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Submission by the Canadian Chamber of Commerce to the Infrastructure Canada Consultations for Phase 2 of the Federal Infrastructure Plan

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The Canadian Chamber of Commerce is pleased to provide a submission to Infrastructure Canada with its recommendations for Phase 2 of the federal infrastructure plan. The Canadian Chamber is Canada's largest and most influential business association with our network of over 450 chambers of commerce and boards of trade, representing 200,000 businesses of all sizes, in all sectors of the economy and in all regions.

This submission outlines key recommendations from the Canadian Chamber's June 2016 report, *The Infrastructure that Matters Most: The Need for Investment in Canada's Trade Infrastructure*, the December 2013 report, *The Foundations of a Competitive Canada: The Need for Strategic Infrastructure Investment*, from national policy resolutions voted on by member chambers of commerce and boards of trade and through other consultations with our members.

The Canadian Chamber is supportive of the government's commitment to double federal infrastructure investments to nearly $120 billion over the next decade. Modern and efficient infrastructure is a core component of a competitive economy. However, for Canada to realize the greatest long-term economic benefit it is crucial that the government take a strategic approach to its Phase 2 investments.

Trade-Enabling Infrastructure

The Canadian Chamber welcomes the commitment of $60 billion in new funding for green, social and transit investments over the next decade. These investments are necessary, particularly for transit infrastructure which will help Canada's economic performance by allowing workers to get to work more quickly and goods and services to move more fluidly around urban spaces. However, the overall plan lacks balance due to the absence of commitments to invest more in Canada's trade-enabling infrastructure.

Trade-enabling infrastructure is the infrastructure that enables the movement of products, services and people through Canada and to key markets around the world. With 60% of Canada's annual gross domestic product tied to trade, this category infrastructure has the strongest connection to our long-term global competitiveness and economic well-being. At a time when Canada's trade infrastructure is showing signs of increased strain and our competitors are aggressively investing in improvements to their supply chains, trade-enabling infrastructure should be an equal priority in Phase 2 alongside green, social and transit infrastructure.

Important trade infrastructure programs have also expired. In the early 2000s, the federal government sought to improve how the public and private sectors invest in Canada's supply chain infrastructure and created the Asia Pacific Gateway and Corridor Initiative (APGCI) and the Gateways and Border Crossings Fund (GBCF). These programs were important catalysts for coordinating investments in Canada's trade-enabling infrastructure and the government should look to renew its commitment to Canada's gateways and trade corridors. A renewed commitment will help improve the resiliency, diversity and efficiency of Canada's trade corridors and relieve pressure and congestion from gateways of national importance. A federal gateway and corridor strategy would use merit-based decisions to generate new investments across supply chains and in strategic infrastructure such as short-sea shipping, transshipment hubs, inland terminals and ports.

The federal government has also promised to establish a Canada Infrastructure Bank to provide low-cost financing for new infrastructure projects. The Canadian Chamber believes that such a bank could be leveraged to help finance trade infrastructure, particularly when it comes to Canada-U.S. border and supply chain infrastructure. Canada and the U.S are the only trade bloc without a dedicated infrastructure bank. These banks provide more than just financial services and direct lending for infrastructure. They also play a less obvious but, arguably, more important role in providing intelligence, information and analysis on trade infrastructure and integrated supply chains. Canada could leverage this concept to help bridge its trade infrastructure funding requirements and to inform supply chain improvements between Canada and the U.S.

Trade-enabling infrastructure was also a key focus of the recent Canada Transportation Act (CTA) Review. The review included a number of important multi-modal recommendations regarding the future of Canada's transportation infrastructure. The Review highlighted the need for increased public-private collaboration in the collection and use of critical supply chain data and analysis and the need for a coordinated approach in Canada for planning, funding and implementing long-term infrastructure priorities and needs. The Canadian Chamber agrees with the need for a national transportation plan to help facilitate transportation infrastructure investments, including in Canada's north.

Recommendations:

1. **Make trade-enabling infrastructure an equal priority alongside green, social and transit Infrastructure in Phase 2 of the infrastructure plan. Trade enabling infrastructure investments should target projects with the greatest long-term economic benefit through merit based criteria.**

2. **Renew the federal commitment to trade corridors with programs based on lessons learned from the Asia Pacific Gateway and Corridor Initiative (APGCI) and the Gateways and Border Crossings Fund (GBCF). A dedicated trade corridor strategy should be supported by permanent, multi-departmental project teams.**

3. **Consider whether the proposed Canada Infrastructure Bank can be used to generate more public-private investments in trade-enabling infrastructure. The bank could also form part of a North American infrastructure bank to support more informed investments in cross border infrastructure and integrated supply chains. Bank**

structure, mandate and program criteria should be established through consultation with industry.

