

# Follow or Get Out of the Way: Why the public sector can not and should not lead the charge for the Atlantic Gateway

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In terms of looking at the Atlantic Gateway, we have two basic avenues open to us. The first is the federal Gateway fund, which is the piece that is being primarily discussed in the newspapers, in the boardrooms, in the coffee shops and in industry and expert forums. The Gateway fund is the \$2.1 billion that the federal government has set up to support national Gateway strategies.

The other avenue is the broader question of “gateway” itself: the issue around whether global trends and trade create an opportunity for Atlantic Canada that hasn’t existed in the past. So, it is separate and distinct from the Gateway Fund, and it is very important in thinking about leadership on the Gateway file to differentiate between what we do about the federal cash and what we do about the Atlantic Gateway opportunity.

In terms of the current approach to both of these concepts, we have both the bad and the good. The bad is that we have become almost obsessively Ottawa-focused. In other words, we have slowly stopped talking to the people who sell goods or move goods through the Gateway.

We are not having as many conversations in India. We are not having as many conversations in the US Midwest. We are not having as many conversations in the US Northeast as we should be. Instead, we are spending a lot of our time figuring out how we can make a proposal that’s going to be accepted by the bureaucracy in Ottawa for a cash infusion out of the federal coffers.

There are a couple of problems with being that Ottawa-focused. The biggest one is that, out of that \$2.1 billion Gateway fund — which sounds like a very large number — most of that money is earmarked for the Great Lakes region, whether Ontario alone or Ontario and Quebec. Why is that? Simply put, there are more House of Commons seats to be courted and won along the St. Lawrence Seaway and the Great Lakes than there are in Atlantic Canada.

Another problem with the approach we are currently taking on the Gateway fund and on the larger Gateway opportunity is that, for the most part, the private sector has allowed the public sector to lead the file. We have looked to the

federal-provincial officials committee, to the Gateway minister, and to the transportation ministers at the provincial level to lead this file. Chambers of commerce and various Gateway councils have sprung up, but, for the most part, even those entities have looked to government to support their activities and have focused their efforts on finding or following the lead that governments are setting for them.

The other thing that's bad about the current conversation is that it's almost exclusively about infrastructure gaps inside Atlantic Canada. And the simple reality of the situation is that, unlike the Pacific Gateway, the infrastructure gaps affecting Atlantic Canada do not exist within its actual geographic boundaries. The most significant infrastructure gap in the Atlantic Gateway is Highway 185 in Quebec — in other words, there is a gap in the TransCanada Highway system, a highway that's not twinned, so you can't run long combination vehicles on it. There is also a gap at the Canada-US border, primarily because of the border infrastructure on the US side but also weight constraints, weight restrictions, and the physical limitations of the infrastructure in Maine. And, don't get me started about the patchwork of short line rail connections in the US northeast.

So, if we're going to spend money to fix the infrastructure gaps in the Atlantic Gateway, that money actually has to be spent outside of our boundaries. But that's not a conversation politicians looking to bring HOME the bacon want to have.

On the good side, a positive result of the way we have been approaching this Gateway opportunity is that we are encouraging ourselves to speak with one voice. There seems to be a general consensus that we require that one voice, however, there has been a general failure to achieve that single voice. Nevertheless, at least this time we have recognized that it is important to find that single, clear, unconditional voice

speaking for the region as a whole. Not a choir, not a chorus, but a soloist..

The other thing that's important, particularly from the Gateway funds side of things, is that the federal government has been crystal clear and reasonably consistent over the last number of years that it is not interested in simply making expenditures for the sake of doing so. It wants hard numbers. It wants a business case. It wants to see that the investment that it makes in infrastructure is actually going to have a return over the long term. That's a very, very good thing.

The other thing that's good is that, for the last couple of years, we have recognized collectively that our priority has to be on growing markets. So, while we have not done enough (and, as I said earlier we have lately been distracted by those fellows in Ottawa) we have spent some collective effort on marketing and sales. We've done trade missions to India. We've actually seen the Port of Halifax open offices in India and in the US Northeast and Midwest. We have also seen coordinated marketing strategy between, for example, the Port of Halifax and CN. We have seen new private projects bring in international partners as a required first step before anyone will even consider taking them seriously. So, again, we've come to the understanding that this is about growing our market as opposed to serving the existing market.

