The need for productive infrastructure

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Cities around the country are seeking to improve urban transportation infrastructure. Prime Minister Justin Trudeau is committed to spending money on the “right things,” to create jobs and improve the economy. Yet, the productivity of infrastructure varies, and wise choices are required.

Productive infrastructure is important to economic growth and job creation. More particularly, there is a need for better transportation in Canada’s metropolitan areas.

Where residents can reach more of the jobs within the average commute time (approx. 30 minutes), economic growth and job creation tends to be greater. Where traffic flows more freely, trucks are able to make deliveries in less time, which reduces costs. Businesses that provide on-site service, such as personal computer repair or plumbing services, are able to make more calls in a day, also reducing costs.

Fluid labor mobility makes a metropolitan area more attractive for business investment, by local, Canadian and international firms.

But not all infrastructure is productive. The best international research, led by Oxford University professor Bent Flyvbjerg, indicates that major infrastructure projects have often cost far more than promised, fallen far short of forecast passenger usage and have imposed huge, larger than planned subsidies on taxpayers.

They also found that rail results have been even more inaccurate than for other projects, such as highways.

Perhaps the most egregious current example is the California High Speed Rail system, which tripled in cost (inflation adjusted), before it was downgraded to eliminate the high speed approaches to Los Angeles and San Francisco. Still the system is costing 2.5 times the original projection.

Toronto’s new airport train (UP Express) is another example. Its performance has been so disappointing that the media has called it a “fiasco.”

Service on the $450 million taxpayer funded line started in June. Ridership has been half the level projected. Contrary to projections, fare revenues have fallen far short of paying for daily operating costs.

This unanticipated deficit has been further expanded by the fact operating costs are reported to be double the forecast. Recently, faced with empty trains, the province dropped fares by about one-half. Ridership rose, but not enough to put a dent in the deficit. The bill for this budget blowout has been handed to Ontario taxpayers.

As has been the case in other infrastructure fiascos around the world, the optimistic projections were foreseen. In 2012, then Ontario Auditor General Jim McCarter reported UP Express ridership projections to be "overly optimistic," and said that the planned fare was too high.

Within the last month, the current Auditor General, Bonnie Lysk, indicated disappointment that the operator (Metrolinx) had not implemented McCarter's recommendations, further noting that "the information was there to suggest they weren't going to be successful in achieving their objectives."

There is considerably greater demand for infrastructure than there is funding to pay for it. Rational transportation planning is required to obtain the greatest economic return with the available funding.

This cannot be achieved if fiascos, like the UP Express, consume funding that could have been spent on projects that would have produced a greater economic return. Indeed, it would have been better to leave the money in the pockets of taxpayers rather than take it for unproductive infrastructure.

University of Calgary economist Jack Mintz stated the fundamental principle: that the focus should be on "productivity enhancing infrastructure,' such as roads, highways, rail lines and ports that can shorten commutes for workers in cities and more easily move products to foreign markets."

This is likely a prerequisite to more jobs and greater prosperity for Canadian households.

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