEGIC **TRADE** INFRASTRUCTURE

Roundtable Summary

BACKGROUND

The Canada West Foundation is a leading advocate for a renewed federal commitment to more funding, better planning and wise spending of strategic trade infrastructure dollars. The Foundation therefore welcomes the federal government's recent announcement of an incremental \$10-billion investment in trade-enabling transportation projects as part of its \$186 Billion Long-Term Infrastructure Plan.

On November 30, 2016, the Foundation brought together industry and government stakeholders in Ottawa for an infrastructure roundtable, the third in a series over the past 24 months. The meeting's objective was to identify recommendations to help the federal government make better choices and generate the best return on its new investments in trade infrastructure.

Among the proposals discussed in Ottawa, four were chosen for presentation to Infrastructure Minister Amarjeet Sohi for the federal government's consideration as it develops guidelines for its new transportation and trade infrastructure funding program:

01 ADOPT A ONE-NETWORK APPROACH

02 ESTABLISH A SUSTAINED PRIVATE SECTOR ROLE TO PRODUCE EVIDENCE-BASED DECISION MAKING

03 SEIZE QUICK WINS

04 ENGAGE THE NEW U.S. ADMINISTRATION ON BORDER INFRASTRUCTURE OPPORTUNITIES

The recommendations that follow have been summarized from the roundtable discussion. They are based on improving the economic impact of adding trade-enabling infrastructure projects; determining how to make more efficient investments in trade infrastructure; and, incorporating a specific, long-term role for the private sector in nationally significant infrastructure projects and planning. The recommendations draw upon both Canadian and international best practice.

RECOMMENDATIONS

ADOPT A ONE-NETWORK APPROACH

New investments in trade-enabling infrastructure can produce higher-value returns when viewed through an integrated, one-network lens that considers both the national significance of projects as well as how to maintain and grow Canada's market share of global trade. Adoption of an integrated supply chain that includes private as well as public assets is now recognized globally as best practice.

A key feature of this one-network approach is that it enables co-ordination of individual interests across private sector, municipal, provincial and federal jurisdictions to produce enhanced investment returns for all involved.

For example, Saskatchewan's Ministry of Highways and Infrastructure spends the majority of its budget on roads, but the basis for those spending decisions incorporates off-road factors such as economic growth locations, connection points to rail lines and ports, and how national companies such as Canpotex and Loblaw use multi-modal transportation infrastructure to move goods to customers. By layering municipal and provincial road networks onto one another with private sector rail networks and other key supply chain factors, the ministry creates a more comprehensive picture of the province's trade infrastructure strengths, weaknesses and requirements that is unachievable when looking at each jurisdiction individually.

A one-network approach also does a much better job of identifying pinch points that create congestion or constrain capacity, and in so doing can help prioritize projects of national significance. For example, investments in lower mainland B.C. not only help B.C., but are crucial for the growth of exports in the other western provinces. Roughly 17 per cent of Saskatchewan's GDP, for example, flows through the Port of Vancouver. In this example, federal investments made in one province provide significant benefits to other provinces that can contribute to building support for investment projects that enhance network capacity.

ESTABLISH A SUSTAINED PRIVATE SECTOR ROLE TO PRODUCE EVIDENCE-BASED DECISION MAKING

As the principle user and financier of trade infrastructure, the private sector has developed data, tools and personnel that improve the identification, planning, prioritization and co-ordination of trade infrastructure – capacity that government acknowledges it currently lacks. The issue is not whether there is value to involving the private sector and its increasingly robust experience, but how to do so in a meaningful way that leverages its specialized knowledge and resources. At the Ottawa roundtable, members of the private sector indicated a willingness to provide critical information as well as specialized personnel currently unavailable within the government to help plan and prioritize what and where to build.

For this sharing to occur, several conditions must be met.