4. **Establish a mechanism to work with other levels of government and the private sector to share critical data and analysis to inform, using an evidence-based approach, transportation infrastructure priorities.**

5. **In partnership with industry develop a new transportation policy framework that includes inter-modal and sector specific strategies, investment plans and infrastructure project pipelines to provide federal leadership on the evolution of our transportation system over the next 20-30 years.**

6. **A transportation policy framework should include a Pan-Territorial Transportation Strategy to identify common requirements for bi-national security, environmental protection, resource development, community resupply, energy transmission, and communications. Those common requirements could be met through a Territorial Corridors Coordinating Agency that will vet infrastructure investment options to:**
    - **Seek strategic solutions melding multi-modal regional and cross-jurisdictional requirements for territorial ports, roads, railways, pipelines and transmission systems,**
    - **Address Indigenous rights and community concerns to obtain social license with economic opportunities that can be retained for all territorial residents,**
    - **Spread, share and reduce financial burden/risk by screening for project synergies, eliminating duplication, building scale economies and pre-permitting common use corridors; and,**
    - **Monitor and adjust for changing risks and opportunities, while updating best practices for public and private investment in northern infrastructure.**

Transit Funding, Asset Management and Financing

The government should find a balance between its strategic objectives and ensuring that where appropriate, eligibility criteria for Phase 2 infrastructure programs are flexible to ensure that communities of different sizes can meet their diverse needs. Federal urban transit investments should be on-going in nature, incremental to previous spending.

Traditionally, asset management has not been a strong suit of governments in Canada. However, in recent years there has been a new level of awareness of the importance of effective asset management at all levels of government. Canada should continue to improve how it tracks and maintains its infrastructure stock. Federal Infrastructure investments should help foster the capacity of communities to plan, build and maintain infrastructure assets over the long term.

Despite the significant public investments in infrastructure planned over the next decade, Canada's investment needs will continue outstrip the availability of public funds. To succeed, Canada must continue to attract new levels of private investment in public infrastructure and ensure our investments are made strategically, effectively and efficiently. The government should continue to investigate the feasibility of new public-private financing tools that can deliver greater value for money invested. Canada is already seen as a world leader in public private partnerships (P3s) and should consider measures to bring in more private sector involvement in the financing, development, operation and maintenance of public capital assets through P3s.

Recommendations:

7. **Ensure urban transit investments are on-going, incremental to previous spending and, where appropriate, flexible enough to meet the needs in cities of all sizes.**

8. **Encourage improvements and adherence to sound asset management policies and practices (including full economic cost accounting and accrual accounting) at all levels of government.**

9. **Expand the use of P3s and promote the viability of P3 projects with other levels of government in Canada. This could include providing technical support as needed to assist municipalities and provinces/territories on developing business cases to analyze the most effective financing model for a particular project and helping ensure public sector employees are able to efficiently manage P3s.**

Unlocking Private Sector Infrastructure Investment

As federal, provincial and municipal governments are contemplating how to spend new infrastructure dollars, the private sector is continuing to invest in Canada's infrastructure needs. However, there are a broad range of private sector led infrastructure projects across Canada that are delayed due to political or regulatory hurdles. These are often large projects that do not require public funding and will generate jobs and other significant long-term economic benefits, but they are progressing slowly or not at all because of increasing risk aversion from regulators, shifting political priorities and issues around social license.

In some cases delays have meant Canadian projects have lost the race to supply growing markets. Not only is this creating a burden on Canadian business, it is undermining our reputation with investors as a country with a stable legal regime, a key competitive advantage when attracting international investment. Along with the infusion of new public spending, Phase 2 of the federal infrastructure agenda must include efforts to help the private sector move forward with these significant investments.

Recommendations:

10. **The government should modernize regulatory processes to help unlock the glut of proposed private sector infrastructure investments across Canada. This includes a**

strategy to facilitate the development of pipeline infrastructure to ensure Canadian oil can be delivered to tidewater and sold on global markets.