The other thing that's good about all of this is that we are seeing more and more of those private proponents: the Melford terminal proposal, the Sydney dredging and expansion proposal, the Armour Group in Halifax. So, the private companies are coming to the table with money and resources to take advantage of the opportunity, and that is a good thing.

Now, let's talk briefly about why government shouldn't lead the Gateway initiative. It can be stated in a fairly simple and straightforward case:

Ottawa doesn't own ships, buy slots, stock shelves, drive trucks, or run trains — or rather, the trains that it does run, it doesn't run very well. Ottawa is not a company. It is not a corporation. It does not sell you goods. It does not buy your goods. It does not ship your goods so it has no interest in making this work.

The simple fact is, everything that applies to Ottawa also applies to the provincial governments in Halifax, Fredericton, St. John's, and Charlottetown. They have no skin in the game and they should not and they cannot be leaders on the file because they do not understand the global realities of marketing and supply chains. They do not understand first-in-time delivery. They do not understand the commercial relationships between a freight forwarder, the shipping line, the cargo owner, and the end user.

The corollary of that – the result of that – is that government has to be treated as an ally, not as an investor. Now, there are things that government can do and most of them do not involve massive expenditures of money. For example, they could look at the harmonization of trucking and business regulations generally. It's important here to recognize that, when we talk about harmonization of trucking and business regulations, that doesn't normally result in lowering standards. In fact, in most instances, where you end up with harmonization of regulations and expectations, you harmonize to the highest common denominator.

Government could also improve the business climate by reducing taxation. Reducing taxation encourages investment and private sector innovation, and returns the money to the investor and allows for lower prices and more commercial activity.

Another thing the federal government can do is make changes to the *Canada Transportation Act* and the *Canada Marine Act*. I won't get into detail about changes in either of those acts

because the audience knows those changes far more intimately than I do. But the simple fact is that these acts place our rail operators and our port operators – particularly our port authorities – at a significant competitive disadvantage on the global stage.

We could look at encouraging free trade, particularly with the Indian subcontinent, because, from the perspective of the Atlantic Gateway, there are certain areas of the globe where we have a competitive advantage and areas where we have a competitive disadvantage. So, free trade with New Zealand, with Australia, is going to help the Pacific Gateway, while free trade with the Indian subcontinent, with southern Europe, with areas fed by the Suez Canal play to the strengths of the Atlantic Gateway, and that's where government should be putting its efforts, if they truly want to help us.

Now, while there are lots of other alternatives to cash that are actually better in terms of having longer, more sustainable impacts, there do remain some key strategic investments that government could, in fact, do. But it doesn't need to necessarily look at doing them on its own. So you get into the question of the potential of public-private partnering to leverage infrastructure investments. And, again, here we have to note that the biggest problems are south of our border.

When we get into a discussion on how we're going to accelerate spending on the Atlantic Gateway in order to prime the economy in Atlantic Canada, we have a problem, because that translates into spending money on infrastructure problems that are secondary in nature to the overall Gateway system. A railcut in Halifax, if it improves efficiencies and lowers costs at all (which is doubtful) does nothing to remove the bottleneck at the NB-Quebec border or at the Canada-US border.

So we are going to create better efficiencies in a portion of our network that is already more

efficient than others and is already bottlenecked somewhere else. Again, it comes back to the argument that government has to set the appropriate tone, the appropriate infrastructure, and then let business do business.

The other thing we have to remember here – and this is something that is sorely lacking across most policy discussions – is that a Gateway is not an island. An effective gateway does not depend solely on effective transportation links. An effective gateway is about people and about relationships. It requires not only seamless and efficient connections by land, sea and air, but also effective immigration policies, education policies, health and human services, labour standards, environmental protections and regulation.

In other words, a Gateway isn't just about moving containers from one spot to another. It isn't just about improving the performance of our ports, our road infrastructure, our rail lines. There are a myriad of Gateway-friendly efforts. Consider the work being done on immigration — the fact that we are increasing our quotas and our level of settlement support, and that's going to encourage immigrants to come into the region, and those immigrants, in turn, are going to encourage trade and investment and growth that's going to feed into the Gateway.

