

IMPLICATIONS OF AN INFRASTRUCTURE CORRIDOR FOR ALBERTA'S ECONOMY

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KEY MESSAGES

- The benefits of increased pipeline access for Alberta's economy are well known. The benefits of infrastructure corridors, however, go far beyond pipelines. By reducing interprovincial and international trade costs, multimodal infrastructure corridors of road, rail, utilities and communications can potentially create large economic benefits.
- Given that expanded transportation infrastructure capacity can lower trade costs, governments hoping to expand internal trade should explore means of increasing such capacity, especially the possibility of increased rail shipment capacity.
- Priority should be given to infrastructure capacity and policy changes that promote increased trade to underserved markets within the United States and to other international markets.
- Combining rich data on interprovincial trade flows with mode-specific shipment data on volumes, values and shipment costs, we find that rail shipments are a lower cost means of exporting goods for long-distance trade. We estimate that increased rail penetration lowers trade costs by roughly 0.3 per cent for each percentage point of rail's share of shipments.
- We find that lowering trade costs substantially increases Alberta's real GDP through its effect on international and interprovincial trade flows. Infrastructure capacity is particularly valuable, as we find that increasing the share of exports shipped by rail by 10 percentage points may increase Alberta's GDP by nearly 1.5 per cent in the short- run and over 2.5 per cent in the long- run — equivalent to over \$9 billion per year in economic activity.
- Governments should expand support for research activities into the feasibility and potential benefits of dedicated multimodal infrastructure corridors in Canada and increase the collection and reporting of relevant data on internal trade to facilitate research into the costs producers and consumers face, and the potential gains from internal trade liberalization.

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