

2 Prioritize nationally significant infrastructure projects

The federal government should establish an independent statutory body with a mandate to identify and prioritize nationally significant infrastructure projects.

A country's productivity and prosperity are closely tied to the quality of its infrastructure. This is particularly true in Canada, given our country's vast size and dependence on international trade. Outdated or insufficient infrastructure raises costs to consumers and discourages companies from locating in Canada or expanding existing operations. All Canadians have paid the price for inadequate pipeline infrastructure, which seriously constrains energy exports.

Canada lags its international peers in infrastructure spending. We invest less per capita than other countries in transportation, energy, waste, water, utilities and communications. According to the 2019 Canadian Infrastructure Report Card—produced by Federation of Canadian Municipalities and seven partner organizations—nearly 40 per cent of municipal roads and bridges are in fair, poor or very poor condition. The World Bank, meanwhile, ranks Canada 21st in the world based on the quality of trade and transportation infrastructure, such as ports, railroads and highways. Germany is in first place and the United States is in seventh.

In its first report, the Advisory Council on Economic Growth cited estimates of Canada's "infrastructure gap" ranging from a low of \$150 billion to as much as \$1 trillion. The exact size is unknown—in part because there is no nationwide source of reliable data on the current state of the country's infrastructure. In addition, existing estimates do not take into account the potential for, in the Growth Council's

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words, "large scale nation-building projects for governments seeking to make step change improvements in growth and productivity".

In 2017, the federal government responded to the Growth Council's report by establishing the Canada Infrastructure Bank. The bank's mandate is to co-invest with the private sector and institutional investors in new, revenue-generating infrastructure projects that are in the public interest.

We support the Canada Infrastructure Bank and its potential to leverage new and creative kinds of investments in major infrastructure projects. But its establishment still leaves Canada without a reliable, nationwide source of data on the state of the country's infrastructure, and no independent source of advice to governments, industry and the public on the investments and reforms needed to deliver better infrastructure for all Canadians.

To put it another way, there is no objective basis on which an average citizen could judge whether the infrastructure projects that receive public funding are, in fact, the ones that will deliver the greatest bang for the buck in terms of job creation, productivity and economic growth. Typically in Canada, governments announce a flurry of

investments in infrastructure projects—or funding to study potential infrastructure projects—in the weeks leading up to an election campaign. Are those projects selected on the basis of need, economic significance or some other widely understood metric? Or are they chosen primarily because of their appeal to specific groups of voters in areas of the country where the party in power is looking to attract votes?

We believe Canada should adopt a more methodical, transparent and strategic process for prioritizing major infrastructure projects and arriving at funding decisions. Canadians need an approach that looks beyond elections and budgetary cycles to identify the projects that will best meet the country's future needs. The easiest way to do that would be to borrow from Australia the model of an independent, non-partisan body to provide independent research and advice to all levels of government as well as to investors and owners of nationally significant infrastructure.

Infrastructure Australia was established in 2008. Initially it operated within the federal Department of Infrastructure and Regional Development, but in 2014 it was given new powers and an independent board with the right to appoint its own Chief Executive Officer. It conducts periodic audits of the country's nationally significant infrastructure, develops 15-year rolling infrastructure plans to enhance productivity and economic growth, and weighs the business case for each project. It is insulated from the political process and can therefore assess infrastructure needs and develop recommendations on the basis of objective scientific and economic criteria.

Infrastructure Australia has no role in financing or developing infrastructure, and governments are free to ignore its advice. But its reports ensure greater transparency and accountability in decision-making—areas where Canada's approach to infrastructure planning falls short.

What others are saying

“A rolling plan would provide a strategic approach to infrastructure planning, including prioritization of projects to address critical bottlenecks to meet our growth targets. The plan should be developed by a committee of industry and government reporting to federal, provincial and territorial ministers of transport and infrastructure.”

– **Report from Canada's Economic Strategy Tables, September 25, 2018**

“We have under-invested for decades. Even many countries that are less wealthy than Canada have better infrastructure than us.”

– **Roundtable participant in Montreal, June 18, 2019**

“The core problem is that the infrastructure cycle—how long it takes to plan and build—is much longer than the political cycle. As a result, the quality of Canadian infrastructure, from our cities to our small towns, is far below what it needs to be.”

– **Roundtable participant in Toronto, June 4, 2019**

“Business needs to talk about the importance of high-quality, modern infrastructure [such as urban transit] to liveability and the ability to attract talent... Without the infrastructure you won't have liveability, and without liveability you won't see business grow.”

– **Roundtable participant in Toronto, June 4, 2019**

“Without an ongoing planning process and coherent funding strategy for infrastructure, Canada is falling behind other countries—this impacts business competitiveness, job growth and quality of life.”

– **Jan De Silva, President & CEO, Toronto Region Board of Trade**