

From Shovel Ready to Shovel Worthy

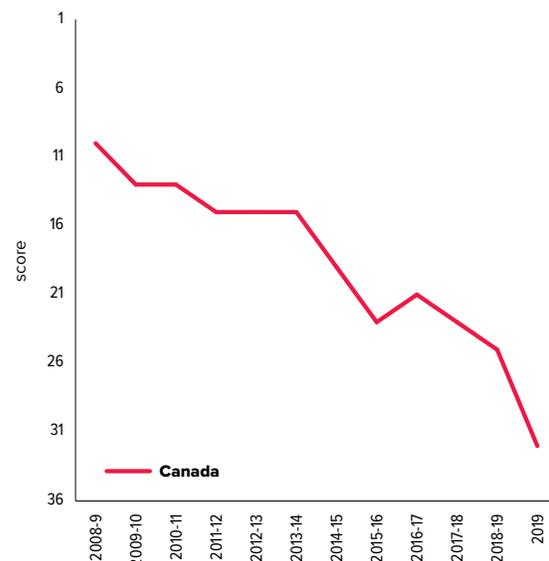
The Path to a National Trade Infrastructure Plan for the Next Generation of Economic Growth

John Law with Carlo Dade | December 2022

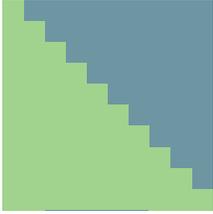
With recent headlines of empty store shelves, flooding in B.C. and truck blockades at the border, it would be understandable if Canadians viewed Canada's current supply chain vulnerabilities as a phenomenon of the last 24 months. But that interpretation would seriously misjudge the origins and nature of the problems with Canada's trade corridor infrastructure. Today's issues with the country's trade network of roads, rail, bridges, air and sea ports have been in the making for more than a decade. As a consequence, the problems are more deeply rooted and threaten to imperil recovery from the pandemic and, even more importantly, Canada's longer-term economic growth. But the problem is still fixable.

For more than a decade, international surveys have shown confidence in the reliability and competitiveness of Canada's trade infrastructure has been in decline at home and abroad. This has occurred despite significant investments by the private sector and current levels of trade infrastructure spending by governments. While increased funding dedicated specifically to trade corridor infrastructure is required, it alone is not the answer. Rushing to impose quick-fix solutions to issues dominating the news will not restore confidence in Canada's trade infrastructure.

World Economic Forum Global Competitiveness Ranking, Canada – Overall quality of infrastructure (2008-19)



Source: World Economic Forum Competitiveness Ranking, various years



The path to returning to the top ten of global trade infrastructure rankings and restoring the confidence of foreign customers requires that, instead of “shovel ready,” Canada institutionalize an ongoing intelligence-based national plan for its trade corridor infrastructure.

Previous short-term approaches that defaulted to shovel ready as a driver of funding for trade infrastructure in Canada have contributed to concerns with the national supply chain because the term infers inadequate consideration of longer-term benefits that prioritize lasting improvements to trade corridor competitiveness. While in practise some shovel ready projects can be shovel worthy, here the term shovel ready is a metaphor for doing project selection without a long-term plan and prioritizing something simply because it is ready instead of worthy. This relegates to a secondary consideration whether investments are those of highest priority, able to produce maximum return on investment, represent the best long-term value, and can increase supply chain competitiveness. These examples of shovel worthy criteria are, by comparison, the kind upon which to build a long-term, evergreen national plan.

For a country that relies on moving goods to and from foreign customers for two-thirds of its income, reliance on shovel ready is a serious problem that cannot be solved by short-term fixes or ad-hoc consultations. Domestic users of Canada’s trade infrastructure and foreign customers alike have continued to insist that this is not enough. The country needs to follow the successful path taken by its competitors and lay the foundations, structures and institutions to replace uncoordinated shovel ready decisions with a shovel worthy national plan as the default framework to guide infrastructure decision making.

Especially in times of crises like the recent COVID-19 pandemic and severe weather events, the country needs a go-to list to make intelligent, productive choices to invest instead of spend public funds. A shovel worthy plan will not solve all that ails trade infrastructure in Canada, but ensuring that the full range of issues and impacts of these investments are considered in a thoughtful, serious and consistent manner will significantly improve our prospects and build public confidence that money is invested instead of spent.

