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2002

ON TRAC Spring 2002

Spring 2002 Issue 25

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The Van Horne Institute has been established to address important **transportation** and related **regulatory** issues confronting industry and government, in North America and internationally, through education and research. The **Institute** was incorporated federally in 1991 as a not-for-profit organization, and was granted affiliation with the University of Calgary in January 1992, the University of Alberta in 1998, and with SAIT in January 2000.

REALITY CHECK 2002

On March 6th, the Van Horne welcomed industry, business and government to participate in a full day of discussion regarding Calgary's competitive edge as a distribution hub. Participants heard from the Development, Surface Transportation, Logistics and Warehousing, Air Transportation sectors and the three levels of government. In his opening remarks Chairman Art Smith challenged participants to identify what are the key (consensus) positions that we want to advance? What strategies can we use to take that message forward to the people that need to hear it the most. What other solutions should be perused?

At the conclusion of the day presenters and participants identified "The Way Forward". It was noted that we need to adopt a different mindset where transportation infrastructure is viewed as an economic enabler rather than a "cost". We need to develop a viable plan of action in conjunction with the community and all stakeholders—not separate but part of the whole picture. All levels of government and the business community must continue to strive to work together towards innovative approaches to solving the challenges discussed at the symposium. Essential to this is effective planning and policy evolution to respond to future growth demands

Mayor David Bronconnier was the Keynote Speaker. In his speech the mayor noted "The municipal government, business, academics and Calgarians from all walks of life need to work together to find creative solutions to our infrastructure challenges." The Mayor asked for the assistance of every individual in the room to assist the City of Calgary in engaging the province on infrastructure issues. "Together, we need to be proactive in raising this issue on the Provincial Government's agenda. We need leaders in the transportation and logistics sector to work with us to convince the politicians who represent Calgary in Legislature that the decline in this sector in our city will have significant repercussions at the regional, provincial and national levels."

The proceedings of the day will be made available on the Van Horne website. Members will be notified when the proceedings are posted.

NEW WEBSITE ADDRESS FOR VHI

The Van Horne Institute welcomes members to visit the newly renovated website.

The new address is:
www.vanhorne.info

VHI LIBRARY

Over the years VHI has developed its library holdings which have been recently catalogued as part of the University of Calgary collection. Available for purchase we have *Moving Forward A Guide on the Importance of Transportation in Canada* produced by the VHI and WESTAC and also available for purchase *Traditional and Incentive Regulation Applications to Natural Gas Pipelines in Canada*. If we can be of assistance to you in your research projects, please contact the Van Horne office at 220 8455.

DISTINGUISHED SPEAKERS

The Van Horne Institute and the Calgary Chamber of Commerce present:

**Captain Gordon Houston
President & CEO
Vancouver Port Authority**

What Time is the Tide in Calgary

Ports are doing things better, using technology and how this benefits the people who ship their goods through the Port.

Born and raised on the Isle of Bute, close to the West Coast of Scotland, Captain Houston's career at sea spanned 24 years during which time he traded worldwide.

In 1988 he became the Harbour Master for Prince Rupert, British Columbia and in 1991 took a position with the Vancouver Port Authority as Deputy Harbour Master and subsequently Harbour Master. In November 1996, he assumed the position of Vice President, Operations with responsibility for Port Development, Environment, Engineering and Maintenance, Security and the Harbour Master's Office. On March 1, 2001, Captain Houston became President & CEO of the Vancouver Port Authority.

**Date: Friday, May 10th, 2002
Time: 11:30 a.m. to 1:30 p.m.
Place: Calgary Chamber of Commerce
517 Centre St. S.
4th Floor Ballroom**

To register please call the Calgary Chamber of Commerce at 403 750 0400.

The Van Horne Institute and the Calgary Chamber of Commerce are pleased to present:

**David Gillen
Visiting Professor with the
Department of Economics,
University of Calgary**

**What's Up With Canada's
Airlines**

Dr. David Gillen is considered one of Canada's leading transportation economists. He is a frequent commentator on CBC's "As It Happens", "Newsworld" and other media outlets. He has published numerous articles, reports and books in the field of Transportation Economics, Industrial Organization and Management Economics. His primary interest is aviation economics and management. He has spent the last decade examining the strategic behaviour of airlines in their changing regulatory environment. He is completing a text (commissioned by the Van Horne Institute) on Canada's aviation industry, for release in Spring 2002. Dr. Gillen will share with us some of his conclusions on the future of this crucial Canadian industry.

