Canada’s Gateways: A Global Strategy – A National Issue: Where Are We Going?

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March 29, 2007

Asia Pacific Gateway and Corridor Round Table – Calgary, Alberta

Canada's Global Gateways: Where Are We?

- Growing Corporate Recognition of Transportation Infrastructure and Global Trade;
- Money: No longer the material issue (recent federal budget, 3Ps, interim studies);
- Cost – All in, ten years, probably $200b;
- Challenges: silo mentality, traditional thinking: regional or provincial vs. national and global.

Canada's Gateways: Challenges

- 1. **Opportunity** – Rising Asian Trade, Need for New Hubs (via Europe, Suez Canal, and central North America), requirements of importers from Central Canada;
- 2. **Risk** – Timing, Need for Collaboration, Cooperation (Fed-Provincial, East Coast-West Coast), desperate need to understanding Global Logistics, Global Supply Chains;
- 3. **Fate** – Regions Must Respond to Global Game, Not the Reverse: Getting Canada's Gateway Strategies Working Together.

Opportunity

Globalization: The New Drivers

- Internet, Computer, Data Flows
- Financial Services: $3 Trillion per Day
- Global Trade: Multi-polar World: Growth Double national average

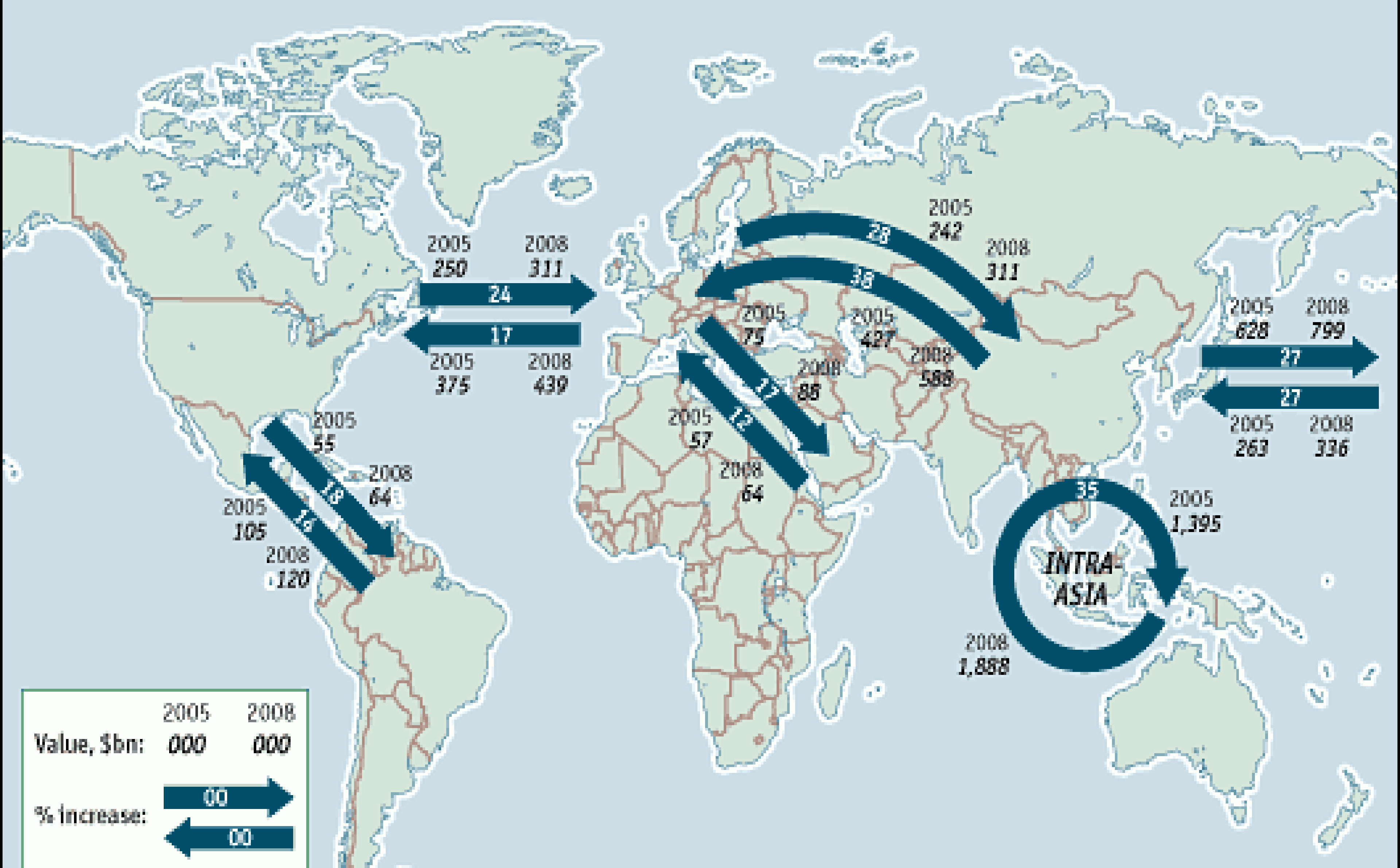
- Question: How to Integrate?

