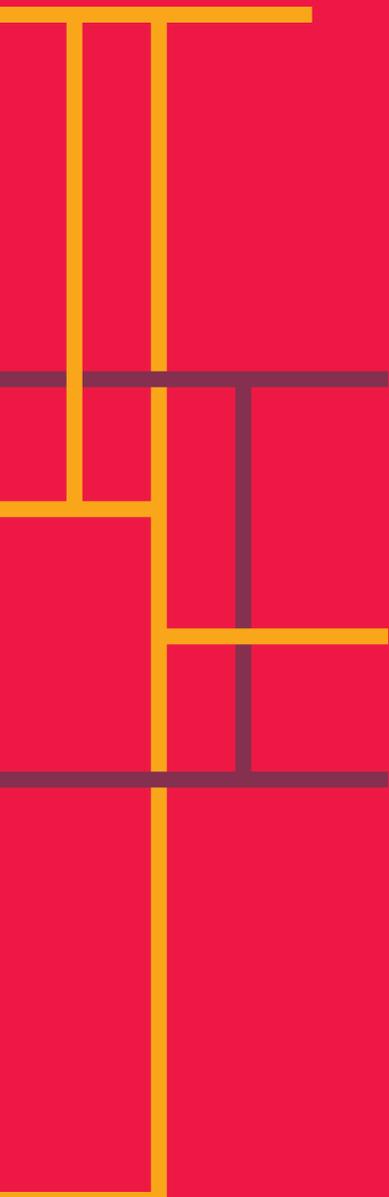


SUBMISSION

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Written Submission for the
**Pre-Budget Consultations
in Advance of the
Upcoming Federal Budget**

**CANADAWEST
FOUNDATION**
cwf.ca

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Summary Rationale & Recommendations

Canada's prospects for sustained economic growth, post-pandemic job creation, diversified foreign trade into the Indo-Pacific region and increased government revenues are all heavily dependent upon the competitiveness of our trade-based economy which is enabled by the country's transportation infrastructure. Annually, Canada's ports, roads, railways, airports and waterways facilitate the movement of products and services in and out of the country that account for 65 per cent of Canada's national income. This economic return from investing in transportation infrastructure effectively pays for other categories of infrastructure including healthcare, social and green infrastructure. It is not a question of one asset case competing for attention and resources against others. In the case of trade infrastructure, which move products and people to markets, it is the case of one asset class enabling the sustainable funding of other types of infrastructure. To realize these benefits, and to initiate a reversal of the decade-long trend that has seen Canada's transportation infrastructure fall from a top 10 world ranking to 32nd, the Canada West Foundation respectfully proposes two recommendations for Budget 2023.

Recommendation 01

- That in Budget 2023 government announce a commitment to produce a National Infrastructure Plan by spring 2024.
 - That creation of this National Infrastructure Plan builds on the federal government's current work on a National Infrastructure Assessment while building upon international best practice.
 - That Budget 2023 provide multi-year financial support to formally implement the National Infrastructure Assessment and create a National Infrastructure Plan as part of the process.
 - That the Plan and Assessment incorporate key recommendations from the federal government's recent National Supply Chain Task Force Report.
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Recommendation 02

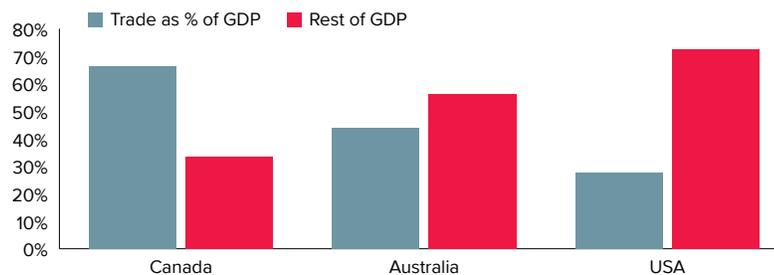
- That the government *proportionally* increase funding for trade infrastructure, defined as the assets and systems that move factors of production, goods, people, money and information for international and domestic trade, in the National Trade Corridor Fund (NTCF) to begin to match federal funding levels already provided to other infrastructure classes.
- That the government immediately increase to \$10 billion, from the current level of \$2 billion, the National Trade Corridor Fund (NTCF) in order to accommodate a new round of trade-enhancing infrastructure investments. This will signal a move toward eventual proportionality with the \$20B of incremental new funding provided in the government's first term for each of social, green and transit infrastructure.

General Background

To build back better, the government will have to make use of every available lever for national recovery. Chances of success will be enhanced by deploying all available assets and establishing a clear focus on the infrastructure which is the foundation for the country's economy and also a key source of funding for building back better.

Historically, nearly two-thirds of Canada's GDP comes from trade. This is above the global average and more than double that of the U.S. In fact, trade accounted for as much as 80 per cent of GDP in 2000. And remarkably in 2021, at the height of Covid 19 and despite supply chain shutdowns, trade still accounted for 61 per cent of Canada's GDP. Figure 1 shows data for 2018 to illustrate the pre-COVID era.

