

CANADA'S TRANSPORTATION INFRASTRUCTURE CHALLENGE

In January 2005 the Conference Board of Canada released its report “Canada’s Transportation Infrastructure Challenge: Strengthening the Foundations”. The Conference Board is a non-profit, non-partisan organization specializing in economics and organizational behaviour. “Canada’s Transportation Infrastructure Challenge” analyzes the financing and governance challenges facing Canada’s transportation infrastructure, based on feedback from interviews conducted by the Board with 24 stakeholders.

The financing of transport infrastructure was identified as a major challenge in the stakeholder interviews. Stakeholders identified key objectives for financing (i.e. adequate and sustainable funding, neutrality between competing modes of transportation, reduced congestion, viability in smaller markets, and efficient distribution of costs and benefits), as well as possible solutions (i.e. user fees, dedicated taxes, special transportation funds, tax reform, revenue sharing, debt financing, public-private partnerships). The Conference Board assessed the possible solutions against both the identified objectives, and their practicality within the Canadian context.

The study found that the solutions with the highest economic potential were “commercial type special funds” (i.e. creation of a fund from which stakeholders could borrow for infrastructure projects, that would grow via interest payments on such loans) and “full cost-based user fees”. Incidentally, these were also the least practical solutions in the Canadian context. In sum, the report found there was no “silver bullet” which could address both the need for economic potential and practicality, and that a “multi-pronged” approach would be necessary, employing all of the proposed solutions.

Stakeholders identified governance of transport infrastructure as another critical challenge. From the interviews, four objectives for a new governance regime were identified: to achieve a more integrated system; to reduce politically motivated decision-making; to improve the allocation of capital; and to improve the use of existing infrastructure. These were coupled with three desired characteristics of a new regime: strong vision and leadership; use of objective criteria and analytical methods; and multi-modal planning and delivery. The Conference Board analyzed existing transportation infrastructure governance models from Vancouver, London (U.K), New Zealand, the United States, and Australia to determine what types best corresponded to the identified objectives and desired characteristics.

The report recommends the creation of two new governance structures to manage Canada’s transportation infrastructure. At the regional level, the report proposes Metropolitan Transportation Agencies (MTAs), which would mimic the TransLink model in Vancouver, but have appointed board members rather than elected ones, while remaining accountable to elected politicians. At the provincial level, the report proposes Provincial Land Transportation Agencies (PLTAs), which would be adaptations of the TransFund model from New Zealand. The report points out that the latter has already been recommended by two Canadian federal commissions, namely The Royal

Commission on National Passenger Transportation, and the Canadian Transportation Act Review Commission.

In terms of structure, both the MTAs and the PLTAs would be appointed by an independent commission rather than elected, and would be held accountable through performance agreements. Their boards would attempt to balance “independence, expertise, and stakeholder representation”. PLTAs would evaluate, select and fund all road projects under provincial/territorial jurisdiction, according to objective evaluation criteria. However, PLTAs would not design, build, operate, or maintain transportation infrastructure. They would receive funding through provincial fuel taxes and road user fees, and possibly through part of the federal fuel tax and heavy-vehicle weight-distance charges. MTAs would be responsible for the selection, funding, and construction and maintenance of transportation infrastructure.

The Conference Board cautions that the report is meant as an initial assessment to generate discussion, and that a more thorough evaluation of the challenges and solutions is necessary. A key issue that needs to be addressed is which characteristics of a financing model are most important. There is no reason to assume, as the Board's study did, that stakeholders weight each of them equally.

Finally, the report argues that further consideration of federal and provincial/territorial roles, responsibilities, and accountability is necessary. Transportation infrastructure issues such as borders, trade corridors, intermodal development, and the establishment of a Canada Land Transportation Fund are areas of joint interest between the federal government and provincial/territorial governments. The report recommends that particular attention be paid to how transportation infrastructure can be organized at the national level, and how the transfer of federal fuel tax to municipalities would interact with the recommendations set out in the report.

For the full report see: www.conferenceboard.ca.