- National Opportunity for Canada, globally and within NAFTA.

Global merry-go-round

1

Trade (exports) between main regions, growth forecasts 2005-08



Source: Global Insight

Note: North America includes Canada, U.S. and Mexico; Asia excludes Indian subcontinent

Two Views of Canada's Gateways:

- Regional/Provincial Initiatives – Build Capacity (Roads, Ports, Terminals, etc..), hope for demand buildup.
- A Global Perspective – Cultivate Asian Demand, Build on Natural Endowments, Cultivate Global Supply Chains.

Port Gateways: National Priority for Trade:

- Only two Tier 1 Canadian Ports – Vancouver and Halifax - based on natural conditions, location (nearness to markets, global supply chains), inter-modal traffic and associated infrastructure;

- Other ports help integrate and build volumes for Tier 1 ports. Global Shippers want Tier 1 ports for the global supply chains – bigger ships, more scale (i.e. No. of Containers/ship), integrated loading/unloading.

Canada's Gateways: New Concepts

- Global Window for Canada: Trade, Immigration, Culture, Education, Transport;
- Natural Extension of The Railway Age: Internet, People, Ports, Ocean Shipping;
- Global Link in International Supply Chain, JIT Delivery, Central to Imports/Exports;
- New Coordination Responsibilities: Government-Business, East Coast-West Coast, Importers-Exporters; NAFTA.

Gateway is More than Transport

- Global Success is a Function of Global Logistics, and Understanding Global JIT;
- Global Demand is more than local or regional capacity planning: global supply chains require success at each stage, from the supplier to the end customer; need for integration among modes of transport.
- JIT requires new thinking: cycle times, imbalances (inbound-outbound), costs of outages, unintended costs; new forms of training; focus on success.

Global Supply Chains: Push vs. Pull

- Traditional: Push View, developing capacity in anticipating of customer demand;
- Modern: Pull View, initiated by customer orders via demand needs, expressed in just in time processes across the (multi-modal) value chain.

Why Canada's Gateways Have been slow to develop: Reason One

- Transport Logistics has been regional and national (east-west) governed by Central Canada population, manufacturing base, with supportive national initiatives (Crows Nest regulation, St. Lawrence Seaway, regulated crown corporations);

- Past 20 Years - Continental Emphasis: Free Trade, Deregulation, Open Skies.

Why Canada's Gateways Have been slow to develop: Reason Two

- Most Canadian Exports, beyond cars/trucks, have been raw materials for Japan and Asia (potash, timber, coal, grains), often with Canada being a price taker;

- Vancouver has geography (distance, timing, and trans-shipments) on its side, especially for Japan, South Korea, and China, despite strikes, congestion, and passive Canadian strategies.

Why Canada's Gateways have been slow to develop: Reason Three

- Historically, Atlantic ports like Halifax, and provincial airports like Calgary, have been **isolated from large markets**, unlike Montreal, Boston, or LA;
- Federal and provincial policy largely support local and national transportation-trade links, not global markets;
- Inter-Modal links have been spotty at best.

Why Canada's Gateways Have been slow to develop: Reason Four

- Key Stakeholders Have Not Seen the new Asian Tigers: India and China;
- Too Few National Canadian Champions;
- Other Priorities, domestic, regional, provincial, including jobs and patronage;
- Silo Mentality at all levels, most institutional;
- Limited recognition of Transportation Gateway as a Center of Global Excellence.