**Date: Monday, May 13th, 2002
Time: 11:30 a.m. to 1:30 p.m.
Place: Calgary Chamber of Commerce
517 Centre St.
4th Floor Ballroom**

To register please call the Calgary Chamber of Commerce at 403 750 0400.

***Calgary Strategic Leadership Forum Announces Recipient of the
President's Award***

The Van Horne Institute congratulates member, Clive Beddoe, Chairman, President and CEO of WestJet Airlines Ltd. as the recipient of the Strategic Leadership Forum's 2002 President of the Year Award. The Award is presented annually to the president and CEO of a Calgary-based organization that has demonstrated sustained strategic leadership and results. On Wednesday, May 22nd, 2002 the Strategic Leadership Forum will honour Clive Beddoe at their Annual President's Dinner.

For more information contact Wilma Slenders at 547 7900 or Martha Cote-Ball 240 1245.

WELCOME NEW MEMBER

Lafarge Canada Inc.

Lafarge Canada Inc. is a wholly owned subsidiary of Lafarge North America which in turn is majority owned by Lafarge SA a Paris, France based company. Lafarge is the largest diversified supplier of construction materials such as cement, ready mixed concrete, gypsum wallboard, aggregates, cementitious materials, road construction and paving, and concrete products for use in residential, commercial, institutional and public works construction in Canada and the United States. Corporate offices of Lafarge North America are located just outside of Washington DC. Lafarge's western cement operations, which are headquartered in Calgary, span from Northwest Ontario to Alaska and as far south as Northern California. The western cement region operates four manufacturing facilities, two bagging operations and over 30 warehouses. Cement in the west is transported in bulk and bag using combinations of truck, rail and maritime operations.

CONGRATULATIONS

The Institute congratulates David Mitchell and his colleagues in the Communication Research Alliance group for achieving another milestone in their search for funds for the SuperNet project. They have been awarded \$28,835 to prepare their submission which is due in August.

BENEFIT COST ANALYSIS OF TWINNING HIGHWAY 3

The Van Horne Institute has received the final report that was prepared for The Highway 3 Association in conjunction with the Institute. The report was prepared by Frank J. Atkins, Ph.D. Economic, Consultant, and Department of Economics University of Calgary with the assistance of Melanie Hladky, Graduate Student Department of Economics The University of Calgary.

BENEFIT COST ANALYSIS OF TWINNING HIGHWAY 3—continued

A benefit cost analysis is a general methodology, which provides a decision rule for whether or not capital projects are viable. The basis of a benefit cost study is to attach dollar values to all benefits and all costs that result from undertaking a project. The major benefits to twinning Highway 3 come from increased economic activity related to the increase in infrastructure expenditure. Amongst these economic benefits, there are short run and long run benefits. The short run benefits are immediate and temporary and are related to the spending surrounding the highway construction process. These benefits vanish very quickly upon completion of the construction. Therefore, they do not have any lasting benefit, and it is not calculated in the report.

The long run economic benefits are by far the largest benefit and must be estimated via an econometric model. The goal of constructing an econometric model is to describe economic activity in a region. For the purposes of this project, a production function for the Southern Alberta region was estimated using advanced time series techniques.

Twinning Highway 3 will cost approximately \$1,000,000 per kilometer, and there are approximately 220 kilometers to be twinned. In addition, structures will cost approximately \$25 million, for a total direct cost of \$245 million. In addition, ongoing maintenance will cost approximately \$1,000,000 year.

The estimated benefits of Twinning Highway 3 accrue in two areas: safety improvements and increases in economic activity. The literature on the relationship between road improvements and accidents shows that lane widening and road improvements generally decrease accidents by 13-49%. The benefits accruing from Twinning Highway 3 create greater resource activity, resulting in accrued expenditures in infrastructure (measured as an increase in Gross Domestic Product). The conclusion of this study is that twinning Highway 3 will bring about economic benefits to the region of Southern Alberta which exceed the costs of building the highway.

Following peer review of the report, *A Benefit Cost Analysis of Twinning Highway 3*, will be made available to members.

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