

February 26, 2002

Report from the Chairman to the Annual Meeting of the WCR&HCA

It is my pleasure to present an overview of topic areas addressed by the WCR&HCA Board of Directors since March 2001. As you know, the WCR&HCA is an Association of the four-road builder and heavy construction associations headquartered in western Canada. Although we are based in western Canada the primary focus of our attention is promoting the need for three policy initiatives at the federal level. Those are:

1. National Infrastructure Program (NIP) to address Canada's crumbling core municipal infrastructure. The investment deficit this program addresses exceeds \$44 billion;
2. National Highways Program (NHP) with which to re-build Canada's National Highways System essential for trade, commerce and tourism, which requires a \$17.5 billion investment; and
3. Strategic Infrastructure Investments (SII) which platform new areas of economic growth.

Working with TRIP/Canada, CCA, and CRCI, we have been reasonably successful with respect to municipal infrastructure funding through the now three Canada Infrastructure Works Programs, which began in early 1994.

However, we have yet to convince Ottawa of the need to implement a formal National Highways Program with which to re-build Canada's National Highways System. Government attention here has typically been limited to inadequate and sparsely funded Strategic Highways Improvement Programs (SHIP). These SHIP agreements ignore the level of investment required to provide Canada with an efficient, modern, safe and cost competitive national highways system. The federal government collects roughly \$5 billion in road use taxes annually yet has committed to only returning \$150 million annually over each of the next four years for a total federal contribution of \$600 million through the current SHIP Agreements. That put in context alongside a \$17.5 billion reinvestment requirement is simply irresponsible.

Accordingly, the Board identified pursuing support for an NHP as its primary focus for 2001/2002. We took that message to our meetings with the Canadian Construction Association, TRIP/Canada and the Roadbuilder & Heavy Construction Council. As a result a number of strategic initiatives were agreed upon:

- a. Focused meetings with key policy/political advisors to the PM and minister of finance;
- b. A strategic blitz of key Quebec and Ontario federal ministers, senators and MPs;
- c. Given the events of September 11, there would be an assessment of the need, timing and cost of public opinion polls and focus groups (with primary attention to Ontario/Quebec) over the period;
- d. TRIP/Canada Management Committee would meet more frequently, assessing and managing the progress of the lobby efforts, and ensuring effective expenditure of TRIP/Canada funds generally.

Apart from our efforts at the national level, the WCR&HCA Board also directed that efforts be made at the regional level. We initiated meetings of key stakeholders from western Canada to determine what interest there might be in advancing with one voice, the call for investment in western Canada's transportation system. The interested parties identified to date are the following:

- Western Corridors Initiative, Ian Strang Chair
- University of Manitoba Transport Institute, Dr. Barry Prentice, Director
- Vancouver Port Authority, Kevin Little, President;
- Van Horne Institute, Peter Wallis, President & CEO
- WESTAC, David Gardiner, President
- Canada West Foundation, Roger Gibbins, President
- Greater Vancouver Gateway Council, Bob Wilds, President
- WCR&HCA, Chris Lorenc, President
- Hon. Don Mazankowski, P.C.

As a result of those meetings the stakeholders agreed to further discussions relating to the following matters:

- a. Appropriate strategies to raise the focus of and support for transportation investment and related transportation taxation and regulation considerations for western Canada;
- b. Raise the profile and importance of strategic western Canada transportation corridors and their importance to regional competitiveness and economic growth;
- c. Convince western premiers to identify transportation investment in western Canada in the above light, as a high priority matter for consideration at Annual Premiers Conferences.

Flowing in part from this and other initiatives was the emergence in February 2002 of the Canada West Foundation, Transportation Research Advisory Committee. Its stated objective is to review the importance of major freight corridors in western Canada and their role in connecting us to the rest of the country and markets beyond our national boundaries. I am pleased to advise members of the committee include:

- David Gardiner, President, Western Transportation Advisory Council (WESTAC)
- Chris Lorenc, President of the WCR&HCA;
- Sandy Mielitz, Retired VP of CN Rail;
- Carl Neggers, ADM Saskatchewan Highways & Transportation;
- Dr. Barry Prentice, U of M Transport Institute;
- Rod Thompson, Executive Director, Alberta Transportation Planning; and
- Peter C. Wallis President, Van Horne Institute

In addition to the above, the WCR&HCA made two presentations to the Board of Directors of the Prairie Association of Rural Municipalities (PARM), which represents all municipal governments in the three Prairie Provinces. The purpose was to establish links and seek further alliances with key stakeholders in western Canada. Each presentation was well received and holds promise for more formal and cooperative work in pressing for national highways funding.

These three initiatives are ongoing and hopefully will bear results.