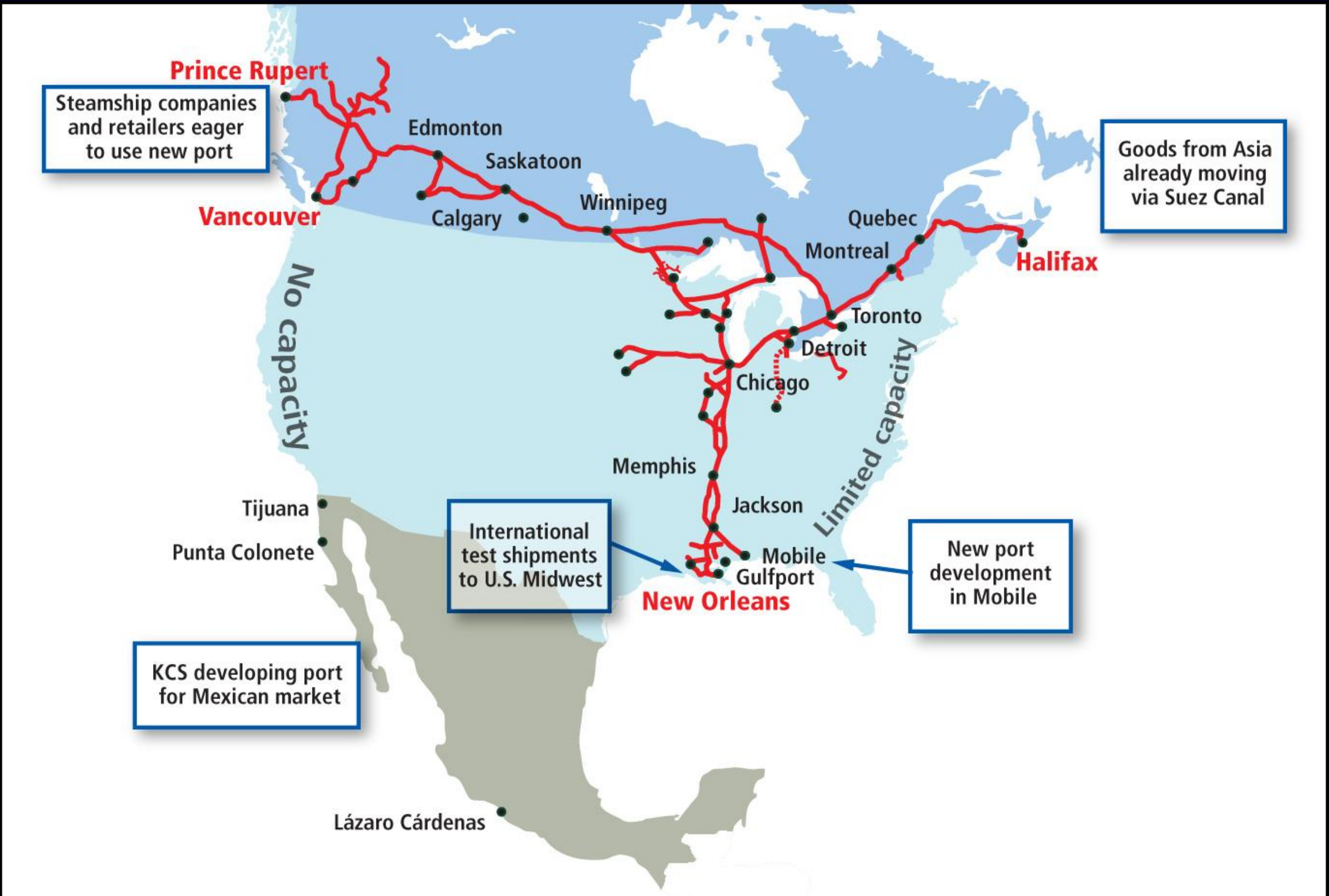
Risk

What the World Is Doing?

- China and now India, including new shipping companies;
- New Emphasis on green technologies: ships, ports, airports, etc..
- Inter-Modal, including in-sea shipping, canals, road-rail;
- New Developments in Caribbean, Mexico;
- Potential new linkages: Shanghai-Rotterdam-Montreal; Shanghai-Longbeach-Atlanta by rail.

