

CANADA TRADE INFRASTRUCTURE PLAN (CTIP)¹

Submitted by

Business Council of Canada (BCC)
Canada West Foundation (CWF)
Canadian Chamber of Commerce (CCC)
Canadian Construction Association (CCA)
Canadian Manufacturers & Exporters (CME)
Civil Infrastructure Council Corporation (CICC)
Western Canada Roadbuilders & Heavy Construction Association (WCR & HCA)

¹ In conversations that have been held to date, the plan has been referred to as the National Plan for Trade Corridor Infrastructure (NPTCI). It was decided to rebrand to a simpler and more memorable name and acronym: the Canada Trade Infrastructure Plan, CTIP for short.

CANADA TRADE INFRASTRUCTURE PLAN (CTIP) GROWING THE ECONOMY IS JOB #1

Without economic growth there are no incremental revenues with which to fund social programs that shape our globally envied standard of living. The surest way to achieve growth is to invest in Canada's trade-based economy.

PROPOSAL

The Council of the Federation (CoF) is urged to pursue a federally leveraged, nation-building plan for trade infrastructure,² effective 2024-25. Its purpose: to revitalize Canada's trade-enabling infrastructure to support sustained economic growth and expand and diversify Canada's global trade profile.

To help achieve this, the Plan should adopt globally recognized best practices and harness recommendations flowing from the Canada West Foundation Report *'From Shovel Ready to Shovel Worthy'*³ to usher in an era of long-term, predictable and high-value investments in Canada's trade infrastructure.

ISSUE

The ability to move goods to and from market is central to Canada's economic well-being. Trade accounts for almost two-thirds of the national GDP, a figure almost three times higher than for the U.S. and half again as important as for Australia. Meanwhile, those countries (and others, such as the UK) are already capitalizing on massive, long-term investments in their trade infrastructure.

Yet, over the past decade, confidence in Canada and abroad in our country's ability to move goods has plummeted. The effect of that has been compounded by the lingering impact of the pandemic, the global economic turmoil from the war in Ukraine, rising tensions with China and U.S. investment to enable near-shoring to North America.

Canada faces a systemic problem that calls on the provincial and federal governments, in partnership with the private sector, to collaborate on long-term solutions that allow our country to seize the opportunities presented by new trade agreements and the federal government's Indo-Pacific strategy.

The federal government and provinces have taken steps to address the decline, and there is progress upon which to build. But more must be done. There is a clear path forward, laid by our competitors and by the lessons from our own country's past investment initiatives when Canada ranked among the top 10 in global rankings.⁴

The key to success is sustained, long-term national planning and investment in trade infrastructure, with gateways and corridors supporting persistent, trade-based economic growth.

Among major trading economies, Canada is the only jurisdiction without such a trade investment strategy.

Unlike nations with whom we compete, Canada's investments in transportation infrastructure are made sporadically rather than consistently, causing investments to be more 'volatile,' less productive and highly inefficient⁵.

Further, Canada's transportation investments have fallen markedly in the last five years, causing 30% of businesses to cite transportation infrastructure as an obstacle to export⁶.

² Trade infrastructure includes marine, inland port, border crossings, road, rail and air supporting freight flows of national significance for international commerce.

³ Full report at: <https://cwf.ca/research/publications/new-report-from-shovel-ready-to-shovel-worthy/> Executive Summary at: https://cwf.ca/wp-content/uploads/2023/01/CWF_ShovelReadytoShovelWorthy_ExecSummary_2022.pdf

⁴ These programs include Asia Pacific Gateway and Corridor Initiative (APGCI); the National Policy Framework for Strategic Gateways and Trade Corridors; the Ontario-Quebec Continental Gateway; and, the Atlantic Gateway & Trade Corridor.

⁵ The US has a similar five-year average investment in infrastructure as a percentage of GDP to Canada, but Canada's investment volatility is 10 times higher. Source: Statistics Canada. Annual investments in infrastructure of 0.6% of GDP in the last 5 years, half the level of Australia's investments. Sources: OECD Transport Infrastructure Investment / Statistics Canada.

