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ECONOMIC DEVELOPMENT AND CORPORATE PLANNING

OPEN SESSION REPORT

TO: Members of Sarnia City Council

FROM: Peter B. Hungerford, Director of Economic Development and Corporate Planning

DATE: December 12, 2016

SUBJECT: Project Update – Sarnia Oversized Load Corridor and Business Case Analysis

Recommendation:

It is recommended:

That the report titled 'Business Case Analysis for Oversized Freight To/From Sarnia Lambton' dated October 31, 2016 prepared by Canadian Pacific Consulting Services (CPCS) in association with Anderson Haulage be received for information.

Background:

A Business Case Analysis of the Over Sized Load Corridor (OSLC) has now been completed by Canadian Pacific Consulting Service in association with Anderson Haulage, and has concluded the corridor project to be financially viable and beneficial. A copy of the study is appended to this report and has been posted on the City of Sarnia web site. The completed Business Case Analysis, together with the detailed engineering study that was previously commissioned by SLEP, SLIA and the City, now provides City Council with the information necessary for the financial decisions required to advance this project and apply for senior government funding, as well as evaluate this project in the context of other City capital projects.

The proposed capital infrastructure project to develop an Oversized Load Corridor through the City of Sarnia was first conceived by the Sarnia Lambton Economic Partnership (SLEP) and the Sarnia Lambton Industrial Alliance (SLIA), as an outcome of the Manufacturing, Machine Shop and Engineering Inventory and Capability Study sponsored by the Sarnia Lambton Economic Partnership (SLEP) and completed in May 2010. The

project has to date been actively supported financially by the City of Sarnia, the County of Lambton, SLEP and SLIA.

The Oversized Load Corridor (OSLC) project will upgrade a designated road route through the City of Sarnia and include upgrades to the deep water Port of Sarnia Harbour to create a designated link with the many fabrication firms located in the City of Sarnia and other municipalities throughout Sarnia-Lambton. The OSLC will create a competitive advantage for local fabricating industries by reducing the cost of exporting large equipment out of the region. The OSLC will also minimize the costs for existing and potential new large industry to import specialized equipment from suppliers around the world, thereby improving the ability of local companies to successfully compete for corporate capital dollars needed for improvements and expansions. All of these activities will contribute to the retention and expansion of our local industries and our highly skilled and well paid labour force, and create spin off employment that would occur from such an expansion of this vertically integrated subset of local companies vital to support our industrial base.

Comments:

The creation and maintenance of the OSLC is a project that will upgrade the City's existing infrastructure to create long term benefit for our local fabrication and related companies, our core existing petro-chemical and refining industrial base, and our developing bio-based industrial complex. The recommended capital budget expenditure commitment of \$200K that forms part of the proposed City of Sarnia 2017 capital budget, and which was conditional upon the completion of this supportive business case study, could enhance our ability to receive approval of senior government funding of \$400,000 that is necessary for this project to proceed. A follow-up report will be provided to Council in January for the purpose of recommending formal Council approval of this Business Case Analysis.

Consultation:

Staff has consulted with the Sarnia Lambton Economic Partnership, the Sarnia Lambton Industrial Alliance, the Director of Finance and the City Manager.

Financial Implications:

In anticipation that the proposed 2017 capital budget allocation of \$200K is approved by City Council, and that the new Federal infrastructure program as a component of the spring 2018 Federal budget supports funding for the development of trade corridors, OSLC work could commence as early as the late fall of 2017, with the preparation of detailed engineering plans and requisite tender documents that will be needed for all aspects of the project.

The recommended 2017 capital allocation of \$600K is premised on receiving a minimum 2/3 funding from the Federal and Provincial governments - the initial municipal share estimated at 1/3 of this initial cost is recommended to be funded from the Sarnia Harbour Reserve.

As set forth in the 2017 capital budget request, and on the basis of tri-level government funding using \$12M as an overall estimated final project cost, the construction of the OSLC over a 4 year period would require a municipal capital investment commitment of about \$1M per year beginning in 2018. In the past, the Federal and Provincial governments have funded infrastructure projects where there is the expectation of significant long term job creation, and benefit to both the provincial and national economies. Based on this past history, it is anticipated that infrastructure funding will be shared in three equal parts with Federal, Provincial and municipal partners each taking a portion. Any final approval of this project would be contingent on such cost sharing.

Funding for this project as a 2017 Capital Budget item would in the short term have minimal effect on the City of Sarnia 2017 budget, as the initial expenditure of up to \$200K is proposed to be offset with an equal contribution from the Sarnia Harbour Reserve. On a long term basis, over a four year period, proceeding with this project will require a commitment of up to \$1M annually from the City capital budget.

Prepared by:

Approved by:



Peter B. Hungerford, MCIP, RPP
Director of Economic Development
and Corporate Planning

Margaret Misek-Evans
City Manager

Attachment: Business Case Analysis for Oversized Freight To\From
Sarnia Lambton