PROPERTY REPORT: TRANSPORTATION

A new bridge can never go too far

Infrastructure investment not only fixes a local headache but affects development, as a Kelowna project shows

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When the William R. Bennett bridge in Kelowna, B.C., officially opens in two weeks, Robert Fine's big band will help entertain at an all-day party capped off with fireworks on the banks of the Okanagan River.

There will be reason to celebrate: The new, five-lane structure is expected to ease traffic snarls around the old bridge, which now handles a much larger number of vehicles than when it opened 50 years ago. And it will better connect the more populous east side where Kelowna's city centre is located with the appropriately named Westbank, where future growth lies.

Indeed, long before the hoopla planned for May 25, anticipation of the new bridge's impact on the Kelowna region has spurred residential and commercial real estate development, said Mr. Fine, who is executive director of central Okanagan region's Economic Development Commission (EDC) when he's not singing in his band.

The Bennett bridge is an example of how investing in infrastructure not only can ease an acute, local issue, but can influence development patterns and expectations. And infrastructure is expected to become a front-burner issue in the coming years as governments consider what to do about aging or outdated roads, bridges, sewers and the like across the country.

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Kelowna's beauty and growing wealth has become a draw for people from larger centres, such as Vancouver. The Regional District of the Central Okanagan, which includes Kelowna, is expected to become home to 220,000 people by 2020, up from 111,846 in 1991, according to EDC's website.

Studies by EDC a few years ago had anticipated a need for one million additional square feet of retail development to meet demand from the growing population. But businesses had serious concerns that Westbank, which has the most available development land, could be snubbed by people because of the traffic problems associated with the old bridge.

"There were certainly a number of both commercial and residential developers hovering around the west side going: 'Should we or shouldn't we?' They were saying: 'I'm not sure if we want to go over there, is it viable?' " Mr. Fine said.

Then things took a dramatic turn in the summer of 2005 when the province announced that Montreal-based SNC-Lavalin Group Inc. had been chosen to design, build, finance and operate the new $144.5-million floating bridge.

It was the green light for a flood of development in Westbank, which now boasts major retailers, such as Home Depot and Canadian Tire, with more coming soon, Mr. Fine said.

As the official opening draw nears, the bridge is a tangible example of the competitive advantages of transportation infrastructure renewal in Canada - the theme of a conference this evening in Toronto organized by the Urban Land Institute.

"Infrastructure fuels economies and enables prosperity," according to a recent report by the Urban Land Institute (ULI) and Ernst & Young. "In fact, only countries that manage to invest heavily in infrastructure have attained and can sustain global leadership."

The report characterizes the economies of Canada, the U.S. and Australia as "coasting on prosperity" when it comes to investing in infrastructure. It adds that, in Canada, road systems built in the 1960s and 1970s, are now showing signs of wear and that, over all, $240-billion will be needed for maintenance and upgrades to infrastructure to meet expected population growth.

In Ontario, infrastructure improvement is a key in the government's five-point plan to deal with the challenges posed by a weakening economy, said David Caplan, Minister of Public Infrastructure Renewal.

"We've been sprawling across a great land mass in the province of Ontario, but if we use our investments in transit much more strategically and effectively, we can channel the growth to the places where we can handle it a lot better," he said in an interview last week.

Some current areas of focus include helping the City of Ottawa with systems to handle its growth and development, better transit to aid with the urban revitalization in the Region of Waterloo, and addressing congestion in the Golden Horseshoe area.

The "wonderful, twofold benefits" to investing in transportation, Mr. Caplan said, is that it gets people working right away, while laying the foundation for moving goods and people over the long term. Ontario is focused on improving other types of infrastructure, including health care and water systems, he said.

One of the biggest stumbling blocks to undertaking such projects is the time it takes to get everything in place, including land acquisitions, consultations and environmental assessments, said Mr. Caplan, who will speak at the ULI conference this evening. For this reason, the government has capped environmental assessments for transportation projects at six months, which he said is enough time to get the work done.

Another major obstacle to improving infrastructure is the steep cost of these projects, particularly at a time when the economies of many developed countries are slowing.

"Infrastructure investment is an acute need worldwide, but finding a way to fund projects is a major challenge," according to the ULI/E&Y report. "Facing weakness in the economy and escalating constructing costs, the funding of new infrastructure projects may be met increasingly by public-private partnerships."

Public-private partnerships, or P3s, have become a popular method of financing. They can assume a variety of different structures, and involve investors ranging from pension funds to private equity firms.

Transportation is particularly well suited to the P3 model, said Jane Peatch, executive director of the Canadian Council for Public-Private Partnerships. It also appears to be the segment of infrastructure that provides the biggest return on investment for the "limited dollars" available in Canada, she added.

One of the best examples of a transportation project success is the Confederation Bridge, which links Prince Edward Island to mainland New Brunswick and recently marked its 10th anniversary, Ms. Peatch said.

"It would be really hard to knock that project. It has stood the test of time," she said of the bridge, which includes a number of private sector shareholders, including a unit of the Ontario Municipal Employees Retirement System.

However, concerns are being raised around the world about whether P3s could allow investors to gain control of a country's strategic assets - and whether the political backlash could put a chill on much needed investment.

Canada hasn't been immune from this. Last month, the New Zealand government blocked the Canada Pension Plan Investment Board from making a minority investment in Auckland International Airport Ltd., after expressing worries about losing control of its strategic land assets.

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