Federal Budget 2001 – Highlights & Commentary

The federal budget was tabled in December 2001 and it appeared to mark positive steps in the right direction as it relates to federal infrastructure investment policy.

The 2001 budget built upon previous federal commitments. The Canada Infrastructure Works Program announced in 2000 will receive \$2.05 billion over six years (2000-01 to 2005-06). When combined with the contributions of the other partners, it will generate at least \$6 billion in new investment in municipal infrastructure, typically small projects. The program is expected to provide significant stimulus to the economy in 2002-03. The Strategic Highway Infrastructure Program will flow \$600 million for highway infrastructure over the period 2002 – 2005.

The 2001 budget announced targeted new investments in infrastructure of an additional nearly \$3 billion addressing border crossing, municipal infrastructure and transportation.

- ❑ In Budget 2000, the government announced a number of initiatives aimed at both sustaining the environment and developing innovative technologies. Two of those initiatives were – the \$25 million Green Municipal Enabling Fund and the \$100 million Green Municipal Investment Fund. The 2001 budget doubled the federal contribution.
- ❑ Budget 2001 provides an additional \$600 million over the next five years towards a new border infrastructure program. This will help finance improvements at or near the border including new or improved highway access for border crossings, processing centres for commercial vehicles to speed up clearance times, and "soft infrastructure" such as intelligent transportation systems.
- ❑ The Prairie Grain Roads Program will begin to flow funds to improve highways affected by the increased grain hauling in the three Prairie Provinces.
- ❑ It also announced the creation of an arm's length Strategic Infrastructure Foundation (SIF) focusing on strategic infrastructure to finance large projects across Canada beyond the capacity of existing programs – projects such as highways, urban transportation, convention centres and sewage treatment. The announced federal contribution was \$2 billion.

The Strategic Infrastructure Foundation (SIF) would work with municipal and provincial governments, providing cost-shared assistance and encourage partnerships with the private sector, to meet the essential infrastructure needs of the 21st century economy. SIF was to have been at arm's length to the federal government. Its board of directors were to be responsible for assessing projects and making spending decisions.

It is significant to note, that much of what emerged in the budget reflects the three primary policy positions that form the core policy initiatives supported by the WCR&HCA. The fact that a foundation, arm's length to government was announced, was quite remarkable.

Political reversal

All indications were that the federal government had finally begun to listen. There was real hope that infrastructure would no longer be a political playground, but a substantive federal policy with sustained funding. That was December 2001 – and then politics kicked in.

According to political insiders, responding to pressure from the Prime Minister's Office, the Strategic Infrastructure Foundation was changed from the announced arm's length "foundation" to a politically administered "fund" to be managed by Deputy Prime Minister, John Manley. That in itself is not necessarily bad news. However it is not indicative of a commitment to treat transportation infrastructure beyond mere politics. This political reversal announced on February 5, 2002 was also coincident with the meteoric rise in political influence of John Manley and his anointment with power by the Prime Minister. On the positive side of the announcement, this may mean speedier decisions than might have been the case with a foundation board.

Priorities

Given all that has transpired, the WCR&HCA should in my view, focus its activities on four key areas:

- ❑ First, push the federal government to heed the recommendations contained in the Canada Transportation Act Review Committee, which called upon Ottawa to dedicate a portion of gasoline taxes to an arms length federal agency to manage investment in Canada's national highways system. This is the only way of providing some assurances of transparency, sustainability and responsibility in the funding of Canada's major transportation network;
- ❑ Second, encourage the federal government and in particular Minister Manley, to ensure principled and disciplined investment through the Strategic Infrastructure Fund to core infrastructure investment so necessary in this country;
- ❑ Third, let us admit that we must motivate public opinion in Ontario to press the 100 plus Liberal MPs for a national highways program. Candidly, political clout rests in Ontario. This will require astute stakeholder alliances, disciplined participation with and a focused approach by TRIP/Canada and the CRCI; and
- ❑ Fourth, involve ourselves with key stakeholders in western Canada, whose objectives include the support for sustained and transparent investment in and funding of national transportation assets such as the national highways system, to allow our part of the country to participate in the growth of the nation's wealth.

The times we live in are interesting and challenging. The building of a national highways system can advance trade and tourism opportunities, and catalyst the growth of new wealth in Canada. With your continued support, those apparently elusive goals can be achieved.

In conclusion let me say that the WCR&HCA Board of Directors is sensitive to the needs of the industry it represents. We are hopeful that with new strategies in place and being implemented, carefully monitored by the TRIP/Canada Management Committee, and with the emergence of a group of serious and committed stakeholders in western Canada, that our efforts will bear fruit.

I thank you for your support, and for the opportunity of presenting this brief report.

Submitted for your information.



Wayne Morsky,
Chairman, WCR&HCA