

Ontario-Québec Continental Gateway and Trade Corridor: Developing Competitive and Sustainable Transportation Policy Workshop

Presentation

Dianne Cunningham

Director

Lawrence National Centre for Policy and Management

Richard Ivey School of Business, UWO

London, Ontario

12 November 2008

HEC Montréal

The Ontario-Quebec Continental Gateway and Trade Corridor: Developing Competitive and Sustainable Transportation Policy Workshop , March 2008

- This workshop is part of an extensive consultative process across all sectors of society and especially involving all levels of government, including municipalities. We know that the federal and provincial governments are taking remarkable initiatives to work together. We hope that our recommendations outlined in the workshop report will assist them in taking the steps needed to move quickly beyond the planning process.

Key Recommendation:

- Analyze the Ontario-Quebec Continental Gateway and Trade Corridor report; make a plan, with timeframes and deadlines for implementation. Monitor progress and results. This country must embrace the plan, set the pace and be at the front of the pack when it comes to infrastructure development, renewal and competitiveness.

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- Purpose: to increase our collective knowledge and to make recommendations on Gateway and Trade Corridor transport policy options and challenges facing our governments;
- Over 100 business, government, non-governmental organizations, academia representatives and students participated;
- Supported by Transport Canada, the Ministry of Transportation, Ontario, and the Ministère des Transports du Québec.

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- Main Issues:
 - Bottlenecks at borders and insufficient infrastructure is putting a crimp on U.S.- Canada and inter - and intra-provincial trade.
 - Despite the fact that that there are fewer trucks on the road (500, 000 fewer trucks in 2008 than in 2001), border congestion has increased.
 - Increasingly, companies are outsourcing the production of finished goods to low-cost countries and are shipping those products directly to the U.S. instead of keeping those inventories in Canada.

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- Main Issues Cont'd
 - Consequently, Canada is losing manufacturing jobs, but also logistical activities, such as warehousing and transportation are moving south of the border.
 - Lack of cargo routes to Western Canada to reach Asia is forcing companies in Eastern Canada to go through Panama.

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- Main Issues Cont'd
 - Differences in inter-provincial freight carrier rules is affecting transportation time when crossing from one province to another.
 - Lack of dedicated rail lines for freight transportation is causing scheduling difficulties, as passenger trains share the same rail lines.
 - Insufficient Infrastructure: e.g. Problem in the Port of Vancouver is offloading from ship to rail; insufficient rail capacity. In Prince Rupert there is no direct truck access to terminals.

FINDINGS AND RECOMMENDATIONS

- **North American Competitiveness**

- Our trade relationship and competitiveness is North-South, with New York being the most important state for both Ontario and Québec.
- Policymakers in Ontario, Québec and New York State require a new framework for rethinking security, transportation and competitiveness issues that impact them collectively. They require standardized data to properly frame issues, as well as neutral bi-national forums to bring them together.
- Statistics overestimate trade with the U.S., when in fact the origin of trade is with other countries; U.S. however remains Canada's largest trading partner.

FINDINGS AND RECOMMENDATIONS

- **Border Issues**

- The Canada-U.S. trade relationship will decline if we do not address: 1. Border Issues; 2. Infrastructure, 3. Regulatory Harmonization;
- Post 9/11, there are two barriers to an integrated system: border security and regulatory issues.
- To improve efficiencies, carriers are investing heavily in border security programs; access to U.S. markets is ten times more important to Canada than the U.S.
- Finished products sold in the U.S. are leading to the transfer of inventories south of the border- logistics network reconfiguration will impact the Ontario-Quebec Trade Corridor.

FINDINGS AND RECOMMENDATIONS

- **Regions, Rural Areas, Urban Centres**
 - Canada's strategic prosperity will be fuelled by industries located in regions of Canada and not just in larger cities and areas.
 - We need better connectivity beyond traditional hubs;
 - Opportunities for the competitiveness of regional airports. should be supported; e.g. attracting non-star alliance airline carriers to bring in U.S. flights that could continue to other parts of Canada and beyond.