The path to returning to the top ten of global trade infrastructure rankings and restoring the confidence of foreign customers requires that, instead of “shovel ready,” *Canada institutionalize an ongoing intelligence-based national plan for its trade corridor infrastructure.* Drawing on the best features of already well-established national plans of competitor countries together with Canada’s own program successes, like the previous Asia-Pacific Gateway and Corridor Initiative and Transport Canada’s current Regional Transportation Assessments, offer Canada a shortcut back to trade infrastructure excellence.

Seven recommendations based on international best practice follow as the central building blocks for Canada’s first national plan for trade corridor infrastructure.

The building blocks for Canada's first national plan for trade corridor infrastructure

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| 01 | Define Canada's national trade corridor network to put all levels of government and industry on the same page. |
| 02 | Bring the private sector to the table as an ongoing contributor of sophisticated supply chain expertise and front-line operational experience to complement the best features of public-sector policy. |
| 03 | Apply criteria of national significance to guide the planning process and decision-making. |
| 04 | Develop an "evergreen," decades-long pipeline of national infrastructure projects. |
| 05 | Undertake regular assessments of infrastructure projects in relation to established criteria. |
| 06 | Begin a new forward-looking approach to the collection of data and use of forecasting and modelling tools. |
| 07 | Coordinate the communications of domestic infrastructure working groups and aggressively share progress on the above recommendations with industry and foreign customers. |

While the objectives in this report are specific, the exact means and mechanisms to achieve them have been deliberately afforded flexibility to allow customization and refinement by the key stakeholders. However, this approach does imply an important convenor role for the federal government to facilitate coordination efforts among key stakeholders. Cooperation and meaningful participation must receive priority to avoid exacerbating table fatigue or perceptions of pre-ordained outcomes that discourage engagement.

While process will be important, moving quickly and decisively is *even* more critical.

As important as trade infrastructure was for the well-being of Canadians pre-COVID, it has become more so as the country looks to emerge from the supply chain shadow of the pandemic. There has arguably never been a time in recent memory where key stakeholders in industry and government are better aligned around the need for collective action. The rapid emergence of pent-up global demand, projections for a near-term return to growth driven by an expanding Global Middle Class in Asia and a potential new commodity supercycle are the best and surest opportunities to fund economic recovery in Canada. But the path to realize these opportunities literally and figuratively runs through the country's supply chain trade infrastructure. There are currently several opportunities to move solutions forward including follow up work begun at the 2022 meeting of the Council of Ministers of Transportation, the National Supply Chain task force and, most promisingly, work underway on the National Infrastructure Assessment.

Nothing less than a national plan for trade infrastructure is required to realize Canada's economic future. The work to do this must begin now.

Table 2

World Economic Forum Quality of overall infrastructure

2008-2009	Rank	2019
Switzerland	1	Singapore
Singapore	2	Netherlands
Germany	3	Hong Kong SAR
France	4	Switzerland
Finland	5	Japan
Austria	6	Korea, Rep.
Denmark	7	Spain
Hong Kong SAR	8	Germany
United States	9	France
Canada	10	Austria
United Arab Emirates	11	United Kingdom
Sweden	12	United Arab Emirates
Iceland	13	United States
Luxembourg	14	Belgium
Belgium	15	Denmark
Japan	16	Taiwan, China
Netherlands	17	Luxembourg
Korea, Rep.	18	Italy
Malaysia	19	Sweden
Barbados	20	Czech Republic
Cyprus	21	Portugal
Taiwan, China	22	Finland
Portugal	23	Israel
United Kingdom	24	Qatar
Australia	25	Poland
Namibia	26	Canada
Spain	27	Hungary
Norway	28	Oman

Table 3

World Economic Forum Quality of transportation infrastructure

Rank	2019
1	Singapore
2	Netherlands
3	Hong Kong SAR
4	Japan
5	South Korea
6	Switzerland
7	Germany
8	United Arab Emirates
9	Spain
10	France
11	United Kingdom
12	United States
13	Taiwan
14	Austria
15	Denmark
16	Belgium
17	Italy
18	Oman
19	Qatar
20	Luxembourg
21	Portugal
22	Czech Republic
23	Sweden
24	China
25	Poland
26	Israel
27	Finland
28	India
29	Malaysia
30	Hungary
31	Azerbaijan
32	Canada
33	Turkey
34	Saudi Arabia
35	Bahrain
36	Croatia

Source: World Economic Forum Competitiveness Ranking, various years