It's not only international immigration but also a matter of labour mobility, of the mobility of people inside the Gateway, inside the various provinces and states, to work in other provinces and states. It's a matter of recognizing qualifications from other provinces and other countries. It's a focus on training and education in areas where there are labour shortages. For example, in the trucking industry, we can't find drivers, so we're finding new and innovative ways to engage different communities and get them the education they require to drive those trucks.

We need to do more of this work of reorienting labour policy around our labour shortages, rather than continuing our failed policies of “glory projects” and stamping-up to qualify for seasonal EI.. So, instead of, for example, subsidizing a dying industry in a small rural community, we are actually figuring out that there are opportunities in the Gateway to retrain those people and put them to work in lasting, valuable, sustainable jobs. All the retraining that's gone on in the energy sector, for example, over the last five years fits very nicely into the concept of the Atlantic Gateway as an energy window and an energy transit point for the larger global marketplace.

Putting all of these issues into a single basket is no easy thing, but it can be done and it needs to be done here. A potential model we can follow on the east coast is what's called the Pacific Northwest Economic Region (PNWER), which is quite advanced compared to the Atlantic Gateway concept. This is really a physical representation of the Pacific Gateway, but it's much broader than how we traditionally envisage it.

For the most part, when we talk about the Pacific Gateway, we're talking about Vancouver and Prince Rupert and about the rail line that runs through BC into the United States. But the Pacific Gateway is actually larger than that. The PNWER actually covers two provinces and several states. They have formal legislative structures in place to support that. They have standing committees. They deal with transportation, environmental, and labour policies. They have all of the interconnections that I was just talking about, they recognized and built structures around the interplay of all of these issues in order to make their region better.

The other key thing to recognize about the PNWER, which is not happening currently on this coast, is that it is private sector led – and that is a literal expression. Their chairs are from the

private sector. Every committee is co-chaired by the private sector. So it is very much an operating partnership between the private sector and the public sector but the focus is on the private sector. Experts in the various fields get together, decide what the priorities are, and supply direct, evidence-based advice on what are the best actions to follow, whether public policy changes, public sector investment, or private sector opportunities.

This, again, goes back to their focus and their collaborative exercises. What you see on the PNWER's website is a focus on the private sector, on real demonstrable problems, and on balance and solution-oriented exercises. It's all about priorities, it's all about action, and it's all about measuring the actions going forward to demonstrate results.

Now, I have talked about private sector leadership quite considerably in this presentation. So let's just define what it means "to lead." According to the Merriam-Webster on-line dictionary, "Lead" is a transitive verb. It means to guide on a way, especially by going in advance. It means to direct on a course or in a direction. It means to serve as a channel for.

Applying this definition brings us nicely back to my main thesis: that government can not lead in this instance. Not that they should not lead, but that they can not lead. Regardless of their intentions (good or bad or simply misguided) no matter how much they would like to and no matter how much they try.

The literal definition of leadership tells us quite clearly why government can't lead on the Gateway file. Remember, leadership requires going in advance, it requires you to be out in front of everyone else. And the simple fact is that government has its limitations, one of those being, they are by definition followers.

As Winston Churchill once said, government is about the art of the possible. What he meant by that was that government can only do what the public is willing to allow it to do at the time. So if the public isn't willing to support a new exercise, if it's not comfortable with an innovation, government is not likely to carry it forward. Even in the cases where you see remarkable innovations or apparently visionary politicians, the simple fact is that the visionary politicians have simply read the public mood better than their counterparts and are taking advantage of it. Government to put it bluntly can't ever be in advance of where everyone else is.

Leadership also requires direction on a course, which gets back to the question of picking winners and losers. And everyone in this room knows quite well government's record in picking winners and losers: more losers than winners. It simply isn't something that government is very good at.

The other thing that leadership requires is to serve as a channel — in other words, actually doing the work necessary to make things happen. In the Gateway context, that means taking a container, putting it on a ship, going across the water, putting it on the dock, putting it on a train or on a truck — none of which government does.