FINDINGS AND RECOMMENDATIONS

- **Transportation Services:**
 - Develop dedicated cargo rail lines for freight transportation.
 - Develop a cargo port/route through western Canada to reach Asia.
 - Establish a process to evaluate high-speed rail.

FINDINGS AND RECOMMENDATIONS

- **Government Policy:**

- Canada needs a national vision for infrastructure development.
- Legislative and regulatory barriers remain a significant problem. It is difficult to meet the demands of new rules and regulations;
- Uneven playing field exists, e.g. trucking industry and cabotage rules.
- Hidden barriers, such as interprovincial water standards, or national reciprocity of weight agreements, continue to exist.

FINDINGS AND RECOMMENDATIONS

- **Human Resources:**
 - Serious, systemic labour and skills shortage problem in the construction industry.
 - True labour mobility within Canada must be achieved by mutual recognition of credentials across provinces.
 - Less Regulation: Government imposed apprenticeship ratios limit the number of apprentice trainees that a contractor can hire. Recognizing the upcoming demographic challenges of older skilled workers leaving the workforce, and the inability to grow the workforce, British Columbia eliminated apprenticeship ratios; apprenticeship programmes doubled in less than four years.

FINDINGS AND RECOMMENDATIONS

- **Finance:**

- Recent history shows a goodwill and projects coming to market. We need a demonstrated track record of performance, otherwise more direct capital or private equity capital will seek out other partnerships.
- Take advantage of the precedent transactions that have been completed in Canada. Many of the provinces have well developed PPP agencies. Since investors are familiar with how these transactions have been structured, it would be very helpful for the government of Canada, wherever possible, to structure its transactions to be consistent with existing precedents.

FINDINGS AND RECOMMENDATIONS

- Agency:
 - An overriding theme from our Workshop is that there is no agency, committee, or group that can organize the needs across different modes of transportation in order to coordinate policies across various government departments.
 - According to the Ontario Trucking Association, the Ontario-Quebec Gateway Council is the only council to date that reflects aspects of the need for such an agency.

CONCLUSION/A Sense of Urgency

- We must be nimble and agile, and find ways (including an agency) to coordinate policy across multiple government departments and jurisdictions (i.e. Transportation, Finance, Industry, Environment, Agriculture, Immigration and others). The Federal government and provinces are making great strides during this consultative process, gains will quickly disappear without a central coordinating body to monitor progress and communicate success to the public in a timely fashion.
- To build a constituency for change, Canadians must be educated on issues of North American competitiveness, trade, transportation and security.
- Infrastructure development will require significant capital. If the public sector is to be successful in attracting support and resources from the private sector, a concrete, committed long-term plan is needed, as well as a demonstrated track record of performance. Otherwise, private equity capital will seek out other partnerships.

Noteworthy Participant Observations

Gateway prosperity

- “The U.S. will remain the main Canadian partner for exports and imports but will decline in importance if something is not done to improve border issues, infrastructure and especially regulatory harmonization.” (Patrick Leblond, Professor, International Business Department, HEC Montreal)
- “The purchasing of goods from low-cost countries is increasing the need for additional warehousing capacity while the outsourcing of manufacturing of finished products sold in the U.S. is leading to the transfer of inventories south of the border. Actually, it can be observed that the center of gravity is moving South and West. The resulting logistics network reconfiguration will impact the Ontario-Quebec Gateway and Trade corridor ... it has already begun!” (Jacques Roy, Professor, Logistics and Operations Management, HEC Montreal)

Noteworthy Participant Observations

- “Canada’s strategic prosperity will be fuelled by industries located in regions of Canada and not just in the larger cities and areas. Transportation to regions and beyond the traditional gateways has never been more important than today. We need a strategy for the Continental Gateway between Ontario and Quebec that not only recognizes the significance of opportunities of existing transportation systems but also recognizes subsystems, air, road, rail that can complement the main system.” (Steve Baker, CEO, London International Airport Authority)
- “The whole success of the entire initiative is really dependent on a prosperous Ontario-Quebec corridor. If we do not have prosperous communities within this corridor then we won’t be able to sustain it or maintain it.” (Gerald Slemko, President and CEO, Cuddy Farms Corporation)