Engagement with the private sector must go beyond previous short-term consultations that have only been adopted when convenient, or are modified with each change of government. It must involve a role that is permanent to facilitate longer-term planning and delivery timeframes that business, and the country, require to improve Canadian competitiveness. Retail, commercial and bulk operators all described minimum investment and planning timeframes of between 10 and 25 years for major infrastructure projects.

Similarly, the private sector expressed an expectation that information it works hard to contribute will be put to productive use. Participants saw a natural tendency in some previous government processes to solicit significant amounts of data from industry when an issue is not well-understood. When subsequent decisions appear to be based upon anecdote – rather than that data – the considerable resource commitments from the private sector to generate the unused information can discourage meaningful participation.

Roundtable participants noted that the challenge is not a lack of data, but of capacity to translate that data into information that can be used to make decisions. In areas where the public sector may not have the required toolsets and the private sector does, they are willing to collaborate, as long as the data serves as a basis to inform decisions.

The private sector acknowledges that when smart, evidence-based decisions are made, industry must lead the public conversation about why these investments matter and what the benefits will be.

SEIZE QUICK WINS

Participants at the roundtable identified several investments and initiatives that could be undertaken quickly to substantially improve the performance of Canada's trade infrastructure system. Attention to the systems, technology and regulations that are used to manage our trade infrastructure network are considered as important as the quality and capacity of physical trade assets. For example, all U.S. ports of entry are equipped with RFID readers for commercial traffic, while only some Canadian ports have the readers, and only for passenger traffic. Because each truck with an RFID reader crosses the border 90 seconds faster than trucks without this technology, the absence of a consistent protocol costs millions of dollars daily in lost efficiency. Inexpensive pinch point investments like this will also contribute directly to the government's green infrastructure goals by reducing emissions from shorter idling times.

In addition to information-based improvements, industry participants also identified a number of physical bottlenecks that could be addressed to produce immediate enhancements to the flow and capacity of Canada's supply chain efficiency.

ENGAGE THE NEW U.S. ADMINISTRATION ON BORDER INFRASTRUCTURE OPPORTUNITIES

Canada must prepare for a new U.S. administration with a potentially aggressive infrastructure agenda, including possible renegotiation of NAFTA. On trade infrastructure, Canada can engage the new administration with proposals to address shared issues in border infrastructure. For example, pilot projects to enhance both security and border trade could be established, with the majority of costs shouldered by the private sector.

Another shared problem – and opportunity – is U.S. funding of border infrastructure through the U.S. Highway Trust Fund, which is severely depleted. This leaves U.S. states, which are responsible for physical infrastructure along and connected to the border, unable to secure funding for projects without political and financial difficulty. Shifting border infrastructure funding to a third party, such as an infrastructure bank, could eliminate this problem. A North American infrastructure bank would also create a permanent, physical forum for dealing with border infrastructure issues, including developing a long-term project pipeline, enhanced and permanent information sharing and co-ordination and improved border security. A recent Foundation report, *Some Assembly Required: Cross-border infrastructure that creates jobs and growth*, expands on the concept of a North American infrastructure bank.



SOME ASSEMBLY REQUIRED

Cross-border infrastructure that creates jobs and growth
Carlo Dade & Shafak Sajid

CONCLUSION

These recommendations are provided in support of the federal government's efforts to formalize its program for trade infrastructure in advance of the 2017 budget. We would be please to elaborate on any of these summary conclusions or provide further input into these topics, if desired.

CANADA WEST FOUNDATION

The Canada West Foundation focuses on the policies that shape the West, and by extension, Canada. Through our evidence-based research and commentary, we provide practical solutions to tough public policy challenges facing the West, and Canada as a whole, at home and on the global stage.

This summary of the roundtable discussions held in Ottawa on November 30, 2016, was prepared by Naomi Christensen, John Law and Carlo Dade and as such does not necessarily reflect the opinions of each participant or Canada West Foundation's Board of Directors, advisers or funders.

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