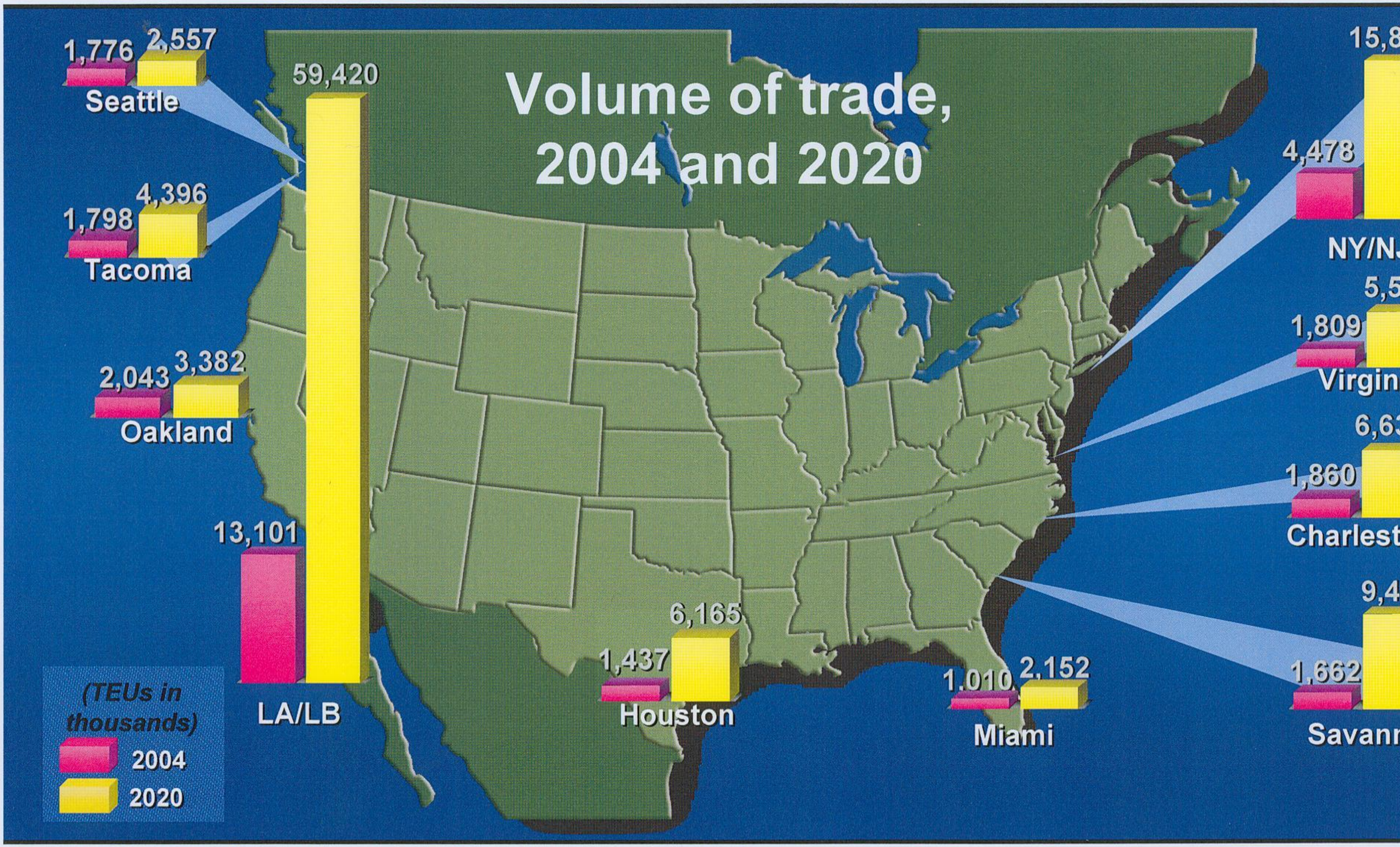
Threats and Opportunities

- Massive Congestion on West Coast Ports, Limited chance for Capacity Expansion;
- New Developments on Canada's Pacific Gateway: better inter-modal cooperation in Vancouver, developments in Prince Rupert-Province of Alberta;
- Investments in Mexico for South USA; rail links between LA and Atlanta; Port of Houston.