⁶ Canadian Centre for Economic Analysis (CANCEA) analysis (January 2022) found that over 30% of businesses report transportation infrastructure as an obstacle to exporting. In some regions, over 50% of businesses report it as an obstacle.

Canada must repair its global reputation as a reliable trading partner⁷ to rebuild our trade profile, and recover and expand markets, thereby growing our trade dividends to the national GDP and spurring sustained economic growth.

Given the current challenges to Canada's trade profile, a post-pandemic return to prosperity cannot be fully realized without a robust and sustained national plan for trade infrastructure.

RESPONSE - INVEST TO HARNESS OPPORTUNITIES

The CWF Report *From Shovel Ready to Shovel Worthy*, makes a compelling, evidence-based case for, and sets out foundational steps toward, the creation of a national trade infrastructure plan for the next generation of economic growth. It describes the critical need to plan 20 to 30 years ahead for the trade infrastructure assets Canada needs, allowing Canada to compete with other nations that adopted such strategies years ago.

The report offers seven recommendations as the initial building blocks to create a national effort harnessing trade to support our economic, social welfare and national security interests:

- 01** Define Canada's national trade infrastructure 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 inventory 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.

Investment & Return

Investments in trade infrastructure will pay dividends – economic growth, stronger communities, jobs for Canadians -- for years to come. Analysis of current levels of investments in trade infrastructure reveal that for every \$1 million invested in transportation infrastructure approximately 151 jobs are created across Canada generating \$7.5 million in wages and \$17 million in export-related GDP activity.⁸

Objectives

The program's objectives could include:

1. Support economic revival in Canada, focusing on high-value trade investment returns
2. A multi-year, sustained national program addressing long-term strategic trade investment requirements
3. Support and leverage investment in high-value return assets, expanding connectivity to international trade
4. Attract public and private investment; and
5. Address climate resiliency considerations.

Eligibility

CTIP could fund projects that:

1. Incent domestic and foreign investment in high value-add trade commerce
2. Target markets to diversify Canada's global trade profile, help shield the economy from over reliance on any single market and mitigate against the weaponizing of trade.

⁷ In 2008-09 Canada was ranked 10th globally in the World Economic Forum's Global Competitiveness Index for transportation infrastructure reliability. However, with the expiry of trade programs like APGCI, which specifically targeted trade corridors, by 2019 the Index showed Canada's reliability reputation precipitously dropped to 32nd. World Economic Forum Global Competitiveness Report 2019 https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

⁸ CANCEA estimates based and calculated using Statistics Canada Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual; [Table 36-10-0608-01](#) Infrastructure Economic Accounts, investment and net stock by asset, industry, and asset function, and; [Table 36-10-0013-01](#) Input-output multipliers, summary level.

Criteria

Eligibility criteria could assess:

1. International commerce strategy - target networks harboring the most important challenges and opportunities tied to global commerce and emerging markets
2. National/regional system capacity – supported by evidence-based projections of significant levels of trade, increase the value and/or volume of goods moved in and out of Canada⁹
3. Future patterns in global trade and transportation -- forward looking, addressing significant trends in international trade and transportation, based upon empirical evidence and analysis.¹⁰

Strategic Outcomes & Results

1. A globally recognized, efficient network of trade infrastructure, with gateways and corridors supporting sustained, trade-based economic growth
2. Expanded global trade activity and, therefore, economic growth
3. A restored global reputation for Canada as a reliable trade partner and desirable market in which to invest
4. Diversified global trade, shielding the economy from over reliance on any single market and the weaponizing of trade; and
5. Measurable GHG emission reductions across the entire trade transportation system.

NEXT STEPS

Our coalition urges the following next steps to realize the nation-building legacy of the above proposal:

1. A commitment from CoF to press the federal government to collaborate to launch the *Canada Trade Infrastructure Plan*, commencing with Budget 2024-25.
2. Request the federal government to immediately strike a working group of provincial, federal and private-sector representatives with a mandate to develop a CTIP which coordinates alignment of, and investment in, provincial and federal trade infrastructure priorities; and
3. Commit to joint resourcing of the above to enable specific recommendations for adoption by CoF at its July 2023 meeting.