Figure 1: Two-way trade as % of GDP, 2018



Source: World Bank, World Development Indicators

Recently, Canada's exports have contributed an even greater percentage of GDP as demand for Canadian products remained strong during the pandemic. There is a real and clear potential for exports to contribute more to GDP, and by extension COVID recovery, to build back a new and better Canada.

Yet, for over a decade confidence in Canada's ability to move products to and from the country has been in decline from the top 10 a decade ago to 32nd in the latest rankings. This drop calls into question the viability of the two-thirds of the country's income that comes from trade. Current diversification, Indo-Pacific and COVID recovery strategies all require the ability to bring economic inputs into the country and to export Canadian goods out to meet growing demand in key markets.

The drop in Canada's global rankings predates recent national disasters and COVID supply chain shocks and the decline will not reverse with the end of the pandemic or the curtailment of natural disasters. Data from international organizations has consistently pointed to a deeper, persistent underlying problem in Canada's trade infrastructure.

The drop in global rankings from the top 10 a decade ago to 32nd more recently is the result of a systemic problem. It is not the result of one natural disaster, one blockade or one bad winter. The decline in global confidence comes from the perception that Canada has not prioritized capacity and reliability of its trade infrastructure. Canada lacks what almost all other trade-dependent nations have, namely long-term, national infrastructure plans backed by data and systems and permanent mechanisms to make investments that benefit the entire national supply and production chain. (See, for example, The EU framework for large transport infrastructure projects: an international comparison, Nov. 25, 2021.)

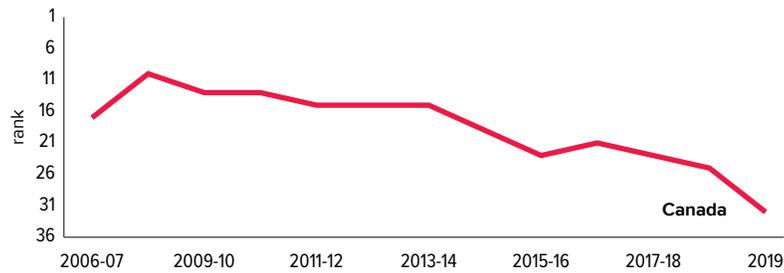
Houston, we have a problem....

The drop in global rankings for Canada's transport infrastructure is seen in two major global indices, the World Economic Forum's Global Competitiveness index, which measures the perceptions of domestic users of a country's infrastructure assets, Figure 2 and Figure 3, and the World Bank's Logistics Performance Index, Figure 5, which measures the perception of a country's trade and logistics systems and assets by its top five trade partners, Figure 5.

Both indices show absolute and relative declines for Canada.

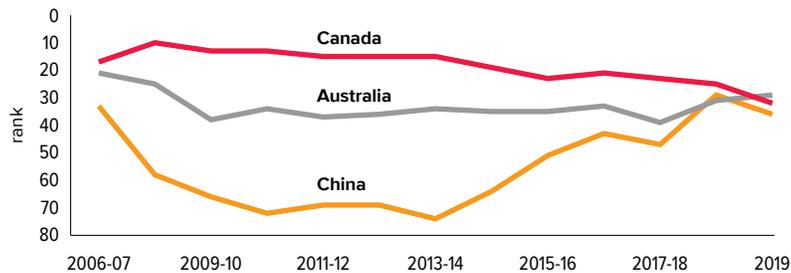
Figure 2 shows the absolute drop for Canada from top ten a decade ago in the WEF index. Figure 3 adjusts the scale to show Canada's long decline relative to improvements in Australia and China.

Figure 2: The absolute drop, quality of overall infrastructure



Source: World Economic Forum Competitiveness Ranking

Figure 3: The relative drop, quality of overall infrastructure

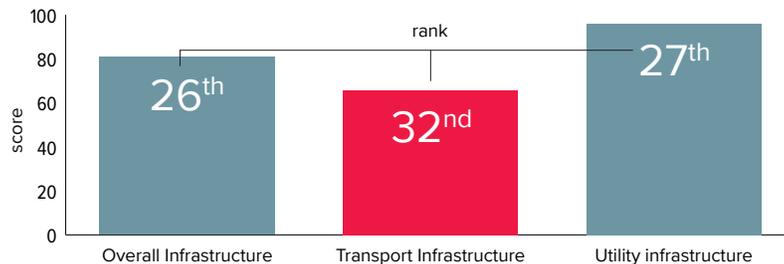


Source: World Economic Forum Competitiveness Ranking

In 2019, the WEF created a separate category for transport infrastructure, Figure 4. The lower score for transport infrastructure compared to other types of infrastructure indicates that the severity of the long-term decline in confidence of Canada's transport infrastructure was likely hidden by being mixed in with other components.