It is the old saw about government creating jobs. Government doesn't create jobs, businesses create jobs, people create jobs, you create jobs. And just as government does not create jobs, government cannot serve as the channel through which the Gateway will be realized.

Therefore, it fails on all three counts in actually being able to meet the definition of leadership in this context.

So what do we do next, if government can't lead and if the private sector has so far been unwilling or unable to do so?



Well, there are several things that we need to do. One, we need to speak with a single voice. We need to take a serious look at how many Gateway councils are out there now and start to limit them. We need to identify the private sector leaders and encourage them to lead. And it has to be focused on leaders. It can't be proxies. It has to be players. In other words, to have chambers of commerce or trucking associations on these councils leading this direction is problematic, because, although they are professionals in terms of running not-for-profit organizations, they are not professionals in terms of running trucking companies. So, with all due respect to my hosts today, they are not the right people to be on these sector councils.

The other thing we need to do is to act. We can't keep talking about this forever. We can't keep studying the issue. We can't keep waiting for someone to act on our behalf. We simply have to act.

Things we need to avoid? Well, we need to avoid some very simple things. We need to avoid the words "fair share." If no one from this day forward ever utters the two words "fair share" in the same sentence, we will have taken a huge quantum leap forward on the Atlantic Gateway.

We also need to avoid the concept that, if you're from the government, you should be here to help. Now notice the way that I've changed that statement. Normally, you hear it as "I'm from the government, I'm here to help." But the fact is that, in every little joke, there's a little bit of truth. We, as the private sector; you, as operators in the field, as trucking companies, as rail companies, as industry associations, you have a certain expectation that the government is going to come and help you do your job. That it is going to be there and set the policy that you think is appropriate, that it is going to invest where you think it should invest. And every time you make that assumption, you have abdicated your

responsibility to lead on the file. So it's very dangerous to say to the government that you expect it to do things while trying to keep it out of the way on leadership. You have to balance the two things. You have to get into an exercise that recognizes that, if you're going to lead, lead, but leadership doesn't translate into calling on government to do things. It means doing things yourself.

Things we need to learn? Well, a couple of things we need to learn in terms of going forward from this and differentiating from what's gone on in the past is, first, that differential benefits are still benefits. This gets back to the concept of "fair share." Far too often we say that if you've spent \$100 million on roads, you need to spend \$100 million on rail. If St. John's gets a new cruise terminal, then Sydney needs one, too.

The simple fact is that there are some communities in the Gateway region that are going to benefit more than others. The Port of Halifax is likely going to be the primary initial beneficiary of any increase in Gateway traffic. That is not a bad thing, because, as we've demonstrated by our research at AIMS, benefits spread.

Halifax, as a regional centre, has spinoff positive impacts on the entire Atlantic region. In fact, it has spinoff positive benefits for the entire Gateway region, which stretches into Quebec and south into the United States. So, having Halifax grow is going to benefit us all. And the issue shouldn't be that, if Halifax is growing, I want to grow, too, and I want to grow at the same rate, because trying to make everybody grow at the same rate or with the same dollar investment slows or undermines our bigger opportunities.

We have to remember that growth begets opportunity and more growth. Again, that gets back to the issue that, if Halifax grows, then the opportunities for Truro grow. If Truro grows, Moncton grows. If there are more trucks on the

road, Moncton is going to serve as a centrepiece. If Gateway traffic grows, then southern New Brunswick has an opportunity to grow as does the community of Edmundston, because, of course, if we can open that northern gateway through the twinning of the highway in Quebec, then we actually have multiple points to service a larger trade through a series of communities.

So Edmundston grows. So Fredericton grows. So Saint John grows. So St. John's grows. The point we have to recognize is that it's not going to all happen at the same time, but it is all going to happen. The more trade and more activity we have happening in the region, the more opportunities there are for every community to take advantage of it.

The last message I am going to present is one that I've repeated throughout this talk, and that is the concept that those who help themselves get help. We can't wait for someone to do this for us. For far too long we have studied the opportunities. We have said the trends look good. But now the question is, what are we going to do to take advantage of them?



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