

The True Opportunity Cost of Maley Drive

David Robinson
Economist
February 2016

Like other projects, the Maley Extension project has been around a long time. Others will tell you why it is over-priced, environmentally harmful. They will tell you the City can't afford the Extension and that the money would be better used if it was spent maintaining the infrastructure we have.

I want to tell you why the Maley Drive Extension is a dead end that the city will never recover from.

History

Back in the late 60's two projects were proposed. Both of them were visionary at the time.

Project ONE was the one that council liked best. It was the plan to move the rail lines out of downtown. By 1972 Council had had a study done that showed where the new rail line should go and made the case that the project was economically justified. The project made sense to City council because the council believed the downtown was the beating heart of the city and was destined to grow. (This was before Amalgamation created a Council that no longer fought for the Downtown)

Project TWO was a plan to do what other cities were doing in the 50's and 60's - to create ring roads to bypass the city. This was based on the idea that the traffic on the Trans-Canada would increase greatly and that the population in the North east of the city would more than triple.¹

Growth ended in 1975-6. There is no sign that it is coming back. The need for Project TWO evaporated.

Look at some Look at the population data:²

Population change in four mid-sized cities (1996-2011)⁷

CITY	LAND AREA (KM2) 2011	POPULATION DENSITY (PER KM2) 2011	POPULATION 2011	POPULATION 2006	POPULATION 2001	POPULATION 1996
LONDON	420.57	870.6	366,151	352,395	336,539	325,669
GREATERSUDBURY	3,227.38	49.76 ^a	160,274	157,857	155,219	165,336
ST. CATHARINES	96.11	1,367.2	131,400	131,989	129,170	130,926
PETERBOROUGH	63.80	1,233.6	78,698	74,898	71,446	69,742

² Making Mid-Sized the Right Size: Re-envisioning Success in Ontario's Mid-Sized Cities. Evergreen Cityworks. 2016

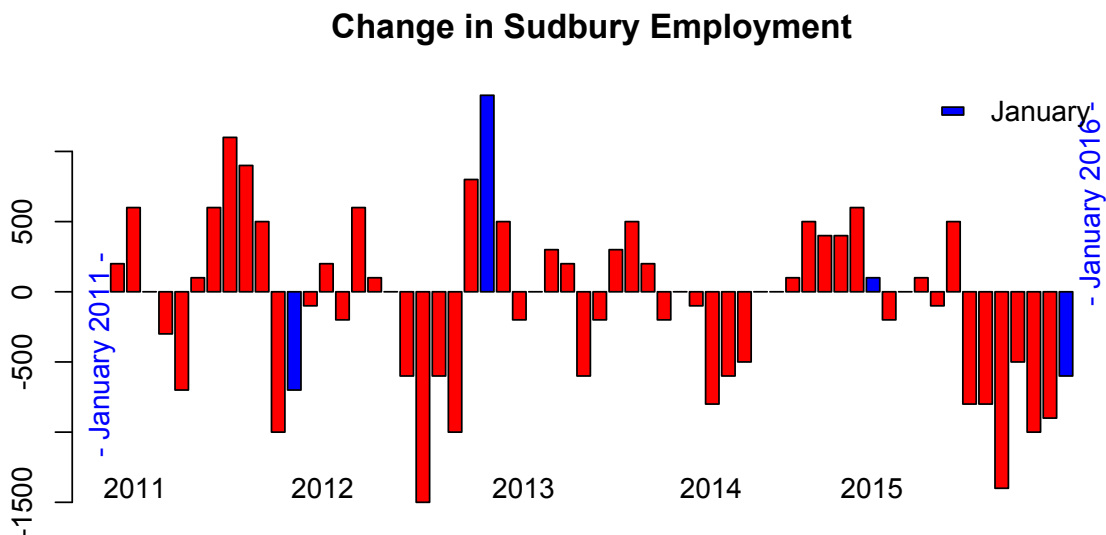
Economics

According to the Statistic's Canada Labour Force Survey, Sudbury lost 5000 jobs last year,

A simple way to think about jobs and population is to divide the current population by current employment. The Labour Force Survey gives one set of numbers:³

Population	140,000	
-----	=	----- = 1.8
employment	78,700	

Comparable cities have lower ratios: TBay has 1.73, London, On. 1.6, Winnipeg 1.55, Regina 1.42, Barrie 1.57. ⁴By these measures **Sudbury is over populated** for its job base. Losing 5000 jobs translates into **losing between 7500 and 9000 people. We should expect a decline in the number of taxpayers.**



Sudbury's population is also older than the average city in Ontario, so **we should expect declining average income, falling house prices and declining assessments.**

³ Population for the Labour Force Survey is defined as those members of the civilian non-institutional population 15 years of age and over.