Figure 4: Canada, World Economic Forum Competitiveness Rankings

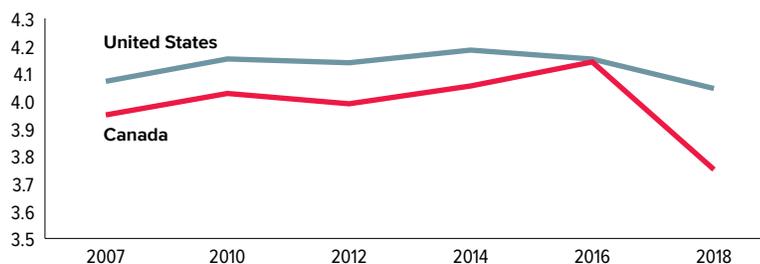
Infrastructure components, score and rank, 2019



Source: World Economic Forum Competitiveness Report 2019

Figure 5 shows a comparison between Canadian and U.S. foreign customers of the two countries trade and logistics systems and assets.

Figure 5: World Bank Logistics Performance Index, Canada-U.S.



Source: World Bank, Logistics Performance Index

Domestic users and foreign customers are losing confidence in Canada's trade infrastructure.

The need to restore confidence at home and abroad in the assets and systems that allow us to move goods and earn two-thirds of our income is therefore critical. The government's call for a National Infrastructure Assessment, *Building the Canada We Want in 2050*, and its planned National Infrastructure Assessment with the establishment of a secretariat in Infrastructure Canada are good first steps – but they are not enough.

Background for Recommendation 01

Creation of a National Infrastructure Plan in conjunction with undertaking a National Infrastructure Assessment

The National Infrastructure Assessment is a unique opportunity to introduce a permanent national plan, regularly updated, that will optimize Canada's trade corridor infrastructure. It is important to note that this kind of assessment is not separate but rather an integrated and integral best practice feature of existing national infrastructure plans. Such a plan can address the elements to improve the assets and systems that move goods, people, ideas and money to and from markets to generate prosperity while at the same time enhancing Canada's reputation as a dependable trade partner nation. It will send a signal to foreign customers that Canada has recognized their concerns and is responding in a serious, substantial manner that goes beyond establishing committees, consultations and working groups.

The government can significantly improve its chances to get the assessment right by leveraging existing international best practices together with domestic learnings from when Canada's trade infrastructure (supported by projects like the Asia-Pacific Gateway and Corridor Initiative) was ranked amongst the top 10 in the world.

An infrastructure assessment is also critical to formulate policy responses to new economic security challenges posed by supply and production chain vulnerabilities. Without this information the country cannot formulate meaningful responses. Our political allies and economic competitors are using infrastructure assessments to gain economic and security advantages. This assessment offers a chance for Canada not just to catch up, but lead.

Building on this, a higher priority and more inclusive, transparent, longer-term plan for trade corridor infrastructure will enable economic returns to pave the way for other government priorities including social and environmental objectives and to assist the transition to the emerging economic future that Canadians want and need.

Background for Recommendation 02

Proportional Funding Increase

Six years ago, the Liberal campaign quoted Canada West Foundation work on infrastructure in its first election platform. However, funding for trade infrastructure was omitted in the first round of infrastructure funding. A comparatively smaller allocation was later added for trade via the National Trade Corridors Fund (NTCF). This was not lost on the domestic industry or Canada's key foreign customers who interpreted this as a signal that the country does not see the same value in trade infrastructure that users, customers or other governments like the U.S. and Australia see.

Conclusion

Canada's plan to build back better in a post-COVID world will have a greater chance of success if it includes our strongest economic asset and competitive advantage – trade. The recommendations in this submission come from 10 years of research and consultations with transportation and trade stakeholders, provincial governments, producer associations, and academics summarized in a recent CWF publication that lays out the seven steps necessary to fix the problems. Our seven steps, detailed in the CWF report [Shovel Ready to Shovel Worthy: The path to a national trade infrastructure plan for the next generation of economic growth](#), are: 1) define Canada's national trade corridor network, 2) develop a long-term project pipeline, 3) include criteria of national significance, 4) institutionalize independent infrastructure advice by including a role for the private sector, 5) establish regular assessments to measure progress and update priorities, 6) upgrade infrastructure intelligence including forecasting, and 7) modelling infrastructure.

Putting a higher priority on trade infrastructure, with funding to match its importance, will support the transition to Canada's economic future and help fund those upgrades and other essential infrastructure priorities. Doing so will provide long-term benefits for all Canadians in terms of jobs, a robust economy, and cleaner, more inclusive communities.

For over a decade the Canada West Foundation and a coalition of the country's leading business associations including the **Business Council of Canada, the Canadian Chamber of Commerce, the Canadian Construction Association and the Western Roadbuilders and Heavy Construction Association** along with private companies and provincial governments have consulted, cooperated, and worked together to find ways to improve Canada's trade infrastructure. Adopting these recommendations for Budget 2023 would be well-received and widely supported at home and abroad.

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