

September 2006

A Gateway is not a Region

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"Through ACOA, the Government of Canada is working with provincial governments and other partners to develop an effective Atlantic gateway strategy" - Peter McKay, April 24, 2006.¹

"An Atlantic Gateway would join the Atlantic Canadian provinces together with common regulations, security procedures, cost structures and marketing." - Captain Alwyn Soppitt, June 9, 2006²

"An effective, efficient and safe multi-modal transportation system serving the Atlantic Provinces and beyond is critical to ensuring that the region can maintain and enhance its role as the *Atlantic Gateway* to Canada, contributing substantially to the economic competitiveness and success of this nation." - Council of the Federation, *Looking to the Future: A Plan for Investing in Canada's Transportation System*, December 2005³

There is great confusion about the Atlantic Gateway strategy. Is it a regional development strategy, an exercise in regulatory streamlining or a national asset? To add fuel to this fire, the announcement on October 21, 2005 of \$590 million⁴ of federal assistance for the Pacific Gateway has, once again, driven Atlantic

Canadians to dream up new ways of turning fractious, regional initiatives into "gateways." If allowed to continue, the result will be neither a gateway nor federal funding.

Regional Transportation

The transportation stream at the recent *Reaching Atlantica* conference focused on regional synergies. Indeed, there were many common problems and many common solutions. Access to larger markets, especially Boston and New York, was discussed within the context of the needs of regional firms. It is not surprising, therefore, that John Murphy, VP Transportation at J.D. Irving and moderator for the Transportation forum reminded delegates that "next steps" should view transportation as an enabler for other industries and not the economic engine itself.

This important view of transportation is regional (i.e. freight either originates or terminates in the region) and it has consumed provincial transportation departments for years. Change in regional transportation tends to be incremental. For example, since Atlantic Canada is a small, geographically diverse market, it is unreasonable to believe that the introduction of a new rail line would find the local cargo required to make it viable. CN currently runs at about 30% capacity between Halifax and Montreal and, in fact, the North American trend in recent years has been to reduce rail service. Building capacity is no guarantee that cargo will come.

¹ http://www.parl.gc.ca/39/1/parlbus/chambus/house/debates/008_2006-04-24/han008_1335-E.htm

² http://www.sjport.com/english/news_events/article.asp?PressID=118

³ http://www.councilofthefederation.ca/pdfs/NTS_Booklet.pdf

⁴ <http://www.tc.gc.ca/mediaroom/releases/nat/2005/05-gc013e.htm>

Ports are part of the regional transportation picture. Atlantic Canada is blessed with several excellent regional ports including St. John's, Corner Brook, Belledune, Saint John, Canso and Halifax. However, our ports are like our railways; all are running well below capacity and local demand will not alter this fact soon.

Hubs and Gateways

Hubs are places where freight leaves one transportation provider (air, ship, rail, truck, llama...) and continues with a second. Gateways are special cases of hubs, generally located at customs points with a land-based component. If the final market is local, then it is a regional gateway. Otherwise, the gateway is linked to markets through corridors.

Ports can be gateways. Some ports experience tremendous growth, not because the regional population has grown significantly, but because they have built robust corridors to major inland markets. The oft-cited Savannah, Georgia would be a successful example of such. In 1928, Halifax opened Pier 21 and Halifax became a gateway for immigrants headed by the rail corridor to new lives in Montreal and points west.

The Pacific Gateway

At one session at the Reaching Atlantica conference Captain Gordon Houston, President and CEO, Vancouver Port Authority informed delegates of what the Pacific Gateway did to get off the ground. This session drew much attention, in part due to the federal contribution, but also because of the explicit recognition of the gateway concept as an important economic engine for the country.

Captain Houston's reference to detailed studies of industry-specific transportation patterns was quoted frequently in subsequent sessions. What was not quoted was that federal funding was targeted to congestion points (within the lower mainland but also as far east as North Portal, Saskatchewan) and that the studies examined the entire supply chain outside the lower mainland.

The background paper released with the federal announcement defended the investment in the

Gateway, not on regional grounds, but on the rising national importance of trade. Highlighted were national trade trends with China, Japanese car parts destined for Ontario and maritime trade between Quebec-based Bombardier, Alcan and Mitec Telecom. The key message is that within the confines of B.C.'s lower mainland, transportation is an industry cluster worthy of attention because regional bottlenecks could hurt national markets.