CONCLUSION

The undersigned commit to assisting you and your Council colleagues in the above proposal.

All of which is respectfully submitted.

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⁹ Approximately 10% of Ontario's and Quebec's exports transported by freight are destined to non-US / Mexico markets. Source: Statistics Canada Canadian Freight Analysis Framework, Table 23-10-0142.

¹⁰ Western Canada is strategically situated to raise Canada's export profile and potential. It is a vast, resource rich, value-add manufacturing region, book-ended by geographically advantageous links to international markets, via Manitoba (Churchill, Emerson) and British Columbia (Port of Vancouver, Prince Rupert, Kitimat, Stewart). According to Statistics Canada Canadian Freight Analysis Framework, Table 23-10-0142 almost 2/3rd of the total rail traffic carried (by tonnage) occurred in Western Canada.

From Shovel Ready to Shovel Worthy

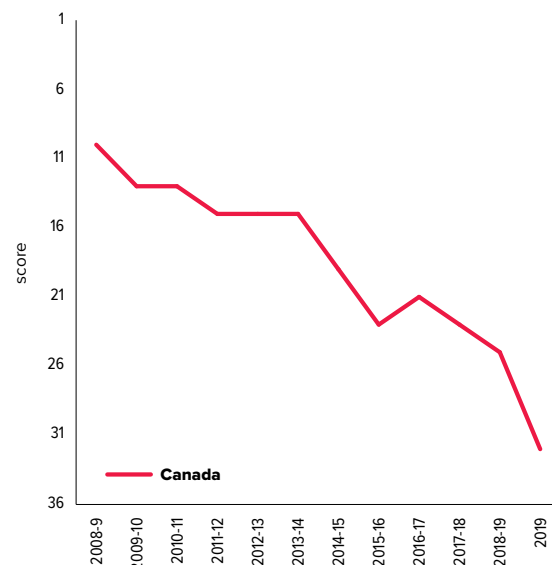
The Path to a National Trade Infrastructure Plan for the Next Generation of Economic Growth

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

- | | |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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



Highlights from the Canadian Centre for Economic Analysis: Exports and Transportation Infrastructure

The following data and analysis were compiled by the Canadian Centre of Economic Analysis (CANCEA) for the Canadian Construction Association (CCA) in January 2022.

Exports

- Canada's ratio of its total domestic production exported to international markets has slowly grown, reaching 16% in 2017.
- Every additional \$1 million invested in transport infrastructure creates approximately 151 jobs across Canada, generating \$7.5 million in wages and \$17 million in export-related GDP activity.

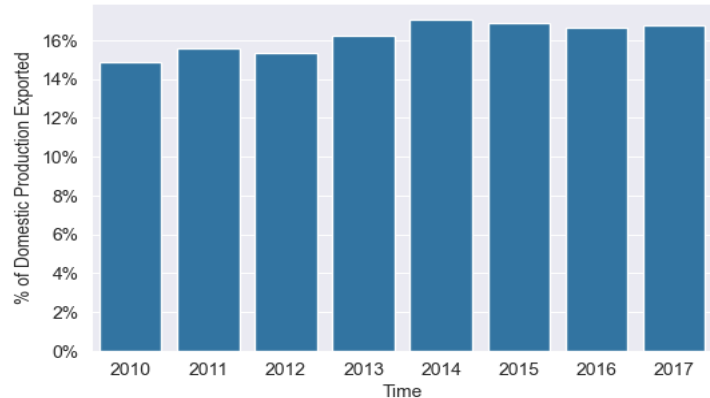


Figure 1 Source: Statistics Canada, Table 36-10-0438

- Canada has a high degree of inter-regional dependence on its trade infrastructure due to the substantial interconnection of its provincial economies.
- Provinces' exports destined to non-U.S. partners highly depend on other regions and their transport infrastructure.
- Provinces with no access to water use major ports for their exports. Ontario, for example, heavily relies on the transport infrastructure of other provinces as Ontario deals with larger distances when exporting to non-US connections.
- About 60% of goods shipped by boat left through Western Canada ports in 2019.

