

FINANCING AND FUNDING APPROACHES FOR ESTABLISHMENT, GOVERNANCE AND REGULATORY OVERSIGHT OF THE CANADIAN NORTHERN CORRIDOR

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KEY MESSAGES

- The federal government or a consortium of governments should constitute an “assembler” that assembles the land rights and grants use rights to infrastructure providers.
- This assembler would be financed by government(s) through debt, taxes, or by reducing other spending. If multiple governments participate in assembling the corridor, each government’s share of financing should be agreed upon ex ante.
- The assembler could be funded by auctioning corridor access to infrastructure providers, if the latter can earn sufficient profits, or by value captured through property, sales, corporate or personal income taxes or resource royalties.
- Assembler funding could come from charges to end users. These charges could be per period access fees or based on usage. We recommend the former, especially in the absence of congestion.
- Financing of private infrastructure is possible if there are sufficient anticipated profits. Potential sources of financing include private corporations, public pension funds, private equity and public-private partnerships (PPPs).
- Funding of infrastructure may be from charges imposed on end users or from government.
- All infrastructure projects will be natural monopolies and will be regulated to reduce inefficiency. Regulation will be best performed by existing sectoral regulators, which can be funded as they are now.
- PPPs can be funded through availability payments or shadow tolls from government or through usage charges (usually tolls). We do not recommend the use of PPPs due to their higher cost of finance and their reluctance to assume revenue risk. Nevertheless, we recognize that they may be more politically palatable than government provision and funding, and sometimes they are the only feasible option.
- The international evidence provides no novel sources of financing or funding.