Lessons for Atlantic Canada

Since Atlantic Canada has few capacity issues, there will be no large-scale federal investment here. The few capacity problems that do exist (e.g. upgrading border crossings and the twinning of the trans-Canada) the federal government acknowledged long ago. This is in stark contrast to the port and highway congestion problems found in Southern New England and the mid-Atlantic region.⁵

Like the Pacific Gateway, the Atlantic Gateway is in the national interest. For example, between sixty-five and seventy percent of containerized traffic through the port of Halifax starts or ends in the continental interior. Congestion on the west coast and concentration of shipping capacity into very large ships presents a new opportunity for Atlantic Canada to attract substantially more freight. However, our needs are very different.

We need non-spending changes:

- Harmonized regulations (Truck size and weight regulations, Permitting, Road trains)
- A NAFTA flag to address cabotage restrictions in both Canada and the United States
- Removal of the 25% tariff on imported ships
- A new lift fee structure for short sea shipping
- Change the Maritime Act to allow ports port ability to privately raise capital and acquire property
- Passage of C-11 (Amendments to the Canada Transportation Act). Reintroduction of final offer arbitration provisions dropped from C-44 of the last legislature would also help.

⁵ Cambridge Systematics, [NASTO Freight Service and Investment Study: Final Report](http://www.dot.state.ny.us/nasto/fr.pdf), 2002. Available at <http://www.dot.state.ny.us/nasto/fr.pdf>

Yes, some limited, targeted spending would be helpful:

- Finish the highway and border improvements (e.g. Calais-St. Stephen).
- Fully implement ITS (Intelligent Transportation System) solutions at both border crossings and the ports
- Acquire and build a network of inland terminals to support the road train initiative
- Enhanced marketing of the Gateway in major Asian growth markets
- Promote, and possibly subsidize (as Quebec does), training in qualified transportation workers (e.g. drivers, navigation, logistics)

These changes are needed.⁶ Other east coast ports have kept up with increases in world trade at the expense of Atlantic Canada generally. The situation is not that Canso has prospered at the expense of Belledune; rather we have sunk together because we are all afflicted with the same systemic problems.

The above list does not “pick” Halifax as the dominant gateway because it doesn’t have to. If the objective is to get goods from Europe or Asia to the continental interior then shippers will choose the ports that can deliver water depth, air draft, class one rail service, 4 lane highway, good supply of trucks, efficient dockside services, full logistics/customs/processing support, on the great circle route from Europe or Gibraltar, large urban market at the port that will absorb 30% of the shipment, super post-Panamax cranes, etc. There is only one port in Atlantic Canada that can deliver most of these requirements.

Why support the Gateway Initiative?

Imagine you are to choose the location of your small retail store. Your first choice is to be located where your market is (e.g. downtown or major mall). Your second choice is to be located on a major thoroughfare (e.g. on the commute home from work). Your last choice would be in a small bedroom community.

Atlantic Canada is a sleepy, moderately well off bedroom community. Our economy grows slowly, even when our population does not.

⁶ Another no cost requirement is support for cross border initiatives like the NE CanAm Connections project.

Adding to or expanding our small service, manufacturing or retail base is an uphill battle. In the medium term, we cannot be a major market but we can be on a major thoroughfare.

I believe that a strong, vibrant gateway/corridor from Halifax to Toronto and on to Chicago, a continuous four-lane corridor to Boston and an east-west highway through northern New England will add regional jobs and improve regional infrastructure. Make the high volume corridors work first. The opportunity to exploit new markets, new material sources and add high-value manufacturing (e.g. biotech) are analogous to adding the store after the fact.⁷

Conclusion

The days of government trying to pick industrial winners through pork-barrel subsidies are over. So long as there is existing capacity in the system, Atlantic Canada will not see substantial federal spending on regional transportation. Let us get smart and separate the two problems. On one side is Regional Transportation that requires ongoing attention to safety, road maintenance and the positive experience of tourists. Regional traffic may grow, albeit slowly, on its own. Regional transportation may require more studies. On the other side is an Atlantic Gateway that is well understood, imminent, needs some regulatory help and a minor (targeted) financial push.

Atlantic Canadians should stop fighting amongst ourselves. We need to evaluate opportunities based upon their own terms and not confuse regional and national initiatives. Most importantly, when we find winners that can help us all, we should get behind them.



⁷ For further information on the opportunity and many of the issues, please see the Atlantica website: www.atlantica.org.