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Federal Government should democratize Cost-Benefit Analysis to advance shovel-worthy infrastructure investments, according to CSLS study

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The Centre for the Study of Living Standards (CSLS) today released a report entitled "A New Role for Cost-Benefit Analysis in Canadian Transportation Infrastructure Investment".

The report addresses a two-part problem for the federal government in the choice of infrastructure investments over the next decade: one is the need to select projects and plans that go beyond shovel-readiness and short-term job creation and contribute to long-term net economic efficiency and societal gains; the second is the need to reconcile the competing claims of multiple stakeholder groups so that infrastructure investment decisions can be both economically and socially sound and expeditious.

The report's co-authors David Lewis and Ian Currie document how traditional Cost-Benefit Analysis (CBA) can help separate prospectively good projects - those whose costs are exceeded by their positive effects on productivity, living standards, and economic development - from prospectively bad ones. Traditional CBA can also help prioritize promising candidates for investment in order of their economic and social merit.

The authors find that the federal government is missing out on the opportunity to employ CBA as a tool to facilitate public engagement in the search for infrastructure investments to promote the public good and advance the national interest in transportation, energy, and other sectors. According to the authors, there is a greater likelihood of achieving evidentiary and, ideally, collective policy consensus on infrastructure projects when citizens are engaged in a broadly-based deliberative process, including: the definition of policy and investment options; the nature and value of costs and benefits; implications for justice and fairness; the assessment of

uncertainty in evidence and forecasts; and the means by which to compensate those who might be disadvantaged by a project.

The authors conclude that the federal government should encourage the wider application of state-of-the-art CBA in infrastructure investment and planning. For selected projects of national importance, multi-jurisdictional scope, and carrying significant implications for environmental justice and human rights across different groups, the federal government should embed CBA within a democratic deliberative process.

This report is available at www.csls.ca/reports/csls2016-02.pdf.

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The Centre for the Study of Living Standards (CSLS) is a national, independent, Ottawa-based not-for-profit research organization. Its primary objective is to contribute to a better understanding of trends and determinants of productivity, living standards, and economic well-being in Canada through research.