| Port | Exports (Twenty-foot Shipping Containers, 2019) |
|-----------------------------------|----------------------------------------------------|
| Port of Vancouver (BC) | 1,121,973 (49.8%) |
| Montreal Port Authority (QC) | 704,111 (31.25%) |
| Halifax Port Authority (NS) | 235,223 (10.4%) |
| Prince Rupert Port Authority (BC) | 192,068 (8.5%) |

- Jobs supported by foreign demand are a vital driver of growth in all regions across Canada.
- There is a positive correlation between transport infrastructure and the growth in jobs supported by exports.

- However, Canada's investments in inland transportation infrastructure have slowly been declining.
- Australia (a country with a similar profile to Canada in terms of resources, distances between population centres, and exports to GDP ratio) invested double the amounts spent by Canada in inland infrastructure over equivalent time periods (ten- and five-year cycles).

Obstacles to Exporting

- Over 30% of businesses report transportation infrastructure as an obstacle to exporting. In some regions, over 50% of businesses report it as an obstacle.
- Unpredictable investments in transport infrastructure. Canada makes sporadic investments that seek to provide short-term resolutions rather than committing to long-term solutions.
- Making unpredictable sporadic investments reduces their productivity compared to equal-value investments made in a predictable manner.
- Canadian investment volatility in infrastructure, an indicator capturing the rate of sporadic investments in infrastructure, is 3.6 times higher than the average of all its trading partners.
- The volatility and sporadic nature of investments in infrastructure diminish their productivity and have been cited as one of Canada's greatest barriers to export growth and success.

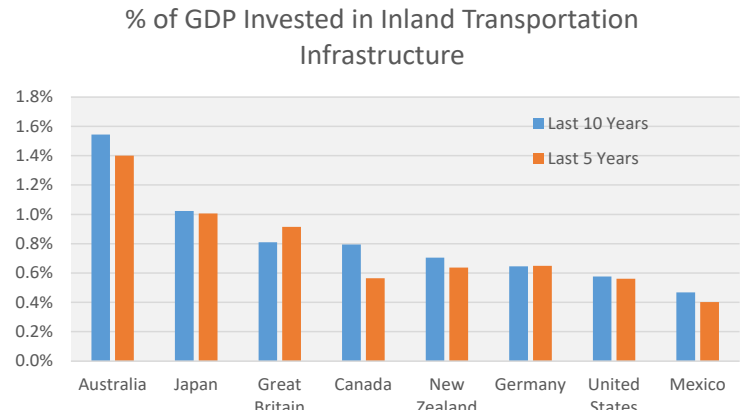


Figure 2 Source: OECD Transport Infrastructure Investment, <https://data.oecd.org/transport/infrastructure-investment.html> and CANCEA

Volatility of % of GDP Invested in Inland Transportation Infrastructure -- 10-Year Average

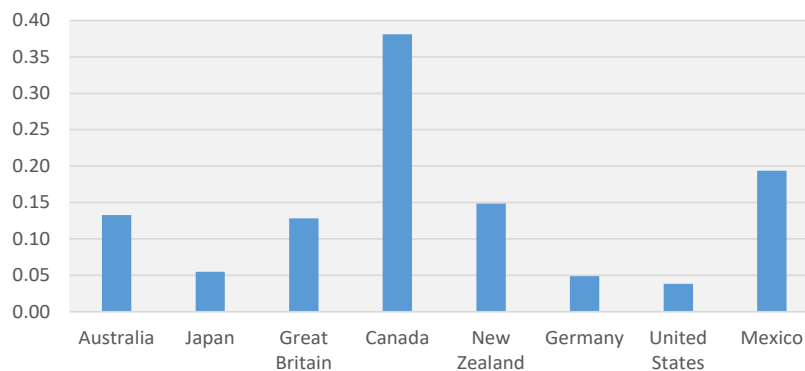


Figure 3 Source: OECD Transport Infrastructure Investment, <https://data.oecd.org/transport/infrastructure-investment.html>