Prince Rupert
Steamship companies and retailers eager to use new port
Edmonton
Saskatoon
Vancouver
Calgary
Winnipeg
Quebec
Montreal
Halifax
Goods from Asia already moving via Suez Canal
No capacity
Toronto
Detroit
Chicago
Limited capacity
Memphis
Jackson
Mobile
Gulfport
New Orleans
Tijuana
Punta Colonete
International test shipments to U.S. Midwest
New port development in Mobile
KCS developing port for Mexican market
Lázaro Cárdenas

Dramatic increases in projected freight demand

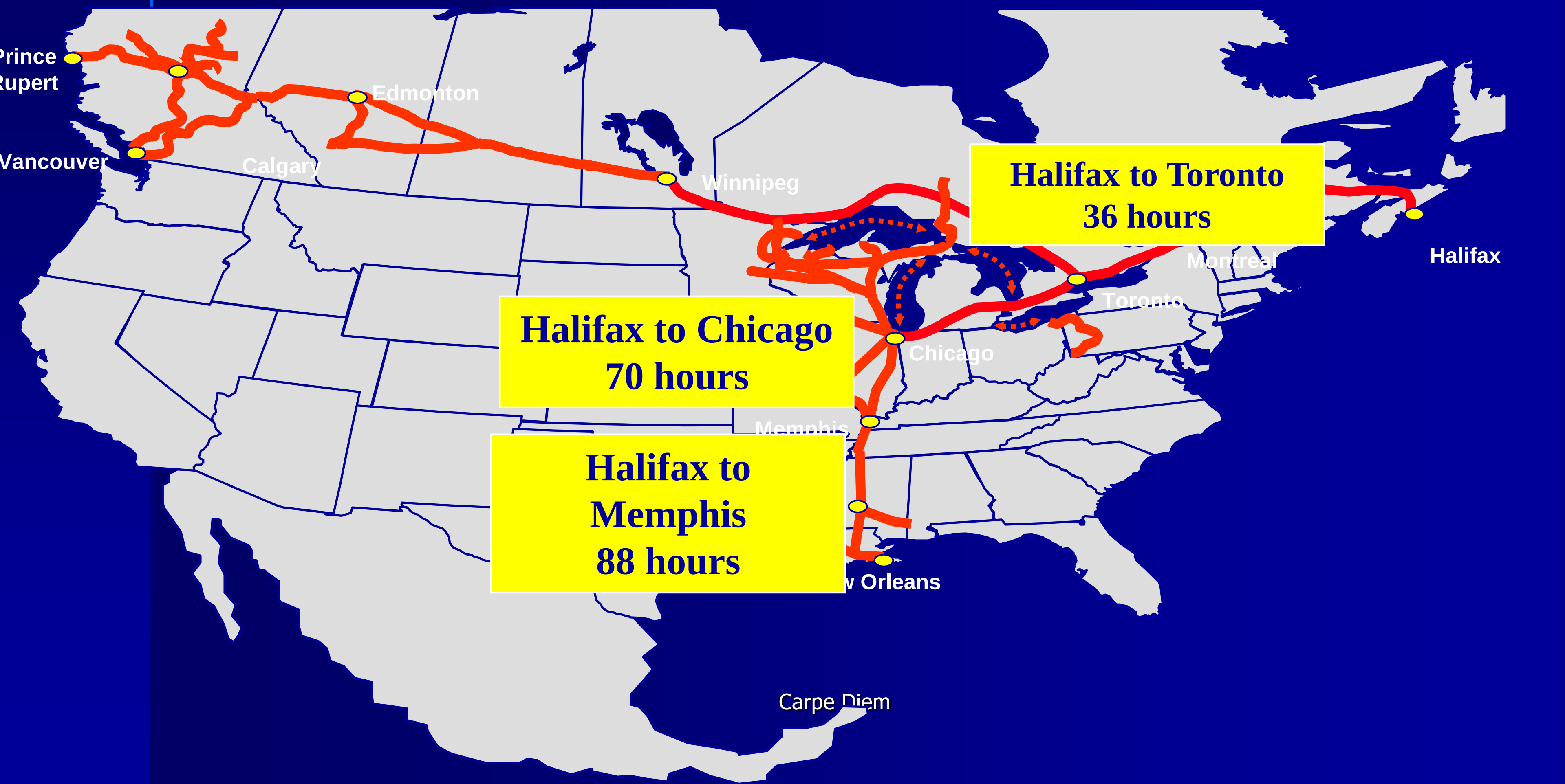


Forecast figures based on a 10-year linear regression

Components of Atlantic Gateway

- Halifax/Melford
- Short-Sea shipping to secondary ports
- Corridors to major markets
- Role of airports/roads/rail
- Potential links to energy (Saint John, Newfoundland and Labrador)