⁴ Statistics Canada, Labour Force Survey August 2015 - February 2016

Currently, the city has an excess capacity of over 100,000 square feet of commercial and office space.⁵

Sudbury's per capita infrastructure is one of the highest in the province,⁶ and so are its maintenance costs. I am tempted to quote the SPCR - the Society for the Prevention of Cruelty to Roads. They are like the SPCA: they have a policy that you don't get another road until you show you can take care of the ones you have.

You can't afford Maley Drive unless it creates a lot of permanent jobs. It won't.

The Maley Drive Extension is an overpriced luxury product that a city in economic trouble cannot afford.

Worse yet, it is focussed on the wrong kind of growth. The strength of the city has been the growth of post-secondary and mining supply - Sudbury exports brain power.⁷ It has to invest in attracting people to those sectors.

"A handful of cities with the 'right' industries and a solid base of human capital keep attracting good employers and offering high wages, while those at the other extreme, cities with the 'wrong' industries and a limited human capital base, are stuck with dead-end jobs and low average wages. This divide I will call it the Great Divergence has its origins in the 1980s, when American cities started to be increasingly defined by their residents' levels of education. Cities with many college-educated workers started attracting even more, and cities with a less educated workforce started losing ground."⁸

Why Maley Drive is a Trap

The worst thing about Maley Drive, though, is the projects that it will kill. The Maley Drive extension commits the City to spending more than \$30 million just for "Stage One". My guess is that with overruns and Stage 2 it will cost the City *at least* \$100 million to complete.

The Maley Drive Extension will raise taxes in the city and will not significantly increase assessments. It will squeeze out other projects.

The true cost of Maley is what we will give up to get it. The following table lists some of the potential victims of Maley drive. Most of these projects have a higher payoff or a lower cost. All of them appear to have better benefit cost ratios.

Most of these projects will be delayed or lost if the MDE goes ahead. there is one that can never happen if Maley goes ahead.

⁵ Mid Sized Cities

⁶ Mid Sized Cities

⁷ Some like to add the health sector as an economic driver, but I would argue it is not major export sector

⁸ from Enrico Moretti's 2012 book, "The New Geography of Jobs

Table 1

total cost rank	Alternative projects	Permanent Job creation?	Federal support?	Benefit rank
14	Fixing our present roads	no	yes	2
13	Maley Drive Extension	no	yes	14
12	Rail yard relocation	yes	yes	1
11	Put in the proposed downtown bypass St Annes McKenzie - Evergreen Flood that has been on the books for years and years.	no	yes	5
10	Downtown Arena/Entertainment complex	yes	maybe	11
9	Reworking the 4-Corners shopping and highway area so that the city center there is walkable and attractive.	maybe	yes	6
8	Low Cost Housing	small	yes	5
7	Building a mixed industrial-residential neighbourhood on the proposed Inotech Park west of the tracks form Cedar	yes	no	3
6	Building the underpass to the Inotech park	small	yes	3
5	Watershed protection	no	yes	
4	Completing the Greenway downtown	tiny		6
3	Bicycle paths around all the major shopping areas	no	maybe	0
2	Seed money for School of Creative and Performing Arts	yes	maybe	6
1	Seed money for School of Industrial Design	yes	likely	6

The permanent cost of Maley drive

Lets look at the most dramatic alternative use for \$50-\$100 million:

Let me introduce “Twilly Drive.” This is a road that runs from The end of O’Neil Drive



to just south of Azilda

Here is the Big Picture:



The money set aside for Maley is table stakes: enough to bring CPR, CN, the Federal government, the Provincial government and other private sector players to the table to discuss this plan.

If Maley goes ahead this will never happen. Project TWO, out of date and no longer needed will kill the most important infrastructure project Sudbury will ever have.

The downtown yards are the heart of the City. They are the most valuable real estate in the city. Redevelopment of the yards is the biggest economic opportunity Sudbury has.

If Maley goes ahead the city will not have the funds for its share of the relocation project. It will not see increased land values downtown, and new jobs because it will have squandered a unique opportunity on a project that was not worth doing 40 years ago and is not worth doing now.