Noteworthy Participant Observations

- “China is the main location of Low Cost Country Sourcing (LCCS) of goods with more than 90% of Canadian manufacturers sourcing from that country. China is expected to maintain and increase its dominant position in this area, while India remains a major source of LCCS in the services functions. “(Philippe Richer, Assistant Deputy Director, Industry Canada)
- “A substantial percentage of manufacturers have indicated an increase in their lead time, inventory level, logistics costs, total landed cost (TLC) and a decrease in the quality of goods since initiating LCCS. “(Philippe Richer, Assistant Deputy Director, Industry Canada)

Noteworthy Participant Observations

Rail- Freight and Passenger

- “Out west, CP is going to spend \$350 million dollars on the western gateway- in the U.S. they are proposing billions just in Wyoming. Simply the area of greatest return.” (Tom Sagaskie, General Manager, Guelph Junction Railway)
- “Freight transportation by train is much more environmentally friendly than by truck. For example, if European freight continues to be transported by truck, greenhouse gas emissions will increase by over 40% between 2000 and 2015. However, if only 40% of freight was carried by rail instead, there would be NO increase at all.” (Catherine Mondor, Director Logistics, Bombardier Transport)
- “After the construction of dedicated high-speed rail tracks between Seoul and Busan in Korea, the freight rail capacity between the cities grew from 820,000 tons to 3 million tons because of the release of freight rail tracks from passenger traffic.” (Erik Kung, Ivey MBA 2008, Accenture)

Noteworthy Participant Observations

- “With longer distances between facilities, solutions involving rail or intermodal travel are a prerequisite- not only from a cost-perspective, but an environmental one as well.” (Harvey Baker, Transportation Manager, Labatt)

Regulatory matters

- “Hopeless, irrelevant, non-helpful regulation is what we are faced with.” (Hank Vander Laan, Founder and Senior Advisor, Trojan Technologies)
- “It is too expensive to manufacture in Canada, so we moved to China, which is a growing market for us, leaving Canada to be a knowledge driven economy.” (Hank Vander Laan, Founder and Senior Advisor, Trojan Technologies)
- “Legislative differences between provinces are huge and that is a big problem; we are one country trying to succeed.” (Tod Warner, Managing Partner, ZTR Control Systems)

Noteworthy Participant Observations

- “We notice that specific regulations make it really hard for small-medium size businesses, who are not equipped to handle all the regulatory requirements that are out there.” (Perry Woods, Manager, International Trade and Transportation Services, General Dynamics Land Systems Canada)
- “We established a Gateway in Calgary because they have the international carriers, as does Toronto. Montreal has Air France and KLM, whereas in Toronto there are 48 international flights and air freight with greater capacity. Thus, I have to come to Toronto, whether I like it or not. So please, remove interprovincial barriers, align regulations and stabilize policies, as this is crucial for the success of the Gateway corridor.” (Eric Allard, Vice President, International Air Freight, Schenker of Canada, Ltd.)

Noteworthy Participant Observations

- Environmental concerns

- “While environmental regulations are needed by governments on the one hand, there must also be a market approach to gateway sustainability. For instance, international legislation suggests that the environment has become a factor of changes in terms of obligations, responsibilities and competitiveness. Subsequently, the practice of sustainability and sustainable development has become integrated in the traditional economic logic of enterprise.” (Claude Comtois, Professor, Université de Montréal)
- “Multiple regulatory frameworks on polluting emissions reductions are a certainty. The emerging outlook is emissions control areas addressing climate change, water, air, soil, noise, biodiversity and land take issues.” (Claude Comtois, Professor, Université de Montréal)
- “Regarding empty trucks- dispatcher planning systems are in use to fill up trucks and make better use of drivers. Empty miles and fuel consumption is the real problem.” (Jean-Robert Lessard, Vice-President and Public Relations, Robert Transport)