

What is the cost to our economy of LRT project delays?

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The purpose of this brief analysis is to ask the simple question of what a two-year delay to the LRT project (as contemplated by the proposal to subject the project to a “question” at the next municipal election, late October 2018) would cost the municipal economy. This is not a discussion of the wider economic benefits of the project, **only the projected expenditure by Metrolinx**. The same analysis regarding time value applies to those benefits.

- \$1 billion has been allocated by the Government of Ontario for the project under Moving Ontario Forward
- Those amounts will be spent on capital expenditures for the project
 - Some of this expense will be for LRVs (Light Rail Vehicles). Some of that will come back to Hamilton. I ignore that here on the basis that some other project costs might be spent outside Hamilton also.
 - The rest I am assigning to project expense inside the municipal boundaries.
- LRV estimates for the project are for 14 Bombardier *Flexity Freedom* vehicles. Acquisition cost for the same order for Waterloo in 2013 was \$92 million for all costs. I used an estimate of \$125 million for Hamilton.
- Therefore the remaining “Hamilton-local” expenditure will be \$875M.
 - This expense has, like all expenses, a time value.
 - Time value represents the current benefit of spending money *now*, into our long-suffering economy.
 - The delay to project (for nothing can be expended in advance of a public vote on the project) represents a time-value cost.
- The MTO “discount rate” used to calculate Net Present Value of transport infrastructure is 4% per annum.
 - The same number is useful to provide a present-value or time-value calculation.
 - Assuming all non-vehicle project costs would be spent on the same timeline but two years later, the value of 4% per year for two years is 8.16% of the Hamilton expenditure, or \$71.4 million.
- **Cost to Hamilton's overall economy (project expense alone) of a 2-year referendum delay, is \$71,400,000.**