Port of Halifax-Rail Links via CN



Canada’s Gateways: New Requirements

- Capacity – No short term constraints;
- Costs – All-in costs favour Atlantic Gateway, i.e. ocean, on-land, coordination points;
- Reliability – Increasing Advantage for Atlantic Gateway: costs of delays, strikes, bottlenecks, turnaround in days;
- Transport Balance: Inbound (Imports) vs. Outbound (Exports), nearness to markets.
- Better understanding of long distance (ships, rail) vs. short hauls (barges, small ships, trucks).

Risks: Local vs. Global View

- Regional or National Supply Chains Will be low value added;
- Chicken in Every Pot Perspective worries national importers and global shippers;
- Possible opportunities will lead to milk runs, not a global hub.

- Global View requires understanding of global logistics in all its forms: transportation, inter-modal shipping, training, security, and needs of 'pull effects' in Asia;
- Gateways need Champions

Fate

Canada's Gateways: New Possibilities

- Emerging Consensus of Key Players who Know the Global Chess game;
- Global Demand – from exporters and importers – will help determine Competitive Gateways;
- But negative perceptions will slow down full potential value added growth.

The Atlantic Gateway: Pathway To Global and Asian Trade

Business Opportunities

Demand Conditions

Physical Infrastructure

Trade & Investment, Technology & Small Business, Immigration and Job Growth, Arts and Culture, Universities and Technical Training, Research on Global Logistics

Asian Imports, Trade Routes, Global Shippers, Container Balancing Needs, Import Needs

Port of Halifax, and Associated Infrastructure: Rail, Roads, Warehousing, Security

Major Constraint: Asian Time Table

Political Obstacles to Development

Business Obstacles to Growth

Atlantic Gateway: Case Study of Forward Policy Agenda Package

- Outward Looking – Builds Historic Links
- Encompasses Transportation, Energy, Education, Immigration, IT Opportunities
- Builds links within the Region and With Quebec (Seaway is closed 5-6 months)
- Suggests new Initiatives in Inward Immigration, University Research, Tourism
- Appropriate Mix of Local, Regional, National Policy Initiatives

Vancouver –Halifax: Complementary, not Competitive Ports

- Ports don’t compete as ports: they compete on global supply chains: for Canada, ports are complementary, not competitive;
- On global basis, Halifax can supplement demand for Canso, St. John’s or Montreal;
- Global demand for Canada increases because of need for balance, inward flow and outward flow across the supply chain.

Potential Obstacles to Atlantic Gateway Development

- Misunderstanding Global Supply Chain Linkages – from Point A in Asia to Point B in Large, North American markets;
- Internal Atlantic Silo Thinking – Provincial, Industry, Institutional, Government;
- One-off initiatives vs. Continual Development of Value-Added Hub

Atlantic Gateway Stakeholders

Group	Past	Future
Port of Halifax	Passive, Inbound	Aggressive, Global
Other Ports	Passive, Inbound	Regional, National Focus
Academic	Passive	Unclear
Provincial Governments	Limited Cooperation	Unclear
Private Sector	Regional-National	Trucking, CN – Aggressive
Retailers	Vancouver-Centric	Vancouver & Halifax

Canada's Gateways: Some Unanswered Question

- Clear Benchmarks of Productivity: Metrics and Comparison;
- State of the Art Business Process Tools for Understanding thru-puts;
- Coordination linkages across ports, e.g. Vancouver and Halifax, Halifax and Montreal;
- Management: green technologies, security and policing, managing the weakest links;

Many Stakeholder Views

- Best practice companies prefer Unequivocal National Strategy, Possible Advisory Group to Advise Governments on Global Trends;
- Gateways Remains for Insider Players, with Little Widespread Understanding of the Global Logistics Game;
- The Canada Problem: consult when we should act, act when we should consult;
- Failure to see Business Opportunities and Value-Added Linkages to other sectors.

Playing the Global Game:

BOLDNESS!