

**PRESS RELEASE**

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## **IS UNDERINVESTMENT IN TRANSPORTATION INFRASTRUCTURE HURTING QUEBEC'S PRODUCTIVITY?**

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**Montreal, May 17, 2011** – Since the 2006 collapse of the De la Concorde overpass, Quebec has been investing massive amounts to renew its transportation system – amounts that, owing to the underfunding that characterized the years between 1975 and 2000, will only be that much higher. Long missing from the government's agenda, the road network has deteriorated to the point that is now one of the most dilapidated in the country. According to Robert Gagné, Director of HEC Montreal's Centre for Productivity and Prosperity, "This lack of interest could adversely affect productivity growth in the province. We are examining the phenomenon as part of an extensive study we are conducting into the matter."

Over the above-mentioned 25-year period, Quebec deliberately reduced transportation-infrastructure spending to a level below that of both Ontario and British Columbia, Canada's two other most populous provinces. Between 1979 and 2000, the province's net stock fell from some \$26.5 billion to only \$19.5 billion – an amount comparable to that of 1970. At the same time, however, because of the province's size, extremely harsh climate, low population density and limited financial resources, road-network management represents a greater challenge here than elsewhere, making the consequences of such neglect all the more costly.

By way of example, Ontario's Ministry of Transportation reports that preventive maintenance for one kilometre of roadway aged 12 years or less is \$1,000. However, rebuilding a one-kilometre stretch aged 12 to 15 years costs \$80,000, and the price tag for reconstructing a section more than 15 years old is \$250,000. While preventive maintenance can stabilize the average age of a road and result in savings, the highest costs may be felt in terms of productivity.

### **The real price to pay**

Professor Gagné went on to say, "In the industrialized countries, transportation infrastructure is the kind that has the greatest potential for stimulating the economy over the long term. An efficient transportation system reduces companies' costs, affects where they locate and provides access to new markets, thereby giving rise to potentially significant productivity gains. The Quebec government is now aware of these issues, and intends to invest up to \$21 billion in infrastructure modernization between 2007 and 2014. Such wild fluctuations in spending behaviour are far from optimal, however."

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By allowing the province's road network to deteriorate, Quebec authorities have ignored not only the financial consequences of a decaying transportation system on users, but also the astronomical costs involved in repairing the roads in question. If the provincial government had maintained investment at sufficient levels during the 1980s and 1990s, it would certainly have avoided many expenditures on road and structure repairs toward the end of the first decade of the 2000s.

The Centre for Productivity and Prosperity is continuing its research into the matter in order to assess the actual impact of this underinvestment on Quebec's productivity and quantify the attendant economic cost. The findings should be available in September.

For more information, see: [Les infrastructures publiques au Québec : évolution des investissements et impact sur la croissance de la productivité.](#)

### **About the Centre for Productivity and Prosperity**

The HEC Montréal Centre for Productivity and Prosperity, created in 2009, has a twofold mission. First of all, it is devoted to research on productivity and prosperity, mainly in Quebec and in Canada as a whole. The Centre then shares its research findings, making them widely accessible and, in the end, educating people about productivity and prosperity. For more information on the Centre, visit [www.he.ca/cpp](http://www.he.ca/cpp) or write to [info.cpp@hec.ca](mailto:info.cpp@hec.ca).

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